Proposed Staff Recommendation Consent Calendar for June 27, 2013

ENGINEERING AND OPERATIONS COMMITTEE

9-  1. Notice of Completion for Pipeline 4 Relining SR52 to Lake Murray.
   Authorize the General Manager to accept the Pipeline 4 Relining SR52 to
   Lake Murray project as complete, record the Notice of Completion, and release
   funds held in retention to L.H. Woods & Sons, Inc., following the expiration of
   the notice of completion period.

9-  2. Professional services contract with SAIC to provide Carlsbad Desalination Plant
design and construction performance and compliance monitoring services.
   Authorize the General Manager to award a professional services contract in the
   amount of $725,000 to SAIC Energy, Environment and Infrastructure, LLC to
   provide design and construction performance and compliance monitoring for the
   Carlsbad Desalination Project Water Purchase Agreement for a period of two and
   one-half years.

9-  3. Design-Build contract with TC Construction Company, Inc. for the San Marcos
Vent Desal Modifications project.
   Authorize the General Manager to award a design-build contract to TC
   Construction Company, Inc. in the amount of $1,714,000 for the San Marcos
   Vent Desal Modifications project.

9-  4. Professional services contract with Dudek to provide Carlsbad Desalination
Project environmental construction monitoring and support services.
   Award a professional services contract to Dudek to provide Carlsbad
   Desalination Project environmental construction monitoring and support services
   for a 24-month period in an amount not to exceed $365,000.

IMPORTED WATER COMMITTEE

9-  5. Agreement with Brownstein Hyatt Farber Schreck, LLP, for special counsel
services for fiscal years 2014 and 2015.
   Authorize General Counsel to execute an agreement for legal and other professional
   services with Brownstein Hyatt Farber Schreck, LLP for fiscal years 2014 and 2015.

9-  6. Authorize the General Manager to execute memoranda of agreement with California
Department of Fish and Wildlife for canal lining projects’ environmental
mitigation.
   Authorize the General Manager to execute two memoranda of agreement with the
   California Department of Fish and Wildlife to establish endowments totaling
   $1,127,709 for the All American and Coachella canal lining projects’
   environmental mitigation.
LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE

9- 7. Adopt a position of Support, if amended on SB 750 (Wolk).
Adopt a position of Support, if amended on SB 750 (Wolk).

Adopt policy principles for Water Resources Development Act legislation.

ADMINISTRATIVE AND FINANCE COMMITTEE

Note and file the monthly Treasurer’s report.

Authorize the General Manager to purchase property and liability insurance from
the Special District Risk Management Authority in the amount of $655,380 for
coverage for the period of July 1, 2013 through June 30, 2014.

Formally adopt the General Manager’s Recommended Budget for Fiscal Year
2014 and 2015, confirming preliminary committee approval after public
workshops on June 11 and June 13, 2013. Approve adoption of Resolution No.
2013-______, a Resolution of the Board of Directors of the San Diego
County Water Authority approving the General Manager’s Recommended
Budget for Fiscal Years 2014 and 2015, for operations and capital improvements
and appropriating $1.495 billion consistent with the approved budget.

9- 12. Adopt the Water Authority’s rates and charges for calendar year 2014, amend and
restate the amounts and requirements of the System Capacity Charge and Water
Treatment Capacity Charge, and continue to impose at the same rate the Standby
Availability Charge successive years.
Accept Carollo Engineers’ San Diego County Water Authority Calendar Year 2014
Rates and Charges Cost of Service Rate Study, and San Diego County Water
Authority Cost of Service Study Capacity Charge Report dated May 2013 included
as Attachment A of this report. Adopt Ordinance No. 2013-____ an ordinance of the
Board of Directors of the San Diego County Water Authority setting rates and
charges for the delivery and supply of water, use of facilities, and provision of
services. Adopt Ordinance No. 2013-____ an ordinance of the Board of Directors of
the San Diego County Water Authority amending and restating the amounts and
requirements of the System Capacity and Water Treatment Capacity Charges
imposed by the Water Authority pursuant to Section 5.9 of the County Water
Authority Act. Adopt Ordinance No. 2013-____ an ordinance of the Board of
Directors of the San Diego County Water Authority continuing the Standby
Availability Charge for successive years at the same rate. Find the actions exempt
from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the
General Manager to file a notice of exemption.
9-13. Professional services contract with A&N Technical Services, Inc. to provide support services related to the work of the Fiscal Sustainability Task Force and facilitation of the Cost of Service Study-Phase II.
Authorize the General Manager to award a professional services contract to A&N Technical Services, Inc. for an amount not-to-exceed $177,400 for consulting services, contingent upon Board approval of Fiscal Years 2014 and 2015 Recommended Budget.

WATER PLANNING COMMITTEE

9-14. Request Metropolitan Water District set formal terms and conditions for Valley Center Municipal Water District’s proposed Meadowood annexation.
Adopt Resolution No. 2013-__ requesting Metropolitan Water District set formal terms and conditions for Valley Center Municipal Water District’s proposed Meadowood annexation.

9-15. Resolution requesting from the Metropolitan Water District of Southern California a one-year extension of time for completion of the Otay Water District’s Peaceful Valley Ranch Annexation.
Adopt Resolution 2013-__ to extend the time to file all necessary documents to effectuate the annexation to on or before December 31, 2013. Request MWD extend the time for completion of Otay Water District’s Peaceful Valley Ranch Annexation in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code, and reaffirm all other terms and conditions as set forth in Water Authority Resolution 2012-01 and in MWD’s Resolution 9133.

Approve an amendment to the professional services contract with CH2M Hill to provide additional planning services for preparation of the 2013 Regional Water Facilities Optimization and Master Plan update for a not-to-exceed amount of $52,000.
June 26, 2013

Attention: Imported Water Committee

Metropolitan Water District Delegates’ Report (Information)

Background
The MWD committees and board met on June 10 and 11. The next regular MWD board and committee meetings are scheduled for July 8 and 9.

Discussion
This section summarizes discussions held and key decisions made at the June MWD committee and board meetings, as reported by the MWD delegates. The Water Authority delegation supported 12 of 16 action items approved by the MWD board. In addition, the delegates submitted two letters expressing opposition to three action items. The first letter requested that excess reserves collected by MWD be refunded to the ratepayers—in less than 15 months, MWD has collected about $314 million more than needed to pay for budgeted expenses and surpassed the board-adopted maximum reserve target by $75 million. This letter also opposed MWD suspending the statutory MWD tax limitation, which will generate additional tax revenues of $4.4 million— at the same time it has exceeded its reserve levels. Because of the excess revenues MWD has amassed, the letter also asked MWD to rescind the CY 2014 rate increase adopted in 2012 (for the Water Authority delegates’ letter to MWD, see Attachment 1). The second letter opposed the execution and distribution of the Official Statement on the basis that the Water Authority delegation continues to be concerned with the lack of sufficient risk disclosure (for the Water Authority delegates’ letter to MWD, see Attachment 2). The Water Authority’s delegates requested their letters be entered into the administrative record of the respective committee and board meetings.

Attachment 3 is a copy of MWD’s June committee and board meeting agendas.

Audit and Ethics Committee
Ethics Officer Deena Ghaly reported on the FY 2013/14 Business Plan for the Office of Ethics. The Business Plan goals included “buttressing” the program to more closely match the intent of Senate Bill 60 (which required MWD to establish and operate an Office of Ethics among other things). In order to accomplish this work, Ghaly indicated the need to expand her budget to support an independent legal counsel and one additional full-time employee. A full-time legal counsel on loan from the General Counsel’s Department supplements Ghaly’s current staff of three. Director Dick (Municipal Water District of Orange County) expressed concern over the growth of the Office of Ethics, particularly since the office had been previously run by one part-time Ethics Officer (without acknowledging that two employees reported to the previous Ethics Officer) and today that position has been expanded to a full-time position and yet Ghaly is asking for an additional two full-time positions. Ghaly said that the two additional positions would allow the office to realize its legal mandate and meet best practices. Discussion occurred over whether the action to receive and file the FY 2013/14 Business Plan for the Office of Ethics constitutes approval of an expanded budget to accommodate new staff. Committee Chair Edwards (Foothill Municipal Water District) said that this action only approves the Office of Ethics Business Plan.
Director Peterson (Las Virgenes Municipal Water District) expressed concern over the request to modify the approved budget as being untimely; Edwards responded that “budgets are living documents,” and reminded the committee that the board frequently makes adjustments on its budget. Assistant General Counsel Benion added that any amendments to the budget require board approval. The committee received and filed the Business Plan.

In addition, the committee received and filed the FY 2013/14 Business Plan for the Office of the General Auditor.

**Communications and Legislation Committee**
The committee and board approved staff’s recommendation to support and seek amendments to AB 803 (Gomez, D-Los Angeles) – Water Recycling Act of 2013. This bill is sponsored by the WateReuse Association and would make it easier to allow the use of existing raw water pipelines to transport advanced treated purified water. Peterson expressed concern that this item would set precedence to consider a lake as part of a conveyance system, allowing in a roundabout way for indirect potable reuse. Staff responded that while the bill does not define a conveyance system, staff’s understanding of the bill’s intent is that a conveyance facility is a raw water pipeline. Director Edwards (Foothill) asked if this bill would give sanitation districts opportunity to “dump” water into the State Water Project (SWP). General Manager Kightlinger said that the intent of the amendment is to provide public agencies, who own the water conveyance and treatment facilities, the right to consent to the introduction of purified water into its system.

The committee also received reports on state and federal legislative activities.

**Engineering and Operations Committee**
The committee and board approved three action items, including authorizing construction for replacement of flow meters at the Colorado River Aqueduct pumping plants, which would ensure the synchronization of pumping rates and avoid potential flooding at pumping plants or overtopping the Colorado River Aqueduct. Staff also reviewed the Fiscal Year (FY) 2012/13 Capital Investment Plan Quarterly Report for the period ending March 2013. Staff said that the expenditures through March totaled $94 million compared to a budget of $173 million; staff attributed the variance to costs savings in a favorable bid on the Weymouth Oxidation Retrofit Project. For the entire fiscal year, the projected expenditures are $152 million, compared to a budget of $257 million.

The committee also received reports on the Prestressed Concrete Cylinder Pipeline Rehabilitation Program, Water System Operations and Engineering Services. The committee heard status reports on the Hyatt Power Plant, Thermolito Power Plant, and Dos Amigos Pumping Plant. Chief Operating Officer Man noted that in response to committee request, staff will continue to give regular updates on the SWP delivery systems.

**Finance and Insurance Committee**
The board approved seven committee items, including MWD’s Statement of Investment Policy and delegation of authority to the Treasurer to make investments on behalf of MWD. Prior to the approval of the aforementioned item, in Committee, Director Barbre (Municipal Water District of Orange County) requested that the Statement of Investment Policy include, under the Prohibited Investments section, a statement that “reverse repurchases may be entered into for temporary liquidity needs, and not for purpose of leverage.” Barbre indicated that Orange County is sensitive to
the use of reverse repurchase agreements for leverage. The committee and board accepted this amendment.

Chief Financial Officer Breaux reported that water sales are above the budgeted amount of 1.7 million acre-feet (MAF), creeping close to MWD’s 5-year average of 1.89 MAF, and resulting in revenues tracking above budget at about $89.3 million. Expenditures are expected to be under budget by almost $148.2 million as a result of mainly lower variable power costs on the SWP.

Breaux reviewed the projected financial results for the current fiscal year and said the goals of the biennial budget, ultimately, were to create a sound financial foundation for MWD so that going forward MWD could have “more predictable and stable rate increases that are reasonable.” Breaux said that revenues are tracking about 10% over budget, and conversely, expenditures are tracking about 9% under budget, which contributes to reserves landing above the maximum target. In response to Director Babcock’s (Fullerton) question on whether MWD is “falsely” inflating its expenditures since historically the SWP actuals tend to be lower than budget, staff reiterated that the SWP contract costs are volatile due to unknowns, such as energy, unanticipated rehabilitation and repair costs, and one-time adjustments. Director De Jesus (Three Valleys) asked if it was feasible to establish a reserve for variable power costs. Breaux responded that the current reserves are fairly large; he said that plans were under way to look at MWD’s overall reserve policies.

Mid-cycle Biennial Budget Review and Recommendations for Use of Reserves over Target.
Following staff’s recommendation to spend down reserves over the maximum target, estimated at $75 million, by transferring the funds to Pay-As-You-Go (PAYGo) Fund, Other Post-Employment Benefits (OPEB) Trust, and Water Transfer Fund, De Jesus asked if there was a consensus to peel $28 million from the $75 million, then an option would be to allocate $28 million into the Rate Stabilization Fund (RSF) and use it during the next budget cycle to keep rates down to 3%. Breaux responded that the unrestricted reserves already include a fully funded RSF — meaning to follow De Jesus’s request, MWD would have $28 million in excess of its board allowed maximum reserve level going into FY 2014. Director Wunderlich (Beverly Hills) expressed support to increase funding OPEB up to the Annual Required Contribution to slow its growth. Kightlinger responded that the changed circumstances are one-time incidents, such as dry conditions resulting in increased water sales; as such, staff’s recommendation is to address these issues during the next biennial-budget adoption process. Peterson commented since MWD has underfunded PAYGo, by not placing additional funds in PAYGo, future ratepayers will be paying for today’s costs. Edwards said that MWD would not be in this position if it had not sold over 200,000 acre-feet (AF) of stored water. He added that the revenues accrued from those sales should be used to replenish MWD’s storage supply. Edwards further suggested that a workshop be held to better understand this complex issue and that the item be tabled following the workshop.

Director Lewinger noted that while MWD is $75 million over the maximum target, it actually collected more than $300 million more than budget; he questioned what MWD planned to do with the excess collection since there is no policy stating that the funds must remain at the maximum target. Lewinger also clarified with Breaux that if FY 2014 continues to experience higher water sales (as staff reported as the current trend for the first half of the upcoming fiscal year), FY 2014 could also exceed the maximum reserves target. In light of these facts, Lewinger questioned why the committee would not use the $75 million (as staff proposed) and apply another $28 million to lower the adopted CY 2014 rate increase of 5% to 3% -- and still be ahead by $200 million over the original projections. Kightlinger interjected that “any time you take money off the rates, you are going to raise them in the out years.” Assistant General Counsel Benion added that MWD must hold a public hearing to
imported water committee
june 26, 2013
page 4 of 6

increase or decrease its rates. Wunderlich asked if a refund to the member agencies did occur, how it would be allocated. Benion said that the allocation is based on MWD Act, Section 135, which is based on the volumetric sales from the prior fiscal year.

Director Mudd said that there is no reason stopping MWD from reopening its two-year budget to deal with “reality.” He surmised that if the situation reversed and MWD were to have a one-time loss of $135 million, it would most likely seek to modify its budget and change the adopted rates for the coming year. Mudd also agreed with Edwards that this discussion is best served through a workshop and added support for today’s ratepayers to see some relief from the over-collection of reserves.

The committee supported De Jesus’ motion to accept staff’s recommendation and added that a workshop on the use of reserves to be held in fiscal year 2014. Following the action, Lewinger made a motion to also adopt Option 2 (reduce the rate increase for 2014 by returning $28 million to the member agencies), which was seconded by Babcock, but failed due to lack of committee support.

During the board meeting, the board voted on a series of motions – a motion by Edwards to table the item failed (supported 28.36%, opposed 68.91%, and no abstentions); a substitute motion by Lewinger and seconded by Director Lowenthal (Long Beach) to: 1) refund the $75 million in excess reserves over the maximum target, 2) rescind the rate increase, and 3) establish a Fiscal Sustainability Task Force to develop a sound long-term finance plan to guide MWD over the next ten years also failed (supported 28.44%, opposed 68.82%, and no abstentions); and after staff’s recommendation passed by the board (supported 71.43%, opposed 25.84%, and no abstentions), Lewinger made another attempt to adopt Option 2 which effectively would reduce the proposed rate increase in 2014 from 5 percent to 3 percent. That motion was seconded by Babcock, but also failed (supported 25.74%, opposed 71.53%, and no abstentions).

suspend the tax rate limitations in section 124.5 of the MWD Act in order to maintain the ad valorem tax rate for FY 2013/14 the same as FY 2012/13. On an item to suspend tax rate restrictions and maintain the ad valorem tax rate for FY 2014, Breaux indicated that the SWP obligations continue to increase and the ad valorem taxes help ensure balance between fixed costs and fixed revenues. Lewinger said that it is important that MWD shores up its fixed revenues and mentioned that when tax limitation was added to the MWD Act, the legislature also put in place other mechanisms to allow MWD means to increase fixed revenues other than ad valorem taxes. He then questioned if this action is indeed essential to maintain MWD’s fiscal integrity. Lewinger suggested this item be included in the workshop discussed earlier; he made a substitute motion to table the ad valorem tax item, which failed due to a lack of a second (this motion was made at the committee, where Lewinger was the only water authority MWD delegate on the committee). The committee and board ultimately approved this item.

During the public hearing at the board meeting, over 20 speakers provided comments on the ad valorem tax rate item, with some speakers coupling their comments with recommendations on MWD’s use of reserves – the majority of the speakers objected to staff’s recommendations. City of San Diego Mayor Bob Filner (via letter), San Diego Regional Chamber of Commerce (via letter), and the San Diego Regional Economic Development Corporation opposed maintaining the ad valorem tax rate in order to collect additional revenues from taxpayers and rejected staff’s recommendation for the use of reserves. All requested MWD to adjust the 2014 rates and charges from 5% to 3% (See Attachments 4, 5, and 6 for a copy of the letters). City of Oceanside’s Deputy Mayor Jerome Kern (and Water Authority Director), Vice Chairman of the city of Oceanside’s Utilities’ Commission James Knott, city of Poway Councilmember Jim Cunningham, and General
Manager of Santa Fe Irrigation District Michael Bardin also addressed MWD’s board, opposed maintaining the ad valorem tax rate, and requested that excess reserves be returned. Water Authority Board Secretary Michael Hogan urged the board to refund the $75 million in over-collected funds, reduce the 2014 rate increase to no more than 3%, reject the suspension of the property tax limitation and establish a Fiscal Sustainability Task Force. The Southeast Water Coalition, consisting of the cities of Commerce, Cerritos, Downey, Lakewood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate, Vernon, and Whittier, did not support maintaining the ad valorem tax rate, and requested that MWD rescind the rate increase scheduled to take effect in 2014 and return to an annual budget, rather than biennial budget. The city of Long Beach Mayor Foster and Burbank Water and Power also submitted letters opposing staff’s recommendations (See Attachments 7, 8, and 9 for a copy of the letters). Concerned residents, Los Angeles City Neighborhood council representatives, environmental organizations representatives, and others, expressed their objection to MWD’s proposed action; some also objected to funding the Bay Delta Conservation Plan – and expressed concern that the tax rate limitation suspension is a covert effort to fund the massive tunnels and stifle ratepayer’s voice; while others requested that more public input, transparency, and time to analyze issues be provided before the board takes action on the use of reserves and maintaining the ad valorem tax. MWD member agencies – Calleguas, Eastern, and Upper San Gabriel – the Southern California Water Committee, Los Angeles Chamber of Commerce, Los Angeles County Business Federation, and Orange County Business Council supported MWD staff’s recommendations on the use of reserves and maintaining the ad valorem tax.

During the board meeting, Lewinger questioned how could the $4.4 million, which would be generated by the ad valorem tax, be essential to MWD’s fiscal integrity when it has a $1.7 billion budget. Nevertheless, the board voted to support staff’s recommendation (supported 71.43%, opposed 25.84%, and no abstentions).

**Legal and Claims Committee**

The committee and board approved two items, including an item related to the Delta Stewardship Council’s (DSC) certification of the Programmatic Environmental Impact Report (PEIR) for the Delta Plan and its adoption and associated regulations. DSC adopted its final Delta Plan, certified the final PEIR, and adopted regulations to implement policies in the Delta Plan. Similar to the State Water Contractors, MWD plans to challenge the adequacy of California Environmental Quality Act (CEQA) compliance of the Delta Plan. In an unrelated item, General Counsel Scully said that as a result of a recent court ruling, references to CEQA determination are now required on all board action items. Scully also reviewed the Legal Departments business plan for FY 2013/14.

Also in closed session, the committee received reports on the Consolidated Delta Smelt and Salmonid cases and QSA cases. An update on the San Diego County Water Authority lawsuits with MWD was deferred to the July meeting.

**Water Planning and Stewardship**

The committee and board approved two items – authorized continued participation with the State Water Contractors and the State Water Project Contractors Authority. The second item authorized entering into a two-year agreement with DWR to purchase SWP supplies under a Multi-Year Water Pool Demonstration Program. The committee also received reports on Bay-Delta and Colorado River matters and the annual Colorado River water order process. Colorado River Program Manager Bill Hasencamp said MWD met with Imperial Irrigation District staff and determined there was enough evidence to support that IID conserved an extra 17,000 AF of water last year; MWD will adjust its invoices, including its invoice to the Water Authority.
Attachment 1: Opposition Letter to Board Item 8-1 and 8-2, June 5, 2103
Attachment 2: Official Statement Letter, June 7, 2013
Attachment 3: MWD Committee and Board meetings, June 2013
Attachment 4: Letter from the city of San Diego Mayor Bob Filner, June 10, 2013
Attachment 5: Letter from San Diego Regional Chamber of Commerce, June 10, 2013
Attachment 6: Letter from San Diego Regional Economic Development Corporation, June 10, 2013
Attachment 7: Letter from Southeast Water Coalition, June 10, 2103
Attachment 8: Letter from the city of Long Beach Mayor Bob Foster, June 10, 2013
Attachment 9: Letter from Burbank Water and Power, June 10, 2013
June 5, 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

June 5, 2013

RE: Board Memo 8-1 – Mid-cycle Biennial Budget Review and Recommendation for Use of Reserves over Target Water Rate Increases – OPPOSE AND REQUEST FOR REFUND TO RATEPAYERS OF EXCESS RESERVES

Board Memo 8-2 – Suspend the tax rate limitations in Section 124.5 of the Metropolitan Water District Act to maintain the ad valorem tax rate for fiscal year 2013/14 – OPPOSE

Dear Chairman Foley and Board Members:

In April 2012, this Board voted to raise water rates by 5% for 2013 and 2014 based on the staff’s report that limiting water rate increases to no more than 3% would leave MWD unable to pay for critical infrastructure needs on the Colorado River Aqueduct. At that time, MWD staff also represented that the rate increases were based on maintaining reserve levels from 2012 through 2017 at, or close to the board-adopted minimum target.

As in past years, MWD’s estimations of water sales and actual expenditures have proven to be materially different than assumed for budget and rate-setting purposes. Far from being unable to pay for critical infrastructure, MWD ended fiscal year 2012 – less than three months after adopting rates – with an extra $97 million to add to its reserves. According to this month’s board report, MWD will, before it ends fiscal year 2013 at the end of this month, add another $217 million to its unrestricted reserves, causing the reserves to exceed the maximum limit by $75 million. In less than 15 months, MWD has collected $314 million more than needed to pay 100% of its budgeted expenditures.

Many of the cities we serve are struggling with their own budgets to make ends meet and pay for critical infrastructure. Many of the ratepayers we serve are also struggling to make ends meet during a period of lower incomes and escalating costs. We owe it to our cities and ratepayers to be better stewards of the precious dollars water ratepayers entrust to us when they pay their water bills. We once again call on this Board to establish a Fiscal Sustainability Task Force to develop a long-range finance plan and accounting, budget, and rate-setting protocols to ensure that every dollar MWD collects is used for its intended purpose, and, that MWD does not collect more money than it really needs.
In the meantime, we call on the board to **REFUND the $75 million in excess reserves**, rather than shift this money to unplanned, unbudgeted expenditures. Attachment 1 to this letter shows approximately\(^1\) how much MWD could refund to each of its member agencies. We also once again call on the Board to act now to **REDUCE the planned water rate increase for 2014 from 5% to 3%**. Reliance on budget estimates proven to be materially incorrect is unwarranted in the face of the actual facts.

For the same reason, we **OPPOSE Board Memo 8-2 proposing to suspend the tax rate limitations** in Section 124.5 of the MWD Act. We have reviewed the legislative history of SB 1445. We disagree that it was “meant to increase Metropolitan’s financial flexibility.” The clear purpose of the legislation was to limit the imposition of future taxes by MWD, with the ultimate goal that the tax be eliminated. The Legislature instead provided different tools to allow MWD to cover its fixed costs including standby or readiness-to-serve charges and benefit assessments, as clearly acknowledged in the Board Memo. The fact that MWD has failed to better utilize these and other tools as part of a long-range plan to cover its fixed costs does not translate to a need for higher taxes.

MWD cannot credibly claim that additional tax revenues of $4.4 million are “essential to the fiscal integrity of the District” at the very same time it has amassed $549 million in unrestricted cash reserves, exceeding the projected reserve levels forecasted in the adopted biennial budget ($220.8 million)\(^2\) by $328.2 million, and surpassing the board-adopted maximum reserve target by $75 million. This issue should also be addressed as part of a long-range finance planning process in which all long term costs and sources of revenue may be considered, rather than the ad hoc decision-making that is being presented to this board.

Finally, there is no factual support for the statements in Board Memo 8-2 that the imposition of a tax increase is necessary to “preserve equity across member agencies” or that MWD’s current rates and charges have been assessed in a manner designed to reflect equity or the actual costs of the services MWD provides. While we support the fiscal objectives as described – balance between fixed costs and fixed revenues and equity across member agencies – we do not agree that the way to achieve this is to suspend the tax limitation for one year. Instead, MWD should conduct a cost-of-service study as part of a long-range financial planning process in order to ensure accomplishment of these important objectives.

Sincerely,

Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

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Attachment 1: Estimated refund of MWD over-collection  
Attachment 2: Comparison of MWD reserves forecast

cc: Jeffrey Kightlinger  
San Diego County Water Authority Board of Directors

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\(^1\) Based on 11 months (July 2012 through May 2013) of member agencies’ payment of rates and charges (data source: MWD WINS).

\(^2\) Attachment 2 to this letter shows MWD’s projected reserves when the budget was adopted in April 2012 compared to reserves projected in April 2013 (data source: MWD PowerPoint dated 4/8/2013)
## Estimated Refund of MWD Over-Collection

### Fiscal Year 2013*

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<td><strong>100.00%</strong></td>
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Note: Totals may not foot due to rounding

*Based on 11 months (July 2012 through May 2013) of member agencies’ payment of rates and charges (data source: MWD WINS, June 5, 2013)
FY2013 & FY2014 Budget

- Reserves
- Maximum Reserve
- Minimum Reserve

Million Dollars

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* Includes Water Stewardship Fund
FY2013 and beyond are based on modified accrual

April 2013

Updated Forecast

- Reserves
- Maximum Reserve
- Minimum Reserve

Million Dollars

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* Includes Water Stewardship Fund
FY2013 and beyond are based on modified accrual

April 2013
June 7, 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 8-5: 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 E (Flexible Index Mode) – OPPOSE

Dear Chair Foley and Members of the Board:

We have reviewed June 11, 2013 Board Memo 8-5, including the redline copy of Appendix A, and determined 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 May 22, 2013 response to our last letter to you on this subject dated May 13, 2013.

Before we address the specific comments we have on the current draft Appendix A, we will address some of the comments and information provided by Mr. Breaux.

Investment Policy. Mr. Breaux states that, “[n]othing in the swap portfolio affects the investment policy,” and that, “the Statement of Investment Policy does not apply to interest rate swaps, which are governed by the Master Swap Policy.” Thank you for this technical clarification. However, to get the issue back in context, our initial question was prompted by MWD’s disclosure in a PowerPoint presentation, that MWD ratepayers would be funding as much as $20 million in termination penalties associated with the proposed financing plan for which the bonds were being sold. In our February 11, 2013 letter we asked,

We request a detailed report to the board on the swap policy and on the MWD Board’s broader investment policy for the protection of water ratepayer funds. We believe that it is important for the Finance and Insurance Committee and Board of Directors to receive a more robust and detailed report of these activities, as well as to look at the Board’s investment policies and consider whether they should be updated or changed to be more conservative.

Whether it’s the board’s investment policy or swap policy, the central question is one of risk – specifically, how much risk the board is willing to take with ratepayer dollars.
While the information provided to the board noted the potential rewards of interest rate swaps, we found it virtually devoid of any explanation of the risks associated with interest rate swaps. Failure to fully explain the risks associated with such a complex, structured financial product leaves MWD open to criticism when the actual facts evolve in such a way, as they have in this case, that MWD could have saved more by staying in variable debt. This is one of the reasons that many agencies and cities are unwilling to authorize interest rate swap agreements.

We look forward to your July presentation and hope that it will focus on the subject of risk, including whether the swap policy is consistent with the objectives of the board’s overall investment and financial policy.

**Interest-bearing account.** Mr. Breaux states that, “the amounts that are in dispute are being set aside in a separate account…” Please provide the account information.

We respectfully disagree with the rest of the responses and conclusions stated in Mr. Breaux’s letter.

**Comments on Draft Appendix A**

*Frequency of editorial changes to the Official Statement.* In general, we are concerned with the frequency of editorial changes being made to the Official Statement that do not reflect updates to describe material events that have occurred since the last distribution of the Official Statement.

*A-30: Level of water sales estimated by MWD.* The redline deletes the following sentence:

The level of water sales estimated in Metropolitan’s adopted biennial budget and revenue requirements for fiscal years 2012-13 and 2013-14 reflect local supplies from the Los Angeles Aqueduct system and other systems at higher than normal levels based on hydrologic conditions that occurred in 2010 and 2011.

Why is this statement being deleted, given that there cannot possibly have been a change in the level of water sales estimated in the biennial budget?

*A-32 Conjunctive Use.* As in the case of past edits to the Official Statement relating to the Replenishment Service Program, the edits to the first full paragraph change the prior statement describing objectives to statements of fact about the purported benefits of discounted water sales. We have stated many prior objections and provided extensive comments on the inaccurate and unsupported characterizations of purported benefits from MWD’s sale of discounted water.

*A-32 Seawater Desalination.* We have commented previously that MWD’s description of
Regional Water Resources and Local Water Supplies is generally misleading, because it is written in a manner that suggests MWD is, or must somehow be involved in local projects, through the payment of subsidies or otherwise. As requested in past correspondence, we believe that the Official Statement should be corrected to include discussion about the local water supply development plans that all of the member agencies have, not just the City of Los Angeles. See, for example, our letter dated November 5, 2012 at page 3, *Discrepancy for standard of reporting local water supply development*.

Given that the MWD Seawater Desalination Program incentive agreement referenced in the statement was not signed, we suggest that the last paragraph on page A-32 be edited to read as follows:

In November 2012, SDCWA approved a water purchase agreement with Poseidon Resources LLC (Poseidon) for a seawater desalination project in Carlsbad (the “Carlsbad Project”) for a minimum of 48,000 acre-feet and a maximum of 56,000 acre-feet per year. The Carlsbad Project is under construction and is anticipated to be completed in 2016.

The rest of the paragraph is not relevant; what the investor needs to know is that MWD sales will be reduced by the Carlsbad Project.

**A-45: MWD Revenues – ad valorem property taxes.** We recommend you delete the last sentence because it does not accurately reflect the legislative history of the statutory limitation on MWD’s authority to levy ad valorem property taxes.

**A-58: Investment of moneys in funds and accounts.** What changes have occurred since the last Official Statement in May requiring MWD to add the disclosure that, “the market value of Metropolitan’s investment portfolio is subject to market fluctuation and volatility and general economic conditions”?

**A-79: Financial projections that take into account actual results of operations and assumed water sales.** The following text, which describes the basis of the projected revenues and expenditures is deleted:

The projected financial information relating to fiscal year 2012-13 in the following table is based on a financial projection as of December 31, 2012 which takes into consideration actual results of operations through December 31, 2012, projections for the period of January through June 2013 and assumes sales of 1.74 million acre-feet. Based on actual results of operations through March 31, 2013 and projections for the period of April through June 2013, Metropolitan now projects for fiscal year 2012-13 that water sales will increase to 1.81 million acre-feet, Parity Bonds Debt Service Coverage will be 2.24, Debt Service Coverage on all Obligations will be 2.23, and Fixed Charge Coverage will be 1.70.
Footnote (a) now states:

Projected revenues and expenditures are based on assumptions and estimates used in the adopted 2012-13 and 2013-14 biennial budget and reflect the projected issuance of additional bonds. Projected revenues and expenditures for fiscal year 2012-13 include actual financial results for July 2012-March 2013 with revised projections for the balance of the fiscal year.

What necessitated this change in the description of the basis of MWD’s statement of historical and projected revenues and expenditures? Or, please confirm if no change in the process has been made or is intended to be described.

A-82: Cost of service. MWD should disclose that it does not believe that statutory and constitutional requirements limiting how much a utility may charge for its services apply to MWD. This could be done by adding the following sentence at the end of the second full paragraph:

Metropolitan contends that this is the sole legal requirement affecting the setting of its rates and charges and that cost-of-service industry standards and legal limitations, including but not limited to Proposition 26, do not apply to Metropolitan. See “METROPOLITAN REVENUES—Litigation Challenging Rate Structure” in this Appendix A.

We incorporate by reference all of our prior comments which have not been corrected in this or past versions of the Official Statement.¹

Sincerely,

Keith Lewinger  Vincent Mudd  Fern Steiner
Director         Director         Director

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

REVISED AGENDA

Finance and Insurance Committee

Meeting with Board of Directors*

June 10, 2013

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

Telephone Participation:

2249 Poipu Road
Koloa-Kauai, Hawaii 96756

<table>
<thead>
<tr>
<th>MWD Headquarters Building</th>
<th>•</th>
<th>700 N. Alameda Street</th>
<th>•</th>
<th>Los Angeles, CA 90012</th>
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* The Metropolitan Water District’s Finance and Insurance Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Finance and Insurance Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Finance and Insurance Committee will not vote on matters before the Finance and Insurance Committee.

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

2. **Approval of the Minutes of the meeting of the Finance and Insurance Committee held May 13, 2013**

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

REVISED: Date of Notice: June 3, 2013
4. **CONSENT CALENDAR ITEMS — ACTION**

- **7-2** Approve up to $1.161 million to purchase insurance coverage for Metropolitan’s Property and Casualty Insurance Program. (F&I)

- **7-3** Grant conditional approval for Annexation No. 97 to Calleguas Municipal Water District and to Metropolitan Water District; and adopt resolution for imposition of water standby charges. (F&I)

- **7-4** Adopt final resolutions for annexation and impose water standby charge for the 103rd Fringe Area to Eastern Municipal Water District and Metropolitan Water District. (F&I)

5. **OTHER BOARD ITEMS — ACTION**

- **8-1** Mid-cycle Biennial Budget Review and Recommendations for Use of Reserves over Target. (F&I)

- **8-2** Suspend the tax rate limitations in Section 124.5 of the Metropolitan Water District Act in order to maintain the ad valorem tax rate for fiscal year 2013/14. (F&I)

- **8-4** Annual approval of Metropolitan’s Statement of Investment Policy and delegation of authority to the Treasurer to make investments on behalf of Metropolitan. (F&I)

- **8-5** 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 E (Flexible Index Mode). (F&I)

6. **BOARD INFORMATION ITEMS**

   None

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.
**Meeting Schedule**

<table>
<thead>
<tr>
<th>Time</th>
<th>Location</th>
<th>Action</th>
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</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>
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<tr>
<td>12:00 p.m.</td>
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<tr>
<td>1:30 p.m.</td>
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**Meeting with Board of Directors**

**Monday, June 10, 2013**

**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 May 13, 2013**

**3. CONSENT CALENDAR ITEMS — ACTION**

None

**4. OTHER BOARD ITEMS — ACTION**

8-6 Authorize payments of up to $3.50 million for participation in the State Water Contractors, Inc. and the State Water Project Contractors Authority for fiscal year 2013/14. (WP&S)
8-7 Authorize entering into a two-year agreement with the California Department of Water Resources to pay up to $15.18 million to purchase State Water Project supplies under the Multi-Year Water Pool Demonstration Program. (WP&S)

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Report on annual Colorado River Water Order process

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 30, 2013
## Engineering and Operations Committee

Meeting with Board of Directors*

**June 10, 2013**

12:00 p.m. -- Room 2-145

### Meeting Schedule

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<td>WP&amp;S</td>
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<td>1:30 p.m.</td>
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<td>A&amp;E</td>
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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 May 13, 2013**

3. **CONSENT CALENDAR ITEMS — ACTION**

   **7-5** Appropriate $1.63 million; and authorize construction for replacement of flow meters at the Colorado River Aqueduct pumping plants (Approp. 15438). (E&O)

   **7-6** Appropriate $800,000; and authorize construction of upgrades to the sodium hypochlorite feed system at Garvey Reservoir (Approp. 15377). (E&O)

   **7-7** Appropriate $270,000; and authorize final design to relocate the Intake Pumping Plant 2.4 kV power line (Approp. 15438). (E&O)

Date of Notice: May 30, 2013
4. OTHER BOARD ITEMS — ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Oral report on PCCP Rehab Program

b. CIP Quarterly Report for the period ending March 2013

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 30, 2013
Audit and Ethics Committee

Meeting with Board of Directors*

June 10, 2013

1:30 p.m. -- Room 2-456

---

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

2. Approval of the Minutes of the meeting of the Audit and Ethics Committee held May 28, 2013

3. COMMITTEE ITEMS
   a. General Auditor’s summary of activities for the Audit Department
   b. General Auditor’s Business Plan
   c. Ethics Officer's summary of activities for the Ethics Department
   d. Ethics Officer’s Business Plan

4. ADJOURNMENT

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---

Date of Notice: May 30, 2013
NOTE:

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REVISED AGENDA
Legal and Claims Committee
Meeting with Board of Directors*
June 11, 2013
8:30 a.m. -- Room 2-145

Tuesday, June 11, 2013
Meeting Schedule

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<td>Rm. 2-456</td>
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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 Legal and Claims Committee held May 14, 2013**

3. **CONSENT CALENDAR ITEMS — ACTION**

   None

4. **OTHER BOARD ITEMS — ACTION**

   Revised 8-8 Discussion of potential claims and legal actions regarding the Delta Stewardship Council’s certification of the Program Environmental Impact Report for the Delta Plan, and its adoption of the Delta Plan and associated regulations. (L&C)

   [Conference with legal counsel—initiation of litigation (two potential cases); to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(4)]

REVISED: Date of Notice: June 4, 2013
Report on John Del Toro v. Metropolitan Water District of Southern California, Los Angeles Superior Court Case No. BC482264; and authorize an increase in the maximum amount payable under contract with Atkinson, Andelson, Loya, Ruud & Romo for legal services by $25,000 to an amount not to exceed $125,000. (L&C)

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

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. General Counsel’s report of monthly activities
b. General Counsel’s Business Plan
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)]

Added
d. Report on existing litigation, In re QSA Cases, Sacramento County Superior Court JCCP Proceeding No. 4353.
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov Code Section 54956.9(d)(1)]
e. 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

REVISED: Date of Notice: June 4, 2013
9. 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.
Communications and Legislation Committee

Meeting with Board of Directors*

June 11, 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 May 14, 2013

3. CONSENT CALENDAR ITEMS — ACTION

None

4. OTHER BOARD ITEMS — ACTION

8-3 Support and seek amendments to AB 803 (Gomez, D-Los Angeles) – Water Recycling Act of 2013. (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

7. MANAGEMENT REPORT

a. External Affairs Management report

8. FUTURE AGENDA ITEMS

9. 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.

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REVISED AGENDA

Regular Board Meeting

June 11, 2013

11:30 a.m. -- Board Room

Telephone Participation:

2249 Poipu Road
Koloa-Kauai, Hawaii 96756

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

1. Call to Order
   (a) Invocation: Warren Teitz, Senior Resource Specialist, Water Resource Management
   (b) Pledge of Allegiance: Director Bill Wright

2. Roll Call

3. Determination of a Quorum

PUBLIC HEARINGS

Comments on the standby charge levy supporting the 103rd Fringe Area Annexation to Eastern Municipal Water District

Public hearing to consider suspending the tax rate limitations in Section 124.5 of the Metropolitan Water District Act to maintain the ad valorem tax rate

REVISED: Date of Notice: June 4, 2013
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))

5. **OTHER MATTERS**

   A. Approval of the Minutes of the Meeting for May 14, 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 May

   C. Approve committee assignments

   D. Chairman's Monthly Activity Report

6. **DEPARTMENT HEADS' REPORTS**

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

   B. General Counsel's summary of Legal Department activities for the month of May

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

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

7. **CONSENT CALENDAR ITEMS — ACTION**

   **7-1** Affirm the General Manager's determination that one parcel acquired for the construction of the Inland Feeder, a portion of Metropolitan Water District of Southern California's Parcel No. INFED1-24-150 (APN 0299-111-02) is surplus to Metropolitan's needs. (RP&AM)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and is categorically exempt and

a. Affirm the General Manager’s determination that the subject property comprised of 8.426 acres in the unincorporated community of Mentone, San Bernardino County, California is surplus and carry out disposition of the property in its current condition; and

b. Market the combined 18.426-acre parcel for sale on the open market for not less than its appraised value.

7-2 Approve up to $1.161 million to purchase insurance coverage for Metropolitan’s Property and Casualty Insurance Program. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and approve up to $1.161 million to renew or replace the Aircraft Liability, Crime, Property Damage, Excess General Liability Policies, and Excess Workers’ Compensation Policy maintaining the existing $5 million self-insured retention, coverage limits of $50 million; and obtain coverage for the employees in Washington, D.C.

7-3 Grant conditional approval for Annexation No. 97 to Calleguas Municipal Water District and to Metropolitan Water District; and adopt resolution for imposition of water standby charges. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and

a. Grant conditional approval for Annexation No. 97 concurrently to Calleguas and Metropolitan, conditioned upon receipt in full of annexation fee of $8,149.28 to Metropolitan if completed by December 31, 2013, or if completed later, the then-current annexation charge applies.

b. Approve Calleguas Statement of Compliance with the current Water Use Efficiency Guidelines.

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.
7-4  Adopt final resolutions for annexation and impose water standby charge for the 103rd Fringe Area to Eastern Municipal Water District and Metropolitan Water District. (F&I)

Recommendation:

Option #1:

Review and consider the Negative Declaration prepared by Eastern Municipal Water District as Lead Agency, adopt the Lead Agency’s findings, and

a. Adopt resolution granting Eastern’s request for approval of the 103rd Fringe Area concurrently to Eastern and Metropolitan and establish Metropolitan’s terms and conditions for the annexation, conditioned upon approval by Riverside Local Agency Formation Commission, and upon receipt of annexation fee of $56,611.93; and

b. Adopt resolution to impose water standby charge at a rate of $6.94 per acre, or per parcel of less than one acre, within the proposed annexation area.

7-5  Appropriately $1.63 million; and authorize construction for replacement of flow meters at the Colorado River Aqueduct pumping plants (Approp. 15438). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt and

a. Appropriately $1.63 million; and

b. Authorize construction to replace flow meters at the five Colorado River Aqueduct pumping plants.

7-6  Appropriately $800,000; and authorize construction of upgrades to the sodium hypochlorite feed system at Garvey Reservoir (Approp. 15377). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt and

a. Appropriately $800,000; and

b. Authorize construction to upgrade the sodium hypochlorite feed system at Garvey Reservoir.
7-7 Appropriate $270,000; and authorize final design to relocate the Intake Pumping Plant 2.4 kV power line (Approp. 15438). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt and
a. Appropriate $270,000; and
b. Authorize final design to relocate the Intake Pumping Plant 2.4 kV power line.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

8-1 Mid-cycle Biennial Budget Review and Recommendations for Use of Reserves over Target. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and authorize the use of reserves over the reserve target established in Administrative Code Section 5202, estimated at $75 million, and transfer monies to the Replacement and Refurbishment (PAYGO) Fund, the OPEB Trust and the Water Transfer Fund in FY 2012/13, as specified by the Board.

8-2 Suspend the tax rate limitations in Section 124.5 of the Metropolitan Water District Act in order to maintain the ad valorem tax rate for fiscal year 2013/14. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and the Resolution Finding that Maintaining the Ad Valorem Tax Rate or Fiscal Year 2013/14 is Essential to the Fiscal Integrity of the District.
8-3 Support and seek amendments to AB 803 (Gomez, D-Los Angeles) – Water Recycling Act of 2013. (C&L)

**Added**

**Recommendation:**

**Option #1:**

Adopt the CEQA determination that the proposed action is not subject to CEQA and authorize the General Manager to express Metropolitan’s support and seek amendments to AB 803.

8-4 Annual approval of Metropolitan’s Statement of Investment Policy and delegation of authority to the Treasurer to make investments on behalf of Metropolitan. (F&I)

**Recommendation:**

**Option #1:**

Adopt the CEQA determination that the proposed action is not subject to CEQA and

a. Approve the Statement of Investment Policy; and
b. Delegate authority to invest to the Treasurer for fiscal year 2013/14.

8-5 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 E (Flexible Index Mode). (F&I)

**Recommendation:**

**Option #1:**

Adopt the CEQA determination that the proposed action is not subject to CEQA and

a. Approve the draft 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

9-6 Authorize payments of up to $3.50 million for participation in the State Water Contractors, Inc. and the State Water Project Contractors Authority for fiscal year 2013/14. (WP&S) **(Two-thirds vote required)**
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and, by two-thirds vote
  a. Authorize the General Manager to make payment of $2.67 million to the State Water Contractors; and
  b. Authorize the General Manager to make payment up to $832,025 to the State Water Project Contractors Authority.

8-7 Authorize entering into a two-year agreement with the California Department of Water Resources to pay up to $15.18 million to purchase State Water Project supplies under the Multi-Year Water Pool Demonstration Program. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and authorize the General Manager to enter into a two-year agreement with the California Department of Water Resources to pay up to $15.18 million for State Water Project supplies under the Multi-Year Water Pool Demonstration Program to help improve dry-year water supplies in 2013 and 2014.

Revised 8-8 Discussion of potential claims and legal actions regarding the Delta Stewardship Council’s certification of the Program Environmental Impact Report for the Delta Plan, and its adoption of the Delta Plan and associated regulations. (L&C)
[Conference with legal counsel—initiation of litigation (two potential cases); to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(4)]

Revised 8-9 Report on John Del Toro v. Metropolitan Water District of Southern California, Los Angeles Superior Court Case No. BC482264; and authorize an increase in the maximum amount payable under contract with Atkinson, Andelson, Loya, Ruud & Romo for legal services by $25,000 to an amount not to exceed $125,000. (L&C)
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]
9. BOARD INFORMATION ITEMS

None

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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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.
June 10, 2013

Mr. John (Jack) V. Foley and
Members of the Board of Directors
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012-2944

Re: Board Memoranda 8-1 and 8-2 Regarding MWD’s Mid-Cycle Biennial Budget Review and Proposed Suspension of Tax Rate Limitations in order to Maintain Tax Rates

Dear Chairman Foley and Board Members:

Last year, the city of San Diego joined with other voices in the San Diego region calling on the Metropolitan Water District of Southern California (MWD) to establish a 3% annual rate increase, rather than the 5% and 7.5% annual increases recommended by MWD staff at the time. Despite our protests, your Board approved 5% annual rate increase in 2013 and 2014 which we now learn has resulted in a 15-month over-collection of $314 million in the first year of the two-year budget. MWD’s reserve funds now exceed the Board established maximum limit by $75 million. Clearly, the 5% rate increase adopted by your Board was excessive and has placed an unnecessary burden on the ratepayers.

I join the San Diego County Water Authority in calling on your Board to recognize the indisputable fact that the 5% annual rate increases are excessive. In light of MWD’s updated financial picture, MWD’s 2014 rate increase should be reduced from 5% to 3% (Board Memorandum 8-1).

For the same reasons listed above, I call on your Board to oppose the recommended action to suspend tax rate limitations in order to collect higher revenues from taxpayers (Board Memorandum 8-2). With maximum reserve limits
being exceeded, there is no justification for approving measures such as this that
serve to increase MWD’s revenues any further.

The unabated pursuit of fiscal policies promoting excess reserves beyond Board polices at a time when working families are struggling to pay their monthly bills is completely unacceptable. It’s time for your Board to do the right thing and adjust the 2014 rates and charges downward to 3%, returning MWD’s reserve amounts to below maximum reserve balance limits where they belong.

Sincerely,

BOB FILNER
Mayor

BF/aj
June 10, 2013

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

RE: Opposition to Item 8-1 and 8-2

Dear Chairman Foley and Members of the Board of Directors:

We understand that Metropolitan’s Board of Directors is prepared to take action on June 11, 2013 that would result in higher property taxes for San Diego County businesses and residents. Although we strongly support investments in ensuring a safe and reliable water supply, there are no details or findings which allow us to understand why these higher taxes are necessary at this time. The Chamber also is concerned that Metropolitan would consider adopting such policies that will have a direct impact on our business members at a time when the economy is beginning to recover and businesses are beginning to hire again.

Last year, the Chamber requested MWD not increase wholesale water rates by 7.5% for 2013 and an additional 5% for 2014. Although the MWD Board ended up adopting a 5% increase for 2013 and another 5% for 2014, we are concerned that the increases were higher than necessary. MWD financial reports also indicate that MWD collected from its ratepayers $314 million more than was needed to pay 100% of budgeted expenditures since adopting these rates. With MWD $75 million over its maximum reserve level, we respectfully ask that excess reserves be returned to ratepayers and back to the local economies, rather than shifted to additional, unbudgeted expenditures.

Businesses cannot compete if they do not justify to their customers why they are paying more for the same product or service. We believe MWD should provide businesses and residents an explanation for the increase before the MWD Board has a public hearing and takes action on the items.

We urge you to vote ‘No’ on increasing the ad valorem tax rate and to return the excess reserves to ratepayers.

Please include this letter in the public record for the June 11, 2013 rate hearing.

Sincerely,

Jerry Sanders
President/CEO
June 10, 2013

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

RE: Opposition to Board Memo 8-1 - Request refund to ratepayers of excess reserves
Opposition to Board Memo 8-2 - Oppose suspending Metropolitan tax rate limitations

Dear Chairman Foley and Members of the Board:

San Diego Regional Economic Development Corporation (EDC) is a privately-funded non-profit organization with the mission to maximize the region’s economic prosperity and global competitiveness. As a part of this mission, EDC is sensitive to measures that will increase costs for businesses and challenge the competitiveness of our region. Higher rates will affect business decisions to expand or relocate to the region.

For the above reasons, I am writing to object to Board Memos 8-1 and 8-2, which propose that the Board transfer and reinvest excess reserves and lift the state mandated property tax rate limit. The need for the increase is unclear to EDC and the community it represents, and no documents have been provided that would help organizations such as ours understand why higher rates are necessary at this time. As stated, higher rates will negatively impact the businesses in the region and adversely affect our capacity to attract and retain business.

Without detailed findings and analysis, the proposal to increase taxes creates confusion given Metropolitan Water District’s current financial condition. According to the San Diego County Water Authority, Metropolitan Water District has over-collected $314 from its ratepayers; is $75 million over its reserves; and is planning to spend the excess funds on unbudgeted expenses, beyond its board-adopted budget. We propose that instead of increasing MWD’s spending, MWD work to refund the over-collected ratepayer money that will in return spur investment locally.

Suspending the property tax limitations at this time is wholly unnecessary and punitive to water ratepayers that have suffered through increases of more than 100 percent over the last decade. We urge you to adopt a transparent, comprehensive, long-term financial plan that lays out how MWD intends to provide a reliable water supply at a reasonable and affordable cost. San Diego Regional EDC opposes suspending the property tax rate at this time, and urges Metropolitan’s board to return the over-collected funds to its member agencies in proportion to their payments.

I ask that you include this letter as part of the public record for the rate hearing on Tuesday, June 11, 2013.

Sincerely,

Mark Cafferty
President and CEO

www.sandiegobusiness.org
June 10, 2013

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

SUBJECT: PENDING UNNECESSARY WATER RATE INCREASE AND BOARD MEMO 8-2

Dear Mr. Foley and Members of the Board of Directors:

The Southeast Water Coalition Joint Powers Authority (SEWC) was established in 1991 and has a membership consisting of the cities of Commerce, Cerritos, Downey, Lakewood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate, Vernon, and Whittier. SEWC’s mission addresses the need to develop water resource policies that will ensure the availability of reliable, quality and affordable water for area residents. SEWC’s water purveyors serve a population of 670,000.

On April 10, 2012 the Metropolitan Water District (MWD) Board of Directors voted a 10% rate increase over a two year period, by implementing a 5% increase each of the two following years. Now, mid-way through that first ever biennial budget cycle, it is clear that unrestricted reserves have increased by more than $300 million higher than forecast, however despite that MWD intends to continue with a 5% rate increase in January.

The rate increase was based on projections that water sales volume will remain largely flat between 1.7 million acre feet (MAF) in FY 2013 and 1.75 MAF in 2017. This proved to be an extremely conservative projection as FY 2013 sales are running at 1.8 MAF and increasing. A realistic projection of FY 2014 sales is 1.9 to 2.0 MAF. Sales at these levels will put end of FY 2013 reserves up $200 million from last year for a total estimated cash reserve of $510 million.

Given that the MWD has evidently underestimated its FY 2014 water sales, SEWC calls on the Board to rescind the April 10th action and hold the current rate.

SEWC has also reviewed the June 11, 2013 MWD Board agenda item 8-2. This item appears to be an end run around the California legislature’s corrective action of 1991 to hold MWD’s property tax rate to bond costs actually paid. SEWC respectfully requests a no vote on item 8-2.
In summary, SEWC respectfully requests that MWD proceed as planned with the expenditure of fiscal year 2013 surplus funds, and rescind the rate increase scheduled to take effect in January 2014. We also request that MWD return to the historic practice of establishing your budget and water rates annually.

Should your staff need any additional information, please have them contact Mr. Jim Glancy, Administrative Entity Chairman, at (562) 866-9771.

Sincerely,

Gustavo Camacho
Chair, Southeast Water Coalition

cc: Southeast Water Coalition Board Members
    Central Basin Municipal Water District Board of Directors
    Long Beach Water Department
June 10, 2013

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

Re: Item 8-1: Mid-cycle Biennial Budget Review and Recommendation for Use of Reserves over Target

Dear Chairman Foley:

After talking with Director Lowenthal and members of our Water Department staff, I understand that MWD, for the first time in its history, adopted a two-year budget and rates in the spring of 2012. This is a change from the normal practice of setting budget and rates annually. Now, mid-way through that first biennial budget cycle, I have been informed that your unrestricted reserves have increased by more than $300 million beyond what was forecasted. And despite that, I have been told, that you intend to continue with a 5% rate increase next January.

In reviewing your proposed expenditure of surplus funds for fiscal year 2013, I do not object to making prudent investments in your infrastructure, addressing your employee medical obligations, and preparing to purchase water to meet our region’s future water needs. However, I frankly do not understand why you intend to continue with this next future rate increase, which is clearly not needed. If you would simply revise your revenue forecast for fiscal year 2014 to be consistent with your current level of water sales, which continues to rise month after month, that additional revenue would more than offset the amount which would be collected by this next proposed rate increase.

Therefore, I am respectfully requesting that you proceed as planned with the expenditure of fiscal year 2013 surplus funds, and rescind the rate increase scheduled to take effect in January 2014.

Furthermore, I am requesting that you return to your historic practice of establishing your budget and water rates annually, as we do in Long Beach and so does virtually every other government entity in the country.

Thank you for your consideration.

Sincerely,

Mayor Bob Foster
City of Long Beach

Cc: Long Beach City Council
    Long Beach Board of Water Commissioners
June 10, 2013

Jeffrey Kightlinger
General Manager
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

RE: Board Memo 8-1, Mid-cycle Biennial Budget Review and Recommendations for Use of Reserves over Target.

Dear Mr. Kightlinger,

Burbank was disappointed, to say the least, to be informed so late of the rapid accumulation of funds in the Financial Reserve accounts to the tune that $375 M will have been amassed at the midpoint. This amassing is in excess of the approved Biennial Budget. Furthermore, the total reserves are now forecast to exceed, by $75 M, the maximum set by policy.

Burbank supported Metropolitan’s effort to budget prudently and recover the full cost of service in past budgeting cycles while maintaining the reserves needed to effectively manage the business. However, a surprise of this nature and magnitude is damaging to both our interests. It calls into mind our collective credibility. Burbank relies on MWD’s budgets and projections to adopt Burbank’s rates, as have all the Member Agencies.

It appears that MWD has missed an important step for good governance. The lack of clear and direct communication as to the current state of MWD’s budget and reserves has done real damage to the credibility of MWD management and requires a remedy such as complete and timely quarterly financial reports, including an update in the same simplified graphical format utilized for the budget presentation, provided to all Directors and Member Agency Managers.

A Biennial Budget was to allow for longer term planning and predictability in managing the business. This did not mean that there wouldn’t be a mid-course check and correction if warranted. The June Board meeting will be the first opportunity to discuss the staff recommendation to transfer excess reserves to other MWD accounts and to go forward with a 5% rate increase in January 2014, but fails to address the need for a mid-point budget review or course correction when the original budget assumptions are so far off the mark. After successive years of large rate increases, applying a lower rate increase that is supported by current conditions gives much needed relief to customers and provides MWD with adequate resources.

The staff recommendation to approve Option #1 - transferring the estimated $75 M in excess of the unrestricted reserves policy and continuing with a 5% rate increase in January of 2014 - is unnecessary since MWD has more than adequate reserves. More credible, sensible and appropriate policy is Option #2, which reduces the January 2014 rate increase to 3%. However, there is some confusion about Option #2. The staff presentation (June 10, 2013 Power Point to the Finance and Investment Committee)
Jeffrey Kightlinger

recommends reducing the transfer of $75 M in excess reserves by $28 M and returning the $28 M to Member Agencies in 2014 while raising rates 5% to achieve an effective rate increase of 3% for that single year. Collecting funds to return them to ratepayers does not build or demonstrate stewardship of the public trust or credibility. By doing so, MWD is effectively imbedding a 5% rate increase in its rate structure. This recommendation is convoluted and seems to say that it is appropriate to over collect and then offer a refund. This is not sound rate making policy. Instead and as an alternative, it is likely that $75 M could be transferred from the reserves as proposed, raise rates 3%, and adjust sales projected at a realistic 1.8 M Acre-Feet with reserves remaining within the Maximum/Minimum set by policy.

Given the foregoing, it is difficult to support another Biennial Budget cycle unless there is clear demonstration of transparency and communication. The work and effort needed to prepare and present an annual budget appears necessary to achieve a thorough understanding and timely communication of current financial conditions.

In closing, Burbank does not support a 5% rate increase for 2014. The facts simply no longer support it. Intentionally raising rates to later refund the over collection is inappropriate on its face. Regardless of how the Board resolves this current rate matter, Burbank requests that interim financial reporting be implemented on a basis consistent with the format used by staff to present budget and rate recommendations. Such interim financial reporting needs to be done at least quarterly and provided to the full Board of Directors and the Member Agency Managers.

Sincerely,

W.O. Mace, Jr.  Ron Davis  Glenn Brown
Assistant General Manager – Water Systems  General Manager, BWP  MWD Director

c: City Manager  City Council  BWP Board
June 27, 2013

Attention: Imported Water Committee

Colorado River Board Representative’s Report (Information)

Purpose
The Colorado River Board (CRB) Representative’s Report summarizes monthly activities of the Colorado River Board.

Background
This report covers activities from the June 12, 2013 CRB meeting.

Discussion
The CRB heard informational reports from CRB staff on activities discussed below:

Water Supply and Reservoir Operations
As of June 1, 2013 total system storage was 31.22 million acre-feet (maf), or 52 percent of capacity, which is about 5.54 maf less than a year ago. Lake Mead is at 48 percent capacity, with 12.50 maf and Lake Powell is at 48 percent capacity with 11.70 maf. May 2013 releases from Hoover, Davis, and Parker Dams averaged 16,370, 15,600 and 11,010 cubic feet per second (cfs), respectively. Planned releases for June are 16,200, 15,500 and 11,500 cfs, respectively.

On May 30 the first consultation associated with the development of the 2014 Annual Operating Plan (AOP) was held via webinar, with representatives from the Bureau of Reclamation’s Upper and Lower regions providing detailed presentations regarding current and projected hydrologic conditions and reservoir operations. Based on the April 2013 24-Month Study of proposed hydrology in the Basin, it was reported that snowpack peaked on April 23 at 81 percent of normal and that the most probable Lake Powell unregulated inflow was projected to be 3.0 maf, or 42 percent of normal. The AOP estimates that the most probable release from Glen Canyon Dam will be 7.48 maf, which is significantly lower than the average of 8.23 maf. This would be the first time since operations began that this level of releases would occur. A draft copy of the AOP may be found on-line at Reclamation’s Lower Colorado webpage at http://www.usbr.gov/lc/region/g4000/AOP2014/AOP14_draft.pdf.

Status of the Lower Colorado River Multi-Species Conservation Program (LCR MSCP)
The LCR MSCP was created to balance the use of the Colorado River water resources with the conservation of native species and their habitats. The program works toward the recovery of species currently listed under the Endangered Species Act (ESA). It also reduces the likelihood of additional species listings. Implemented over a 50-year period, the program accommodates current water diversions and power production, and will optimize opportunities for future water and power development by providing ESA compliance through the implementation of a Habitat Conservation Plan (HCP).

The program area extends over 400 miles of the lower Colorado River from Lake Mead to the southernmost border with Mexico, and includes lakes Mead, Mohave, and Havasu, as well as the
historic 100-year floodplain along the main stem of the lower Colorado River. The HCP calls for the creation of over 8,100 acres of habitat for fish and wildlife species and the production of over 1.2 million native fish to augment existing populations. The plan will benefit at least 26 species, most of which are state or federally listed endangered, threatened, or sensitive species.

The Bureau of Reclamation is the implementing agency for the LCR MSCP. Partnership involvement occurs primarily through the LCR MSCP Steering Committee, currently representing 57 entities, including state and Federal agencies, water and power users, municipalities, Native American tribes, conservation organizations, and other interested parties, which provides input and oversight functions in support of LCR MSCP implementation.

On April 23 and 24 the LCR MSCP Steering Committee attended various tours of native fisheries-related activities on Lake Mead, received updates from Reclamation regarding Fiscal Year 2012 research and monitoring activities, and approved a resolution to add the Yuma East Wetlands Project as an LCR MSCP Habitat Conservation Area. On May 8 and 9 the LCR MSCP Work Group began its review of the proposed Fiscal Year LCR MSCP Work Plan and Budget, which is just over $35 million. The Work Group will meet again in September to finalize the proposed budget, which will be presented to the LCR MSCP Steering Committee on October 23 for approval and adoption.

Bi-national Discussions
In response to increasing drought conditions on the Rio Grande, representatives from the State of Texas have introduced legislation to tie Mexico’s delivery obligations to the U.S. on the Rio Grande to Colorado River issues and Minute 319. Minute 319 provides surplus and shortage guidelines for Mexico, funds wildlife habitat, develops a pilot program to conserve water in Mexico that would become available to U.S. users, and allows Mexico to store water in Lake Mead. The bills ask the Secretary of State to provide reports to Congress on the status of Mexican efforts to meet the treaty obligations on the Rio Grande and to report on the benefits to the U.S. from Minute 319. Certain provisions of the bills would prohibit the Secretary of State from extending Minute 319 if the Secretary fails to comply with the reporting requirements. The Basin States are considering options to respond to the proposed legislation.

Colorado River Basin Water Supply and Demand Study
The Basin States, Reclamation, and other stakeholder groups continue work on developing a plan to implement the “Future Considerations and Next Steps” components of the Colorado River Basin Water Supply and Demand Study. On May 28 and 29 the Basin States and the Department of the Interior announced the formation of small work groups to concentrate on “Municipal Conservation and Reuse” and “Agricultural Conservation and Transfers” as contemplated by the Basin Study. It is anticipated that reports detailing the workgroup efforts will be available by the end of the calendar year.

Prepared by: Dan Denham, Principal Water Resources Specialist
Approved by: Michael T. Hogan, CRB Representative
Attachment: Summary Water Report, Colorado River Basin
<table>
<thead>
<tr>
<th>RESERVOIR STORAGE</th>
<th>ELEV. IN FEET</th>
<th>% of Capacity</th>
<th>ELEV. IN FEET</th>
<th>% of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>11.697</td>
<td>3,599.4</td>
<td>48</td>
<td>11.422</td>
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<tr>
<td>Flaming Gorge</td>
<td>3.003</td>
<td>6,020.5</td>
<td>80</td>
<td>3.000</td>
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<tr>
<td>Naveajo</td>
<td>0.990</td>
<td>6,028.2</td>
<td>58</td>
<td>0.928</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>12.495</td>
<td>1,108.4</td>
<td>48</td>
<td>12.921</td>
</tr>
<tr>
<td>Lake Mohave</td>
<td>1.733</td>
<td>644.2</td>
<td>96</td>
<td>1.723</td>
</tr>
<tr>
<td>Lake Havasu</td>
<td>0.595</td>
<td>448.8</td>
<td>96</td>
<td>0.587</td>
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<tr>
<td>Total System Storage</td>
<td>31.220</td>
<td>52</td>
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</tr>
<tr>
<td>System Storage Last Year</td>
<td>36.761</td>
<td>62</td>
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<table>
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<tr>
<th>May 6, 2013</th>
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<tbody>
<tr>
<td>Precipitation (Basin Weighted Avg) 10/01/12 through 6/03/13</td>
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<tr>
<td>Current Basin Snowpack (Basin Weighted Avg) on day of 6/03/13</td>
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</table>

(Above two values based on average of data from 116 sites.)

<table>
<thead>
<tr>
<th>May 16, 2013 Forecast of Unregulated Lake Powell Inflow</th>
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<tbody>
<tr>
<td>MAF</td>
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<tr>
<td>-----</td>
</tr>
<tr>
<td>2013 April through July unregulated inflow</td>
</tr>
<tr>
<td>3.000</td>
</tr>
<tr>
<td>2013 Water Year</td>
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<tr>
<td>4.835</td>
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**CALIFORNIA WATER USERS**

**FORECAST FOR END OF YEAR CONSUMPTIVE USE**

**FORECAST BASED ON USE TO DATE AND APPROVED ANNUAL WATER ORDERS**

<table>
<thead>
<tr>
<th>WATER USER</th>
<th>CALIFORNIA PUMPERS</th>
<th>FORT MOJAVE INDIAN RESERVATION, CA</th>
<th>OUTFLOW NEEDLES (Indicated LOWESP use)</th>
<th>OTHER LOWESP CONTRACTORS</th>
<th>CITY OF WINTERHAVEN</th>
<th>CHENALPHE INDIAN RESERVATION</th>
<th>TOTAL CALIFORNIA</th>
<th>FORT YUMA INDIAN RESERVATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use To Date CY2012</td>
<td>780</td>
<td>3,725</td>
<td>873</td>
<td>0</td>
<td>1,781</td>
<td>804</td>
<td>0</td>
<td>2,856,445</td>
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<tr>
<td>Forecast CY2013</td>
<td>1,725</td>
<td>8,440</td>
<td>1,931</td>
<td>527</td>
<td>3,676</td>
<td>3,065</td>
<td>0</td>
<td>4,279,292</td>
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<tr>
<td>Excess to Use CY2013</td>
<td>1,411</td>
<td>5,410</td>
<td>1,120</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</table>

**DIVERSION FOR END OF YEAR CONSUMPTIVE USE**

<table>
<thead>
<tr>
<th>WATER USER</th>
<th>CALIFORNIA PUMPERS</th>
<th>FORT MOJAVE INDIAN RESERVATION, CA</th>
<th>OUTFLOW NEEDLES (Indicated LOWESP use)</th>
<th>OTHER LOWESP CONTRACTORS</th>
<th>CITY OF WINTERHAVEN</th>
<th>CHENALPHE INDIAN RESERVATION</th>
<th>TOTAL CALIFORNIA</th>
<th>FORT YUMA INDIAN RESERVATION</th>
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</thead>
<tbody>
<tr>
<td>Diversion To Date CY2012</td>
<td>1,411</td>
<td>5,410</td>
<td>1,120</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Forecast CY2013</td>
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<td>5,410</td>
<td>1,120</td>
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<td>0</td>
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<tr>
<td>Excess to Approved Diversion CY2013</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**ISG ANNUAL TARGET COMPARISON CALCULATION**

<table>
<thead>
<tr>
<th>ISG Annual Target</th>
<th>Excess/off target ISG Annual Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority 1: 2, 3, Use (PVID+YRD+Hidalgo+PVID Mesa)</td>
<td>491,844</td>
</tr>
<tr>
<td>MWD Adjustment</td>
<td>-31,840</td>
</tr>
<tr>
<td>Total California Agricultural Use (PVID+YRD+Hidalgo+PVID Mesa)</td>
<td>460,004</td>
</tr>
<tr>
<td>California Agricultural Paybacks</td>
<td>-62,004</td>
</tr>
<tr>
<td>Misc. PPRs Covered by MWD and CWD</td>
<td>14,500</td>
</tr>
<tr>
<td>California ICS Creation</td>
<td>140,000</td>
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<tr>
<td>Total Use for Target Cancellation</td>
<td>3,360,004</td>
</tr>
<tr>
<td>Amount of ISG Annual Target (Exhibit 6)</td>
<td>3,462,004</td>
</tr>
<tr>
<td>Amount of ISG Annual Target</td>
<td>3,462,004</td>
</tr>
</tbody>
</table>

**NOTES:**

1. Divisions and users that are pending approval are noted in red italics.
2. Water users with a consumptive use entitlement - Excess to Estimated Use column indicates overuse/under-use of entitlement. Dash in this column indicates water user has a diversion entitlement.
3. Water user with a diversion entitlement - Excess to Approved Diversion column indicates overuse/under-use of entitlement. Dash in this column indicates water user has a consumptive use entitlement.

**ISG ANNUAL TARGET COMPARISON CALCULATION**

- Priorities 1, 2, 3, Use (PVID + YRD + Hidalgo + PVID Mesa)
- MWD Adjustment
- Total California Agricultural Use (PVID + YRD + Hidalgo + PVID Mesa)
- California Agricultural Paybacks
- Misc. PPRs Covered by MWD and CWD
- California ICS Creation
- Total Use for Target Cancellation
- Amount of ISG Annual Target (Exhibit 6)

**ISG ANNUAL TARGET COMPARISON CALCULATION**

- Priority 1: 2, 3, Use (PVID + YRD + Hidalgo + PVID Mesa)
- MWD Adjustment
- Total California Agricultural Use (PVID + YRD + Hidalgo + PVID Mesa)
- California Agricultural Paybacks
- Misc. PPRs Covered by MWD and CWD
- California ICS Creation
- Total Use for Target Cancellation
- Amount of ISG Annual Target (Exhibit 6)
Figure 1. SNOTEL Water-Year-To-Date (WYTD) SWE for the CO headwaters basin

- Percent Average To Date: 65% (2.3 / 3.6)
- Percent Seasonal Average: 14% (2.3 / 16.9)
- Melt rate -0.4 in/day
  averaged over last 3 days.
Figure 2. NOAA National Weather Service Monthly Precipitation Maps for April and May 2013
Figure 3. USDA United States Drought Monitor Map

U.S. Drought Monitor

May 28, 2013
Valid 7 a.m. EDT

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu/
Date: June 26, 2013

To: San Diego County Water Authority Board Members

From: Jonathan Clay, Sacramento Representative  
Ken Carpi, Washington Representative

Subject: Legislative Update

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Sacramento

Schedule

The Assembly will begin its summer recess on July 3 and the Senate will begin its summer recess on July 12. The Assembly returns on August 5 and the Senate will return on August 12. This is the first time in several decades that the legislative calendars have not been in sync and has created a high level of consternation between the two legislative houses. Despite the varying summer break dates, the end of this year's legislative session will occur for both houses on September 13.

Budget

The California Legislature passed the State Budget on time (June 15) for the second year in a row. That said, the past week has been spent doing cleanup legislation to the original Budget bill with the most significant change being a reversal on how the State will manage the mandate for public access to government records. Most of the associated Budget trailer bills have been passed, but the Resources trailer bill has been held due to disagreements over issues related to the California Public Utilities Commission. Unlike the Budget bill, the associated trailer bills do not fall under the June 15th deadline.

Water Bond

There continue to be various meetings and working groups to discuss the 2014 water bond, but nothing significant has occurred in terms of rewriting the existing one. ACWA has developed a revised water bond proposal that cuts the funding from $11 billion to $8.2 billion (primarily by eliminating local project and watershed funding). The Assembly has been active with its working group and had planned to move one of its water bond vehicles, AB 1331. The Senate has not been active recently on the water bond, and discussions between the two houses respective water committee chairs led to the Assembly deciding to not hear AB 1331 and attempting to move that measure.
forward as a policy statement on funding principles. If anything does occur in terms of a re-drafting of the water bond, it will not occur until sometime in late August.

**Sponsored Legislation**

SB 322, our sponsored legislation dealing with recycled water has cleared the Senate and is awaiting its first policy committee hearing in Assembly Environmental Safety and Toxic Materials Committee on July 2. We have been working with various stakeholders, including the San Diego Taxpayers Association, and will be amending the proposal to include provisions that ensure greater public participation in the stakeholder process.

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**Washington, DC**

**Committees Prepare Energy & Water Spending Bills**

The House and Senate Energy & Water Appropriations Subcommittees approved their respective versions of the FY2014 spending bill. The full committee will mark up the House bill on June 26, with the full Senate committee following on June 27.

The House bill would fund the Army Corps of Engineers at $4.9 billion. This would be a cut of $104 million from the FY2013 level of funding, but would provide $50 million more than President Obama requested. The bill avoids earmarking flood control and navigation projects by leaving prioritization to the Army Corps. The Senate bill would provide $5.27 billion for the Corps, or $300 million above FY2013. The Senate bill would reduce funding for construction by $129 million, however, but would add more funding for operations & maintenance and the Mississippi River.

For the Bureau of Reclamation, the House bill would provide $965 million, an amount $104 million below the 2013 enacted level and $85 million below the President’s request. The Senate would provide $1.1 billion for Reclamation. Both the House and Senate bills include $53 million for the Central Valley Project. However, the Senate would provide $37 million for Bay-Delta Restoration (CALFED) versus only $30 million in the House bill. In FY2013, the Bay-Delta received $40 million. No specific funding amounts are made available at this time for Title XVI, desalination, or other treatment projects.

The full committee will mark up the bill on June 26 and Democrats are expected to offer several amendments. Due to proposed cuts to several of President Obama’s energy priorities, the Administration has issued a veto threat against the House bill. The Senate provided more overall funding to the subcommittee to work with which is reflected in higher funding for both energy and water accounts in that bill.
House Begins Preparing Water Resource Authorization Bill

Staff for the House Transportation & Infrastructure (T&I) Committee has begun work drafting a House version of the Water Resources Development Act (WRDA). While Committee Chairman Bill Shuster has not announced a schedule for considering the bill, it is possible it could be marked up before the August recess.

Delta Interests Make Case in DC

Last week in Washington, the Delta was the topic of multiple briefings for Members of Congress and their staff and for several federal agencies. Phil Isenberg and Randy Fiorini from the Delta Stewardship Council provided briefings on the Delta Plan. In separate meetings, Natural Resources Secretary John Lair, Department of Water Resources Director Mark Cowin, Natural Resources Deputy Secretary Gerry Meral, and Fish & Wildlife Director Chuck Bonham provided briefings on the Bay-Delta Conservation Plan.

While visiting the Capitol on with separate agendas, the two groups brought new attention to the future of the Delta within Washington. These meetings highlighted the current status of planning for the Delta, the road ahead for implementing the respective goals of the two groups, and the potential federal role for authorizing and funding elements of each plan. Congressional and administration officials both expressed skepticism regarding the reliability of future federal funding given the fiscal challenges expected in the years to come. Congressional and administration officials also expressed concerns that California may be placing too much faith in unrealistic expectations for future federal funding for the Delta and system-wide improvements.

The overriding message to the state was that they must be far more proactive in engaging federal agencies (for example, they were told they “need to get on the plane more often”).

There is a real concern that the state is making decisions without adequate attention to the real challenges they will face at the federal level. The clearest example is that Interior was surprised that there is an assumption that the federal government will provide roughly $4 billion in new money to support BDCP objectives. An unnamed aide said, “DC doesn’t care what Sacramento thinks, but Sacramento had better be far more concerned with what DC thinks.” And another pointed comment: “We think the BDCP team is innovative in their thinking, but they need to tether themselves closer to the reality in Washington.”