Proposed Staff Recommendation Consent Calendar for August 22, 2013

ADMINISTRATIVE AND FINANCE COMMITTEE

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

9- 2. Resolution establishing amount due from the city of San Diego for the In-Lieu Charge as a condition of providing water service for Fiscal Year 2014.
Adopt Resolution No. 2013- ___ establishing an amount due of $1,754,804.74 from the city of San Diego for the In-Lieu Charge for Fiscal Year 2014.


ENGINEERING AND OPERATIONS COMMITTEE

9- 4. Quitclaim three Water Authority easements to the Olivenhain Municipal Water District.
Authorize the General Manager to quitclaim three Water Authority easements, affecting Assessor Parcels 267-181-89, 267-432-09 and 267-432-35 located east of the Second San Diego Aqueduct in the vicinity of Bing Crosby Estates, to Olivenhain Municipal Water District, at no cost, due to the cancellation of the Olivenhain 6/7 Flow Control Facility project.

9- 5. Construction contract with L.H. Woods & Sons, Inc. for Pipeline 3 Relining Sweetwater to Lower Otay.
Authorize the General Manager to award a construction contract to L.H. Woods & Sons, Inc. in the amount of $25,387,000 for the Pipeline 3 Relining Sweetwater to Lower Otay project.

9- 6. Professional services contract to Helix Environmental Planning, Inc. for the Pipeline 3 Relining – Sweetwater to Lower Otay Reservoir project.
Authorize the General Manager to award a professional services contract to Helix Environmental Planning, Inc. for the Pipeline 3 Relining – Sweetwater to Lower Otay Reservoir to provide environmental construction monitoring and support services for a 16-month period in an amount not-to-exceed $268,926.
August 22, 2013

Attention: Imported Water Committee

Metropolitan Water District Delegates’ Report (Information)

Background
The MWD committees and board met on August 19 and 20. The next regular MWD board and committee meetings are scheduled for September 9 and 10.

Discussion
This section summarizes discussions held and key decisions made at the August MWD committee and board meetings, as reported by the MWD delegates. The Water Authority delegation supported 13 of 15 action items approved by the MWD board. Consistent with their June action, the delegates submitted a letter this month expressing opposition to MWD maintaining the Ad Valorem tax rate for fiscal year 2013/14 on the basis that the action is not “essential to the fiscal integrity” of MWD (for the Water Authority’s letter to MWD, see Attachment 1). The delegates also submitted a letter requesting the board to defer an item related to entering into an exchange and purchase agreement with San Gabriel Valley Municipal Water District. The MWD board approved the action, with the delegates voting against the item (for the Water Authority’s 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 August committee and board meeting agendas.

Audit and Ethics Committee
During the committee’s public comment period, a representative from Common Cause distributed a letter and spoke in favor of adopting the Ethics Office policy principles and investigation guidelines. After lengthy discussions, the committee and board adopted staff’s recommendation, which included adopting the policy principles and investigation guidelines, and authorized a budget increase of $245,000 to support necessary staffing and professional services.

In committee, Director Dick (Municipal Water District of Orange County) stated that he was fiscally conservative, and did not support adding additional staff to a program that previously was adequately managed at a lower staffing level over the tenure of five Board Chairmen, four General Counsels, and three General Managers. Director Barbre (Municipal Water District of Orange County) expressed that, if approved, the actions may result in non-compliance with regulations set forth by the Fair Political Practices Commission. Director Peterson (Las Virgenes Municipal Water District) and Director Pringle (Calleguas Municipal Water District), by letter (see Attachment 4), raised concern over the proposed increase, which would represent a 41% increase over the adopted budget; they also expressed a need for assurance that the increase would add value to MWD and that the policy principles would comply with the law. Director Evans (Western) pointed out that since the fiscal year has recently begun, funds should be available for the Ethics Office’s use, and suggested the Ethics Officer seek budget changes as funds are depleted. Evans and Director Camacho (Inland Empire Utilities Agency) supported deferring the item until a workshop on the Ethics Office’s processes could be held. Director Ballin (San Fernando) commented that the board should trust the Ethics Officer’s recommendation since she was brought on after an extensive process to select and
hire a qualified candidate. Eventually, a motion and second was made to adopt staff’s recommendation, which passed committee on a 3-2 vote (Barbre and Dick voted against staff’s recommendation).

Subsequently, in the board meeting, the discussion continued over the necessity of modifying the Ethics Office’s process and the accompanying budget increase. During public comment, AFSCME 1902, which includes over 1,300 MWD employees, expressed support for staff’s recommendation. Peterson insinuated that Common Cause did not write the letter presented at the committee, causing him to have concern about the source behind the letter. Peterson and Camacho reiterated the need for a workshop on the procedures and goals for the office. However, Camacho added that by approving staff’s recommendation, it would ensure a transparent process. Director Friedman (Glendale) said the current process was not encouraging for confidentiality. She added that the funds to increase the budget are necessary to support the changes proposed by the Ethics Officer. Director Vasquez (Central Basin Municipal Water District) pointed out that Central Basin has suffered due to the lack of a strong ethics policy; she felt approval of this item would help create an environment free from influence. Barbre and Dick expressed support for the policy but not the budget increase indicating that spending the funds on a “whim” was unethical.

Director Mudd read an excerpt from SB 60 that established the Ethics Office and pointed out that the policy principles are proposed to continue the path to improve the Ethics Office’s function and funding is needed in order for the office to perform its duties. Others who supported staff’s recommendation included Directors Gray (West Basin Municipal Water District), Quinonez (Los Angeles), and Grunfeld (Los Angeles). Following Director Ackerman’s (Municipal Water District of Orange County) expression of concern over the proposed increase in budget (among other things), Evans made a substitute motion, which was seconded, to only approve the policy principles and investigation guidelines, but not the funding. Director Lewinger asked for clarification on whether following the vote on the substitute motion, a new independent motion could be made to approve the budget increase. General Counsel Scully commented that since the maker of the substitute motion included that the budget increase item would be addressed at a later date, a new motion to address the budget could not be made this month after the vote.

In response to Lewinger, Ethics Officer Ghaly addressed an issue commented on by various directors who admonished the Ethics Office for stalling three pending cases. Ghaly said without going into specifics on the cases to preserve confidentiality, she had brought the issue to the General Counsel as soon as she recognized that there was an issue related to the existing intake process, and received feedback that the existing process must remain in place. With that understanding, Ghaly brought the issue to the committee’s attention in June, the soonest she could notify the board. Thereafter, Camacho made a substitute motion to Evans’ substitute motion, which included bifurcating the vote, allowing the budget increase vote to also take place, following the vote on policy changes. After additional discussion, including an apology from Audit and Ethics Committee Chair Edwards for letting the item fester as long as it did, and Director J. Murray (Los Angeles) stressing that the board should help the Ethics Officer succeed and cut the petty debates. Evans withdrew his substitute motion. Camacho also withdrew his substitute to the substitute motion. The board finally took a roll call vote as requested by Friedman, and staff’s recommendation passed with 64.13% supporting, 21.99% opposing, and 3.55% abstaining.

**Communications and Legislation Committee**
The committee and board approved two items. The board voted to express opposition, unless
amended, to Senate Bill 731 (Steinberg, D- Sacramento) – California Environmental Quality Act Modernization Act of 2013, which is intended to strengthen protection of California’s environment while modernizing the law to aid economic growth. Staff reported that in its present form, the bill is inconsistent with MWD’s CEQA policy principles; rather than streamlining the CEQA process, the bill adds new notice requirements that increase costs and time required to complete the CEQA process. MWD is seeking to delete such provisions from the bill. The board also voted to express opposition unless amended, to Assembly Bill 52 (Gatto, D-Silver Lake) – Native Americans: California Environmental Quality Act, which proposes to require a consultation process with potentially affected Native American tribes to ultimately determine the appropriate level of CEQA clearance for projects. If left in its current form, AB 52 may severely impact environmental clearances and cause indeterminate impacts to project design, costs, schedules, and risks of litigation; MWD is seeking amendments to the bill language that would reduce uncertainty in planning and environmental clearances among other things.

Executive Legislative Representative Kathy Cole provided an update on the 2014 Water Bond and highlighted SB 42 (Wolk, D-Davis). She said SB 42 repeals the 2014 bond in its entirety and would authorize the issuance of a general obligation bond, in an unspecified amount, to finance clean, secure water supplies and the Sacramento-San Joaquin Delta recovery program. Interim Deputy General Manager External Affairs Dee Zinke reported that a variety of meetings are underway with legislative representatives to confer on MWD’s legislative priorities, specifically for the 2014 Water Bond, funding resources for water projects, and the Bay Delta Conservation Plan (BDCP).

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

**Engineering and Operations Committee**

The committee and board approved seven action items, including authorizing agreements with AECOM, Black and Veatch, HDR Engineering, and MWH Americas, in amounts not to exceed $2 million per year for each consultant in support of board-authorized Capital Investment Plan projects. The committee also received part three of a three part series on MWD’s energy management program. The distribution system and State Water Project (SWP) energy operations and management were covered in May and July, respectively. This month, staff described the Colorado River Aqueduct (CRA) energy operations and management. Staff said that MWD’s total energy requirement for calendar year 2012 was 4.7 million mega watt hour (M MWh) at a cost of $258 million; of that amount, the CRA requires 1.44 M MWh or 30.8% of MWD’s total energy requirement. Similar to a question asked by Director Lewinger during the SWP energy presentation, Lewinger asked about MWD leveraging CRA resources by pumping water during off-peak times and generating hydropower for sale during peak hours; Chief Operating Officer Man said that staff would return to the committee on how MWD evaluates its energy cost.

**Finance and Insurance Committee**

The committee and board approved four items, including the adoption of a resolution maintaining the tax rate for fiscal year 2013/14 (which the delegates did not support) and repayment of MWD’s portion of the Hoover Dam Visitor Center loan and the Hoover Dam Air Slots loan. The committee also approved the final resolution for annexation and water standby charge levy for Annexation No. 97 to Calleguas Municipal Water District and MWD. Later the board held a public hearing on the proposed standby charge levy supporting Annexation No. 97 to Calleguas Municipal Water District and Metropolitan. The Board Secretary said there were no protests to the annexation. The board then approved the item.
Tabled in April and June and heard again this month, the board approved the selection and authorization to execute an agreement with California Employer’s Retiree Benefit Trust (CERBT), managed by CalPERS, as its Other Post-Employment Benefits (OPEB) trust provider. In committee, after the three shortlisted OPEB trust providers presented and answered inquiries by board members, the committee voted to approve PFM Asset Management (PFMAM) group as the trust provider. During the board public comment, AFSCME 1902 expressed concern that the committee was supporting the selection of a more expensive, “for-profit” group over CERBT. AFSCME 1902 asked that the board reconsider the committee action, particularly as the board has made past decisions to cutback on its expenditures, including staff salaries and benefits. A substitute motion was made to select CERBT as the trust provider, was seconded and passed with 58.15% supporting, 31.52% opposing, and no abstentions.

Staff also presented on MWD’s investment activity and financial highlights.

**Legal and Claims Committee**
In closed session, the committee received reports on the Consolidated Salmonid cases, existing litigation *Orange County Water District v. Northrop Corporation*, and on the San Diego County Water Authority lawsuits with MWD. The Water Authority Delegates were not present for the report and ensuing discussions related to the rate litigation.

**Water Planning and Stewardship**
The committee and board approved an item related to an exchange and purchase agreement with the San Gabriel Valley Municipal Water District (SGVMWD). Staff indicated that this agreement is a win-win – providing water reliability to the city of Sierra Madre, a member agency of SGVMWD, while improving MWD’s water supply reliability with water at a competitive purchase price. Dick expressed that the amount of the water involved was modest and the plan was a “great.” Director Morris (San Marino) asked why the water made available was open to only Upper San Gabriel and Three Valleys Municipal Water Districts rather than other member agencies in the Main San Gabriel Basin. Staff responded that the agreement is set-up to use the existing cyclic accounts in the Main San Gabriel Basin. Staff added plans to return in September to discuss the existing cyclic accounts, including extending the terms. In response to Lewinger’s inquiry on why SGVMWD is not charged the transportation rate (he commented that with this arrangement, member agencies are charged more than a non-member agency to transport water through MWD’s distribution and conveyance system), General Manager Kightlinger said that the programs are not the same – like comparing “apples to oranges.” Lewinger also asked since the source water is from the State Water Project, if the water could be delivered elsewhere. Water Resources Manager Upadhyay replied that it could, but the baseline of the agreement includes delivery at Main San Gabriel Basin. Peterson moved staff’s recommendation, which was seconded by Dick, and approved by the committee.

During the board meeting, Lewinger asked how costs are recovered for the SGVMWD exchange and purchase agreement. Upadhyay stated that costs associated with the program would be recovered by selling the water at the full service rate. Upadhyay also clarified that MWD can direct water be extracted from the cyclic account when account holders ask to purchase MWD water. In response to Lewinger’s inquiry on why MWD is changing the existing policy with SGVMWD established in 2006, where it stated that SGVMWD would pay MWD the rates and charges to exchange the water, which would be similar to MWD’s wheeling service rate, Kightlinger said that this arrangement allows MWD to coordinate better with SGVMWD as well as lend assistance during a drought. He
added that the more water in the cyclic account provides an overall benefit to all. The board approved staff’s recommendation, with the delegates voting “no.”

The committee received reports on Bay-Delta and Colorado River matters. Bay Delta Initiatives Manager Arakawa reported that the Delta Stewardship Council’s (DSC) Delta Plan was accepted by the Office of Administrative Law, which means that DSC’s policies and regulations become effective on September 1. As for the impact to the BDCP, the BDCP covered actions now require certification by the DSC to be incorporated into the Delta Plan. Arakawa also reviewed the Department of Water Resources (DWR) announcement regarding the recent changes to the proposed BDCP water conveyance system, which include shrinking of the intermediate forebay and realigning a segment of the proposed tunnels to utilize more public lands. Special Projects Manager Brenda Burmen reviewed ongoing management of Colorado River reservoirs. She said that the Bureau of Reclamation has determined, based on the best available data projections of Lake Powell and Lake Mead reservoir elevations, under the 2007 Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead, a release of 7.48 million acre-feet (maf) from Lake Powell is required in water year 2014. An annual release of 7.48 maf is the lowest release since the filling of Lake Powell in the 1960s. Lake Mead is projected to decline an additional eight feet during 2014 as a result of the lower Lake Powell annual release; however, Lake Mead will operate under normal conditions in calendar year 2014, with water users in the Lower Colorado River Basin and Mexico receiving their full water orders.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist
Approved by: Audit and Ethics Committee by Vincent Mudd
Communications and Legislation Committee by Vincent Mudd
Finance and Insurance Committee by Keith Lewinger
Engineering and Operations Committee by Fern Steiner
Legal and Claims Committee by Vincent Mudd
Water Planning and Stewardship Committee by Keith Lewinger and Fern Steiner

Attachment 1: Opposition Letter to Board Item 5G-2, August 16, 2013
Attachment 2: Request to Defer Letter to Board Item 7-3, August 19, 2013
Attachment 3: MWD Committee and Board meetings, August 19 and 20, 2013
Attachment 4: Calleguas Municipal Water District Letter on Ethics Office, August 14, 2013
August 16, 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 5G-2: Adopt resolution maintaining the tax rate for fiscal year 2013/14 – OPPOSE

Dear Chairman Foley:

For the reasons set forth in our letter to you dated June 5, 2013 (copy attached), we OPPOSE the proposed board action to adopt a resolution maintaining the tax rate for fiscal year 2013/14. Among other things, it is clear that this action is not “essential to the fiscal integrity of the District,” at a time when MWD has amassed hundreds of millions of dollars by overcharging ratepayers utility rates that greatly exceed the costs of the services MWD is providing.

MWD has filed a motion for judgment on the pleadings in the Water Authority’s litigation challenging its rates, on the grounds that the Constitutional limitations of Proposition 26 do not apply to MWD; that motion is scheduled to be heard September 18. Should MWD not prevail on the motion, we hope that the board of directors will immediately direct staff to conduct a cost-of-service study as part of a long-range financial planning process. This is the right way to ensure accomplishment of the board’s objectives, in a manner that is consistent with the legal requirement that MWD charge no more than the proportionate cost of the services it provides to its member agencies. This ad hoc action to suspend the tax rate limitations in Section 124.5 of the MWD Act for one year is unwarranted, and does nothing to address the long-term fiscal challenges confronting MWD.

Sincerely,

Keith Lewinger
Director

Vincent Mudd
Director

Fern Steiner
Director

Attachment: Water Authority letter to MWD on MWD June 2013 actions re 8-1 and 8-2, dated June 5, 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.
Chairman Foley and Members of the Board  
June 5, 2013  
Page 2

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,

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Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

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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Note: Totals may not sum 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

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

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Updated Forecast

- Reserves*
- Maximum Reserve
- Minimum Reserve

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FY2013 and beyond are based on modified accrual

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F&I Committee
April 2013
August 19, 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 7-3: Authorize entering into an exchange and purchase agreement with the San Gabriel Valley Municipal Water District

Dear Chairman Foley and Board Members:

We have reviewed Board Memo 7-3 (Board Memo) and the background materials referenced in the Board Memo, including Minute Item 46557 and the supporting Board Memo 7-6 dated February 14, 2006 (the 2006 Board Memo), which was not included with the Board Memo but is attached to this letter (Attachment). We ask the Board to table this item for one month and request staff to address the questions and issues contained in this letter. The concerns expressed in this letter are not an objection to providing wheeling service to the City of Sierra Madre via MWD’s emergency connection, consistent with existing rates and board policies.

The Board Memo addresses two distinct subjects: 1) provision of emergency water supplies to the City of Sierra Madre (Sierra Madre), and 2) purchase of San Gabriel Valley Municipal Water District (SGVMWD) State Water Project supplies.

Emergency Supplies for Sierra Madre

The proposed terms set forth in the Board Memo as part of the “unbalanced exchange” are inconsistent with the 2006 Board Memo and agreement and fail to recover the cost of the services MWD is providing under the rates it has adopted. The 2006 Board Memo states that,

To deliver water to Sierra Madre, SGVMWD would take delivery of treated Metropolitan water from the Upper Feeder and turn over a like quantity of SGVMWD’s state project supplies to Metropolitan at Devil Canyon. SGVMWD would pay for power and conveyance on the state project through its State Water Project Charges. SGVMWD would pay Metropolitan the treatment surcharge and any other charges related to the delivery of treated water. IEUA and TVMWD would pay the applicable Metropolitan rates for deliveries taken through the Azusa Pipeline.

(Emphasis added.)
Chairman Foley and Members of the Board  
August 19, 2013  
Page 2

Payment of the treatment surcharge and other charges for the delivery of water as stated in the 2006 Board Memo – including the System Access Rate and Water Stewardship Rate – would result in a charge of $518 per acre foot for 2013, exclusive of power, and subject to future MWD rate increases. But under the Board Memo recommendation, MWD would realize only $250 per acre foot in value as the price at which it is able to purchase SGVMWD SWP water. Abandonment of the 2006 agreement in favor of the current proposal results in MWD failing to recover more than $268 per acre foot of 2013 wheeling service costs.

The cost of the “unbalanced exchange” water is certainly not at “no cost,” as stated in the Board Memo (bottom of page 1); one can only reach that conclusion by ignoring the rest of the costs assigned by MWD under its own rate structure. We support provision of emergency supplies to Sierra Madre, but object to that service being provided without full cost recovery. Without full cost recovery, these costs must necessarily be paid by other MWD member agencies.

**Purchase of SGVMWD State Water Project Supplies**

The second subject included in the Board Memo is MWD’s proposed purchase of State Water Project (SWP) supplies from SGVMWD. Rather than 1) purchasing SGVMWD SWP supplies and having the water delivered at MWD’s SWP delivery points where it could be available to all MWD member agencies; or, 2) charging the MWD member agencies with Cyclic Storage Accounts in the Main San Gabriel Basin the applicable MWD rates to wheel SGVMWD SWP supplies to their accounts, a convoluted purchase agreement is proposed. Under the proposed terms, only those agencies with Cyclic Storage Accounts in the Main San Gabriel Basin can access the water. And once again, MWD proposes to abandon the 2006 Board Memo agreement that, “IEUA and TVMWD would pay the applicable Metropolitan rates for deliveries taken through the Azusa Pipeline.” If Three Valleys Municipal Water District (TVMWD) does not pay the applicable MWD rates, the other MWD member agencies will necessarily be required to subsidize the transaction.

In addition to the cost of service problem, there are other significant questions about the SGVMWD purchase agreement that are not answered in the board memo, including the following:

1. **Absence of long term benefits.** The 2006 Board Memo states that the underlying agreements for the joint use of facilities are “in perpetuity,” and “may be terminated with one year’s written notice by any of the parties” (Attachment 2, Page 1 of 2 of 2006 Board Memo). Similarly, the Board Memo states that the water purchase agreement “has the potential to increase MWD’s reliability by 115,000 acre feet over the next 23 years” (Board Memo at Page 2). However, neither board memo describes the net cost or supply reliability benefits taking into account terms allowing for a one year cancellation. It is very misleading to mix up claims and analyses of long term benefits with contract terms that allow for one year cancellation. It is apparent that a one-year agreement does not provide any long term water supply reliability benefits, so the supply cost is more appropriately measured against a one-year option price.
Chairman Foley and Members of the Board  
August 19, 2013  
Page 3

2. **Delivery point.** There is no explanation why Cyclic Accounts have been selected as the delivery point. Even though MWD and SGVMWD share the same delivery points for their respective SWP supplies, the proposed agreement provides that MWD receive the purchased water at its Cyclic Accounts in Main San Gabriel Basin. If the delivery point for the water were MWD’s SWP delivery points, the water supply would be available to all MWD member agencies. If, as it appears, the water is really intended to replenish the Main San Gabriel Basin, MWD’s cost of service requires that it either sell MWD water or wheel the SGVMWD water to those member agencies charging the applicable MWD rates.

3. **Use of Cyclic Storage Accounts.** The Board Memo does not state what price MWD will charge San Gabriel Valley Municipal Water District or Three Valleys Municipal Water District – the only agencies that will have access to the unbalanced exchange water – to extract water from its Cyclic Storage Accounts. The terms, conditions and operations of the Cyclic Accounts must be provided to the Board in order to understand what value and limitations MWD is subject to.

Our staff researched available information on cyclic storage accounts and found a number of reports and presentations; however, these reports raised more questions than they answered. For example, in a July 2011 board memo that provided a review of in-regional contractual groundwater storage programs, it described the purpose of cyclic storage agreements as to “allow replenishment deliveries when water and delivery capacity are available for local funds to purchase the water are not available.”  
(http://edmsidm.mwdh2o.com/idmweb/cache/MWD%20EDMS/003721538-1.pdf)

A PowerPoint presentation dated July 2010 states that,

- “[Cyclic storage account] [a]greement would need to be amended to provide regional benefits” and
- “Store[d] water should be sold at prevailing future full service rates and charges” as one of the “important elements” to consider in the context of future cyclic storage agreement.  
(http://edmsidm.mwdh2o.com/idmweb/cache/MWD%20EDMS/003718922-1.pdf)

Finally, in a November 2000 board memo to amend the cyclic storage agreement in the Main San Gabriel Basin – the proposed delivery point for this agreement – the memo stated “[s]hould Metropolitan’s Board not adopt a replenishment rate, water would be sold at the last replenishment rate adopted by the Board.”  
(http://edmsidm.mwdh2o.com/idmweb/cache/MWD%20EDMS/003694968-1.pdf) It is unclear if the terms of the current agreement are intended to be based on this 2000 amendment. We request a full report on the proposed pricing and other terms and conditions of the Cyclic Storage Accounts before MWD agrees to use that as a delivery point for this or any other water it purchases.

4. **Agreement to defend Watermaster Rules.** Finally, we do not understand why MWD would become involved in potential litigation to “defend against any future attempts to rescind or adversely modify [Main San Gabriel Watermaster Rules and Regulation] Section 27.” No
information has been provided about what this Rule is; to the extent MWD staff believes MWD’s water ratepayers should become involved in this issue, detailed information is needed.

There are a great many unanswered questions about the proposed “unbalanced exchange,” and SWP water purchase agreement and why MWD’s board policies and rates and charges cannot be applied to achieve the same objectives, benefit all MWD member agencies and recover full cost of service. We request that the item be tabled for one month to allow these questions to be answered and information provided. In the meantime, there is no reason why MWD cannot and should not wheel water to Sierra Madre via its emergency connection, charging for that service consistent with existing rates and board policies.

We also add that we do not question the value of storage in groundwater basins located within the MWD service territory. However, it is important to do so in a manner that is consistent with the costs MWD incurs in providing its services. Recognizing the value of groundwater storage generally, there is no reason why sensible, long term agreements can’t be reached.

Sincerely,

Keith Lewinger
Director

Vincent Mudd
Director

Fern Steiner
Director

Attachment: MWD Board Memo 7-6, dated February 14, 2006

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1 Although the Water Authority’s litigation questions whether these rates meet statutory and Constitutional requirements, they are the rates MWD contends properly recover its costs of service.

2 MWD’s board policy and cost-of-service reports state that these charges are levied on each acre foot of water that moves through the MWD system.

3 Industry standards would suggest that emergency service be charged a premium, not a discount. We also note that there is no definition of “emergency” service or duration of time during which MWD intends to supply it.

4 Moreover, by not making the delivery point at the Cyclic Account, MWD could avoid this issue entirely.
Authorize entering into a joint connections and water exchange agreement with the San Gabriel Valley Municipal Water District, Three Valleys Municipal Water District, Inland Empire Utilities Agency and the city of Sierra Madre

San Gabriel Valley Municipal Water District is a State Water Contractor that serves the cities of Azusa, Monterey Park, Alhambra and Sierra Madre. SGVMWD owns and operates the Azusa Pipeline, which delivers its State Water Project supplies from the Devil Canyon turnout on the East Branch of the State Water Project to the San Gabriel Valley for groundwater replenishment purposes. The Azusa Pipeline parallels Metropolitan’s Rialto Feeder pipeline for much of its right-of-way. There are three treatment plants that take delivery of Metropolitan’s untreated State Water Project supplies from the Rialto Feeder. The Agua de Lejos Plant and the Lloyd Michaels Plant serve portions of the IEUA’s service area. The Miramar Treatment Plant is owned and operated by Three Valleys Municipal Water District. Metropolitan’s Upper Feeder Pipeline runs through the city of Sierra Madre. Sierra Madre desires an emergency service connection to the Upper Feeder for emergency supplies in the event that Sierra Madre’s groundwater production is compromised.

The Joint Connections and Water Exchange Agreement would provide for a 5.5 cubic-foot-per second emergency service connection for Sierra Madre on Metropolitan’s Upper Feeder and up to three connections on the Azusa Pipeline to provide service to the Lloyd Michaels, Miramar and Agua de Lejos plants in the event that the Rialto Feeder is out of service. The Rialto Feeder is constructed of pre-stressed concrete pipe and June 2004 emergency repairs required a significant local conservation effort. The proposed connections would provide back-up to IEUA and TVMWD in the event of unplanned Rialto Feeder shutdowns or a planned outage. In addition, Azusa Pipeline connections could be used for replenishment operations. SGVMWD would construct and pay for the Sierra Madre connection on the Upper Feeder, and TVMWD and IEUA would construct and pay for the Azusa Pipeline connections. Attachment 1 illustrates the relative location of these connections within Metropolitan’s system.

Metropolitan would use the Azusa Pipeline per the existing Cooperative Water Exchange Agreement to deliver Metropolitan’s State Water Project supplies through the Azusa Pipeline to the three new service connections. To deliver water to Sierra Madre, SGVMWD would take delivery of treated Metropolitan water from the Upper Feeder and turn over a like quantity of SGVMWD’s state project supplies to Metropolitan at Devil Canyon. SGVMWD would pay for power and conveyance on the state project through its State Water Project Charges. SGVMWD would pay Metropolitan the treatment surcharge and any other charges related to the delivery of treated water. IEUA and TVMWD would pay the applicable Metropolitan rates for deliveries taken through the Azusa Pipeline.

In summary, the proposed agreement improves the reliability of service to TVMWD and IEUA, increases the available capacity to make replenishment deliveries, and does not impose any additional cost on Metropolitan. Attachment 2 summarizes the terms of the proposed agreement.

Policy

Metropolitan Water District Administrative Code Section 4209: Contracts
California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed project involves the funding and minor alterations of existing private or public facilities, along with the construction of minor appurtenant structures, with minor modifications in the condition of land, water, and/or vegetation that do not involve removal of healthy, mature, scenic trees. These activities would result in negligible expansion of use and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies under Class 1, Class 3, and Class 4 Categorical Exemptions (Sections 15301, 15303, and 15304 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under three Categorical Exemptions (Class 1, Section 15301; Class 3, Section 15303; and Class 4, Section 15304 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1
Adopt the CEQA determination and authorize the CEO to enter into a joint connections and water exchange agreement with the San Gabriel Valley Municipal Water District, Three Valleys Municipal Water District, Inland Empire Utilities Agency and the city of Sierra Madre consistent with the draft terms outlined in Attachment 2.

Fiscal Impact: None. Cost of connections paid by other agencies.

Option #2
Do not authorize the CEO to enter into a joint connections and exchange agreement.

Fiscal Impact: None

Staff Recommendation

Option #1

Brian G. Thomas
Chief Financial Officer
1/31/2006

Debra C. Man
Interim CEO/General Manager
1/31/2006

Attachment 1 – Joint Connections and Exchange Agreement Facilities

Attachment 2 – Draft Terms

BLA #4253
Draft Terms

January 31, 2006

Joint Connections and Water Exchange Agreement with the San Gabriel Valley Municipal Water District, the Three Valleys Municipal Water District, the Inland Empire Utilities Agency and the City of Sierra Madre

Parties
The Agreement is between and among the Metropolitan Water District of Southern California, (Metropolitan), the San Gabriel Valley Municipal Water District (San Gabriel), the Three Valleys Municipal Water District (Three Valleys), the Inland Empire Utilities Agency (Inland Empire), and the City of Sierra Madre (Sierra Madre).

Three Valleys and Inland Empire are Metropolitan member agencies.

San Gabriel is a State Water Contractor that serves the cities of Alhambra, Azusa, Monterey Park and Sierra Madre.

Facilities
Metropolitan owns and operates the Rialto Feeder. The Rialto Feeder is a 611 cubic-foot-per-second (cfs) raw water pipeline that originates at Devil Canyon, is supplied by the East Branch of the State Water Project, and terminates at the Live Oak Reservoir.

Metropolitan owns and operates the Upper Feeder. The Upper Feeder is a 509 cfs treated water pipeline served from the Weymouth Treatment Plant. The Upper Feeder runs through the City of Sierra Madre.

San Gabriel owns and operates the Azusa Pipeline. The Azusa Pipeline is a 55 cfs raw water pipeline that parallels Metropolitan’s Rialto Feeder for much of its right of way. The Azusa Pipeline originates at Devil Canyon and is supplied from the East Branch of the State Water Project.

Inland Empire serves the Agua de Lejos and Lloyd Michaels treatment plants with water from Metropolitan’s Rialto Feeder. The Rialto Feeder is the only source of supply for these treatment plants.

Three Valleys owns and operates the Miramar Water Treatment Plant, which is served from Metropolitan’s Rialto Feeder. The Rialto Feeder is the only source of supply for this treatment plant.

Term
The Agreement is in perpetuity and the Agreement may be terminated with one year’s written notice by any of the parties.

Joint Connections
Sierra Madre desires a 5.5 cfs connection on Metropolitan’s Upper Feeder to provide emergency backup service in the event Sierra Madre’s groundwater supplies are compromised.

Inland Empire desires two 55 cfs connections to San Gabriel’s Azusa Pipeline to provide emergency backup service to the Lloyd Michaels and Agua de Lejos treatment plants.
Three Valleys desires one 55 cfs connection to San Gabriel’s Azusa Pipeline to provide emergency backup service to the Miramar Treatment Plant.

In consideration for San Gabriel granting Three Valleys and Inland Empire three connections to the Azusa Pipeline, Metropolitan will provide San Gabriel a connection to the Upper Feeder to provide emergency service to Sierra Madre.

**Exchange Operations**
To deliver Metropolitan State Water Project supplies to Three Valleys or Inland Empire through the Azusa Pipeline, Metropolitan will provide San Gabriel, at Devil Canyon, with the volume of water to be delivered to Three Valleys or Inland Empire.

To deliver San Gabriel State Water Project supplies to Sierra Madre through the Upper Feeder, San Gabriel will provide Metropolitan, at Devil Canyon, with the volume of water to be delivered to Sierra Madre.

**Costs**
San Gabriel will pay all costs for constructing a connection on the Upper Feeder.

Three Valleys and Inland Empire will pay all costs of constructing connections to the Azusa Pipeline.

**Ownership**
Metropolitan will own San Gabriel’s connection to the Upper Feeder.

Three Valleys and Inland Empire will own the connections to the Azusa Pipeline.

**Billing and Rates**
Metropolitan will meter and bill Three Valleys and Inland Empire for water delivered through the Azusa Pipeline. Three Valleys and Inland Empire will pay Metropolitan’s rates, as defined in the Administrative Code, for any and all water delivered through the Azusa Pipeline.

Metropolitan will meter and bill San Gabriel for water delivered to Sierra Madre through the Upper Feeder. As a State Water Contractor, San Gabriel will pay all State Water Contract costs associated with the conveyance of water to Devil Canyon. San Gabriel will pay Metropolitan’s treatment surcharge, and all other charges applicable to treatment as defined in Metropolitan’s Administrative Code.
AGENDA

Adjourned Finance and Insurance Committee

Meeting with Board of Directors*

August 19, 2013

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

Monday, August 19, 2013

Meeting Schedule

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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 July 8, 2013**

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

Date of Notice: August 7, 2013
4. OTHER MATTERS

5G. Tax Levy for fiscal year 2013/14. (F&I)

5G-1 Report on list of certified assessed valuations for fiscal year 2013/14 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2013. (To be distributed at meeting)

5G-2 Adopt resolution maintaining the tax rate for fiscal year 2013/14. (To be distributed at meeting)

5. CONSENT CALENDAR ITEMS — ACTION

7-2 Adopt final resolutions for annexation and water standby charge levy for Annexation No. 97 to Calleguas Municipal Water District and to Metropolitan Water District. (F&I)

Recommendation:

Option #1:

Review and consider information provided in the adopted Mitigated Negative Declaration and adopt the Lead Agency’s findings related to the proposed actions and

a. Adopt resolution granting Calleguas’ request for approval of Annexation No. 97 concurrently to Calleguas and Metropolitan and establish Metropolitan’s terms and conditions for annexation, conditioned upon approval by Ventura Local Agency Formation Commission, and upon receipt of annexation fee of $8,149.28; and

b. Adopt resolution to impose water standby charge at a rate of $9.58 per acre, or per parcel of less than one acre, within the proposed annexation area.

6. OTHER BOARD ITEMS — ACTION

8-2 Approve the selection of a third party Other Post Employment Benefits (OPEB) trust provider; and authorize execution of an agreement(s) with the board-approved provider. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the project is not subject to CEQA and authorize the General Manager, with approval of the General Counsel, to execute a contract with one of the recommended providers to administer and invest Metropolitan’s pre-funding of OPEB benefits.
8-5 Approve repayment of Metropolitan’s portion of the Hoover Dam Visitor Center loan and the Hoover Dam Air Slots loan with the United States Treasury. (F&I)

Recommendation:

Option #1:

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

a. Authorize the General Manager to sign a nonbinding Memorandum of Understanding stating Metropolitan’s intention to pay its proportionate share of the Hoover Dam Visitors Center and the Hoover Dam Air Slots debt obligations, as approved by the General Manager and General Counsel; and

b. Authorize the General Manager to provide approximately $26 million of available cash funding from the Water Rate Stabilization Fund to repay Metropolitan’s proportionate share of the Hoover Dam Visitors Center and the Hoover Dam Air Slots debt obligations. The exact amount will be determined at the time of the repayment.

7. BOARD INFORMATION ITEMS

None

8. COMMITTEE ITEMS

None

9. FOLLOW-UP ITEMS

None

10. FUTURE AGENDA ITEMS

11. 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.
AGENDA

Adjourned Water Planning and Stewardship Committee

Meeting with Board of Directors*

August 19, 2013

10:30 a.m. – Room 2-456

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

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

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 July 8, 2013

3. CONSENT CALENDAR ITEMS — ACTION

7-3 Authorize entering into an exchange and purchase agreement with the San Gabriel Valley Municipal Water District. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the project is categorically exempt and authorize the General Manager to enter into an agreement with SGVMWD consistent with the terms in Attachment 1 to the board letter.

Date of Notice: August 7, 2013
4. OTHER BOARD ITEMS — ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Update on State Water Contract extension negotiations

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: August 7, 2013
AGENDA

Adjourned Engineering and Operations Committee
Meeting with Board of Directors*

August 19, 2013
12:00 p.m. -- Room 2-145

Monday, August 19, 2013
Meeting Schedule

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

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

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

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

3. **CONSENT CALENDAR ITEMS — ACTION**

   7-4 Appropriate $610,000; and authorize final design and procurement of heating, ventilating, and air conditioning equipment for Metropolitan’s Water Quality Laboratory (Approp. 15391). (E&O)

Date of Notice: August 7, 2013
Recommendaion:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt and
a. Appropriate $610,000;
b. Authorize final design to replace the HVAC system at Metropolitan’s Water Quality Laboratory; and
c. Authorize procurement and installation of a new chiller unit.

7-5
Appropriate $350,000; and authorize paving projects at Temescal Power Plant and the Skinner area facilities (Approp. 15441). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determinations that the proposed action is categorically exempt and
a. Appropriate $350,000;
b. Authorize installation of pavement at Temescal Power Plant; and
c. Authorize preliminary design of pavement repairs at the Skinner area facilities.

7-6
Appropriate $175,000; and authorize preliminary design of two distribution system rehabilitation projects (Approp. 15441). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt and
a. Appropriate $175,000;
b. Authorize preliminary design to upgrade the surge tank system at the OC-88 Pumping Plant; and
c. Authorize preliminary design to replace a sectionalizing valve on the Santiago Lateral.
Authorize agreements with AECOM, Black & Veatch, HDR Engineering, and MWH Americas, in amounts not to exceed $2 million per year each, in support of board-authorized Capital Investment Plan projects. (E&O)

Recommendation:

Option #1:

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

Authorize agreements with AECOM, Black & Veatch, HDR Engineering, and MWH Americas, in an amount not to exceed $2 million per year each for a maximum period of five years, to provide engineering services.

4. OTHER BOARD ITEMS — ACTION

8-3 Appropriate $19.3 million; and award $11.11 million contract to Southern Contracting Company to construct the second stage of electrical upgrades at the Robert B. Diemer Water Treatment Plant (Approp. 15380). (E&O)

Recommendation:

Option #1:

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

a. Appropriate $19.3 million; and
b. Award $11.11 million contract to Southern Contracting Company to construct the Stage 2 electrical upgrades at the Diemer plant.

8-4 Appropriate $5.65 million; and award $3,801,758 contract to J. F. Shea Construction, Inc., for seismic upgrades to the filter buildings at the F. E. Weymouth Water Treatment Plant (Approp. 15369). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the certified EIR and that no further environmental analysis or documentation is required and

a. Appropriate $5.65 million; and
b. Award $3,801,758 contract to J. F. Shea Construction, Inc. for seismic upgrades to the Weymouth filter buildings.
8-6  Adopt resolution supporting Metropolitan’s applications for low-interest financing from the Safe Drinking Water State Revolving Fund. (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the action is not subject to CEQA and adopt a board resolution authorizing the General Manager to apply for Safe Drinking Water State Revolving Fund financing for two projects, with separate applications for (a) the Palos Verdes Reservoir floating cover replacement, and (b) enhanced bromate control, coagulation, and filter biomass control at the Weymouth plant.

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Report on PCCP Rehabilitation and Replacement Program
b. Energy Management for the Colorado River Aqueduct

7. MANAGEMENT REPORTS

a. Water System Operations Manager’s report
b. Engineering Services Manager’s report

8. FOLLOW-UP ITEMS

None

Date of Notice: August 7, 2013
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.

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Date of Notice: August 7, 2013
DIRECTORS' MEETING AGENDA

Audit and Ethics Committee
Meeting with Board of Directors*

August 19, 2013
1:30 p.m. -- Room 2-456

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

*The Metropolitan Water District's Audit and Ethics Committee meeting is noticed as a joint 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 Audit and Ethics 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 Audit and Ethics Committee will not vote on matters before the Audit and Ethics 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 Audit and Ethics Committee held July 23, 2013

3. OTHER BOARD ITEMS -- ACTION

Revised 8-1 Adopt Ethics Office policy principles and investigation procedures; authorize fiscal year 2013/14 budget increase of $245,000 for staffing and professional services necessary to perform broader range of investigative and policy functions; and revise Ethics Office work plan for fiscal year 2013/14. (A&E)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed actions are not subject to CEQA and
   a. Adopt the policy principles in Attachment 1 to the board letter;
   b. Adopt the investigations procedures in Attachment 2 to the board letter;
   and
   c. Authorize adjustment to the Ethics Department fiscal year 2013/14 budget.

4. COMMITTEE ITEMS

None

5. ADJOURNMENT

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AGENDA

Adjourned Legal and Claims Committee

Meeting with Board of Directors*

August 20, 2013

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

Date of Notice: July 17, 2013

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

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

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

3. CONSENT CALENDAR ITEMS — ACTION

   None

4. OTHER BOARD ITEMS — ACTION

   None

5. BOARD INFORMATION ITEMS

   None
6. COMMITTEE ITEMS

   a. General Counsel’s report of monthly activities

   b. 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)]

   c. Report on existing litigation Orange County Water District v. Northrop Corporation, Orange County Superior Court Case No. 04CC00715. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

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

7. FOLLOW-UP ITEMS

   None

8. FUTURE AGENDA ITEMS

9. ADJOURNMENT

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Date of Notice: July 17, 2013
AGENDA

Adjourned Communications and Legislation Committee
Meeting with Board of Directors*

August 20, 2013

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

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<td>10:00 a.m. 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 Communications and Legislation Committee held July 9, 2013

3. CONSENT CALENDAR ITEMS — ACTION

   None

4. OTHER BOARD ITEMS — ACTION

   8-7 Express opposition, unless amended, to Senate Bill 731 (Steinberg, D-Sacramento) – California Environmental Quality Act Modernization Act of 2013. (C&L) (To be mailed separately)

Date of Notice: August 7, 2013
8-8 Express opposition, unless amended, to Assembly Bill 52 (Gatto, D-Silver Lake) – Native Americans: California Environmental Quality Act. (C&L) (To be mailed separately)

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

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

b. Report on activities from Sacramento

c. Update on Department of Public Health Reorganization and AB 145 (Perea, D-Fresno) – State Water Resources Control Board: drinking water

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.

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Date of Notice: August 7, 2013
REVISED AGENDA

Adjourned Regular Board Meeting

August 20, 2013

12:00 p.m. -- Board Room

Tuesday, August 20, 2013

Meeting Schedule

<table>
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<tr>
<th>Time</th>
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<td>7:00-8:00 a.m.</td>
<td>Rm. 2-413</td>
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<tr>
<td>10:00 a.m.</td>
<td>Rm. 2-456</td>
<td>C&amp;L</td>
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<td>12:00 p.m.</td>
<td>Board Room</td>
<td>Board Meeting</td>
</tr>
</tbody>
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1. Call to Order
   (a) Invocation: Alicia Benbow, Administrative Analyst, External Affairs
   (b) Pledge of Allegiance: Director Laura Friedman

2. Roll Call

3. Determination of a Quorum

PUBLIC HEARING

Comments on the standby charge levy supporting Annexation No. 97 to Calleguas Municipal Water District and Metropolitan

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))

REVISED: Date of Notice: August 15, 2013
5. OTHER MATTERS

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

B. Report on Directors' meetings attended at Metropolitan expense for month of July

C. Induction of new Director, Michael T. Hogan, from San Diego County Water Authority
   (a) Receive credentials
   (b) Report on credentials by General Counsel
   (c) File credentials
   (d) Administer Oath of Office
   (e) File Oath

D. Presentation of 10-year service pin to Director Larry Dick, representing Municipal Water District of Orange County

E. Approve committee assignments

F. Chairman's Monthly Activity Report

G. Tax Levy for fiscal year 2013/14. (F&I)
   5G-1 Report on list of certified assessed valuations for fiscal year 2013/14 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2013.
   5G-2 Adopt resolution maintaining the tax rate for fiscal year 2013/14. (Roll call vote—two-thirds vote required) To be distributed at meeting

6. DEPARTMENT HEADS' REPORTS

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

B. General Counsel's summary of Legal Department activities for the month of July
C. General Auditor's summary of activities for the month of July

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

7. CONSENT CALENDAR ITEMS — ACTION

7-1 Authorize granting of one permanent easement to San Diego Gas and Electric Company on Metropolitan-owned property located in an unincorporated portion of San Diego County. (RP&AM)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt and authorize the General Manager to grant a permanent easement to SDG&E in San Diego County.

7-2 Adopt final resolutions for annexation and water standby charge levy for Annexation No. 97 to Calleguas Municipal Water District and to Metropolitan Water District. (F&I)

Recommendation:

Option #1:

Review and consider information provided in the adopted Mitigated Negative Declaration and adopt the Lead Agency's findings related to the proposed actions and

a. Adopt resolution granting Calleguas’ request for approval of Annexation No. 97 concurrently to Calleguas and Metropolitan and establish Metropolitan’s terms and conditions for annexation, conditioned upon approval by Ventura Local Agency Formation Commission, and upon receipt of annexation fee of $8,149.28; and

b. Adopt resolution to impose water standby charge at a rate of $9.58 per acre, or per parcel of less than one acre, within the proposed annexation area.
7-3 Authorize entering into an exchange and purchase agreement with the San Gabriel Valley Municipal Water District. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the project is categorically exempt and authorize the General Manager to enter into an agreement with SGVMWD consistent with the terms in Attachment 1 to the board letter.

7-4 Appropriate $610,000; and authorize final design and procurement of heating, ventilating, and air conditioning equipment for Metropolitan’s Water Quality Laboratory (Approp. 15391). (E&O)

Recommendation:

Option #1:

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

a. Appropriate $610,000;
b. Authorize final design to replace the HVAC system at Metropolitan’s Water Quality Laboratory; and
c. Authorize procurement and installation of a new chiller unit.

7-5 Appropriate $350,000; and authorize paving projects at Temescal Power Plant and the Skinner area facilities (Approp. 15441). (E&O)

Recommendation:

Option #1:

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

a. Appropriate $350,000;
b. Authorize installation of pavement at Temescal Power Plant; and
c. Authorize preliminary design of pavement repairs at the Skinner area facilities.
7-6  Appropriate $175,000; and authorize preliminary design of two distribution system rehabilitation projects (Approp. 15441).  (E&O)

Recommendation:

Option #1:

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

a. Appropriate $175,000;
b. Authorize preliminary design to upgrade the surge tank system at the OC-88 Pumping Plant; and  
c. Authorize preliminary design to replace a sectionalizing valve on the Santiago Lateral.

7-7  Authorize agreements with AECOM, Black & Veatch, HDR Engineering, and MWH Americas, in amounts not to exceed $2 million per year each, in support of board-authorized Capital Investment Plan projects.  (E&O)

Recommendation:

Option #1:

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

Authorize agreements with AECOM, Black & Veatch, HDR Engineering, and MWH Americas, in an amount not to exceed $2 million per year each for a maximum period of five years, to provide engineering services.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

Revised 8-1  Adopt Ethics Office policy principles and investigation procedures; authorize fiscal year 2013/14 budget increase of $245,000 for staffing and professional services necessary to perform broader range of investigative and policy functions; and revise Ethics Office work plan for fiscal year 2013/14.  (A&E)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed actions are not subject to CEQA and
a.  Adopt the policy principles in Attachment 1 to the board letter;
b.  Adopt the investigations procedures in Attachment 2 to the board letter; and
and
c.  Authorize adjustment to the Ethics Department fiscal year 2013/14 budget.

8-2  Approve the selection of a third party Other Post Employment Benefits (OPEB) trust provider; and authorize execution of an agreement(s) with the board-approved provider.  (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the project is not subject to CEQA and authorize the General Manager, with approval of the General Counsel, to execute a contract with one of the recommended providers to administer and invest Metropolitan's pre-funding of OPEB benefits.

8-3  Appropriate $19.3 million; and award $11.11 million contract to Southern Contracting Company to construct the second stage of electrical upgrades at the Robert B. Diemer Water Treatment Plant (Approp. 15380).  (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt and
a.  Appropriate $19.3 million; and
b.  Award $11.11 million contract to Southern Contracting Company to construct the Stage 2 electrical upgrades at the Diemer plant.

8-4  Appropriate $5.65 million; and award $3,801,758 contract to J. F. Shea Construction, Inc., for seismic upgrades to the filter buildings at the F. E. Weymouth Water Treatment Plant (Approp. 15369).  (E&O)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the certified EIR and that no further environmental analysis or documentation is required and

a. Appropriate $5.65 million; and

b. Award $3,801,758 contract to J. F. Shea Construction, Inc. for seismic upgrades to the Weymouth filter buildings.

8-5 Approve repayment of Metropolitan’s portion of the Hoover Dam Visitor Center loan and the Hoover Dam Air Slots loan with the United States Treasury. (F&I)

Recommendation:

Option #1:

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

a. Authorize the General Manager to sign a nonbinding Memorandum of Understanding stating Metropolitan’s intention to pay its proportionate share of the Hoover Dam Visitors Center and the Hoover Dam Air Slots debt obligations, as approved by the General Manager and General Counsel; and

b. Authorize the General Manager to provide approximately $26 million of available cash funding from the Water Rate Stabilization Fund to repay Metropolitan’s proportionate share of the Hoover Dam Visitors Center and the Hoover Dam Air Slots debt obligations. The exact amount will be determined at the time of the repayment.

8-6 Adopt resolution supporting Metropolitan’s applications for low-interest financing from the Safe Drinking Water State Revolving Fund. (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the action is not subject to CEQA and adopt a board resolution authorizing the General Manager to apply for Safe Drinking Water State Revolving Fund financing for two projects, with separate applications for (a) the Palos Verdes Reservoir floating cover replacement, and (b) enhanced bromate control, coagulation, and filter biomass control at the Weymouth plant.
8-7 Express opposition, unless amended, to Senate Bill 731 (Steinberg, D-Sacramento) – California Environmental Quality Act Modernization Act of 2013. (C&L)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and is categorically exempt and authorize the General Manager to express Metropolitan’s opposition to SB 731 unless amended as described in the board letter.

8-8 Express opposition, unless amended, to Assembly Bill 52 (Gatto, D-Silver Lake) – Native Americans: California Environmental Quality Act. (C&L)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to CEQA and is categorically exempt and authorize the General Manager to express Metropolitan’s opposition to AB 52 unless amended as described in the board letter.

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.
August 14, 2013

Deena Ghaly, Ethics Officer
Ethics Office
The Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012

Questions Regarding Ethics Office Budget and Policy Proposals of July 23, 2013

Dear Ms. Ghaly:

Thank you for encouraging the Audit and Ethics Committee to raise concerns, ask questions, and offer ideas relevant to your presentation at our meeting July 23, 2013. Since I am unable to attend the committee meeting next week, I want to share my concerns with you and the committee beforehand.

I have two concerns. Your proposed budget increase represents a 41% increase over the adopted budget. In my view, this is quite significant. Calleguas and our purveyors are fiscally conservative. To support your proposal, I would need to be convinced that this increase is necessary to comply with the law and/or brings commensurate value to Metropolitan and its member agencies. To my way of thinking, your presentation has not made this case.

Secondly, during your presentation you indicated that three pending ethics complaints are not being addressed until your proposed procedural changes are considered by the Metropolitan Board. This is very troubling to me since it suggests that current Board-approved procedures may not be being followed. I would encourage you to address existing ethical issues under existing procedures until such time as policies and procedures are revised.

I have the following questions:

(1) What is the nexus between the Federal Sentencing Guidelines for Organizations and Metropolitan’s compliance with SB60? In reviewing the Federal Guidelines section on “Effective Compliance and Ethics Program” (Section 8B2.1.), it appeared to me that our current implementation of SB60 meets the Federal Guidelines. What specifically in the Federal Guidelines do you believe would add value to Metropolitan’s current compliance with SB60 and how does this relate to your budget proposal?
(2) Is Metropolitan out of compliance with SB60 and if so how? In my review of Section 126.7 of the Metropolitan Water District Act concerning the Office of Ethics, the requirements seem straightforward and the current procedures seem to fulfill those requirements. I would appreciate your assessment.

As I said at the committee meeting, I recognize the need for compliance with the law and sound procedures for investigating complaints. As discussed above, I am not persuaded that the need and value of the proposed budget increase has been demonstrated. Until the value and need is demonstrated, I cannot support the proposed budget increase.

Thank you for your consideration.

Sincerely,

Gail Pringle

cc: Chair Edwards and Members of the Audit and Ethics Committee
Calleguas Municipal Water District Board of Directors
August 22, 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 August 14, 2013 CRB meeting.

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

Water Supply and Reservoir Operations
As of August 1, 2013 total system storage was 30.30 million acre-feet (maf), or 51 percent of capacity, which is about 5.03 maf less than a year ago. Lake Mead is at 47 percent capacity, with 12.27 maf and Lake Powell is at 46 percent capacity with 11.20 maf. July 2013 releases from Hoover, Davis, and Parker Dams averaged 14,070, 13,070, and 10,180 cubic feet per second (cfs), respectively. Planned releases for August are 13,300, 13,100 and 10,200 cfs, respectively.

On July 30 the second consultation associated with the development of the 2014 Annual Operating Plan (AOP) was held in Las Vegas, 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 July 2013 24-Month Study of proposed hydrology in the Basin, the draft 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. In the Lower Basin, the AOP projects that Intentionally Created Surplus Conditions will govern operation of Lake Mead and no unused apportionment is anticipated for 2014. 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. The final AOP consultation meeting is scheduled for September 5, 2013 at McCarran Airport in Las Vegas, Nevada.

Minute 319 Bi-national Discussions
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. Activities to implement Minute 319 are progressing through several bi-national work groups. A general update was held on July 31 with progress reports on Environmental Flows, Rosarito desalination, the All American Canal bi-national turnout, and water accounting and operations. Discussions included the possible development of a plan to provide an emergency connection between the U.S. and Mexico through the All American Canal.
In response to increasing drought conditions on the Rio Grande, representatives from the State of Texas introduced legislation to tie Mexico’s delivery obligations to the U.S. on the Rio Grande to Colorado River issues and Minute 319. 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 sent a letter to the Secretary of the Interior on July 31 that opposed any linkage between the Rio Grande and Minute 319 implementation.

**Colorado River Basin Water Supply and Demand Study**
The Basin States, Reclamation, and other stakeholder groups continued work on developing a plan to implement the “Future Considerations and Next Steps” components of the Colorado River Basin Water Supply and Demand Study (Basin Study) through three workgroups: Municipal Conservation and Reuse, Agricultural Conservation and Transfers, and Environmental and Recreational Flows.

The M&I Workgroup is co-chaired by MWD and has scheduled its next meeting for August 14. The Agricultural Workgroup is co-chaired by IID and has scheduled its next meeting for August 21. The Environmental and Recreational Flow workgroup kicked off its first in person meeting on July 24. That workgroup will coordinate its efforts with entities working on a Landscape Conservation Cooperative grant to evaluate and improve upon the modeling tools associated with recreational and environmental flows. It is anticipated that summary reports detailing each workgroup’s efforts will be available by December 2013.

On July 16 an oversight hearing of the Senate Energy Committee’s Subcommittee on Water and Power was held relating to the Basin Study. Testimony was given by the Colorado River Board and others on the perspective of the Lower Basin states as well as the perspectives of the three workgroups.

**Colorado River Basin Salinity Control Program**
The Colorado River Basin Salinity Control Forum (Forum) met in July. Discussions focused on the status of existing and projected funds for the Salinity Control Program, which currently have expenditures exceeding revenues. There was also discussion regarding the Paradox Valley Injection unit, where an earthquake hit in January. Since the earthquake, injection has been reduced by 10% which decreased the salt disposal rate to 102,000 tons per year. The Forum is also beginning work on the 2014 Triennial Review.
### SUMMARY WATER REPORT
COLORADO RIVER BASIN
August 5, 2013

<table>
<thead>
<tr>
<th>RESERVOIR STORAGE</th>
<th>ELEV.</th>
<th>% of MAF</th>
<th>IN FEET</th>
<th>% of MAF</th>
<th>IN FEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>11.202</td>
<td>3,594.2</td>
<td>46</td>
<td>11.757</td>
<td>3,600.1</td>
</tr>
<tr>
<td>Flaming Gorge</td>
<td>2.875</td>
<td>6,017.0</td>
<td>77</td>
<td>2.906</td>
<td>6,017.9</td>
</tr>
<tr>
<td>Navajo</td>
<td>0.889</td>
<td>6,017.5</td>
<td>52</td>
<td>0.958</td>
<td>6,024.9</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>12.270</td>
<td>1,105.9</td>
<td>47</td>
<td>12.276</td>
<td>1,106.0</td>
</tr>
<tr>
<td>Lake Mohave</td>
<td>1.717</td>
<td>643.7</td>
<td>95</td>
<td>1.711</td>
<td>643.4</td>
</tr>
<tr>
<td>Lake Havasu</td>
<td>0.590</td>
<td>448.5</td>
<td>95</td>
<td>0.589</td>
<td>448.4</td>
</tr>
<tr>
<td>Total System Storage</td>
<td>30.304</td>
<td>51</td>
<td>52</td>
<td>30.990</td>
<td>52</td>
</tr>
</tbody>
</table>

| System Storage Last Year | 35.336 | 59     | 60     |

| WY 2013 Precipitation (Basin Weighted Avg) | 81 percent (21.4") | 76 percent (18.7") |
| WY 2013 Current Basin Snowpack (Basin Weighted Avg) | N/A | N/A |

<table>
<thead>
<tr>
<th>August 1, 2013 Forecast of Unregulated Lake Powell Inflow</th>
<th>MAF</th>
<th>% of Normal</th>
<th>MAF</th>
<th>% of Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 April through July unregulated inflow</td>
<td>2.559</td>
<td>36 %</td>
<td>2.880</td>
<td>40 %</td>
</tr>
<tr>
<td>2013 Water Year</td>
<td>4.328</td>
<td>40 %</td>
<td>4.646</td>
<td>43 %</td>
</tr>
</tbody>
</table>
Basin Hydrology WY-2013 (10/1/12–8/05/13)

Precipitation
(Weighted Average 10/01/12 through 8/05/13)
81%        76%

Snowpack Water Equivalent
(Weighted Average as of 8/05/13)
NA          NA

Unregulated Inflow into Lake Powell
(August 1st Forecast)
% of Avg.
2013 Apr-Jul Forecast Inflow
2013 WY Forecast
2.56        36%
4.33        40%

Reservoir Storage
(As of July 31, 2013)

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>MAF</th>
<th>Elev.</th>
<th>% of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>11.20</td>
<td>3,594.2</td>
<td>46</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>12.27</td>
<td>1,105.9</td>
<td>47</td>
</tr>
<tr>
<td>Total Sys. Storage</td>
<td>30.30</td>
<td>-</td>
<td>51</td>
</tr>
<tr>
<td>Sys. Storage Last Yr.</td>
<td>35.34</td>
<td>-</td>
<td>59</td>
</tr>
</tbody>
</table>
Lake Powell Unregulated Inflow Water Year 2013 Forecast (July 1st)

Comparing with History

Water Year Forecast

JUL 1 Most Prob: 4.44 maf (41%)
Average: 10.83 maf (1981-2010)

Historic Average: 10.83 maf
## Lake Powell & Lake Mead Operational Table
### Projected Operational Tiers for 2014 based on the July 2013 24-Month Study

<table>
<thead>
<tr>
<th>Elevation (feet)</th>
<th>Lake Powell</th>
<th>Operation According to the Interim Guidelines</th>
<th>Live Storage (maf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,700</td>
<td></td>
<td>Equalization Tier</td>
<td>24.3</td>
</tr>
<tr>
<td>3,658 - 3,886</td>
<td></td>
<td>Equalize, avoid spills or release 8.23 maf</td>
<td></td>
</tr>
<tr>
<td>(2008-2026)</td>
<td></td>
<td>Upper Elevation Balancing Tier</td>
<td>15.5 - 18.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Release 8.23 maf;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td># Lake Mead &lt; 1,075 feet, balance contents</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>with a min/max release of</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.0 and 9.0 maf</td>
<td></td>
</tr>
<tr>
<td>3,625</td>
<td></td>
<td>Mid-Elevation Release Tier</td>
<td>5.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Release 7.45 maf;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td># Lake Mead = 1,025 feet, release 8.23 maf</td>
<td></td>
</tr>
<tr>
<td>3,490</td>
<td></td>
<td>Lower Elevation Balancing Tier</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balance contents with</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>a min/max release of</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.0 and 9.5 maf</td>
<td></td>
</tr>
<tr>
<td>3,370</td>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Elevation (feet)</th>
<th>Lake Mead</th>
<th>Operation According to the Interim Guidelines</th>
<th>Live Storage (maf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,220</td>
<td></td>
<td>Flood Control Surplus or</td>
<td>25.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quantified Surplus Condition</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deliver &gt; 7.5 maf</td>
<td></td>
</tr>
<tr>
<td>1,200</td>
<td></td>
<td>Domestic Surplus or ICS Surplus Condition</td>
<td>22.9</td>
</tr>
<tr>
<td>(approx.)</td>
<td></td>
<td>Deliver &gt; 7.5 maf</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(approx.)</td>
<td></td>
</tr>
<tr>
<td>1,145</td>
<td></td>
<td>Normal or ICS Surplus Condition</td>
<td>15.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deliver ≥ 7.5 maf</td>
<td></td>
</tr>
<tr>
<td>1,106</td>
<td></td>
<td></td>
<td>11.9</td>
</tr>
<tr>
<td>1,075</td>
<td></td>
<td>Shortage Condition</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deliver 7.167 maf</td>
<td></td>
</tr>
<tr>
<td>1,050</td>
<td></td>
<td>Shortage Condition</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deliver 7.083 maf</td>
<td></td>
</tr>
<tr>
<td>1,025</td>
<td></td>
<td>Shortage Condition</td>
<td>5.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deliver 7.0 maf</td>
<td></td>
</tr>
<tr>
<td>1,000</td>
<td></td>
<td>Shortage Condition</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Further measures may be undertaken</td>
<td></td>
</tr>
</tbody>
</table>

### Diagram not to scale
#### Acronym for million acre-feet
#### This elevation is shown as approximate as it is determined each year by considering several factors including Lake Powell and Lake Mead storage, projected Upper Basin and Lower Basin demands, and an assumed inflow.
#### Subsequent adjustments which may result in a release according to the Equalization Tier
#### Of which 2.48 maf is apportioned to Arizona, 4.4 maf to California, and 0.267 maf to Nevada
#### Of which 2.40 maf is apportioned to Arizona, 4.4 maf to California, and 0.263 maf to Nevada
#### Of which 2.32 maf is apportioned to Arizona, 4.4 maf to California, and 0.260 maf to Nevada
#### Whenever Lake Mead is below elevation 1,025 feet, the Secretary shall consider whether hydrologic conditions together with anticipated deliveries to the Lower Division States and Mexico is likely to cause the elevation at Lake Mead to fall below 1,000 feet. Such consideration, in consultation with the Basin States, may result in the undertaking of further measures, consistent with applicable Federal law.
Water Year 2013 Projections

July 2013 24-Month Study Most Probable Inflow Scenario

Projected Unregulated Inflow into Powell = 4.44 maf (41% of average)

24.322 maf
24.322 maf
16.7 maf
16.7 maf
9.5 maf
9.5 maf
5.9 maf
5.9 maf
0.0 maf
0.0 maf
1.9 maf
1.9 maf
Lake Powell
Lake Powell
Lake Mead
Lake Mead
1.219.6
1.219.6
1.145
1.145
1.105
1.105
1.075
1.075
1.025
1.025
0.875
0.875
8.23 maf
8.23 maf
2.5 maf
2.5 maf
0.67 maf
0.67 maf

Dead Storage
Dead Storage

End of Calendar Year 2013 Projections

July 2013 24-Month Study Most Probable Inflow Scenario

24.322 maf
24.322 maf
16.7 maf
16.7 maf
9.5 maf
9.5 maf
5.9 maf
5.9 maf
0.0 maf
0.0 maf
1.9 maf
1.9 maf
Lake Powell
Lake Powell
Lake Mead
Lake Mead
1.219.6
1.219.6
1.145
1.145
1.105
1.105
1.075
1.075
1.025
1.025
895
895
1101.4 feet
1101.4 feet
6.0 maf
6.0 maf

Dead Storage
Dead Storage

Not to Scale

1 MAF 2013 unregulated inflow estimate is based on the USGS forecast called 2013 El-Paso general forecast updated on the September 26, 2013.

Attachment
Lakes Powell and Mead Monthly Pool Elevation Levels

Lake Powell Monthly Pool Elevation Level (Feet)

- Maximum (3700 feet)
- Upper Elevation Balancing Tier (3645 feet)
- Mid-Elevation Release Tier (3575 feet)
- Lower Elevation Balancing Tier (3525 feet)

Note: 3555.90 ft. in March 2005, lowest since 1969 during the initial filling of Lake Powell.

Lake Mead Monthly Pool Elevation Level (Feet)

- Maximum (1229 feet)
- Surplus (1145 feet)
- Normal Condition
- Shortage (1075 feet)

Note: 1081.94 ft. in November 2010, lowest since 1937 during the initial filling of Lake Mead.
USDA United States Drought Monitor Map

U.S. Drought Monitor

July 30, 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/

U.S. Drought Monitor

West

July 30, 2013
Valid 7 a.m. EST

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

http://droughtmonitor.unl.edu
ARIZONA, CALIFORNIA, NEVADA, MEXICO
FORECAST OF END-OF-YEAR CONSUMPTIVE USE
FORECAST BASED ON USE TO DATE AND APPROVED ANNUAL WATER ORDERS /1
(ACRE-FEET)

WATER USE SUMMARY

<table>
<thead>
<tr>
<th>State</th>
<th>Use Forecast</th>
<th>Approved Excess to Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARIZONA</td>
<td>1,715,117</td>
<td>2,707,731</td>
</tr>
<tr>
<td>CALIFORNIA</td>
<td>2,782,126</td>
<td>4,335,683</td>
</tr>
<tr>
<td>NEVADA</td>
<td>141,926</td>
<td>285,080</td>
</tr>
</tbody>
</table>

States Total 8

4,649,549 7,300,454 7,218,811 89,683

Mexico in Satisfaction of Treaty (including downward diversion) 1,058,565 1,542,114 1,500,000 42,114

To Mexico as Scheduled 1,029,172 1,500,000

Mexico in Excess of Treaty 29,694 42,114

Bypass Pursuant to Minute 242 69,529 126,716

Total Lower Basin & Mexico 5,777,944 8,977,324

1/ Incorporates Jan-Jun USGS monthly data and 77 daily reporting stations which may be revised after provisional data reports are distributed by the USGS.
2/ These values reflect adjusted apportionments. See Adjusted Apportionment calculation on each state page.
3/ Includes unmeasured returns based on estimated consumptive use/diversion ratios by user from studies provided by Arizona Dept. of Water Resources, Colorado River Board of California, and Reclamation.

Graph notes: Jan 1 forecast use is scheduled use in accordance with the Annual Operating Plan's state entitlements, available unused entitlements, and over-run paybacks. A downward sloping line indicates use at a lower rate than scheduled, upward sloping is above schedule, and a flat line indicates a use rate equal to schedule. Lower priority users such as CAP, MWD, and Robert B. Griffith may adjust use rates to meet state entitlements as higher priority user deviates from schedule. Abrupt changes in the forecast use line may be due to a diversion schedule change or monthly updating of provisional realtime diversions.
## California Water Users

### Forecast of End of Year Consumptive Use

**Forecast Based on Use to Date and Approved Annual Water Orders**

<table>
<thead>
<tr>
<th>California Schedules and Approvals</th>
<th>(Water Accounting Reports)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>WATER USER</th>
<th>Forecast To Date Use CY2013</th>
<th>Excess to Est # Use CY2013</th>
<th>Diversion To Date Use CY2013</th>
<th>Excess to Approved Diversion CY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Pumpers</td>
<td>1,135</td>
<td>1,725</td>
<td>1,725</td>
<td>2,052</td>
</tr>
<tr>
<td>Fort Mojave Indian Reservation, CA</td>
<td>5,558</td>
<td>7,900</td>
<td>8,910</td>
<td>10,333</td>
</tr>
<tr>
<td>City of Needles (includes LCWSP use)</td>
<td>1,271</td>
<td>1,931</td>
<td>1,931</td>
<td>1,790</td>
</tr>
<tr>
<td>Metropolitan Water District</td>
<td>549,478</td>
<td>793,683</td>
<td>563,433</td>
<td>551,326</td>
</tr>
<tr>
<td>Colorado River Indian Reservation, CA</td>
<td>2,438</td>
<td>3,705</td>
<td>3,705</td>
<td>6,149</td>
</tr>
<tr>
<td>Palo Verde Irrigation District</td>
<td>303,438</td>
<td>438,170</td>
<td>437,084</td>
<td>616,323</td>
</tr>
<tr>
<td>Yuma Project Reservation Division</td>
<td>32,795</td>
<td>46,051</td>
<td>47,023</td>
<td>60,031</td>
</tr>
<tr>
<td>Yuma Project Reservation Division - Indian Unit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yuma Project Reservation Division - Bard Unit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yuma Island Pumpers</td>
<td>2,525</td>
<td>3,845</td>
<td>3,845</td>
<td>4,573</td>
</tr>
<tr>
<td>Fort Yuma Indian Reservation - Ranch 5</td>
<td>0</td>
<td>351</td>
<td>1,046</td>
<td>0</td>
</tr>
<tr>
<td>Imperial Irrigation District</td>
<td>1,679,404</td>
<td>2,633,047</td>
<td>2,632,029</td>
<td>1,661,150</td>
</tr>
<tr>
<td>Salton Sea Salinity Management</td>
<td>15,657</td>
<td>70,027</td>
<td>70,000</td>
<td>26,817</td>
</tr>
<tr>
<td>Coachella Valley Water District</td>
<td>195,064</td>
<td>333,855</td>
<td>347,000</td>
<td>203,089</td>
</tr>
<tr>
<td>Other LCWSP Contractors</td>
<td>438</td>
<td>666</td>
<td>599</td>
<td>707</td>
</tr>
<tr>
<td>City of Winterhaven</td>
<td>0</td>
<td>69</td>
<td>69</td>
<td>104</td>
</tr>
<tr>
<td>Chermesski Indian Reservation</td>
<td>0</td>
<td>121</td>
<td>1,011</td>
<td>7,462</td>
</tr>
</tbody>
</table>

| TOTAL CALIFORNIA | 2,792,106 | 4,335,683 | 2,746,000 | 3,210,843 | 4,999,164 | 4,838,703 | 0 |

### ISG Annual Target Comparison Calculation

**Priorities 1, 2, 3b Use (PVID+YPRD+Island+PVID Mesa)** 488,566

**MWD Adjustment** -60,666

**Total California Agricultural Use (PVID+YPRD+Island+MWD) 10,456,446 3,455,448**

**California Agricultural Paybacks** -62,000

**Misc. PPRs Covered by IID and CVWD** 14,500

**California ICS Creation (IID ICS)** 0

**Total Use for Target Comparison** 13,864,382

**ISG Annual Target (Exhibit B)** 13,452,000

**Amount over/under ISG Annual Target** (97,618)

### Notes:

- Ranch 5
- Yuma Island assumed to be included in Priority 2.
- Click on California Schedules and Approvals above for incoming diversion schedules and approvals.

1/ Fort Yuma Indian Reservation includes Yuma Project Reservation Division Indian Unit, Ranch 5, an estimate of domestic use, and pumpers.

2/ Includes MWD Adjustment, California Agricultural Use and Paybacks, IID-CVWD covered PPRs, and taking out the MWD-CVWD Exchange.
Date: August 19, 2013

To: San Diego County Water Authority Board Members

From Jonathan Clay, Sacramento Representative
Ken Carpi, Washington Representative

Subject: Legislative Update

Sacramento

Schedule
The Legislature has entered the final weeks of session, with the fall recess scheduled to
begin on September 13. All legislation not sent to the Governor by September 13 will be
considered a two-year bill. The Governor will now have up to 30 days to take action on
all legislation sent to him (any bills sent within the final two weeks of session will be
caught up in the 30 day clock).

Water Bond
As reported previously, the Legislature is considering passage of a revised water bond
proposal, with each house seeming to have its own approach to revising the bond.
Senator Wolk is pushing forward with SB 42, the Safe Drinking Water, Water Quality,
and Flood Protection Act, a $5.6 billion proposal that has been vetted with delta counties,
environmental groups, and some water agencies. Senator Wolk's bond is crafted in a
slightly different fashion than previous water bonds since the Legislature can no longer
write its own title and summary for the proposal. (The Attorney General now writes all
titles and summaries for ballot proposals due to a 2011 court case between Secretary of
State Bowen and the Howard Jarvis Taxpayer Association.) Senator Wolk is working
with certain outside parties that have conducted their own polling that shows voters are
receptive to a revised water bond.

The Assembly has taken a different approach in drafting its water bond proposal. The
Assembly has a water bond working group (Assembly Member Atkins is a member of the
working group) which has been crafting a set of water bond principles. Under the
guidance of Water, Parks and Wildlife Committee Chair Anthony Rendon (D - Los
Angeles), the working group has been taking varying levels of public comment and the
Committee recently held a public hearing on the final draft of the water bond framework
proposal. It is expected that language will be drafted soon and released for public
comment sometime during the final week of session. We have also heard that Senator
Pavley, chair of the Senate Natural Resources and Water Committee is working with
Assembly Member Rendon on the language in the Assembly version of the Water Bond.
Added to this mix is the effort of ACWA to push its framework for a water bond proposal. Secretary Laird is purportedly saying that the Administration is not supportive of doing a revised water bond at this time, and supposedly this centers around fears that a 2014 water bond would be used as a referendum on the Bay Delta Conservation Plan (BDCP).

Where this ends up is anyone's guess. Given all the competing interests, it is unlikely that a unified coalition will solidify in time in order to push a revised proposal by the end of the legislative session. That said, the Sacramento lobbying team will work very hard to ensure that the SDCWA's interests are represented.

**Sponsored Legislation**

SB 322, our sponsored legislation dealing with recycled water, has cleared its final policy committee and is currently slated for consideration in the Assembly Appropriations Committee. One remaining issue that we will need to address with SB 322 is an aspect of another piece of legislation: AB 145, relating to switching the public drinking water program from the California Department of Public Health (CDPH) to the State Water Resources Control Board (SWRCB). The issue is that if CDPH doesn't actually have authority over the recycled water program, we will need to amend SB 322 to reference the State Agency that does have authority (likely SWRCB). More on this below.

**Other Legislation**

In a surprise turn of events, SB 750 by Senator Wolk related to water sub-meters failed passage in the Assembly Water, Parks and Wildlife Committee. This was a complete shock to everyone involved in the process, including Senator Wolk, and it appears the opposition as well. This measure will be a two-year bill and will likely be revived early next year. The final measure of interest to the Board is AB 145 by Assembly Member Perea. This bill would shift the public drinking water program from CDPH to the SWRCB. The Authority's current position is to oppose unless amended. The Brown Administration recently released its white paper on the topic and is now advocating for the drinking water program to shift to the SWRCB. Given the Governor's support of the shift, and the recent track record of the Governor in securing the issues he is advocating for, it seems likely that AB 145 will pass the Legislature and will be signed into law. That said, we continue to hear grumblings that the Senate may not be prepared to act so quickly to move forward with AB 145.

**Washington, DC**

**Reclamation Commissioner Nominated for Interior Post**

President Obama has nominated Michael Connor to be Deputy Secretary of the Interior. Connor is currently Commissioner of the Bureau of Reclamation. If confirmed, his new role serves primarily as the “chief operating officer” for Interior, overseeing all of the Department’s various functions on behalf of the Secretary. Connor is widely respected on Capitol Hill and is expected to be confirmed, but the process will offer an opportunity
for Senators to offer their support – or opposition – to several policies, including fracking, energy development on federal lands, etc.

**Appropriations Process Breaks Down**

Before departing for the August recess, the House and Senate both failed to move forward with their annual appropriations bills. In the face of an expected defeat, House leaders pulled a bill that included steep cuts to numerous domestic programs. The admission indicates that support for sequester-level spending cuts is weakening. The Senate failed to secure enough votes to support its higher level of funding for a similar package.

The twin failures make it all but certain Congress will pass a Continuing Resolution to keep the government operating on October 1. It will likely run through Thanksgiving as the two chambers try to work out an acceptable deal with President Obama to keep the federal government operating beyond that date.

**House May Move Forward with Water Authorization**

House Transportation & Infrastructure Committee Chairman Bill Shuster (R-PA) announced before the start of the August recess that he intends to mark up a “Water Resources Reform and Development” (WRRDA) bill after Congress reconvenes on September 9. The bill would authorize funding for the Corps of Engineers and may also include provisions similar to the Senate bill’s water infrastructure financing pilot program. The House is only in session for nine days in September, however, which may work against quick action on the bill.

**President Signs Two Hydropower Bills**

President Obama signed two bills into law that will streamline the regulatory process for small hydropower projects across the country. The “Hydropower Regulatory Efficiency Act of 2013” increases the threshold for exemption from licensing by the Federal Energy Regulatory Commission from 5 MW to 10 MW for small hydroelectric projects.

The “Bureau of Reclamation Small Conduit Hydropower Development and Rural Jobs Act” authorizes the Secretary of the Interior to contract for small (5 MW or less) conduit hydropower projects at facilities controlled by the Bureau of Reclamation.