The sun sets over the Sacramento-San Joaquin Bay Delta, home to hundreds of fish, wildlife and plant species.
1. **UNIFIED AGENDA:** This unified agenda provides a brief description of each item to be considered by the Board and its Administrative and Finance, Engineering and Operations, Imported Water, Legislation, Conservation and Outreach, and Water Planning Committees. For convenience, the agenda for each of the Committees and for the formal Board meeting are stated separately; however, all agendas shall be considered as a single agenda and any item listed on the agenda of any Committee may be acted upon by the Board. All items on the agenda of any Committee, including information items, may be deliberated and become subject to action by the Board.

2. **DOCUMENTS:** Staff reports and any other public information provided to the Board or Committee before the meeting relating to items on the agenda are available for public review at the San Diego County Water Authority 4677 Overland Avenue San Diego, CA 92123 during normal business hours. Additional documents may be distributed at the meeting. Copies of individual items, including the background information, are available through the Clerk of the Board at (858) 522-6614.

3. **MEETING TIMES:** The morning session of Standing Committees will commence at 9:00 a.m. on May 23, 2013 the afternoon session of Standing Committees will commence at 1:00 p.m. Please see the meeting schedule. The full Board will convene in formal session at 3:00 p.m. or as soon thereafter as the last Committee meeting is completed.

4. **ACTION AT COMMITTEE MEETINGS:** Committee meetings are also noticed as meetings of the Board because a quorum of the Board may be present. Members of the Board who are not members of the Committee may participate in the meeting, but only members of the Committee may make, second or vote on any motion or other action of the Committee unless the Board determines to convene for consideration of action on an item or items on the Committee agenda. If a quorum of the Board is present during a Committee meeting, upon approval of a motion by any Board member to convene for consideration of action on an item or items on the Committee agenda, the Board may take action on that item or items. If the Board takes action on an item during a Committee meeting, the matter will not be subject to further action at the Formal Board meeting unless a motion to reconsider is approved according to the provisions of the Water Authority Administrative Code. Persons interested in an item and wishing to hear the staff report, present oral or written comments and hear the deliberations should attend the Committee meeting. Closed Sessions also occur at Committee meetings and may not be repeated at the formal Board meeting.

5. **CONSENT CALENDAR:** The agenda contains items listed on a consent calendar which is for matters considered routine or otherwise not requiring further deliberation. A committee or the Board will take action as recommended by one motion. There will be no individual discussion on such items prior to the vote unless an item is removed for discussion. If a member of the public wishes to
talk about a consent calendar item, please notify the Chair before the calendar is called. Persons who wish to be heard on an item are encouraged to speak before the assigned committee.

6. **PUBLIC HEARINGS:** It is not necessary to notify the Chair if a member of the public wishes to speak on items listed on the agenda as public hearings. Public hearings will begin at the time stated in the notice, or as soon thereafter as the matter can be heard. When the Chair opens the hearing, upon invitation of the Chair, step to the podium and begin by giving your name and address for the record. Each speaker has 3 minutes to address the Board.

7. **PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA:** The agenda provides an opportunity for members of the public to address the Committees and Board on matters of interest within the jurisdiction of the Committee or Board that are not listed on the agenda. The Brown Act does not allow any discussion or action by the Board or staff on matters raised during public comment except: 1) to briefly respond to statements made or questions posed; 2) ask a question for clarification; 3) receive and file the matter; 4) if it is within staff's authority, refer it to them for a reply; or, 5) direct that it be placed on a future board agenda for a report or action.

A reasonable amount of time will be allocated by the Chair for public comment. Persons wishing to speak should notify the Chair before the meeting by filling out a "Speaker Request Form" and give it to the secretary. Individual speakers are requested to be as brief as possible and are encouraged to address the appropriate committee who is best able to respond. When the Chair calls, please immediately step to the podium and begin by giving your name and address for the record. Each speaker has 3 minutes to address the Board.

8. **PUBLIC COMMENT ON AGENDA ITEMS:** Persons wishing to speak to an item that is listed on the agenda should notify the Chair before the meeting by filling out a speaker request form and giving it to the secretary. Step to the lectern when asked to do so by the Chair and begin by giving your name and address for the record. Remarks should be limited to three minutes.

9. **INFORMATION ITEMS:** Items are listed on the agenda as information based on staff's judgment. Circumstances or the committee's or Board's judgments may require deliberation or, if necessary, action on these items. Any member of the public with an interest in one of these items should review the background material and request information on the possible action that could be taken.

10. **ASSISTANCE FOR THE DISABLED:** If you are disabled in any way and need accommodation to participate in the Board meeting, please call the Clerk of the Board at (858) 522-6614 for assistance at least three (3) working days prior to the meeting so the necessary arrangements can be made.

11. **RULES GOVERNING MEETINGS:** The Water Authority’s Administrative Code Chapter 2.00 governs conduct of meetings of the Board and the Committees. The Administrative Code is available on line at [www.sdcwa.org](http://www.sdcwa.org) or at the Water Authority Headquarters.
MEETING SCHEDULE
MAY 23, 2013

MORNING SESSION
Engineering & Operations
Imported Water
Legislation, Conservation & Outreach
9:00 a.m. to 12:00 p.m.
Estimated time: 55 minutes
Estimated time: 1 hour 25 minutes
Estimated time: 30 minutes

LUNCHEON FOR DIRECTORS
12:00 p.m. to 1:00 p.m.

AFTERNOON SESSION
Administrative & Finance
Water Planning
1:00 p.m. to 3:00 p.m.
Estimated time: 1 hour 25 minutes
Estimated time: 25 minutes

FORMAL BOARD MEETING
3:00 p.m.

* Time estimates are for convenience only and do not constitute part of the schedule. The first morning session will commence at 9:00 a.m., and the following morning sessions may start at any time after 9:00 a.m. The first afternoon session will commence at 1:00 p.m., and the following afternoon sessions may start at any time after 1:00 p.m. The Board meeting will start no earlier than 3:00 p.m., or following the conclusion of the last committee meeting.
ENGINEERING AND OPERATIONS COMMITTEE

AGENDA FOR

MAY 23, 2013

Brian Brady – Chair  
Marty Miller – Vice Chair  
Bud Pocklington – Vice Chair  
Roger Bailey  
David Barnum  
Ron Morrison  
Vincent Mudd

Jim Murtland  
John Simpson  
Yen Tu  
DeAna Verbeke  
Ron Watkins  
Tom Wornham


2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

1. Pipeline 3 Relining - Sweetwater to Lower Otay Reservoir project.
1-A Advertisement for bids for Pipeline 3 Relining – Sweetwater To Lower Otay Reservoir project. (Information)  
Nicola Kavanagh

1-B Agreement with San Diego Gas and Electric for relocation of a 4-inch high pressure gas line near the Pipeline 3 Relining – Sweetwater to Lower Otay Reservoir project. 
Staff recommendation: Authorize the General Manager to execute an agreement with San Diego Gas and Electric up to the amount of $1,250,000 for the relocation of a 4-inch high pressure gas line located near the Pipeline 3 Relining – Sweetwater to Lower Otay Reservoir project. (Action)  
Nick von Gymnich
2. Twin Oaks Valley Water Treatment Plant Expanded Service Area.  
(Discussion)  

Bill Rose/ 
Vic Bianes

III. INFORMATION

1. Presentation – Update on the San Vicente Dam Raise project.  
   Jerry Reed  

2. Presentation on Energy Audit and process.  
   Frank Belock/ 
   Gary Eaton

IV. CLOSED SESSION

1. CLOSED SESSION:  
   Conference with Real Property Negotiator  
   Government Code §54956.8  
   Property: Desalination Project Right of Way  
   Agency Negotiators: Daniel S. Hentschke, Frank Belock, Bill Rose, 
   John Kross  
   Negotiating Parties:  
   Choi - APN 178-170-11  
   Bachman/Merriam - APNs 178-170-08, 178-080-33, 178-170-08, 
   178-080-33  
   Meng - APN 181-072-06  
   Schroder - APN 181-180-80  
   Chamanara - APN 184-102-11  
   Karimi - APN 184-102-08  
   Tarman - APN 184-102-46  
   Vista San Marcos LTD - APNs 184-101-14, 184-241-05  
   Rancho Santalina LLC - APN 184-241-03  
   KB Home Coastal INC - APNs 218-371-04, 218-650-48  
   Matias - APN 218-381-04  
   Richard & Melissa Buz - APN 218-381-04  
   James Taylor - APN 219-352-17  
   Delgado - APN 219-352-16  
   Richardson - APN 219-352-01  
   Movement Church - APNs 219-116-21, 219-116-22  
   Under Negotiation: Price and Terms of Acquisition  

Dan Hentschke/ 
Frank Belock/ 
Bill Rose/ 
John Kross
V. ADJOURNMENT

NOTE: This meeting is called as an Engineering & Operations Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Revised). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.

Doria F. Lore
Clerk of the Board
May 15, 2013

Attention: Engineering and Operations Committee

Advertisement for bids for Pipeline 3 Relining – Sweetwater to Lower Otay Reservoir project. (Information)

Background
This project is part of the overall program to rehabilitate and reline 82.5 miles of prestressed concrete cylinder pipe within the Water Authority’s conveyance system to ensure continued reliability of the aqueduct system. The Water Authority, working with contractors, developed the rehabilitation technology known as relining, which installs steel liners inside corroded prestressed concrete cylinder pipe, and extends the pipeline’s service life. Relining is cost effective and minimizes impacts to the community and environment.

Previous Board actions: On March 28, 2013, the Board adopted Resolution 2013-08 for the Final Mitigated Negative Declaration for the Pipeline 3 Relining Project; adopted a Mitigation Monitoring and Reporting Program; approved the project; and authorized Filing of a Notice of Determination.

Discussion
This project will reline approximately 28,400 linear feet of Pipeline 3, an existing 69-inch diameter prestressed concrete cylinder pipe, from south of the Sweetwater Reservoir to the Lower Otay Reservoir. This pipeline serves untreated water to the City of San Diego’s Otay Water Treatment Plant.

The Water Authority’s Aqueduct Protection Program detects and monitors deterioration of the aqueducts using an acoustic fiber optic monitoring system as well as internal inspections during aqueduct shutdowns. Based on the APP condition assessment, this portion of the aqueduct was prioritized for rehabilitation due to the pipeline’s remaining service life and the risk of potential property damage in the event of a pipeline failure. Figure 1 shows the Vicinity Map and Figure 2 shows a Location Map of the project site.

A portion of this project is adjacent to a San Diego Gas and Electric gas line easement that parallels the western edge of the Water Authority’s Pipeline 3 easement, creating a high risk during construction. This risk is mitigated through an agreement with SDG&E to relocate the gas line away from construction activities. All other risks have been mitigated and will be monitored throughout construction.

The project’s estimated construction cost is between $36,000,000 and $44,000,000. Project construction activities are scheduled to begin in September 2013 with completion in July 2014.
The outreach efforts to generate contractor interest in this project include directly informing contractors and listing the project in the Contracting Opportunities section of the Water Authority’s website. We anticipate recommending award of a contract at the August 2013 Board meeting.

Prepared by: Nicola M. Kavanagh, Senior Engineer
Reviewed by: William J. Rose, Director of Engineering

Attachments: Figure 1 – Vicinity Map
Figure 2 – Location Map
PIPELINE 3 RELINING,
R0211/R0212 SWEETWATER
TO LOWER OTAY RESERVOIR
FIGURE 2
May 15, 2013

Attention: Engineering and Operations Committee

Agreement with San Diego Gas and Electric for relocation of a 4-inch high pressure gas line near the Pipeline 3 Relining – Sweetwater to Lower Otay Reservoir project. (Action)

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

Alternatives
Do not authorize execution of the agreement, and accept increased risk to construct the project. This alternative will result in increased construction costs and time to construct the project.

Fiscal Impact
Funds up to the amount of $1,250,000 are available in the approved project budget and in the fiscal years 2012 and 2013 Capital Improvement Program appropriation. The rate category for this project is transportation.

Background
This project is part of the overall program to rehabilitate and reline 82.5 miles of prestressed concrete cylinder pipe within the Water Authority’s conveyance system to ensure continued reliability of the aqueduct system. The Water Authority, working with contractors, developed the rehabilitation technology known as relining, which installs steel liners inside corroded prestressed concrete cylinder pipe, and extends the pipeline’s service life. Relining is cost effective and minimizes impacts to the community and environment.

The project will reline approximately 28,400 linear feet of Pipeline 3, an existing 69-inch diameter prestressed concrete cylinder pipe, from south of the Sweetwater Reservoir to the Lower Otay Reservoir. This pipeline serves untreated water to the City of San Diego’s Otay Water Treatment Plant.

Previous Board actions: On March 28, 2013, the Board adopted Resolution 2013-08 for the Final Mitigated Negative Declaration for the Pipeline 3 Relining Project; adopted a Mitigation Monitoring and Reporting Program; approved the project; and authorized Filing of a Notice of Determination.

Discussion
A portion of the project is adjacent to a San Diego Gas and Electric gas line easement that parallels the western edge of the Water Authority’s Pipeline 3 easement. The gas line easement
is located next to 10 of the project’s 17 portals. However, out of the 10 portals, five were
deemed too close to the gas line to proceed without an increased risk during construction. At
these five portals, the gas line is within one foot of the portal excavation. This risk can be
mitigated by relocating the gas line at these five portals at least two feet away from the edge of
the portal excavation.

Over the past nine months, staff has been working with SDG&E to review construction
requirements for work near the gas line. As a result, staff concluded that leaving the gas line in
its current location poses too many safety risks during construction, and recommends relocating
the gas line to provide adequate separation.

As part of the utility relocation agreement, SDG&E will design the relocation, and provide all
materials, construction personnel, and equipment necessary to relocate the 4-inch high pressure
gas line. Completion is anticipated before the start of the pipeline relining construction
activities. Upon Board approval of this agreement, SDG&E will begin to relocate the gas line.

SCOOP outreach is not required as this agreement is directly with a utility provider.

Prepared by: Nick von Gymnich, Senior Right of Way Agent
Reviewed by: William J. Rose, Director of Engineering
Approved by: Frank Belock Jr., Deputy General Manager
May 15, 2013

Attention: Engineering and Operations Committee

Twin Oaks Valley Water Treatment Plant Expanded Service Area (Discussion)

Background
This project will expand the capacity of the Water Authority’s Emergency Storage Project (ESP) and the production of the Twin Oaks Valley Water Treatment Plant (TOVWTP) by increasing the pumping capacity of the Valley Center Pump Station.

The Valley Center Pump Station is a component of the ESP, to convey treated water to north county member agencies along the First Aqueduct, south of the Valley Center Pipeline. In addition, the Valley Center Pump Station allows treated water to be conveyed between the Second and First Aqueducts during periods of high demand. The pump station was completed in 2001 and included provisions for future expansion to meet ESP needs. This project addresses those expansion needs.

Expanding the pumping capacity will allow the Water Authority to continue to implement the components of the ESP and optimize our existing water treatment plant which, in turn, reduces the Water Authority’s treatment cost on a per acre-foot basis. The project is divided into three phases as discussed below.

Previous Board actions: On June 23, 2011, the Board adopted Resolution 2011-12 for the General Manager’s Recommended Budget for Fiscal Years 2012-2013 for operations and capital improvements and appropriated $5.6 million for this project as part of the approved budget.

Discussion
This project is in the initial planning phase and will be implemented in three phases:

1. Rescale the existing MWD meter on Pipeline 4
2. As has always been contemplated as part of the ESP, increase the capacity of the Valley Center Pump Station from 20 to 60 cfs to meet ESP demands
3. Evaluate the long-term, system-wide impacts and potential system improvements needed due to increasing the capacity of the Valley Center Pump Station

Phase 1: Rescale the existing MWD meter on Pipeline 4.
Pipeline 4 is part of the Water Authority’s Second Aqueduct, and delivers treated water from MWD to the Water Authority’s system. Approximately six miles south of the Riverside – San Diego county line is the delivery point between the MWD and Water Authority systems. At this delivery point, an existing flow meter, installed in 1971, measures treated water flow between 45 and 450 cfs.

In order to better optimize the TOVWTP, Water Authority staff is completing an agreement with MWD to lower the scale on the existing meter by 5 cfs so it measures flows between 40 and 400 cfs. The new agreement was executed by the Water Authority in April 2013, and the lowered meter scale is expected to be operational by July 2013.
As the Water Authority is required to take or pay for the minimum meter quantity, staff is involved in on-going discussions with MWD to evaluate replacing the meter with one having a lower range of between 20 and 200 cfs.

**Phase 2:** Increase the capacity of the Valley Center Pump Station for the Emergency Storage Project (ESP).
This phase increases the capacity of the Valley Center Pump Station from 20 to 60 cfs and has been part of the ESP since its inception.

**Phase 3:** Evaluate the long-term, system-wide impacts and potential system improvements.
In addition to meeting ESP demand needs, a secondary benefit of increasing the capacity of the Valley Center Pump Station is to allow the Water Authority to supply more treated water directly from the TOVWTP to member agencies, thus reducing the per acre-foot cost. However, using the Valley Center Pump Station on a more frequent basis beyond ESP may require system upgrades, such as flow regulatory storage to control hydraulic surges. In addition, communication system improvements, valve and meter replacement within the pump station, and backup power generation in case of an electrical power disruption may be needed. A detailed planning study to evaluate these potential needs and costs of these components is expected to be completed in early 2015.

Optimizing production of the TOVWTP will provide two advantages to the region: 1) reduce the unit cost of water treated at the TOVWTP for member agencies; and 2) reduce the impact of MWD’s increasing treatment rates. The cost structure at TOVWTP is such that marginal cost of producing additional treated water is lower than any other treatment option. Therefore by maximizing baseline production at the TOVWTP the treatment costs are further minimized. Currently, the TOVWTP treated water production costs are approximately $100 per acre-foot less than purchasing treated water from MWD. It is anticipated that MWD rates will progressively increase in future years, with a difference of approximately $150 per acre-foot by around 2020. Consequently, supplying the service area with treated water from the TOVWTP instead of MWD minimizes the rate increases and cost of treatment.

A high level, preliminary estimate based on our initial conceptual understanding of the scope for Phase 3 improvements beyond ESP is estimated to be $4.6 million to $8.5 million. This calculates to a return on investment in the range of 3 to 6 years. A more detailed cost/benefit analysis will be done as part of the comprehensive planning study and will be shared with the Board via the Gate process. Since the work associated with Phase 3 enables the Water Authority to maximize the baseline treated water production at the TOVWTP, costs associated with this work will be allocated to Treatment rate category.

Prepared by: Nicola M. Kavanagh, Senior Engineer
Reviewed by: William J. Rose, Director of Engineering
Frank Belock, Jr., Deputy General Manager

Attachments: Figure 1 – Vicinity Map
Figure 2 – Location Map
May 15, 2013

Attention: Engineering and Operations Committee

CLOSED SESSION:
Conference with Real Property Negotiator
Government Code §54956.8

Property: Desalination Project Right of Way

Agency Negotiators: Daniel S. Hentschke, Frank Belock, Bill Rose, John Kross

Negotiating Parties:
Choi - APN 178-170-11
Bachman/Merriam - APNs 178-170-08, 178-080-33, 178-170-08, 178-080-33
Meng - APN 181-072-06
Schroder - APN 181-180-80
Chamanara - APN 184-102-11
Karimi - APN 184-102-08
Tarman - APN 184-102-46
Vista San Marcos LTD - APNs 184-101-14, 184-241-05
Rancho Santalina LLC - APN 184-241-03
KB Home Coastal INC - APNs 218-371-04, 218-650-48
Matias - APN 218-381-04
Richard & Melissa Buz - APN 218-381-04
James Taylor - APN 219-352-17
Delgado - APN 219-352-16
Richardson - APN 219-352-01
Movement Church - APNs 219-116-21, 219-116-22

Under Negotiation: Price and Terms of Acquisition

Purpose
This memorandum recommends a closed session, pursuant to Government Code §54956.8 to meet with and provide further instructions to the Authority’s designated negotiators at the May 23, 2013 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel
IMPORTED WATER COMMITTEE

AGENDA FOR

MAY 23, 2013

Elsa Saxod – Chair     Keith Lewinger
Mark Muir – Vice Chair  John Linden
Ken Williams – Vice Chair Bud Pocklington
Gary Arant             Fern Steiner
Gary Croucher          Ron Watkins
Betty Evans            Doug Wilson
Michael Hogan          Tom Wornham

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
   4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

1. Bay Delta.
   1-A Bay Delta Conservation Plan update.               Amy Chen

   1-B Presentation on Bay Delta Conservation Plan by Dr. Gerald Meral, California Natural Resources Agency Deputy Secretary.

   2-A Metropolitan Water District Delegates report.    MWD Delegates
   (Information) (supplemental materials)

   2-B Financial review of MWD’s mid-term biennial budget. Amy Chen
III. INFORMATION

1. Metropolitan Water District Program report. Amy Chen

IV. CLOSED SESSION

1. CLOSED SESSION:
   - Conference with Legal Counsel – Existing Litigation
   - Government Code §54956.9(d)(1)
   - Name of Case: QSA Judicial Council Coordination
   - Proceeding No. 4353
   - Conference with Legal Counsel - Existing Litigation
   - Government Code §54956.9(d)(1)
   - Name of Case: State Water Resources Control Board (SWRCB)
   - Imperial Irrigation District and San Diego County Water Authority
   - Joint Petition for Modification of Revised Order WRO 2002-0013 (Permit 7643, Application 7482)
   - Dan Hentschke

2. CLOSED SESSION:
   - Conference with Legal Counsel - Existing Litigation
   - Government Code §54956.9(d)(1)
   - SDCWA v Metropolitan Water District of Southern California;
   - Case Nos. CPF-10-510830 and CPF-12-512466
   - Dan Hentschke

3. CLOSED SESSION:
   - Conference with Legal Counsel - Existing Litigation
   - Government Code §54956.9(d)(1)
   - SDCWA v City of Los Angeles Department of Water and Power;
   - Case No. BS136663
   - Dan Hentschke

4. CLOSED SESSION:
   - Conference with Legal Counsel - Existing Litigation
   - Government Code §54956.9(d)(1)
   - SDCWA v Eastern Municipal Water District;
   - Riverside Superior Court Case No. RIC1300887
   - Dan Hentschke
V. ADJOURNMENT

NOTE: This meeting is called as an Imported Water Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.

Doria F. Lore
Clerk of the Board
May 15, 2013

Attention: Imported Water Committee

Bay Delta Conservation Plan Update. (Discussion)

Background
An estimated 25 million Californians, including 3.1 million residents of San Diego County, rely on the Sacramento-San Joaquin Bay-Delta region (Delta) for a portion of their water supply. The Delta is also home to hundreds of aquatic and terrestrial species. Over the years, habitats in the Delta have deteriorated, impacting the species that depend on them to thrive. In the late 2000’s, court interventions and regulatory requirements restricted the water contractors’ access to water from the Delta to protect the species. Federal, state and public water agencies, fishery agencies, environmental organizations, and other interested parties have been working on a solution over the years, and in 2006 jointly signed a planning agreement that led to the development of the Bay Delta Conservation Plan (BDCP). The BDCP is intended to be a comprehensive conservation strategy aimed at protecting fish, plants, and wildlife, while permitting the reliable operation of a new conveyance system in the Delta. In early 2012, the Natural Resource Agency released an administrative draft BDCP for agencies’ review (before a public draft is released) that included a set of twin tunnels under the Delta with a capacity of 15,000 cubic feet per second (cfs). After fishery agencies issued a series of “red flag” memos on the proposed administrative draft, in June, the state and federal agencies agreed on a revised project that reduced the tunnel capacity to 9,000 cfs.

Discussion
The Water Authority has been a strong advocate for a sustainable Delta solution. It played an important role in the passage of the 2009 comprehensive Delta water policy legislation, which also set the state policy for the co-equal goals of restoring the Delta ecosystem and creating a more reliable water system for California. To guide staff in evaluating Bay-Delta initiatives and ensuring a successful implementation of a Delta solution, in February 2012, the Water Authority adopted Delta Policy Principles, including advocacy for the “right sized” solution.

Since its inception, the BDCP’s goal has been to provide “a comprehensive conservation strategy for the Sacramento-San Joaquin River Delta designed to restore and protect ecosystem health, water supply, and water quality.” Because there is considerable uncertainty related to the environmental stressors impacting the Delta’s decline, the state and federal agencies have agreed on a “decision tree” process to operate the 9,000 cfs facility and to determine how much water the investments will yield. Under the Decision Tree process, no assurance of a project yield will be provided until after the facility has been built and placed into operation. And although the water contractors have thus far agreed to fund the planning phase of BDCP, how the project will ultimately be paid for, and by whom, is still yet to be negotiated.

Earlier this year, the Water Authority joined a group of urban water agencies, environmental organizations and business groups urging the state and federal agencies to study a stand-alone, portfolio-based alternative for the BDCP. The portfolio alternative included a smaller export
facility, increased local supply development, levee improvements and south of Delta storage. In March, the Water Authority invited the following Bay-Delta stakeholders to share their perspectives and viewpoints on the BDCP and the portfolio-based alternative:

- California Department of Water Resources Deputy Director Paul Helliker;
- Natural Resources Defense Council Senior Policy Analyst Barry Nelson;
- California Farm Water Coalition Executive Director Mike Wade; and
- Alameda County Water District General Manager Walt Wadlow.

The Natural Resources Agency recently released its latest draft BDCP in three parts for review in advance of a formal public comment period. Earlier this month, Gov Brown’s office issued a press release stating that the state and the Obama administration had agreed to release the draft BDCP and accompanying environmental documents for formal public review and comments on October 1, 2013. The first four chapters of the advance draft, released on March 14, focused on the introduction of the BDCP effort, existing ecological conditions, the BDCP conservation strategy and covered state and federal actions. Chapters 5, 6 and 7, released on March 27, covered the effects analysis, implementation of the plan, and the implementation structure, which included public outreach efforts. The final five chapters were scheduled to be released earlier this month, but have been delayed, will focus on the costs and funding sources, alternatives, and integration of science. With the roll out of this latest draft BDCP, the state has begun a comprehensive outreach program and Katz and Associates has been retained as the state-level management team that is augmented by regional liaison teams. The Southern California Water Committee has been contracted as the southern California regional liaison. In addition, Andrew Poat has been retained as the liaison for the San Diego region.

As part of the outreach effort, Natural Resources Agency Deputy Secretary Gerald Meral asked for an opportunity to discuss elements of the BDCP with the Water Authority board. Dr. Meral is scheduled to address the board at the Water Authority’s May Imported Water Committee meeting.

Prepared by: Debbie S. Discar-Espe, Senior Water Resources Specialist
Reviewed by: Amy I. Chen, MWD Program Director
May 15, 2013

Attention: Imported Water Committee

Financial review of MWD’s mid-term biennial budget (Information).

Purpose
This report provides a mid-term financial review of the Metropolitan Water District of Southern California’s (MWD) biennial budget for 2012/13 and 2013/14.

Background
In April 2012, the MWD board adopted its biennial budget for fiscal years (FYs) 2012/13 and 2013/14, and the associated rates and charges for calendar years (CYs) 2013 and 2014. The biennial budget contained expenditures of $1,684.7 million for FY 2012/13 and $1,707.9 million for FY 2013/14, and an average water rate increase of 5 percent per calendar year in 2013 and 2014. When the biennial budget and rates were presented last year, MWD had already increased its treated full service rates by nearly 95 percent since 2004, while its sales had declined by more than 30 percent. Even with these rate increases, MWD still was unable to collect adequate revenues to meet expenditures for three of the past five years. To fill these revenue gaps, MWD withdrew funds from reserves, used funds budgeted for Pay-As-You-Go (PAYGo) – cash funds generated through water sales revenues that MWD uses to finance Capital Improvement Projects (CIP) – to cover Operations and Maintenance (O&M) expenses, or budgeted lower-than-planned funds for PAYGo purposes. When PAYGo is used to cover O&M expenditures, and thus diverted from funding CIP, it has the effect of shifting those costs to debt financing, thereby increasing the burden on future ratepayers.

During the April 2012 budget process, MWD staff lowered its sales projection to better reflect trends and recommended average rate hikes of 7.5 percent and 5 percent for CYs 2013 and 2014, respectively. Staff said these rate increases were necessary to meet MWD’s key priorities. Taking into consideration that MWD already increased its rates by almost 95 percent and the region’s slow recovery from the economic downturn, the Water Authority’s delegates advocated that MWD follow cities’ and other water agencies’ actions to reduce expenses and curtail unnecessary expenditures to better align spending with declining water revenues, rather than simply rely on raising rates to cover costs.

To minimize rate impacts on MWD’s 18 million ratepayers, the Water Authority delegates proposed a strategy to limit the average rate increases to no greater than 3 percent for each calendar year, by reducing the proposed O&M budget by 10 percent (or, $76 Million over two years) and suspending conservation funding. MWD staff’s proposed budget included an O&M increase of $52.5 million over the two years, while the Water Authority’s proposal would have reduced the O&M budget by about $12 million each year when compared with the FY 2012 budget. Suspending the conservation funding would have simply reflected the reality that MWD sales had declined significantly, and there was no demonstrated need to raise rates to further subsidize water conservation. Combined, these reductions would have: cut expenditures by
$116.5 million over the two years; limited average rate increases to no more than 3 percent for each calendar year; adequately funded MWD’s CIP and O&M expenses; and, retained MWD staff’s proposed plan to begin prefunding a portion of the unfunded retiree health liability. MWD staff responded to the Water Authority’s proposal via a PowerPoint slide and said the proposal would hinder MWD’s “ability to accomplish Board priorities and adequately operate and maintain the system” and likely lead to lay-offs, as well as higher rate increases in the future.

Faced with growing ratepayer pressure, the MWD Board ultimately approved 5 percent average rate increases for both CYs 2013 and 2014. The adopted rates were based on budgeted water sales and exchanges of 1.7 million acre-feet (MAF): Staff projected that reserves would minimally exceed the minimum level set by the Board over the following five years, with assumed rate increases of 3 to 5 percent per year in future years.

**Discussion**
MWD’s financial outlook today is very different than MWD staff forecasted in April 2012. Even though MWD anticipated drawing from reserves, it ended FY 2012, less than three months after adopting the rate increases, by adding $97 million to reserves because expenses were lower than budget. For FY 2012, on the State Water Project (SWP), power was $39.6 million under budget, Bay-Delta fix costs were $19 million lower than budgeted, and MWD received various credit adjustments totaling $20.6 million from the Department of Water Resources (DWR). Colorado River Aqueduct (CRA) power expenses also fell below budget because some water was stored in Lake Mead rather than moved and delivered to the MWD service area. Furthermore, as a result of lower participation by member agencies in conservation and local resources programs, MWD’s expenditures on demand management programs were lower than budgeted. MWD also achieved cost savings of about $6.6 million on various O&M contracts.

In a recent financial highlights report, staff reported that MWD is tracking to add another $178 million (based on water sales, including exchanges, of 1.8 MAF) to reserves by the close of this fiscal year, which would cause its reserves to exceed the maximum level set by the board by $36 million. MWD’s over-collection of revenues this year is primarily caused by higher-than-budgeted water and power sales. Because of dry hydrology and poor local supply conditions, MWD water sales are exceeding budget. Likewise, because more water is moving through MWD’s system, power sales from hydroelectric generation are greater than budgeted. These higher water sales account for $73 million of the anticipated $83 million of projected excess revenues. The higher power sales account for another $5.5 million in excess revenues. The remaining over-collection of funds is attributed to higher-than-budgeted property tax revenues, interest income, rents, and miscellaneous revenues (See Table 1 for detailed amounts).

Further increasing MWD’s FY 2013 budget surplus, expenditures are tracking below budget. MWD is under budget on its expenses primarily due to lower costs on the SWP, which account for $97.2 million of the projected $132.2 million below-budget amount. MWD staff characterized the cost savings on the SWP as “one time in nature,” stemming from lower power costs and the issuance of credits. Reduced power costs on the SWP amount to about $45 million of MWD’s SWP savings. This difference is primarily attributed to DWR’s 65 percent SWP Table A allocation for CY 2012 and current 35 percent allocation for CY 2013, in contrast to
MWD’s FY 2013 SWP budget assumption of 60 percent for each of CYs 2012 and 2013. Because of the reduced SWP supplies, MWD is withdrawing water from storage to meet demand. MWD also received three SWP credits for approximately $54.3 million resulting from DWR reconfiguring its debt portfolio and decreasing its reserves ($22.5 million), rate management credits ($14.3 million) and a “true-up” of variable costs for the energy used to deliver water in CY 2013 ($17.5 million). Furthermore, MWD is anticipating it will be under budget by about $16.3 million on its CRA power costs due to favorable power exchange agreements with Southern California Edison and lower power costs at Hoover and Parker dams. MWD is also experiencing lower costs related to its debt service, conservation programs, and O&M budgeted expenses (See Table 1 for detailed amounts).

<table>
<thead>
<tr>
<th>Categories</th>
<th>Projected Variation from Budget ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$73.0</td>
</tr>
<tr>
<td>Power Sales</td>
<td>$5.5</td>
</tr>
<tr>
<td>Taxes (net)</td>
<td>$3.0</td>
</tr>
<tr>
<td>Interest</td>
<td>$0.4</td>
</tr>
<tr>
<td>Other (rents and miscellaneous revenues)</td>
<td>$1.2</td>
</tr>
<tr>
<td><strong>Subtotal (revenues over-collected)</strong></td>
<td>$83.1</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
</tr>
<tr>
<td>State Water Project</td>
<td>($97.2)</td>
</tr>
<tr>
<td>Supply Programs</td>
<td>3.1</td>
</tr>
<tr>
<td>Colorado River Aqueduct Power Costs</td>
<td>($16.3)</td>
</tr>
<tr>
<td>Debt Service</td>
<td>($7.8)</td>
</tr>
<tr>
<td>Demand Management (conservation)</td>
<td>($8.9)</td>
</tr>
<tr>
<td>Departmental O&amp;M</td>
<td>($5.1)</td>
</tr>
<tr>
<td><strong>Subtotal (expenditures under budget)</strong></td>
<td>($132.2)</td>
</tr>
<tr>
<td><strong>Total Budget Surplus</strong></td>
<td>$215.7</td>
</tr>
<tr>
<td>Transfer to restricted funds</td>
<td>($37.4)</td>
</tr>
<tr>
<td><strong>Increase in Reserves</strong></td>
<td>$178.3</td>
</tr>
</tbody>
</table>

*Total does not foot due to rounding.

The over-collections from FY 2012, combined with those anticipated this fiscal year, will result in MWD closing FY 2013 with a reserve balance of $510 million, $36 million above the Board-approved maximum reserve level. If sales continue to track higher than projected, MWD could end the year with even more reserves. During the March 2013 Finance and Insurance Committee meeting, MWD General Manager Jeff Kightlinger, stated that “for every additional 100,000 acre-feet of water sales, approximately, $100 million of additional revenues is generated.”

Recently, an updated five-year financial forecast for fiscal years 2013-2017 was presented, which projected that reserves will continue to surpass the maximum levels in each of these fiscal
years. These levels are achieved with assumed average rate increases of 3 percent in fiscal years 2015-2017, a change from the 3 to 5 percent average rate increases presented during the 2012 budget process. Because of dry conditions throughout the state, including in the Eastern Sierra, where the Los Angeles Department of Water and Power receives its aqueduct supplies, MWD sales for FY 2014 are likely to exceed the budget assumption of 1.7 MAF, which would further exacerbate its over-collection.

The large discrepancy between the budgeted and trending amounts for revenues and expenditures suggest that the assumptions used for the FY 2014 budget and resultant CY 2014 rates are no longer valid. The Water Authority’s MWD delegates have urged MWD to update its rates and charges to reflect current trends to avoid exacerbating the over-collection of revenue. They have also urged MWD to reconcile revenue collections and expenditures by rate categories to avoid cross-subsidies of rates. This is especially important for MWD, because of the different types of services it provides to its member agencies (treatment, supply, and transportation to name a few). Reconciling revenue collections and expenditures by rate categories is not a new concept. MWD maintains a Water Stewardship Fund for the very purpose of ensuring revenue generated from the Water Stewardship Rate is “spent for the purpose of providing Local Resources Program incentives and water conservation credits funding.” As an SWP contractor, MWD benefits from DWR’s annual reconciliation of its revenues against the actual expenditures on the SWP. MWD receives annual adjustments on its SWP payments from DWR. Some of MWD’s recent excess revenues is due to this reconciliation. Each year, on July 1, DWR issues invoices for the projected SWP charges that will be incurred in the following calendar year. These charges include supply, fixed charges for capital and core administration and maintenance activities, and variable charges for the energy used to deliver water to MWD’s service area. Later in the calendar year, and at times, in subsequent revisions, DWR adjusts its statements to SWP contractors according to changes in assumptions and where funds were actually spent. These adjustments ensure contractors pay for the benefits they receive and no cross-subsidies exist.

For these reasons, last month, the Water Authority’s delegates proposed that the MWD board table an action to increase the CY 2014 Readiness-to-Serve and Capacity charges and, instead, asked that the Board direct staff to evaluate the potential to lower rate increases for CY 2014 that would better match MWD’s higher revenues and lower expenditures. In conjunction with its proposal, the Water Authority delegates submitted a letter to MWD (Attachment 1) voicing concern with imposing future rates and charges based on incorrect assumptions and urged the Board to revisit CY 2014 rates and charges. The delegates expressed concern over the over-collection for the SWP and Demand Management Programs. In its letter, the delegates also advocated that MWD return to an annual rate-setting process, rather than a biennial one, to avoid large over- and under-collection of revenues.

The delegates have consistently urged MWD to restart its long range finance plan process to identify its long-term financial obligations, develop a strategy to manage its rates, and secure financial commitments from its member agencies to pay for MWD’s spending. MWD has several large investments on the horizon, including funding the replacement of its aging infrastructure and paying for its share of a Bay-Delta fix. With its member agencies increasing local supply development and improving water use efficiency, MWD needs to better account for
its member agencies’ demand for imported water to ensure its investments match projected demands and it has financial commitments from its member agencies to pay for these investments. MWD also has growing unfunded pension and Other Post-Employment Benefits (OBE) liabilities that must be addressed. Left unchecked, MWD’s growing pension and OBE unfunded liabilities will pose a challenge to MWD’s long-term fiscal sustainability. Further, this month, MWD approved the setting of a public hearing to consider suspending Section 124.5 of the MWD Act to maintain the ad valorem tax rate at current levels. The MWD Act limits property tax collections to the amount equal to its General Obligation bonds and debt service on state’s General Obligation bonds under the Burns Porter Act. The MWD Act allows the suspension of this limit if the board finds that such revenue is “essential to the fiscal integrity of the district.” MWD staff said the suspension is necessary to help pay its share of the repair and replacement costs for the SWP and costs of a future Bay-Delta fix. If approved in June, the suspension of the tax limitation in FY 2014 will result in the collection of approximately $4.4 million in additional tax revenues. Unless MWD lowers other already approved rates and charges in 2014, the action would add another $4.4 million to MWD’s reserves.

MWD’s recent improved financial situation masks the need to address its growing liabilities. MWD’s biennial approach to setting rates and charges makes it difficult for the board to react to changing conditions; particularly as the estimates have proven to be materially at variance with actual costs and water sales. MWD should return to its long-standing practice of adopting rates and charges annually to minimize the impacts of over- or under- collection on ratepayers. The Water Authority delegates will continue to advocate that MWD update its Long Range Finance Plan and will support efforts to adopt rates and charges annually.

Prepared by:  Liz Mendelson, Assistant Water Resources Specialist
Reviewed by:  Amy Chen, Director of MWD Program

Attachment 1:  Recommendation Letter to Table the Adoption of Resolutions to Impose Readiness-to-Serve and Capacity charges for 2014, dated April 8, 2013

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1 A review of MWD’s unfunded retiree benefits was presented last month, prompting a question on how these unfunded liabilities have grown over the years. See Attachment 2 for the changes in unfunded liabilities over time for the Water Authority and MWD. The unfunded pension liabilities are based on market value and unfunded OBE liabilities reflect actuarial value, which is the same as the market value because there are no assets to be valued.
April 8, 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 90065-0153

RE: Board Memo 8-1: Adopt resolutions imposing Readiness-to-Serve Charge and Capacity Charge effective January 1, 2014 – REQUEST TO TABLE OR IN THE ALTERNATIVE, OPPOSE

Dear Chairman Foley and Members of the Board:

We write to request that the board TABLE the proposed resolutions to increase Readiness-to-Serve and Capacity Charges to be effective January 1, 2014, and request that staff bring back alternative water rates and charges, including a reduction of the planned 5% water rate increase for Calendar Year (CY) 2014. In the alternative, should the board decline to take such action, we wish to be on record to OPPOSE increasing the Readiness-to-Serve Charge and Capacity Charge as described in Board Memo 8-1 and the associated resolutions, for the reasons stated in this letter.

The charges the board is being asked to increase were proposed and voted on based on budget and sales estimates that have proven to be materially at variance with actual costs and water sales. In fact, MWD over-collected revenues in Fiscal Year 2012 by almost $100 million. And, it is projecting that it will add another $178 million to its reserves by end of this fiscal year primarily as a result of over-collection in two of its supply categories: State Water Project and Demand Management Program. As a result of these over-collections, MWD’s reserves will exceed the board-established maximum levels by $36 million this year.

To move ahead with increases in the Readiness-To-Serve and Capacity charges – when we know for a fact that MWD is collecting substantially more revenues than its budget or cost of service supports – is a disservice to the cities and ratepayers we serve, many of whom are struggling with their own budgets and to make ends meet. Cost of service requirements including but not limited to Proposition 26 require MWD to be more accountable than this to the agencies and ratepayers it serves.
MWD does not need a 5% water rate increase for CY 2014; it should reconsider the planned increase and instead produce a more reasonable estimation of its water sales, costs and required revenues, including increases if any for the Readiness-to-Service Charge and Capacity Charge. We also request that MWD return to the longstanding practice of adopting water rates and charges on an annual basis so that it may better plan to avoid the dramatic over- and under-collection of revenues such as it has experienced over the past several years.

Sincerely,

Keith Lewinger
Director

Vincent Mudd
Director

Fern Steiner
Director

Doug Wilson
Director

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

<table>
<thead>
<tr>
<th>Agency</th>
<th>Valuation Year ($ in market value)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td></td>
<td>MWD</td>
</tr>
<tr>
<td>1. Pension Unfunded Liability*</td>
<td>$-87,265,020</td>
</tr>
<tr>
<td>2. OPEB Unfunded Liability*</td>
<td>$393,476,000</td>
</tr>
<tr>
<td>4. Unrestricted Net Assets (UNA)**</td>
<td>$541,711,000</td>
</tr>
<tr>
<td>5. Pension Unfunded Liability to Net Asset [(1)/(4)]</td>
<td>-16.1%</td>
</tr>
<tr>
<td>6. OPEB Unfunded Liability to Net Asset [(2)/(4)]</td>
<td>72.6%</td>
</tr>
<tr>
<td>7. Total Unfunded Liability to Net Asset [(3)/(4)]</td>
<td>56.5%</td>
</tr>
</tbody>
</table>

* Unfunded Actuarial Accrued Liability (UAAL) valuations reflect the combination of pension and OPEB unfunded liabilities per CalPERS and agencies’ actuarial, respectively. OPEB liability valuations are dated January 1 of the year in the table and pension valuations are dated June 30 of the year in the table.

**Unrestricted Net Assets per Agencies’ Comprehensive Annual Financial Reports.
May 15, 2013

Attention: Imported Water Committee

Metropolitan Water District Program Report (Information)

Purpose
This report summarizes activities associated with the Metropolitan Water District of Southern California and other imported water agencies and organizations.

Discussion
Metropolitan Water District (MWD). This report provides a summary of key actions at the May 13 and 14 meetings of the MWD Board of Directors. The next committee and board meetings will take place June 10 and 11, 2013.

Public Hearing on Ad Valorem Tax Rate.
The board approved staff’s recommendation to set a public hearing in June to consider suspending the taxing authority limit under the MWD Act by keeping the ad valorem tax rate at current levels effective in fiscal year 2013/14. The MWD Act limits the collection of property taxes to cover MWD’s general obligation bonds as well as MWD’s share of debt service related to the State Water Project’s (SWP) state general obligation bonds (Burns Porter bonds). As these debts are repaid, the amount of money MWD collects from ad valorem taxes declines. Because of the potential costs associated with maintaining the aging State Water Project and the need to support the possible implementation of a Delta fix, staff is proposing that the board suspend the taxing limit under the Act. The MWD Act permits MWD to suspend the taxing limitation if the board finds that the revenue generated from ad valorem taxes is “essential to the fiscal integrity of the district.” The board must conduct a public hearing prior to making such a finding. Notice of the hearing must be filed with the offices of the Speaker of the California Assembly and President pro Tempore of the Senate at least 10 days before the hearing date.

The delegates have consistently advocated that MWD must produce a long-range finance plan that would identify its long-term liabilities and investment needs, and develop a prudent finance and rate plan to fund these liabilities and investments. The delegates have repeatedly expressed concern that the lack of a long-range finance plan that addresses MWD’s financial obligations and outlines a comprehensive funding plan will result in MWD simply making financial decisions on an ad hoc basis and place MWD’s long term fiscal sustainability in danger. For these reasons, the delegates did not support setting a public hearing to suspend the taxing limitation.

Authorize the Execution and Distribution of the Official Statement in Connection with Water Revenue Refunding Bonds.
The Board approved an item to authorize the execution and distribution of the Official Statement in connection with the issuance of Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D. Staff recommended this action in the hopes of lowering interest and debt administration costs, but did not provide the board with potential estimated cost savings.
Even though the Water Authority delegates are proponents of managing MWD’s debts to reduce costs, they did not support this item. The Water Authority has continually expressed concern that MWD’s Official Statements fail to disclose multiple financial risks, including MWD’s rate structure’s heavy dependence on variable water sales, which have sharply declined; its reliance on obsolete and inaccurate planning documents to project future water sales and financial conditions; and the financial ramifications of these deficiencies.

**Local Resources Program Agreement with the City of Long Beach and the Water Replenishment District of Southern California.**

The board approved a Local Resources Program (LRP) Agreement with the city of Long Beach and the Water Replenishment District of Southern California for the Leo J. Vander Lans Water Treatment Facility Expansion Project. An additional 3,475 acre-feet (AF) of recycled water is anticipated to be generated to the existing seawater intrusion barrier. Under this agreement, MWD projects it will provide $13.2 million in subsidies over 25 years. However, MWD is committed to subsidizing as much as $21.7 million over the 25 years.

The Water Authority delegates support local agencies’ initiatives to develop local supplies; however, the Water Authority did not support this item. While demands on MWD this year are higher than anticipated due to state wide and Colorado River Basin dry conditions, MWD’s water demands overall have dropped significantly and not projected to return to their historic, higher levels. Additionally, MWD has not demonstrated the need for these additional supplies, which, in turn, will further reduce its sales. Given its diminished sales, there is no reason for MWD to pay its member agencies to further reduce their demands on MWD. Since adopting the Integrated Resources Plan Update in October 2010, MWD has approved 13 LRP agreements that obligate MWD to provide between $223.8 million and $323.1 million of subsidy funding over the life of these projects, collectively reducing MWD demands by up to 71,800 acre-feet annually when fully implemented. MWD’s rate structure continues to misallocate LRP subsidies to its wheeling rate through the Water Stewardship Rate. Moreover, MWD requires the Water Authority to pay tens of millions of dollars in Water Stewardship Rates annually, but it is excluded from LRP funding under MWD’s imposition of its so-called Rate Structure Integrity provision.

**The MWD Committees and Board also:**

- Granted conditional approval for the Meadowood Annexation to San Diego County Water Authority and to Metropolitan, and adopted resolution of intention to impose water standby charge;
- Adopted a resolution to continue Metropolitan’s Water Standby Charge for FY 2013/14;
- Authorized an increase of $5 million for capital projects costing less than $250,000 for fiscal years 2012/13 and 2013/14 (Approx. 15476);
- Authorized entering into a long-term lease with the Metropolitan Water District Federal Credit Union at Metropolitan Headquarters Building and F. E. Weymouth Water Treatment Plant in Los Angeles County;
- Approved payment of increased dues for membership in various organizations and new memberships;
- Expressed opposition, unless amended, to AB 145 (Perea, D-Fresno and Rendon, D-South Gate) - State Water Resources Control Board: drinking water;
- Received a report on the renewal status of Metropolitan’s Property and Casualty Insurance Program;
Heard a report on existing and potential litigation alleging Metropolitan is legally responsible for plumbing leaks allegedly caused by copper corrosion: (1) Lennar Homes of California, Inc. v. MWD, et al., Case No. 30-2012-00543908; (2) Briosa Owners Association v. Moulton Niguel Water District, et al., Case No. 30-2012-00586258; (3) Cantora Community Association v. MWD, et al., Case No. 30-2012-00619294; (4) Cypress Point Condominium Association v. MWD, et al., Case No. 30-2012-00619476; (5) Lisa Williams and Shawn Williams v. Irvine Ranch Water District, et al., Case No.30-2012-00616648; (6) Shapell v. Moulton Niguel Water District, et al., Case No. 30-2011-00519887; and one Government Claim, and authorized increase in the maximum amount payable under contract with Caufield & James, LLP for special counsel services by $400,000 to a maximum amount of $500,000;

Heard a 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;

Heard a report on status of seismic assessment of Metropolitan’s Headquarters Building at Union Station; discussion of legal strategies and options for possible reimbursement of repair costs; and

Heard a 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.

State Water Contractors (SWC).
The SWC met on April 18, 2013. To increase awareness of contractors’ effort to comply with laws and to move toward reduced dependency on imported water in support of the 2009 Delta Reform Act’s co-equal goals, the SWC authorized an agreement with Kennedy/Jenks Consultants to compile and report on SWCs’ water use efficiency and water management compliance initiatives. Kennedy/Jenks will utilize each SWC’s individual Urban Water Management Plan, Agricultural Management Plans and other data sources to develop the comprehensive report. The report is estimated to be completed in four months.

SWC staff also reviewed AB 1258 (Skinner) – Electricity: Hydroelectric Facilities; which requires the California Public Utilities Commission (CPUC) to consider whether existing hydroelectric facilities can be used to store energy and, when electricity demand peaks or the renewable sources of energy go off-line, the stored energy can be dispatched to meet demand without emitting carbon. Facilities to be studied include: Helms (PG&E), Balsam Meadow (SCE), Oroville, Castaic, and San Luis. AB 1258 is intended to reduce greenhouse gas emissions by having hydroelectric pumped storage displace more carbon intensive natural gas generation. The SWC and other agencies, such as MWD, have expressed that using State Water Project’s (SWP) existing hydroelectric and pumped storage facilities for renewable integration "will seriously impact the primary mission of the SWP of ensuring reliable water deliveries.” The SWC provided testimony to the Assembly Utilities and Commerce Committee, and is developing amendments with the bill’s author. For other SWC actions, see attachment. The next SWC meeting is scheduled for May 16, 2013.

Prepared by: Liz Mendelson, Assistant Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
Attachment: SWC Board Actions, April 18, 2013
The following actions were taken at the State Water Contractors (SWC) Board of Directors April 18, 2013 meeting upon motions duly made, seconded and unanimously passed.

1. Approved the Consent Calendar, including Draft Board Minutes for March 21, 2013 and April 5, 2013 meetings, the March Financial Reports, and March Consultant Reports.

2. Authorized the SWC General Manager to hire Kennedy/Jenks Consultants and to compile and report on State Water Project Contractors’ compliance with various laws regarding water use efficiency and water management as established in the individual Urban Water Management Plans and Agricultural Water Management Plans and other data sources. The cost of this effort is estimated not to exceed $50,000 and be completed in 4 months.

Other Actions:

1. Appointed the SWC Personnel Committee for Fiscal Year 2013-14 of Dan Masnada (Chair), Dan Flory and Doug Headrick.

2. Appointed the SWC Nominating Committee for Fiscal Year 2013-14 of Curtis Creel (Chair), Steve Arakawa, and Mark Gilkey.

3. Requested that SWC staff work on developing a forum for informing SWP contractor Boards of Directors and key policy staff about water supply, water quality and other benefits of the Bay Delta Conservation Plan in connection with the Spring 2013 ACWA Conference and in coordination with key SWP contractors staff.
May 15, 2013

Attention: Imported Water Committee

CLOSED SESSIONS:

Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: QSA Judicial Council Coordination Proceeding No. 4353

Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board (SWRCB)
Imperial Irrigation District and San Diego County Water Authority
Joint Petition for Modification of Revised Order WRO 2002-0013
(Permit 7643, Application 7482)

Purpose
This memorandum is to recommend closed sessions, pursuant to Government Code §54956.9(d)(1) to discuss the above-referenced matters at the May 23, 2013, meeting.

Closed sessions have also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for closed sessions with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel
May 15, 2013

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1) - SDCWA v Metropolitan Water District of Southern California; Case Nos. CPF-10-510830 and CPF-12-512466

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1) to discuss the above-referenced matter at the May 23, 2013, meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel
May 15, 2013

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1) - SDCWA v City of Los Angeles Department of Water and Power; Case No. BS136663

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1) to discuss the above-referenced matter at the May 23, 2013, meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel
May 15, 2013

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1) - SDCWA v Eastern Municipal Water District;
Riverside Superior Court Case No. RIC1300887

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1) to discuss the above-referenced matter at the May 23, 2013, meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel
1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

   4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

1. Legislative Issues.
   1-A Report by Carpi and Clay. (supplemental materials)

   1-B Adopt priorities for the renegotiation of a water bond. Alexi Schnell
   Staff recommendation: Adopt priorities for the renegotiation of a water bond. (Action)
1-C Adopt positions on various state bills. Alexi Schnell

Staff recommendation:
1. Adopt a position of Support on AB 71 (Perez)
2. Adopt a position of Oppose unless amended on AB 147 (Perez)
3. Adopt a position of Support on AB 1096 (Nestande, Perez) (Action)

III. INFORMATION

1. Presentation on value of water communication. Jason Foster
4. Government Relations update. Dennis Cushman
5. Status report on legislation and legislative positions. Alexi Schnell

IV. ADJOURNMENT

Doria F. Lore
Clerk of the Board

NOTE: This meeting is called as an Legislation, Conservation, and Outreach Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
May 15, 2013

Attention: Legislation, Conservation and Outreach Committee

Adopt priorities for the renegotiation of a water bond. (Action)

Staff recommendation
Adopt priorities for the renegotiation of a water bond.

Alternatives
1. Direct staff to make changes to the priorities.
2. Do not adopt the proposed priorities.

Fiscal Impact
None.

Background
In November 2009, the Legislature passed and Governor Schwarzenegger signed SBX7-2 (Cogdill), the “Safe, Clean and Reliable Water Supply Act of 2010” (Attachment 1) as part of a comprehensive package of bills that made major changes to the state’s overall water policy. This water bond measure authorizes the issuance of $11.14 billion in general obligation bonds and was originally to appear on the November 2010 ballot. The Legislature has since voted twice to delay the water bond, first moving it to the November 2012 ballot, and then, more recently, to the November 2014 ballot. The content of the bond measure was left unchanged.


Staff presented a memo to the Legislation, Conservation and Outreach Committee at its meeting on April 25, 2013, detailing the history and the provisions of the water bond measure. Given the likelihood that the 2014 water bond will be modified and reduced in its overall amount, staff asked the Board for guidance to use during negotiations, and recommended that the Board establish priorities for a revised water bond measure. The memo provided five recommended priorities. The Board voted to continue the item until the May 23, 2013 Board meeting to allow time for Board members to discuss this issue further with their respective member agencies, and to provide feedback to Water Authority staff.

Discussion
Four water bond related bills have been introduced so far in the 2013 legislative session. These include AB 142 (Perea), SB 36 (Rubio), SB 40 (Pavley) and SB 42 (Wolk). Speculation continues as to what might occur this year in terms of renegotiating the 2014 water bond measure. The Water Authority is working closely with ACWA and other stakeholders to ensure that San Diego’s interest are represented in the water bond. It is anticipated that the 2014 water bond will be smaller and will include less funding for surface storage than is included in the current bond measure. Some stakeholders are advocating the elimination from the water bond of specific allocations of funds to designated water agencies or entities, or to specific projects.
**Provisions of SBX7-2**

The current water bond measure proposes the issuance of $11.14 billion in general obligation bonds in seven funding chapters:

- Chapter 5. Drought Relief $0.455 billion
- Chapter 6. Water Supply Reliability $1.400 billion
- Chapter 7. Delta Sustainability $2.250 billion
- Chapter 8. Statewide Water System Operational Improvement $3.000 billion
- Chapter 9. Conservation and Watershed Protection $1.785 billion
- Chapter 10. Groundwater Protection and Water Quality $1.000 billion
- Chapter 11. Water Recycling and Conservation $1.250 billion

**Summary of benefits to the San Diego region**

The following table shows the funding in each chapter of the current bond measure that is directly allocated to the San Diego region, is available for competitive grants statewide, provides indirect benefits to the San Diego region, and is allocated to other regions. Of the $2.47 billion allocated to specific regions of the state, the San Diego region was allocated $227 million, or 9.2 percent.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Total</th>
<th>Direct Allocations to San Diego County</th>
<th>Allocations to Other Regions</th>
<th>Indirect Benefits</th>
<th>Available/Competitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>$455 million</td>
<td>$100 million</td>
<td>$193 million</td>
<td>$162 million</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>$1.4 billion</td>
<td>$87 million</td>
<td>$923 million</td>
<td>$390 million</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>$2.25 billion</td>
<td></td>
<td>$2.25 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>$3 billion</td>
<td></td>
<td>$3 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>$1.785 billion</td>
<td>$40 million</td>
<td>$1.15 billion</td>
<td>$210 million</td>
<td>$410 million</td>
</tr>
<tr>
<td>10</td>
<td>$1 billion</td>
<td></td>
<td></td>
<td>$1 billion</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>$1.25 billion</td>
<td></td>
<td></td>
<td>$1.25 billion</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$11.14 billion</td>
<td>$227 million</td>
<td>$2.241 billion</td>
<td>$5.46 billion</td>
<td>$3.212 billion</td>
</tr>
</tbody>
</table>

**Board policies and principles on water bonds**

The Water Authority board has adopted Priorities and Principles for a Water Bond, which are incorporated into the board’s Legislative Policy Guidelines. The following table shows how the current bond measure is, or is not consistent with the Water Authority’s water bond policies.
<table>
<thead>
<tr>
<th>Board Policy</th>
<th>Does SBX7-2 comply?</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Provides an equitable share of funding to San Diego County, with major funding categories being divided by county and funded on a per-capita basis to ensure bond proceeds are distributed throughout the state in proportion to taxpayers’ payments on the bonds.</td>
<td>Yes</td>
<td>Of the $2.47 billion allocated to specific regions of the state, the San Diego region was allocated $227 million, or 9.2 percent. San Diego County’s population is 8.3 percent of the state’s population.</td>
</tr>
<tr>
<td>2 Focuses on statewide priorities, including restoration of fish and wildlife habitat, construction of an improved method of conveyance of water through or around the Delta that provides water supply reliability to Delta water users, promotion of greater regional and local self-sufficiency, surface storage, and promotion of water use efficiency.</td>
<td>Yes</td>
<td>SBX7-2 provides much of its funding to Delta Sustainability and to Water Supply Reliability. The bond measure does not provide funding for construction of an improved method of conveyance in the Bay-Delta, but does fund a portion of public’s share of ecosystem improvements that must be funded as part of the co-equal goals.</td>
</tr>
<tr>
<td>3 Provides the state’s share of funding for Bay-Delta conveyance projects.</td>
<td>No direct funding</td>
<td>The bond measure does not provide any funds for the conveyance project. However, under agreements with SWP and CVP contractors and recently enacted legislation, the state will pay for the public benefits derived from construction of the Bay-Delta conveyance facilities and implementation of the BDCP. The bond measure provides $2.25 billion for this purpose.</td>
</tr>
<tr>
<td>4 Provides funding for water infrastructure that resolves conflicts in the state’s water system and provides long-term benefits to water supply, water supply reliability, water quality and ecosystem restoration.</td>
<td>Yes</td>
<td>The bond provides funding for the public benefits derived from a Bay-Delta fix and for public benefits of surface storage upstream of the Bay-Delta. The measure also provides funding for local and regional conveyance and alternative water supplies, such as water use efficiency, desalination, and water recycling.</td>
</tr>
<tr>
<td></td>
<td>Defines the “San Diego sub-region” and “San Diego county watersheds” as “those portions of the westward-flowing watershed of the South Coast hydrologic region situated within the boundaries of San Diego County.”</td>
<td>Partially</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>6</td>
<td>Includes within IRWM funding money that a region may use over time to develop and refine its plan and to develop institutional structures necessary to establish and implement the plan.</td>
<td>T.B.D.</td>
</tr>
<tr>
<td>7</td>
<td>Gives primary consideration to funding priorities established by local and regional entities through their IRWM planning process.</td>
<td>N/A</td>
</tr>
<tr>
<td>8</td>
<td>Ensures the application process for funding is not unnecessarily burdensome and costly, with an emphasis on streamlining the process.</td>
<td>T.B.D.</td>
</tr>
<tr>
<td>9</td>
<td>Limits state overhead to no more than 5% of bond funding amounts.</td>
<td>Yes</td>
</tr>
<tr>
<td>10</td>
<td>Places as much emphasis and provides at least as much funding for surface storage as for groundwater storage.</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Funds emergency and carryover storage projects such as the San Vicente dam raise project. | Yes | The bond measure allocates $100 million for “…local and regional water projects, including surface storage projects…” in San Diego County.

Consolidates administration of all voter-approved water-related bond funding in one place, preserves existing expertise within the state bureaucracy to manage bond funding processes, and provides consistent application and evaluation of bond funding applications. | No | The bond measure allocates bond funding among a number of state agencies, although the majority of the funding flows through DWR. The bond measure does not specifically address the other concerns in this policy.

Provides funding that results in net increases in real water supply and water supply reliability. | Yes | This bond measure provides funding for Bay-Delta improvements that are intended to improve water supply reliability. It also provides funding for surface storage projects that should improve water supply reliability. And, the bond measure provides funding for diversified water supplies such as water conservation, recycling, and desalination.

While the bond measure does not meet every policy objective adopted by the Water Authority’s Board, on balance it provides the San Diego region with significant benefits in terms of water supply reliability. It currently provides direct funding to the San Diego region and lays the foundation for a Bay-Delta fix that is intended to improve the region’s water supply reliability.

Proposed priorities for renegotiation of a water bond measure
The Board’s existing Legislative Policy Guidelines applicable to water bonds remain relevant, and staff does not recommend any modifications. However, given the likelihood that the 2014 water bond will be modified and reduced in its overall amount, it is recommended that the Board establish priorities for a revised water bond measure to provide staff and the Water Authority’s legislative advocates with guidance to use during negotiations. A list of five recommended priorities was included for the Board’s consideration in the April 17, 2013 Board memo (items 1-5, below). Staff has received suggested additions for the Board’s consideration, and staff is recommending three additions (items 6-8, below).
Recommended priorities for a revised 2014 water bond measure:

1. Support public funding of ecosystem restoration of the Bay-Delta in support of the co-equal goals of ecosystem restoration and water supply reliability in the Bay-Delta.

2. Oppose efforts to remove direct allocations for San Diego County unless all such allocations are removed; otherwise work to preserve the $227 million funding allocations for the San Diego region.

3. If all direct allocations are eliminated from the bond measure, then ensure funding from all chapters and categories is provided on an open and competitive basis, and with a requirement for cost-sharing by the applicant.

4. Local and regional supply projects should be funded through the Integrated Regional Water Management (IRWM) chapter of the water bond, with allocation made by region within the state in proportion to each region’s population.

5. Support funding for the expansion and addition of state-owned or controlled surface storage that improves water supply reliability of the State Water Project.

6. Develop additional low-cost borrowing mechanisms to help finance local infrastructure projects.

7. Explore the availability of funds from a broader range of entities that benefit from bond-financed projects or that stress the system and contribute to ecosystem decline.

8. Oppose statewide fees on water to pay for statewide public benefits.

Staff recommends the Board adopt these proposed priorities for renegotiation of a water bond measure.

Prepared by: Alexi Schnell, Management Analyst
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment: 1. SBX7-2 (Cogdill) Water Bond
THE SAFE, CLEAN, AND RELIABLE DRINKING WATER SUPPLY ACT OF 2010
SB X7 2 (COGDILL), STAT. 2009-2010, 7TH EX, CH. 3

AS AMENDED BY:
AB 153 (HERNANDEZ), STAT. 2010, CH. 226;
AB 1265 (CABALLERO), STAT. 2010, CH. 126; AND
AB 1422 (PEREA), STAT. 2012, CH. 74

DIVISION 26.7.
THE SAFE, CLEAN, AND RELIABLE DRINKING WATER SUPPLY ACT OF 2012
(Amended by Section 1 of Chapter 126 of the Statutes of 2010)

CHAPTER 1. SHORT TITLE

79700. This division shall be known, and may be cited, as the Safe, Clean, and
Reliable Drinking Water Supply Act of 2012.
(Amended by Section 2 of Chapter 126 of the Statutes of 2010)

CHAPTER 2. FINDINGS AND DECLARATIONS

79701. The people of California find and declare all of the following:
(a) Safeguarding supplies of clean, safe drinking water to California's homes,
businesses, and farms is an essential responsibility of government, and critical to
protecting the quality of life for Californians.
(b) Every Californian should have access to clean, safe, and reliable drinking water.
(c) Providing adequate supplies of clean, safe, and reliable drinking water is vital to
keeping California's economy growing and strong.
(d) Encouraging water conservation and recycling are commonsense methods to make
more efficient use of existing water supplies.
(e) Protecting lakes, rivers, and streams from pollution, cleaning up polluted
groundwater supplies, and protecting water sources that supply the entire state are crucial
to providing a reliable supply of drinking water and protecting the state's natural
resources.
CHAPTER 3. DEFINITIONS

79702. Unless the context otherwise requires, the definitions set forth in this section govern the construction of this division, as follows:

(a) "Bay Delta Conservation Plan" means the final plan prepared pursuant to the planning agreement regarding the Bay Delta Conservation Plan, dated October 6, 2006.
(b) "Bay-Delta Estuary" means the Delta, Suisun Bay, and Suisun Marsh.
(c) "CALFED Bay-Delta Program" means the program described in the Record of Decision dated August 28, 2000.
(d) "Commission" means the California Water Commission.
(e) "Committee" means the Safe, Clean, and Reliable Drinking Water Supply Finance Committee created by Section 79812.
(f) "Delta" means the Sacramento-San Joaquin Delta, as defined in Section 12220.
(g) "Delta conveyance facilities" means facilities that convey water directly from the Sacramento River to the State Water Project or the federal Central Valley Project pumping facilities in the south Delta.
(h) "Delta counties" means the Counties of Solano, Yolo, Sacramento, Contra Costa, and San Joaquin.
(i) "Delta Plan" has the meaning set forth in Section 85059.
(j) "Department" means the Department of Water Resources.
(k) "Director" means the Director of Water Resources.
(l) "Disadvantaged community" has the meaning set forth in subdivision (a) of Section 79505.5.

(m) "Economically distressed area" means a municipality with a population of 20,000 persons or less, a rural county, or a reasonably isolated and divisible segment of a larger municipality where the segment of the population is 20,000 persons or less, with an annual median household income that is less than 85 percent of the statewide median household income, and with one or more of the following conditions as determined by the department:

1. Financial hardship.
2. Unemployment rate at least 2 percent higher than the statewide average.
3. Low population density.

(n) "Fund" means the Safe, Clean, and Reliable Drinking Water Supply Fund of 2012 created by Section 79716.

(o) "Integrated regional water management plan" has the meaning set forth in Section 10534.

(p) "Nonprofit organization" means an organization qualified to do business in California and qualified under Section 501(c)(3) of Title 26 of the United States Code.

(q) "Public agency" means a state agency or department, district, joint powers authority, city, county, city and county, or other political subdivision of the state.
The Safe, Clean, and Reliable Drinking Water Supply Act of 2010, as amended

(r) "Secretary" means the Secretary of the Natural Resources Agency.

(s) "State General Obligation Bond Law" means the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code).

(Amended by Section 3 of Chapter 126 of the Statutes of 2010)

CHAPTER 4. GENERAL PROVISIONS

79705. An amount that equals not more than 5 percent of the funds allocated for a grant program pursuant to this division may be used to pay the administrative costs of that program.

79706. Up to 10 percent of funds allocated for each program funded by this division may be expended for planning and monitoring necessary for the successful design, selection, and implementation of the projects authorized under that program. This section shall not otherwise restrict funds ordinarily used by an agency for "preliminary plans," "working drawings," and "construction" as defined in the annual Budget Act for a capital outlay project or grant project. Water quality monitoring shall be integrated into the surface water ambient monitoring program administered by the State Water Resources Control Board.

79707. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the development or implementation of programs or projects authorized or funded under this division other than Chapter 8 (commencing with Section 79740).

79708. (a) Prior to disbursing grants pursuant to this division, each state agency that is required to administer a competitive grant program under this division shall develop and adopt project solicitation and evaluation guidelines. The guidelines may include a limitation on the dollar amount of grants to be awarded.

(b) Prior to disbursing grants, the state agency shall conduct three public meetings to consider public comments prior to finalizing the guidelines. The state agency shall publish the draft solicitation and evaluation guidelines on its Internet Web site at least 30 days before the public meetings. One meeting shall be conducted at a location in northern California, one meeting shall be conducted at a location in the central valley, and one meeting shall be conducted at a location in southern California. Upon adoption, the state agency shall transmit copies of the guidelines to the fiscal committees and the appropriate policy committees of the Legislature.
The Safe, Clean, and Reliable Drinking Water Supply Act of 2010, as amended

79709. It is the intent of the people that the investment of public funds pursuant to this division will result in public benefits.

79710. The State Auditor shall annually conduct a programmatic review and an audit of expenditures from the fund. The State Auditor shall report its findings annually on or before March 1 to the Governor and the Legislature, and shall make the findings available to the public.

79711. Funds provided by this division shall not be expended to support or pay for the costs of environmental mitigation measures or compliance obligations of any party except as part of the environmental mitigation costs of projects financed by this division or for costs for groundwater cleanup pursuant to the requirements of Chapter 10 (commencing with Section 79770). Funds provided by this division may be used for environmental enhancements or other public benefits.

79712. Funds provided by this division shall not be expended to pay the costs of the design, construction, operation, or maintenance of Delta conveyance facilities. Those costs shall be the responsibility of the water agencies that benefit from the design, construction, operation, or maintenance of those facilities.

79713. (a) This division does not diminish, impair, or otherwise affect in any manner whatsoever any area of origin, watershed of origin, county of origin, or any other water rights protections, including, but not limited to, rights to water appropriated prior to December 19, 1914, provided under the law. This division does not limit or otherwise affect the application of Article 1.7 (commencing with Section 1215) of Chapter 1 of Part 2 of Division 2, Sections 10505, 10505.5, 11128, 11460, 11461, 11462, and 11463, and Sections 12200 to 12220, inclusive.

(b) For the purposes of this division, an area that utilizes water that has been diverted and conveyed from the Sacramento River hydrologic region, for use outside the Sacramento River hydrologic region or the Delta, shall not be deemed to be immediately adjacent thereto or capable of being conveniently supplied with water therefrom by virtue or on account of the diversion and conveyance of that water through facilities that may be constructed for that purpose after January 1, 2010.

(c) Nothing in this division supersedes, limits, or otherwise modifies the applicability of Chapter 10 (commencing with Section 1700) of Part 2 of Division 2, including petitions related to any new conveyance constructed or operated in accordance with Chapter 2 (commencing with Section 85320) of Part 4 of Division 35.

(d) Unless otherwise expressly provided, nothing in this division supersedes, reduces, or otherwise affects existing legal protections, both procedural and substantive, relating to the state board's regulation of diversion and use of water, including, but not limited to,
The Safe, Clean, and Reliable Drinking Water Supply Act of 2010, as amended

water right priorities, the protection provided to municipal interests by Sections 106 and 106.5, and changes in water rights. Nothing in this division expands or otherwise alters the state board's existing authority to regulate the diversion and use of water or the courts' existing concurrent jurisdiction over California water rights.

79714. Eligible applicants under this division are public agencies, nonprofit organizations, public utilities, and mutual water companies. To be eligible for funding under this division, a project proposed by a public utility that is regulated by the Public Utilities Commission or a mutual water company shall have a clear and definite public purpose and shall benefit the customers of the water system.

79715. The Legislature may enact legislation necessary to implement programs funded by this division, except as otherwise provided in Section 79749.5.

79716. The proceeds of bonds issued and sold pursuant to this division shall be deposited in the Safe, Clean, and Reliable Drinking Water Supply Fund of 2012, which is hereby created in the State Treasury.

(Amended by Section 4 of Chapter 126 of the Statutes of 2010)

CHAPTER 5. DROUGHT RELIEF

79720. The sum of four hundred fifty-five million dollars ($455,000,000) shall be available, upon appropriation by the Legislature from the fund, for the purposes of this Chapter.

79720.1. (a) From the funds described in Section 79720, one hundred ninety million dollars ($190,000,000) shall be available, upon appropriation by the Legislature from the fund, for the planning, design, and construction of local and regional drought relief projects that reduce the impacts of drought conditions, including, but not limited to, the impacts of reductions in Delta diversions. Eligible projects include all of the following:

(1) Water conservation and efficiency projects, including installation of the most water efficient fixtures commercially available.

(2) Water recycling and related infrastructure.

(3) Groundwater cleanup.

(4) Local and regional conveyance projects that improve water supplies and public benefits associated with conveyance facilities.

(5) Other local and regional water supply reliability projects.

(6) Local and regional surface water storage projects that provide emergency water supplies and water supply reliability in drought conditions.
The Safe, Clean, and Reliable Drinking Water Supply Act of 2010, as amended

(b) Projects funded pursuant to this section shall meet both of the following requirements:

(1) The project will provide a sustainable water supply that does not contribute to groundwater overdraft or increase surface water diversions.

(2) The project is capable of being operational within two years of receiving the grant.

(c) Preference shall be given to applicants that can demonstrate substantial past and current investments in conservation and local water projects.

(d) Not more than 10 percent of the funds provided pursuant to this section shall be available for planning, investigations, studies, and monitoring.

(e) The department shall require a cost share of not less than 50 percent of total project costs from nonstate sources. The department may waive or reduce the cost-sharing requirement for projects that directly benefit disadvantaged communities or economically distressed areas.

(f) From the funds described in this section, the sum of one hundred million dollars ($100,000,000) shall be made available for local and regional water projects, including surface storage projects, that provide emergency water supplies and water supply reliability in drought conditions in San Diego County.

79720.2. From the funds described in Section 79720, the sum of ninety million dollars ($90,000,000) shall be available, upon appropriation by the Legislature from the fund, for grants to disadvantaged communities and economically distressed areas experiencing economic impacts from drought for drought relief projects and programs.

79720.3. From the funds described in Section 79720, the sum of seventy-five million dollars ($75,000,000) shall be available, upon appropriation by the Legislature from the fund, to the State Water Resources Control Board for grants for small community wastewater treatment projects, to protect water quality, that meet all of the following criteria:

(a) The project is for the planning, design, permitting, construction, or improvement of a wastewater treatment facility, sewer system, or related infrastructure necessary to meet water quality standards or prevent contamination of surface water or groundwater resources.

(b) The project will serve a community with a population of 20,000 or less.

(c) The project meets other standards that may be established by the State Water Resources Control Board with respect to the design, construction, financing, and operation of the project.
The Safe, Clean, and Reliable Drinking Water Supply Act of 2010, as amended

79720.4. (a) From the funds described in Section 79720, eighty million dollars ($80,000,000) shall be available for deposit into the Safe Drinking Water State Revolving Fund created pursuant to Section 116760.30 of the Health and Safety Code.

(b) From the funds described in this section, up to eight million dollars ($8,000,000) shall be made available for grants for projects within the City of Maywood that design and implement water supply infrastructure upgrades that provide for safe drinking water.

79720.6. From the funds described in Section 79720, the sum of twenty million dollars ($20,000,000) shall be available for water quality and public health projects on the New River.

CHAPTER 6. WATER SUPPLY RELIABILITY

79721. The sum of one billion fifty million dollars ($1,050,000,000) shall be available, upon appropriation by the Legislature, from the fund to the department for competitive grants and expenditures in accordance with Section 79722.

79722. (a) Except as provided in subdivision (f), the department shall award grants to eligible projects that implement an adopted integrated regional water management plan.

(b) An urban water supplier that does not prepare, adopt, and submit its urban water management plan in accordance with the Urban Water Management Planning Act (Part 2.6 (commencing with Section 10610) of Division 6) is ineligible to receive funds made available pursuant to Section 79721 until the urban water management plan is prepared and submitted in accordance with the requirements of that act.

(c) For the purposes of awarding a grant under this Chapter, the department shall require a local cost share of not less than 50 percent of the total costs of the project. The department may waive or reduce the cost-sharing requirement for projects that directly benefit a disadvantaged community or an economically distressed area.

(d) Eligible projects are those included in adopted integrated regional water management plans consistent with Part 2.2 (commencing with Section 10530) of Division 6, including, but not limited to, local and regional surface water storage projects.

(e) The funding provided in Section 79721 shall be allocated to each hydrologic region as identified in the California Water Plan in accordance with this subdivision. For the South Coast hydrologic region, the department shall establish three funding areas that reflect the watersheds of San Diego County (designated as the San Diego subregion), the Santa Ana River watershed and southern Orange County (designated as the Santa Ana subregion), and the Los Angeles and Ventura County watersheds (designated as the Los Angeles subregion), and shall allocate funds to those areas in accordance with this subdivision. The North and South Lahontan hydrologic regions shall be treated as one area for the purpose of allocating funds. For purposes of this subdivision, the Sacramento
The Safe, Clean, and Reliable Drinking Water Supply Act of 2010, as amended

River hydrologic region does not include the Delta. For purposes of this subdivision, the Mountain Counties Overlay is not eligible for funds from the Sacramento River hydrologic region or the San Joaquin River hydrologic region. The department may recognize multiple integrated regional water management plans in each of the areas allocated funding. Funds made available by this Chapter shall be allocated as follows:

(1) North Coast: $45,000,000.
(2) San Francisco Bay: $132,000,000.
(3) Central Coast: $58,000,000.
(4) Los Angeles subregion: $198,000,000.
(5) Santa Ana subregion: $128,000,000.
(6) San Diego subregion: $87,000,000.
(7) Sacramento River: $76,000,000.
(8) San Joaquin River: $64,000,000.
(9) Tulare/Kern: $70,000,000.
(10) North/South Lahontan: $51,000,000.
(11) Colorado River Basin: $47,000,000.
(12) Mountain Counties Overlay: $44,000,000.
(13) Interregional: $50,000,000.

(f) Interregional funds may be expended directly or granted by the department to address multiregional needs or state priorities, including, but not limited to, any of the following:

(1) Investing in new water technology development and deployment.
(2) Meeting state water recycling and water conservation goals.
(3) Adapting to climate change impacts.
(4) Reducing contributions to climate change.
(5) Other projects to improve statewide water management systems.
(6) Other projects and activities designed to meet the needs of disadvantaged communities or economically distressed areas including technical and grant writing assistance.

(g) Ten million dollars of the interregional funds shall be available for a grant to the University of California, Sierra Nevada Research Institute of the University of California, for the development and deployment of measurement infrastructure and related information technology to identify and analyze water supply impacts of climate change on the Sierra Nevada snow pack and runoff.

79722.5. Of the funds provided in Section 79721, not less than 10 percent shall be allocated to disadvantaged communities.

79723. (a) The sum of three hundred fifty million dollars ($350,000,000) shall be available, upon appropriation by the Legislature, from the fund to the department for
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grants and expenditures for the planning, design, and construction of local and regional conveyance projects that support regional and interregional connectivity and water management. Projects shall be consistent with an adopted integrated regional water management plan and shall provide one or more of the following benefits:

(1) Improvements in regional or interregional water supply and water supply reliability.

(2) Mitigation of conditions of groundwater overdraft, saline water intrusion, water quality degradation, or subsidence.

(3) Adaptation to the impacts of hydrologic changes.

(4) Improved water security from drought, natural disasters, or other events that could interrupt imported water supplies.

(5) Providing safe drinking water for disadvantaged communities and economically distressed areas.

(b) Not more than 10 percent of the funds provided by this section shall be available for planning, investigations, studies, and monitoring.

(c) The department shall require a cost share of not less than 50 percent of total project costs from nonstate sources. The department may waive or reduce the cost share requirement for projects that directly benefit disadvantaged communities or economically distressed areas.

CHAPTER 7. DELTA SUSTAINABILITY

79730. (a) The Bay-Delta Estuary is a unique and irreplaceable combination of environmental and economic resources. Current management and use of the Delta is not sustainable, and results in a high level of conflict among various interests. Future Delta sustainability is threatened by changing hydrology due to climate change, water diversions, flood risk, seismic events, nonnative species, toxics, and other environmental problems. Future management of the Delta must improve Delta ecosystem health and improve the means of Delta water conveyance in order to protect drinking water quality, improve water supply reliability, restore ecosystem health, and preserve agricultural and recreational values in the Delta, while providing to counties and watersheds of origin assurances that their priority to water resources will be protected and that programs or facilities implemented or constructed in the Delta will not result in redirection of unmitigated, significant adverse impacts to the counties and watershed of origin. Many sources of funding will be needed to implement improved Delta management.

(b) This Chapter provides state funding for public benefits associated with projects needed to assist in the Delta's sustainability as a vital resource for fish, wildlife, water quality, water supply, agriculture, and recreation.
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79731. The sum of two billion two hundred fifty million dollars ($2,250,000,000) shall be available, upon appropriation from the fund, for grants and direct expenditures, as follows:

(a) (1) Seven hundred fifty million dollars ($750,000,000) for projects, including grants to Delta counties and cities within the Delta, that provide public benefits and support Delta sustainability options, including projects and supporting scientific studies and assessments that do any of the following:

(A) Ensure that urban and agricultural water supplies derived from the Delta, including water supplies used within the Delta, are not disrupted because of catastrophic failures of Delta levees resulting from earthquakes, floods, land sinking, rising ocean levels, or other forces.

(B) Assist in preserving economically viable and sustainable agriculture and other economic activities in the Delta.

(C) Improve the quality of drinking water derived from the Delta.

(D) Improve levee and flood control facilities and other vital infrastructure necessary to protect Delta communities affected by the implementation of this Chapter.

(E) Provide physical improvements or other actions to create workflow and water quality conditions within the Delta to provide adequate habitat for native fish and wildlife.

(F) Facilitate other projects that provide public benefits and support Delta sustainability options approved by the Legislature, including costs associated with planning, monitoring, and design of alternatives, and project modifications and adaptations necessary to achieve the goals of this Chapter.

(G) Mitigate other impacts of water conveyance and ecosystem restoration.

(H) Provide or improve water quality facilities and other infrastructure.

(2) Of the funds provided in this subdivision, not less than fifty million dollars ($50,000,000) shall be available for matching grants for improvements to wastewater treatment facilities upstream of the Delta to improve Delta water quality.

(3) Of the funds provided in this subdivision, up to two hundred fifty million dollars ($250,000,000) may be expended in the Delta to provide assistance to local governments and the local agricultural economy due to loss of productive agricultural lands for habitat and ecosystem restoration within the Delta.

(b) One billion five hundred million dollars ($1,500,000,000) for projects to protect and enhance the sustainability of the Delta ecosystem, including any of the following:

(1) Projects for the development and implementation of the Bay Delta Conservation Plan, consistent with Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code. The projects shall be implemented through a cooperative effort among regulatory agencies, regulated and potentially regulated entities, and affected parties, including state and federal water contractors. These funds may be expended for the preparation of environmental documentation and environmental compliance.
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(2) Other projects to protect and restore native fish and wildlife dependent on the Delta ecosystem, including the acquisition of water rights and the removal or reduction of undesirable invasive species.

(3) Projects to reduce greenhouse gas emissions from exposed Delta soils.

(4) Projects that reduce impacts of mercury contamination of the Delta and its watersheds, and remediation and elimination of continuing sources of mercury contamination.

(5) Scientific studies and assessments that support the projects authorized under this section.

(c) Funds provided by this Chapter shall be available for appropriation to, among other entities, the Sacramento-San Joaquin Delta Conservancy for implementation consistent with the Delta Plan.

79732. (a) A project that receives funding pursuant to subdivision (a) of Section 79731 shall only be eligible for funding pursuant to other provisions of this division to the extent that the combined state funding pursuant to this division does not exceed 50 percent of the total project costs.

(b) The department shall determine what constitutes a project for the purposes of subdivision (a).

CHAPTER 8. STATEWIDE WATER SYSTEM OPERATIONAL IMPROVEMENT

79740. (a) Notwithstanding Section 162, the commission may make the determinations, findings, and recommendations required of it by this Chapter independent of the views of the director. All final actions by the commission in implementing this Chapter shall be taken by a majority of the members of the commission at a public meeting noticed and held pursuant to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

(b) Notwithstanding Section 13340 of the Government Code, the sum of three billion dollars ($3,000,000,000) is hereby continuously appropriated from the fund, without regard to fiscal years, to the commission for public benefits associated with water storage projects that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions, in accordance with this Chapter. Funds authorized for, or made available to, the commission pursuant to this Chapter shall be available and expended only for the purposes provided in this Chapter, and shall not be subject to appropriation or transfer by the Legislature or the Governor for any other purpose.
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(c) Projects shall be selected by the commission through a competitive public process that ranks potential projects based on the expected return for public investment as measured by the magnitude of the public benefits provided, pursuant to criteria established under this Chapter.

(d) Any project constructed with funds provided by this Chapter shall be subject to Section 11590.

79741. Projects for which the public benefits are eligible for funding under this Chapter consist of only the following:
(a) Surface storage projects identified in the CALFED Bay-Delta Program Record of Decision, dated August 28, 2000, except for projects prohibited by Chapter 1.4 (commencing with Section 5093.50) of Division 5 of the Public Resources Code.
(b) Groundwater storage projects and groundwater contamination prevention or remediation projects that provide water storage benefits.
(c) Conjunctive use and reservoir reoperation projects.
(d) Local and regional surface storage projects that improve the operation of water systems in the state and provide public benefits.

79742. A project shall not be funded pursuant to this Chapter unless it provides measurable improvements to the Delta ecosystem or to the tributaries to the Delta.

79743. (a) Funds allocated pursuant to this Chapter may be expended solely for the following public benefits associated with water storage projects:
(1) Ecosystem improvements, including changing the timing of water diversions, improvement in flow conditions, temperature, or other benefits that contribute to restoration of aquatic ecosystems and native fish and wildlife, including those ecosystems and fish and wildlife in the Delta.
(2) Water quality improvements in the Delta, or in other river systems, that provide significant public trust resources, or that clean up and restore groundwater resources.
(3) Flood control benefits, including, but not limited to, increases in flood reservation space in existing reservoirs by exchange for existing or increased water storage capacity in response to the effects of changing hydrology and decreasing snow pack on California's water and flood management system.
(4) Emergency response, including, but not limited to, securing emergency water supplies and flows for dilution and salinity repulsion following a natural disaster or act of terrorism.
(5) Recreational purposes, including, but not limited to, those recreational pursuits generally associated with the outdoors.
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(b) Funds shall not be expended pursuant to this Chapter for the costs of environmental mitigation measures or compliance obligations except for those associated with providing the public benefits as described in Section 79743.

79744. In consultation with the Department of Fish and Game, the State Water Resources Control Board, and the department, the commission shall develop and adopt, by regulation, methods for quantification and management of public benefits described in Section 79743 by December 15, 2012. The regulations shall include the priorities and relative environmental value of ecosystem benefits as provided by the Department of Fish and Game and the priorities and relative environmental value of water quality benefits as provided by the State Water Resources Control Board.

79745. (a) Except as provided in subdivision (c), no funds allocated pursuant to this Chapter may be allocated for a project before December 15, 2012, and until the commission approves the project based on the commission's determination that all of the following have occurred:

1) The commission has adopted the regulations specified in Section 79744 and specifically quantified and made public the cost of the public benefits associated with the project.

2) The department has entered into a contract with each party that will derive benefits, other than public benefits, as defined in Section 79743, from the project that ensures the party will pay its share of the total costs of the project. The benefits available to a party shall be consistent with that party's share of total project costs.

3) The department has entered into a contract with each public agency identified in Section 79744 that administers the public benefits, after that agency makes a finding that the public benefits of the project for which that agency is responsible meet all the requirements of this Chapter, to ensure that the public contribution of funds pursuant to this Chapter achieves the public benefits identified for the project.

4) The commission has held a public hearing for the purposes of providing an opportunity for the public to review and comment on the information required to be prepared pursuant to this subdivision.

5) All of the following additional conditions are met:

(A) Feasibility studies have been completed.

(B) The commission has found and determined that the project is feasible, is consistent with all applicable laws and regulations, and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta.

(C) All environmental documentation associated with the project has been completed, and all other federal, state, and local approvals, certifications, and agreements required to be completed have been obtained.
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(b) The commission shall submit to the Legislature its findings for each of the criteria identified in subdivision (a) for a project funded pursuant to this Chapter.

(c) Notwithstanding subdivision (a), funds may be made available under this Chapter for the completion of environmental documentation and permitting of a project.

79746. (a) The public benefit cost share of a project funded pursuant to this Chapter, other than a project described in subdivision (c) of Section 79741, may not exceed 50 percent of the total costs of any project funded under this Chapter.

(b) No project may be funded unless it provides ecosystem improvements as described in paragraph (1) of subdivision (a) of Section 79743 that are at least 50 percent of total public benefits of the project funded under this Chapter.

79747. (a) A project is not eligible for funding under this Chapter unless, by January 1, 2018, all of the following conditions are met:

1) All feasibility studies are complete and draft environmental documentation is available for public review.

2) The commission makes a finding that the project is feasible, and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta.

3) The director receives commitments for not less than 75 percent of the nonpublic benefit cost share of the project.

(b) If compliance with subdivision (a) is delayed by litigation or failure to promulgate regulations, the date in subdivision (a) shall be extended by the commission for a time period that is equal to the time period of the delay, and funding under this Chapter that has been dedicated to the project shall be encumbered until the time at which the litigation is completed or the regulations have been promulgated.

79748. Surface storage projects funded pursuant to this Chapter and described in subdivision (a) of Section 79741 may be made a unit of the Central Valley Project as provided in Section 11290 and may be financed, acquired, constructed, operated, and maintained pursuant to Part 3 (commencing with Section 11100) of Division 6.

79749. (a) The funds allocated for the design, acquisition, and construction of surface storage projects identified in the CALFED Bay-Delta Record of Decision, dated August 28, 2000, pursuant to this Chapter may be provided for those purposes to local joint powers authorities formed by irrigation districts and other local water districts and local governments within the applicable hydrologic region to design, acquire, and construct those projects.

(b) The joint powers authorities described in subdivision (a) may include in their membership governmental ... partners that are not located within their respective
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hydrologic regions in financing the surface storage projects, including, as appropriate, cost share participation or equity participation. Notwithstanding Section 6525 of the Government Code, the joint powers authorities described in subdivision (a) shall not include in their membership any for-profit corporation, or any mutual water company whose shareholders and members include a for-profit corporation or any other private entity. The department shall be an ex-officio member of each joint powers authority subject to this section, but the department shall not control the governance, management, or operation of the surface water storage projects.

(c) A joint powers authority subject to this section shall own, govern, manage, and operate a surface water storage project, subject to the requirement that the ownership, governance, management, and operation of the surface water storage project shall advance the purposes set forth in this Chapter.

(Amended by Section 5 of Chapter 126 of the Statutes of 2010)

79749.5. (a) In approving the Safe, Clean, and Reliable Drinking Water Supply Act of 2012, the people were informed and hereby declare that the provisions of this Chapter are necessary, integral, and essential to meeting the single object or work of the Safe, Clean, and Reliable Drinking Water Supply Act of 2012. As such, any amendment of the provisions of this Chapter by the Legislature without voter approval would frustrate the scheme and design that induced voter approval of this act. The people therefore find and declare that any amendment of the provisions of this Chapter by the Legislature shall require a vote of two-thirds of the membership in each house of the Legislature and voter approval.

(b) This section shall not govern or be used as authority for determining whether the amendment of any other provision of this act not contained in this Chapter would constitute a substantial change in the scheme and design of this act requiring voter approval.

(Amended by Section 5 of Chapter 126 of the Statutes of 2010)

CHAPTER 9. CONSERVATION AND WATERSHED PROTECTION

79750. The sum of one billion seven hundred eighty-five million dollars ($1,785,000,000) shall be available, upon appropriation by the Legislature from the fund, in accordance with this Chapter, for expenditures and grants for ecosystem and watershed protection and restoration projects, including, but not limited to, all of the following watersheds:

(a) The San Joaquin River watershed.
(b) The Kern River and Tulare Basin watersheds.
(c) The Salton Sea and Colorado River watersheds.
(d) The Los Angeles River watershed.
(e) The San Gabriel River watershed.
(f) The Santa Ana River watershed.
(g) The Klamath River watershed, including the Trinity, Scott, and Shasta Rivers and watersheds.
(h) The North Coast watersheds.
(i) The San Francisco Bay watersheds.
(j) The Central Coast watersheds.
(k) The South Coast watersheds.
(l) The Lake Tahoe Basin watershed.
(m) The Sacramento River watershed, including the Yolo Bypass.
(n) The San Diego County coastal watersheds.
(o) The Ventura River watershed.
(p) The Sierra Nevada Mountain watersheds.
(q) The Mojave River watershed.
(r) The Owens River watershed.
(s) The Santa Monica Bay watershed.
(t) The watersheds of Marin County.
(u) The watersheds of Orange County.

79751. Funds provided under this Chapter may be appropriated to the Natural Resources Agency, the Department of Fish and Game, the Wildlife Conservation Board, the California Conservation Corps, the Department of Conservation, the Department of Parks and Recreation, the Department of Forestry and Fire Protection, or to state conservancies for expenditures and grants consistent with this Chapter and other applicable laws.

79752. (a) Funds provided for the Sacramento River and San Joaquin River watersheds under Section 79750 shall be available for projects consistent with the ecosystem restoration program element of the California Bay-Delta Program, or its successor, or the San Joaquin River Parkway Master Plan.

(b) Funds provided for Salton Sea watershed projects under Section 79750 shall be appropriated to the Natural Resources Agency and shall be available for Salton Sea restoration activities identified for “Period I” in the Natural Resources Agency report entitled “Salton Sea Ecosystem Restoration Program Preferred Alternative Report and Funding Plan,” dated May 2007.

(c) Funds provided for the Lake Tahoe Basin watershed under Section 79750 shall be available for projects consistent with the Lake Tahoe Environmental Improvement Program.

(d) Funds provided for the Los Angeles River and San Gabriel River watersheds under Section 79750 shall be available pursuant to
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Section 79508, and for projects identified in the Los Angeles River Revitalization Master Plan.

79754. For restoration and ecosystem protection projects under this Chapter, the services of the California Conservation Corps or community conservation corps shall be used whenever feasible.

79755. (a) Of the funds provided in Section 79750, not less than two hundred fifty million dollars ($250,000,000) shall be available to the State Coastal Conservancy for projects within coastal counties and coastal watersheds. Of this amount, not less than forty million dollars ($40,000,000) shall be available for grants in San Diego County, including not less than twenty million dollars ($20,000,000) in grants to the San Diego River Conservancy, not less than forty million dollars ($40,000,000) shall be available for the Santa Ana River Parkway, and not less than twenty million dollars ($20,000,000) shall be available for grants for protection and restoration of the Bolsa Chica wetlands and adjacent uplands and for associated visitor and interpretive natural history or archeological facilities.

(b) Of the funds provided in Section 79750, not less than one hundred million dollars ($100,000,000) shall be available to the Wildlife Conservation Board for direct expenditures or grants for the acquisition of water rights from willing sellers and the conveyance of water for the benefit of migratory birds on wildlife refuges and wildlife habitat areas subject to Section 3406(d) of the federal Central Valley Project Improvement Act (Public Law 102-575), if the acquisition of water rights by the Wildlife Conservation Board is consistent with that federal act. All costs associated with the acquisition of water rights by the Wildlife Conservation Board for the purposes set forth under this section shall be paid out of the funds designated for the Wildlife Conservation Board.

(c) Of the funds provided in Section 79750, not less than two hundred fifteen million dollars ($215,000,000) shall be available to the Wildlife Conservation Board for direct expenditures or grants for the protection or restoration of watershed lands or rivers and streams that support species listed as threatened or endangered under state or federal law, consistent with the requirements of programs identified in Division 2 (commencing with Section 700) of the Fish and Game Code, and requirements to implement or develop a natural community conservation plan pursuant to Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code. Of the funds provided in this section, the sum of twenty-five million dollars ($25,000,000) shall be available to the San Joaquin River Conservancy for river parkway projects. Of the funds provided in this subdivision, not less than twenty million dollars ($20,000,000) shall be available for watershed protection projects that reduce the fragmentation of habitats by promoting the linkage of existing public lands in Ventura County. In order to ensure programmatic consistency
with ongoing state conservancy programs, any project financed pursuant to this paragraph within the jurisdiction of any conservancy, shall be upon application of, and by grant to, that respective conservancy. The conservancy may apply on behalf of a local agency, and in that case, the board may make the grant award directly to that local agency.

(d) Of the funds provided in Section 79750, seventy-five million dollars ($75,000,000) shall be available to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for the purposes described in subdivision (d) of Section 79752.

(e) Of the funds provided in Section 79750, seventy-five million dollars ($75,000,000) shall be available to the Santa Monica Mountains Conservancy for implementation of watershed protection activities throughout the watershed of the upper Los Angeles River.

(f) Of the funds provided in Section 79750, twenty million dollars ($20,000,000) shall be available to the Baldwin Hills Conservancy.

(g) Of the funds provided in Section 79750, twenty-five million dollars ($25,000,000) shall be available for Santa Monica Bay watershed projects pursuant to Division 23 (commencing with Section 33000) of the Public Resources Code.

(h) Of the funds provided in Section 79750, fifty million dollars ($50,000,000) shall be available to the State Coastal Conservancy for coastal salmonid restoration projects.

(i) Of the funds provided in Section 79750, one hundred million dollars ($100,000,000) shall be available to the Lake Tahoe Conservancy for the Lake Tahoe Environmental Improvement Program as described in subdivision (c) of Section 79752.

(j) Of the funds provided in Section 79750, twenty million dollars ($20,000,000) shall be available to the Department of Conservation for the California Farmland Conservancy Program Act (Division 10.2 (commencing with Section 10200) of the Public Resources Code). Up to five million dollars ($5,000,000) may be used for the Department of Conservation Watershed Coordinator Grant Program.

(k) Of the funds provided in Section 79750, fifty million dollars ($50,000,000) shall be available to the secretary for projects in accordance with the California River Parkways Act of 2004 (Chapter 3.8 (commencing with Section 5750) of Division 5 of the Public Resources Code). Up to twenty million dollars ($20,000,000) may be transferred to the department for the Urban Streams Restoration Program pursuant to Section 7048 of the Water Code.

(l) Of the funds provided in Section 79750, not less than seventy-five million dollars ($75,000,000) shall be available to the Sierra Nevada Conservancy for grants, loans, direct expenditures, and other purposes and projects consistent with the mission and laws governing the conservancy, including, but not limited to, physical projects, projects for the provision of public access, educational and interpretive activities, projects to improve community sustainability and institutional infrastructure, planning, including collaborative public processes, monitoring, and research activities.
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(m) Of the funds provided in Section 79750, one hundred million dollars ($100,000,000) shall be available for Salton Sea restoration pursuant to subdivision (b) of Section 79752.

(n) Of the funds provided in Section 79750, ten million dollars ($10,000,000) shall be available to the Natural Resources Agency for planning for natural resources and watershed protections to address climate change impacts and adaptation.

(o) Of the funds provided in Section 79750, thirty million dollars ($30,000,000) shall be available to the Department of Parks and Recreation for grants for watershed education facilities. Of this amount, twenty million dollars ($20,000,000) shall be available for capital improvements to watershed education centers that serve an urban area with a population of over one million.

(p) Of the funds provided in Section 79750, ten million dollars ($10,000,000) shall be deposited in the California Waterfowl Habitat Preservation Account for the purposes of implementing the California Waterfowl Habitat Program described in Article 7 (commencing with Section 3460) of Chapter 2 of Part 1 of Division 4 of the Fish and Game Code, the California Landowner Incentive Program, and the Permanent Wetland Easement Program.

79756. (a) One hundred million dollars ($100,000,000) of the funds provided pursuant to Section 79750 shall be allocated to the Department of Forestry and Fire Protection for direct expenditures or grants for fuel treatment and forest restoration projects to protect watersheds tributary to dams or reservoirs from the adverse impacts of fire and erosion, to promote forest health in those watersheds, to protect life and property, to provide for climate change adaptation, and reduce total wildfire costs and losses. Funds shall be available in accordance with the following requirements:

(1) Sixty-seven million dollars ($67,000,000) shall be available to the Department of Forestry and Fire Protection to provide technical assistance for project development and implementation and to fund grants to public agencies and nonprofit organizations for the purpose of fuel treatment projects that will reduce wildfire risks, protect watersheds tributary to water storage facilities, and promote watershed health.

(2) Twenty-five million dollars ($25,000,000) shall be available to the Department of Forestry and Fire Protection to provide technical assistance for project development and implementation, and for grants and loans for fuel treatment and reforestation projects to eligible landowners as defined in subdivision (b) of Section 4793 of the Public Resources Code and consistent with the provisions of the California Forest Improvement Act of 1978.

(3) The sum of eight million dollars ($8,000,000) shall be available to do all of the following:

(A) Reimburse incremental costs to the Department of Forestry and Fire Protection resulting from implementation of fuel reduction projects consistent with the provisions of
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the Vegetation Management Program established under Article 2 (commencing with Section 4475) of Chapter 7 of Part 2 of Division 4 of the Public Resources Code.

These projects shall include three or more pilot projects to utilize the fuels removed for energy production or other wood product uses.

(B) Reimburse costs of conservation camp crews used to conduct fuel reduction activities, and costs to the Department of Forestry and Fire Protection for conducting prefire management projects consistent with the 1996 California Fire Plan or its successor plan.

(b) Funding criteria and projects shall demonstrate the linkage between the project and the protection of watershed health, protection of watershed storage capacity, maintenance or enhancement of forest health, protection of life and property, and greenhouse gas reduction.

79757. Of the funds provided in Section 79750, not more than two hundred fifty million dollars ($250,000,000) shall be available for dam removal and related measures in the Klamath River watershed if the secretary finds that all of the following conditions have been met:

(a) The State of California, the State of Oregon, the United States, and PacifiCorp have executed a dam removal agreement.

(b) The State of California, the State of Oregon, and the United States have made the determinations required under the agreement to effect dam removal.

(c) Ratepayer funds required by the agreement have been authorized and will be timely provided.

(d) All other conditions required in the agreement have been met.

79758. Of the funds provided in Section 79750, not less than twenty million dollars ($20,000,000) shall be allocated to Siskiyou County for the purpose of economic development as defined in Section 13997.2 of the Government Code.

79759. Of the funds provided in Section 79750, the sum of fifty million dollars ($50,000,000) shall be available, upon appropriation by the Legislature from the fund, to the California State University for the purposes of funding agricultural water supply, water use, efficiency, water quality, and related research and education efforts in accordance with the California State University Water Resources and Policy Initiatives.

79759.5. Of the funds provided in Section 79750, the sum of fifty million dollars ($50,000,000) shall be available to the State Coastal Conservancy for projects that meet the requirements of the California Ocean Protection Act (Division 26.5 (commencing with Section 35500) of the Public Resources Code).
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79760. Of the funds provided in Section 79750, sixty million dollars ($60,000,000) shall be available to the Natural Resources Agency for projects authorized under Section 3406 (b) (10) of the Central Valley Project Improvement Act that improve salmonid fish passage in the Sacramento River watershed.

79760.5. Of the funds provided in Section 79750, fifty million dollars ($50,000,000) shall be available, upon appropriation by the Legislature from the fund, to the Wildlife Conservation Board to capitalize an advanced public infrastructure revolving fund mitigation program, to be established by statute, designed to improve the environmental effectiveness and efficiency of infrastructure mitigation. These funds shall not be used to subsidize or decrease the mitigation obligations of any party.

79761. For the purposes of this Chapter, the terms “restoration” and “protection” have the meanings set forth in Section 75005 of the Public Resources Code.

CHAPTER 10. GROUNDWATER PROTECTION AND WATER QUALITY

79770. (a) The sum of one billion dollars ($1,000,000,000) shall be available, upon appropriation by the Legislature from the fund, for expenditures, grants, and loans for projects to prevent or reduce the contamination of groundwater that serves as a source of drinking water. Projects shall be consistent with an adopted integrated regional water management plan. Funds appropriated pursuant to this section shall be available to the State Department of Public Health for projects necessary to protect public health by preventing or reducing the contamination of groundwater that serves as a major source of drinking water for a community.

(b) Projects shall be prioritized based upon the following criteria:

1. The threat posed by groundwater contamination to the affected community’s overall drinking water supplies, including the need for treatment of alternative supplies if groundwater is not available due to contamination.
2. The potential for groundwater contamination to spread and reduce drinking water supply and water storage for nearby population areas.
3. The potential of the project, if fully implemented, to enhance local water supply reliability.
4. The potential of the project to increase opportunities for groundwater recharge and optimization of groundwater supplies.

(c) The State Department of Public Health shall give additional consideration to projects that meet any of the following criteria:

1. The project is implemented pursuant to a comprehensive basinwide groundwater quality management and remediation plan or is necessary to develop a comprehensive groundwater plan.
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(2) Affected groundwater provides a local supply that, if contaminated and not remediated, will require import of additional water from outside the region.
(3) The project will serve an economically disadvantaged community or an economically distressed area.
(4) The project addresses contamination at a site where the responsible parties have not been identified, or where the responsible parties are unwilling or unable to pay for cleanup.
(d) Of the amount made available by this section, not less than one hundred million dollars ($100,000,000) shall be available for costs associated with projects, programs, or activities that meet the requirements of this section and both of the following criteria:
(1) The costs are part of a basinwide management and remediation plan for which federal funds have been allocated.
(2) The costs address contamination at a site on the list maintained by the Department of Toxic Substances Control pursuant to Section 25356 of the Health and Safety Code or a site listed on the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. Sec. 9601 et seq.).
(e) Of the amount made available by this section, one hundred million dollars ($100,000,000) shall be available to the State Department of Public Health for grants and direct expenditures to finance emergency and urgent actions in accordance with this section on behalf of disadvantaged communities and economically distressed areas to ensure that safe drinking water supplies are available to all Californians.
(f) The Legislature, by statute, shall establish both of the following:
(1) Requirements for repayment of grant funds in the event of cost recovery from parties responsible for the groundwater contamination.
(2) Requirements for recipients of grants to make reasonable efforts to recover costs from parties responsible for groundwater contamination.
(Amended by Section 1 of Chapter 226 of the Statutes of 2010)

CHAPTER 11. WATER RECYCLING PROGRAM

79780. The sum of one billion dollars ($1,000,000,000) shall be available, upon appropriation by the Legislature from the fund, for grants and loans for water recycling and advanced treatment technology projects, including all of the following:
(a) Water recycling projects.
(b) Contaminant and salt removal projects, including groundwater and seawater desalination.
(c) Dedicated distribution infrastructure for recycled water, including commercial and industrial end-user retrofit projects to allow use of recycled water.
(d) Pilot projects for new salt and contaminant removal technology.
(e) Groundwater recharge infrastructure related to recycled water.
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(f) Technical assistance and grant writing assistance for disadvantaged communities.

79781. Of the funds made available in Section 79780, not less than fifty million dollars ($50,000,000) shall be available for projects that are designed to help restore lost water supply reliability in areas with widespread groundwater contamination in locations that contain sites that are listed by the Department of Toxic Substances Control pursuant to Section 25356 of the Health and Safety Code or a site listed on the National Priorities List pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.) and for which federal funds have been allocated pursuant to Public Law 106-554.

79782. For projects funded pursuant to the funds made available pursuant to Section 79780, at least a 50-percent local cost share shall be required. That cost share may be suspended or reduced for disadvantaged communities and economically distressed areas.

79783. Projects funded pursuant to the funds made available pursuant to Section 79780 shall be selected on a competitive basis, considering all of the following criteria:
   (a) Water supply reliability improvement.
   (b) Water quality and ecosystem benefits related to decreased reliance on diversions from the Delta or instream flows.
   (c) Public health benefits from improved drinking water quality.
   (d) Cost effectiveness.
   (e) Energy efficiency and greenhouse gas emission impacts.

79784. (a) (1) The sum of two hundred fifty million dollars ($250,000,000) shall be available, upon appropriation by the Legislature from the fund, for direct expenditures, grants, and loans for water conservation and water use efficiency plans, projects, and programs, including any of the following:
   (A) Urban water conservation plans, projects, and programs, implemented to achieve urban water use targets pursuant to Chapter 3 (commencing with Section 10608.16) of Part 2.55 of Division 6. Priority for funding shall be given to programs that do the following:
      (i) Assist water suppliers and regions to implement conservation programs and measures that are not locally cost-effective.
      (ii) Support water supplier and regional efforts to implement programs targeted to enhance water use efficiency for commercial, industrial, and institutional water users.
      (iii) Assist water suppliers and regions with programs and measures targeted toward realizing the conservation benefits of implementation of the provisions of the state landscape model ordinance.
The Safe, Clean, and Reliable Drinking Water Supply Act of 2010, as amended

(B) Agricultural water use efficiency projects and programs pursuant to Part 2.8 (commencing with Section 10800) of Division 6.

(C) Agricultural water management plans developed pursuant to Part 2.8 (commencing with Section 10800) of Division 6.

(2) The department shall award grants or loans under this Chapter in a competitive process that considers, as primary factors, the local and statewide conservation and water use efficiency benefits of the measures proposed for grants.

(b) Section 1011 applies to all conservation measures that an agricultural water supplier or an urban water supplier implements with funding under this Chapter. This subdivision does not limit the application of Section 1011 to any other measures or projects implemented by a water supplier.

CHAPTER 12. FISCAL PROVISIONS

79810. (a) Bonds in the total amount of eleven billion one hundred forty million dollars ($11,140,000,000), not including the amount of any refunding bonds issued in accordance with Section 79822, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this division and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute valid and binding obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both the principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) The Treasurer shall sell the bonds authorized by the committee pursuant to this section. The bonds shall be sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 16731 of the Government Code.

79811. The bonds authorized by this division shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, and all of the provisions of that law apply to the bonds and to this division and are hereby incorporated in this division as though set forth in full in this division, except Section 16727 of the Government Code shall not apply to the extent that it is inconsistent with any other provision of this division.

79812. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this division, the Safe, Clean, and Reliable Drinking Water Finance Committee is hereby created. For purposes of this division, the Safe, Clean, and Reliable Drinking Water Finance Committee is “the committee” as that term is used in the State General Obligation Bond Law.

(b) The committee consists of the Director of Finance, the Treasurer, the Controller, the Director of Water Resources, and the Secretary of the Natural Resources Agency. Notwithstanding any other provision of law, any member may designate a deputy to act
as that member in his or her place for all purposes, as though the member were personally present.

(c) The Treasurer shall serve as chairperson of the committee.

(d) A majority of the members of the committee shall constitute a quorum of the committee, and may act for the committee.

79813. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this division to carry out the actions specified in this division and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

79814. "Board," as defined in Section 16722 of the Government Code for the purposes of compliance with the State General Obligation Bond Law, means the department.

79815. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

79816. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this division, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this division, as the principal and interest become due and payable.

(b) The sum that is necessary to carry out the provisions of Section 79819, appropriated without regard to fiscal years.

79817. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312 of the Government Code for the purpose of carrying out this division. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this division. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated in accordance with this division.

79818. Notwithstanding any other provision of this division, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other
payment required under federal law or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

79819. For the purposes of carrying out this division, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this division. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, with interest at the rate earned by the money in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this division.

79820. All money deposited in the fund that is derived from premiums and accrued interest on bonds sold pursuant to this division shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

79821. Pursuant to Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code, the cost of bond issuance shall be paid out of the bond proceeds. These costs shall be shared proportionately by each program funded through this division.

79822. The bonds issued and sold pursuant to this division may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the electors of the state for the issuance of the bonds under this division shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this division or any previously issued refunding bonds.

79823. The proceeds from the sale of bonds authorized by this division are not “proceeds of taxes” as that term is used in Article XIII B of the California Constitution, and the disbursement of these proceeds is not subject to the limitations imposed by that article.

79824. Of the eleven billion one hundred forty million dollars ($11,140,000,000) in bonds authorized in this division, no more than five billion five hundred seventy million dollars ($5,570,000,000) shall be sold by the Treasurer before July 1, 2015.

SEC. 2. Section 1 of this act shall be submitted to the voters at the November 4, 2014, statewide general election, instead of the November 2, 2010-6, 2012 statewide general election, in accordance with provisions of the Government Code and the Elections Code governing the submission of a statewide measure to the voters.

(Amended by Section 6 of Chapter 126 of the Statutes of 2010)

(Amended by Section 1 of Chapter 74 of the Statutes of 2012)
SEC. 3. (a) Section 1 of this act shall take effect only upon the approval by the voters of the Safe, Clean, and Reliable Drinking Water Supply Act of 2012, as set forth in that section at the November 6, 2012, statewide general election.

(b)(1) Notwithstanding Section 9051 of the Elections Code or any other provision of law, the Attorney General shall provide and return to the Secretary of State a ballot title and summary in 10-point type for all state ballot pamphlets of the November 6, 2012, statewide general election that contains the following title and summary for Senate Bill 2, adopted by the Legislature at the 2009–10 Seventh Extraordinary Session:

“SAFE, CLEAN, AND RELIABLE DRINKING WATER SUPPLY ACT OF 2012”

and in the same square under those words:

“To protect water quality and ensure safe, clean drinking water, meet the water supply needs of California residents, farms, businesses, expand water conservation and recycling; restore fish and wildlife habitats; reduce polluted runoff that contaminates rivers, streams, beaches, and bays; and protect the safety of water supplies threatened by earthquakes and other natural disasters; the State of California shall issue bonds totaling eleven billion one hundred forty million dollars ($11,140,000,000) paid from existing state funds subject to independent, annual audits, and citizen oversight.”

(2) The language in paragraph (1) shall be the only language included in the title and summary for Senate Bill 2, adopted by the Legislature at the 2009–10 Seventh Extraordinary Session, and the Attorney General shall not supplement, subtract from, or revise that language.

(3) Notwithstanding any other provision of law, including Sections 9050, 9051, 13247, and 13262... of the Elections Code, the language in paragraph (1) for the title and summary shall also be the language included in the ballot label for the condensed statement of the ballot title, and the Attorney General shall not supplement, subtract from, or revise that language, except that the Attorney General may include the fiscal impact summary prepared pursuant to Section 9087 of the Elections Code and Section 88003 of the Government Code. The ballot label is the condensed statement of the ballot title and the fiscal-impact summary.

(e) Opposite the square, there shall be left spaces in which the voters may place a cross in the manner required by law to indicate whether they vote for or against the act.

(d) Where the voting in the election is done by means of voting machines used pursuant to law in the manner that carries out the intent of this section, the use of the voting machines and the expression of the voters’ choices by means thereof are in compliance with this section.

(Amended by Section 6 of Chapter 126 of the Statutes of 2010)

(Amended by Section 2 of Chapter 74 of the Statutes of 2012)
May 15, 2013

Attention: Legislation, Conservation and Outreach Committee

Adopt positions on various state bills (Action)

Staff recommendation
1. Adopt a position of Support on AB 71 (Perez)
2. Adopt a position of Oppose unless amended on AB 147 (Perez)
3. Adopt a position of Support on AB 1096 (Nestande, Perez)

Alternatives
1. Do not adopt one or more of the recommended positions.
2. Modify one or more of the positions.

Fiscal Impact
No direct fiscal impact

Background
This report provides an update on bills related to the Salton Sea that are of interest to the Water Authority. Staff is continuing to follow and analyze these bills and may bring recommended positions on additional bills to the Board as they move through the Legislature.

Discussion

AB 71 (Perez) Salton Sea restoration feasibility/financial plan study
AB 71 is a reintroduction of a bill that Assemblyman Perez first brought forward last legislation session. It calls for the formation of a technical advisory committee to manage a feasibility study to determine a restoration program and funding options for the Salton Sea. The bill further calls on the Natural Resources Agency to be more inclusive—through a consensus governing model—of the Salton Sea Authority, a body made up of representatives from the Imperial Irrigation District (IID), the Coachella Valley Water District (CVWD), Riverside County and Imperial County Boards of Supervisors and the Torres Martinez Desert Cahuilla tribe, in implementing a restoration program. The bill is designed to increase local participation in the development of a restoration program.

Funding for the proposed restoration study was approved by the Assembly Budget Committee on May 8, 2013, and is expected to be heard in the Senate Budget Committee later in May. It is anticipated the $2 million will be included in the state budget. AB 71 has the support of all member agencies of the Salton Sea Authority, as well as the support of the Department of Finance. Two million dollars in the budget would be administered through the Natural Resources Agency and contracted to the Salton Sea Water Authority for the feasibility and financial planning studies called for in AB71. The goal of AB 71 and the $2 million is to develop funding options and a recommendation for a feasible and implementable restoration program.
AB 71 could lead to a more realistic restoration proposal than the existing $8.9 billion 2007 proposed preferred alternative. Staff recommends a position of support on AB 71.

**AB 147 (Perez) Salton Sea Air Pollution Mitigation Act**

AB 147 seeks to establish a Salton Sea Dust Mitigation Project Account within the Salton Sea Restoration Fund for the purposes of receiving moneys to fund the implementation of a strategic plan to monitor and mitigate dust pollution created at the Salton Sea as a result of the implementation of the QSA upon appropriation by the Legislature.

The bill calls on California Air Resources Board (CARB) to execute an agreement with the QSA Joint Powers Authority (JPA) to evaluate whether the air quality planning by the QSA JPA is sufficient to mitigate the air quality impacts of the QSA. Additionally, new language states that if CARB concludes that more mitigation is necessary, it will make such a recommendation to the QSA JPA.

This bill could divert funding from the Salton Sea Restoration Fund that is currently designated to fund the State’s Salton Sea Species Conservation Habitat Program to build 700 acres of critical habitat and address air quality needs as outlined by the California Department of Fish and Wildlife. Additionally, the bill, as written, could have negative impacts on the work being done by the JPA on QSA-related mitigation.

Staff recommends a position of Oppose unless amended on AB 147. Amendments would be sought to address protection of the Salton Sea Restoration Fund and the inclusion of stronger language protecting QSA JPA mitigation funds already designated for important projects.

**AB 1096 (Nestande and Perez) Salton Sea License Plates**

AB 1096 would authorize the Salton Sea Joint Powers Authority (believed to be the Salton Sea Authority) to apply to the Department of Motor Vehicle to sponsor a specialized license plate commemorating the Salton Sea, and funds generated through the sale of such plates would be placed into a specialized Salton Sea restoration account to fund restoration projects.

Staff recommends a position of support for AB 1096.

**Staff is monitoring the following Salton Sea legislation, and does not recommend the adoption of positions at this time:**

**AB 148 (Perez) Salton Sea and Renewable Energy Development**

AB 148 would require the Secretary of the Natural Resources Agency, in consultation and coordination with the Salton Sea Authority, to establish a Salton Sea Renewable Energy and Biofuel Research and Development Program in the Salton Sea basin to meet economic and environmental goals by providing grants for research and commercial development of renewable energy and biofuel resources.

The bill would further authorize the Secretary, in consultation and coordination with the Salton Sea Authority, to provide grants to eligible research institutions and commercial enterprises for research and demonstration projects leading to the commercial development of the Salton Sea for
renewable energy and bio fuel resources. To be eligible for a grant, the bill would require a commercial enterprise for a demonstration project to agree to a royalty or other revenue arrangement. The bill would require royalties and revenues received to be deposited into the Salton Sea Restoration Fund.

Because of questions as to where funding would come to support the grants the bill refers to, AB 148 failed to garner support of the Salton Sea Authority member agencies. For that reason, Assemblyman Perez has pulled the bill. It would take a special waiver for it to return in 2013. The bill could resurface in 2014.

**AB 709 (Nestande) Salton Sea**

AB 709 would require the Salton Sea Authority to submit, on or before April 1, 2014, a Salton Sea restoration plan to the Legislative Analyst (LAO) for review. The bill would require the LAO to complete its review by June 1, 2014, and if the LAO determines that the plan is financially feasible and that the Salton Sea Authority is capable of implementing the plan, the bill would continuously appropriate from the Salton Sea Restoration Fund any moneys received under Proposition 84 to the Salton Sea Authority to implement the plan.

This bill stalled in committee.

Prepared by: Darren Simon, Senior Public Affairs Representative  
Reviewed by: Dan Denham, Principal Water Resources Specialist  
Approved by: Dennis Cushman, Assistant General Manager  

Attachments:  
AB 71  
AB 147  
AB 1096
ASSEMBLY BILL

No. 71

Introduced by Assembly Members V. Manuel Pérez and Hueso

January 10, 2013

An act to add Article 2 (commencing with Section 2940) to Chapter 13 of Division 3 of the Fish and Game Code, relating to the Salton Sea.

LEGISLATIVE COUNSEL’S DIGEST


Existing law, until January 1, 2013, established the Salton Sea Restoration Council as a state agency in the Natural Resources Agency to oversee the restoration of the Salton Sea.

This bill would require the Secretary of the Natural Resources Agency, in consultation and coordination with the Salton Sea Authority, to lead Salton Sea restoration efforts. This bill would require the secretary, in consultation and coordination with the authority, to form a technical advisory group, as prescribed, to provide guidance about evaluating, developing, or proposing future restoration or economic development activities. This bill would authorize the authority to lead a restoration funding and feasibility study, in consultation with the agency and the technical advisory group, as prescribed. This bill would also require the secretary to seek input from the authority with regard to specified components of restoration of the Salton Sea. By imposing duties on a local joint powers authority, the bill would impose a state-mandated local program.
(2) Existing law establishes the Salton Sea Restoration Fund and requires the fund to be administered by the Director of Fish and Wildlife. Existing law requires the money deposited in the fund to be expended, upon appropriation by the Legislature, for various purposes relating to the restoration of the Salton Sea.

This bill would authorize the authority to lead a restoration funding and feasibility study, in consultation with the agency and the technical advisory group, as prescribed. If the authority undertakes the study, this bill would require the Department of Fish and Wildlife to enter into a funding agreement for an amount of no less than $2,000,000 from the Salton Sea Restoration Fund for the purposes of this study.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. This bill would provide that no reimbursement is required by this act for a specified reason.


The people of the State of California do enact as follows:

SECTION 1. Article 2 (commencing with Section 2940) is added to Chapter 13 of Division 3 of the Fish and Game Code, to read:

Article 2. Salton Sea Restoration

2940. The Legislature finds and declares all of the following:

(a) The Salton Sea is California’s largest inland water body with beneficial uses that include fisheries and wildlife habitat and preservation of endangered species, and is a repository for agricultural drainage.

(b) The Salton Sea ecosystem is a critical link on the international Pacific Flyway and supports over 400 species of birds.

(c) The Salton Sea is threatened by increasing salinity and reduced inflows. These changes increasingly threaten the unparalleled wildlife resources at the sea, as well as air quality in the region.
(d) In cooperation with local governments, nonprofit organizations, private businesses, and the public, the Salton Sea Authority can help protect wildlife habitats and endangered species, improve water and air quality, and enhance recreational opportunities in the region.

(e) In restoring the Salton Sea, it is the intent of the Legislature to do all of the following:

1. Permanently protect fish and wildlife that are dependent on the Salton Sea ecosystem.
2. Restore the long-term stable aquatic and shoreline habitat for fish and wildlife that depend on the Salton Sea.
3. Mitigate air quality impacts from restoration projects using the best available technology or best available control measures, as determined by the South Coast Air Quality Management District and the Imperial County Air Pollution Control District.
4. Protect water quality.
5. Maintain the Salton Sea as a vital link along the Pacific Flyway.
6. Preserve local tribal heritage and cultural values associated with the Salton Sea.
7. Minimize noxious odors and other water and air quality problems.
8. Coordinate with local, state, and federal agencies that are responsible for air quality, endangered species, and other environmental mitigation implementation requirements of the Quantification Settlement Agreement.
9. Enhance economic development opportunities that will provide sustainable financial improvements benefiting the local environment and the economic quality of life for communities around the Salton Sea.

2941. Unless the context requires otherwise, the definitions set forth in this section govern the construction of this article.

(a) “Agency” means the Natural Resources Agency.

(b) “Habitat mosaics” means two or more proximate habitat types, such as saltwater shoreline abutting riverine deltas and irrigated farmland.

(c) “Quantification Settlement Agreement” has the same meaning as defined in subdivision (a) of Section 1 of Chapter 617 of the Statutes of 2002.
(d) “Salton Sea Authority” or “authority” means the joint powers authority comprised of the County of Imperial, the County of Riverside, the Imperial Irrigation District, the Coachella Valley Water District, and the Torres Martinez Desert Cahuilla Indian Tribe.

(e) “Secretary” means the Secretary of the Natural Resources Agency.

(f) “Technical advisory group” means the technical advisory group formed pursuant to subdivision (b) of Section 2942.

(g) “Vector management” means services that eliminate or reduce the risk of illness caused by any organism transporting a pathogen.

2942. (a) (1) The secretary, in consultation and coordination with the authority, shall lead the Salton Sea restoration efforts that shall include all of the following:

(A) Early start habitat demonstration projects.
(B) Biological investigations relating to the restoration of the Salton Sea.
(C) Investigations of water quality, sedimentation, and inflows relating to the restoration of the Salton Sea.
(D) Air quality investigations, in consultation and coordination with local and regional air quality agencies, relating to the restoration of the Salton Sea.
(E) Geotechnical investigations relating to the restoration of the Salton Sea.
(F) Financial assistance grant programs to support restoration activities of local stakeholders.

(2) The secretary and the Legislature shall maintain full authority and responsibility for any state obligation under the Quantification Settlement Agreement. The secretary and the Legislature shall have final approval for any proposed restoration plan.

(3) (A) To the extent that funding is appropriated to the department for Salton Sea restoration activities, the Department of Water Resources, in coordination and under agreement with the department, may undertake restoration efforts identified in this subdivision.
(B) The department and the Department of Water Resources shall do all of the following for the Salton Sea Species Conservation Habitat Project:
(i) Immediately make available relevant information relating to the factors that influence the cost and size of the alternatives discussed in the environmental impact report or environmental impact statement for the species habitat conservation program.

(ii) Release all available detail on a final project design immediately, or upon final determination of a least environmentally damaging preferred alternative by the United States Army Corps of Engineers. Details of a final project design shall include location, configuration, size, and cost.

(iii) Immediately make available project evaluation protocols that include the following principles of adaptive management:

(I) Goals and objectives of the project.

(II) The project design and an operations plan.

(III) A monitoring plan that will include metrics that identify benefits to the species.

(IV) A performance evaluation based on species population identified through monitoring.

(V) A decisionmaking framework to evaluate project performance and guide operations and management changes.

(b) (1) The secretary, in consultation and coordination with the authority, shall form a technical advisory group composed pursuant to paragraph (2) to provide guidance to the secretary and the authority in evaluating, developing, or proposing future restoration of or economic development activities restoring the, Salton Sea.

(2) The technical advisory group shall be composed as follows:

(A) The secretary, or his or her designee.

(B) The secretary may include a representative from any of the following:

(i) The department.

(ii) The Department of Water Resources.

(iii) The State Air Resources Board.


(C) The secretary shall invite the following entities to participate:

(i) Local government agencies and tribal governments with geographic, economic, environmental health, or cultural interest in the Salton Sea.

(ii) Nongovernmental organizations with environmental interests relating to the Salton Sea.
(iii) The United States Geological Survey Salton Sea Science Office.
(iv) Research institutions focused on research and development projects in the Salton Sea region.
(c) (1) The authority may lead a restoration funding and feasibility study, in consultation with the agency and the technical advisory group, to do the following:
(A) Investigate access and utility agreements that may contribute to the future funding of restoration activities at the Salton Sea.
(B) Analyze all feasible funding sources for restoration program components and activities.
(C) Analyze economic development opportunities, including, but not limited to, renewable energy, biofuels, mineral development, and algae production for the purposes of identifying new revenue sources for the Salton Sea restoration efforts.
(D) Identify state procurement and royalty sharing opportunities.
(E) Review existing long-term plans for restoration of the Salton Sea and recommend to the technical advisory group and the secretary changes to existing restoration plans. In any review pursuant to this subparagraph, the authority shall consider the impacts of the restoration plan on air quality, fish and wildlife habitat, water quality, and the technical and financial feasibility of the restoration plan and shall consider the impacts on other agencies responsible for air quality, endangered species, and other environmental mitigation requirements for implementation of the Quantification Settlement Agreement.
(2) No evaluation, study, review, or other activity pursuant to this article shall delay the planning and implementation of ongoing and planned mitigation projects, including, but not limited to, the Salton Sea Species Conservation Habitat Project or other mitigation measures pursuant to existing state and federal programs and agreements, including, but not limited to, those programs and agreements undertaken pursuant to the Quantification Settlement Agreement.
(3) (A) If the authority undertakes a study pursuant to paragraph (1), the department shall enter into a funding agreement with the authority for an amount of no less than two million dollars ($2,000,000) from the Salton Sea Restoration Fund for the purposes of producing the restoration funding and feasibility review study. Provided that funding is available to the authority on or before
July 1, 2014, the authority shall complete the study undertaken pursuant to this subdivision and present the study to the Governor and the Legislature on or before June 30, 2015.

(B) A report required to be submitted pursuant to this paragraph shall be submitted in compliance with Section 9795 of the Government Code.

2943. For the purposes of considering local, publicly derived input concerning habitat objectives and actions, types and levels of public access, and integration of air quality management and habitat restoration, the secretary shall seek input from the authority with regard to the following components of restoration of the Salton Sea:

(a) Design opportunities and constraints, including the integration of the habitat, public access, and air quality management objectives.
(b) Public access and recreational components.
(c) Opportunities for economic development.
(d) Habitat mosaics and location.
(e) Vector management and predator control.
(f) Feasible financial resources to fund all recommended restoration program components.

2945. (a) Nothing in this article interferes with or prevents the exercise of authority by a public agency to carry out its programs, projects, or responsibilities.
(b) Nothing in this article affects requirements imposed under any other provision of law.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because the only costs that may be incurred by a local agency or school district are the result of a program for which legislative authority was requested by that local agency or school district, within the meaning of Section 17556 of the Government Code and Section 6 of Article XIII B of the California Constitution.

Existing law establishes the Salton Sea Restoration Fund that is administered by the Director of Fish and Game and, upon appropriation by the Legislature, used for the restoration of the Salton Sea.

Existing law implements the Quantification Settlement Agreement (QSA), which was entered into by various parties to budget their portions of California’s apportionment of Colorado River water and to provide a framework for conservation measures and water transfers for a period of up to 75 years. Existing law provides for a framework to mitigate the environmental impacts on the Salton Sea caused by the QSA water transfer. Existing law authorizes the Department of Fish and Wildlife to enter into a joint powers agreement with specified local agencies to
establish a joint powers authority for the purposes of providing for the payment of costs for environmental mitigation requirements.

This bill would require the Secretary of the Natural Resources Agency, the State Air Resources Board, upon the execution of an agreement with specified air quality management districts, the joint powers authority, to develop, in consultation with the State Air Resources Board and the Salton Sea Authority, a strategic plan, containing specified elements, to guide the implementation of a project to monitor and mitigate dust pollution created at the Salton Sea as a result of the implementation of the QSA. The authority would evaluate and determine with the air quality planning completed by the authority is sufficient to mitigate the air quality impacts of the QSA. In the event that the state board concludes that additional mitigation measures are needed, the bill would require the state board to submit recommendation to the authority. The bill would authorize moneys in the fund, upon appropriation by the Legislature, to be expended by the state board for the above purposes.

This bill would establish the Salton Sea Dust Mitigation Project Account in the Salton Sea Restoration Fund for the purposes of receiving moneys to fund the implementation of the project, and, upon appropriation by the Legislature, moneys in the account would be used to mitigate dust pollution arising from the implementation of the QSA.


The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature finds and declares all of the following:

1. The Salton Sea is California’s largest lake, covering 365 square miles, and it serves as an important stop on the annual Pacific Flyway migratory route, supporting over 400 species of birds and representing over two-thirds of all birds in the continental United States.

2. The Salton Sea is located in the Imperial Valley and Coachella Valley of southern California and rests in close proximity to thousands of residents.

3. In 2003, the Legislature enacted statutes ( Chapters 611, 612, and 613 of the Statutes of 2003) to facilitate the execution and implementation of the Quantification Settlement Agreement (QSA) and related agreements, including a transfer of conserved water
from the Imperial Irrigation District to the San Diego Water Authority. As part of those statutes, the Legislature declared its intent that the State of California undertake the restoration of the Salton Sea ecosystem and the permanent protection of wildlife dependent on the ecosystem.

(4) Implementation of the water transfer from the Imperial Irrigation District to the San Diego Water Authority will reduce agricultural drainage inflow to the Salton Sea, reducing the sea’s depth and result in the exposure of currently submerged sea lakebed.

(5) The exposure of previously submerged sea lakebed has the potential to significantly increase fugitive dust emissions for particulate matter of 10 or less microns in diameter (PM10) as winds blow across exposed lakebed eroded fine-grained sediments and salts, lofting them into the air.

(6) At Owens Lake, a lake drained by the Los Angeles Department of Water and Power, the cost of mitigation fugitive dust emissions arising from the exposed lakebed has reached $1,200,000,000.

(7) As part of the Quantification Settlement Agreement, the state entered into a Joint Powers Agreement (QSA-JPA) for purposes of financing the mitigation of the environmental impacts resulting from the QSA. The parties of the QSA-JPA include the State of California acting by and through the Department of Fish and Wildlife, the Coachella Valley Water District, the Imperial Irrigation District, and the San Diego County Water Authority.

(8) Under the QSA-JPA, the nonstate member agencies are liable for the cost of mitigating the environmental impacts of the QSA up to the first $133 million. The QSA-JPA nonstate member agencies have spent a considerable amount of time and resources developing plans to meet this obligation.

(9) Under Section 9.2 of the QSA-JPA, the state agreed to “an unconditional contractual obligation” to pay for the cost of mitigating the environmental impact of the QSA above the first $133 million in costs.

(b) It is the intent of the Legislature to develop a strategic plan for dealing with air pollution resulting from the QSA, including quantifying the extent of dust pollution, cataloging the chemicals likely to be present in the dust pollution, including dichlorodiphenyltrichloroethane from decades of agricultural runoff
draining into the Salton Sea, and identifying additional funding mechanisms to pay for mitigation costs, including, but not limited to, harvesting the renewable energy generating potential of the Salton Sea. In enacting this measure, to have the State Air Resources Board evaluate the air quality planning completed by the Joint Powers Authority established by QSA-JPA to determine if it is sufficient to mitigate the air quality impacts of the QSA and ensure that when the state assumes liability over mitigating the environmental impacts of the QSA that the air quality mitigation work completed by the authority continue uninterrupted.

SEC. 2. Section 2932 of the Fish and Game Code is amended to read:

2932. There is hereby established the Salton Sea Restoration Fund which shall be administered by the director. Money deposited in the fund shall be expended, upon appropriation by the Legislature, for the following purposes:

(a) Environmental and engineering studies related to the restoration of the Salton Sea and the protection of fish and wildlife dependent on the sea.

(b) (1) Air quality evaluations conducted by the State Air Resources Board for purposes of providing the joint powers authority established pursuant to Chapter 613 of the Statutes of 2003 with guidance on how to appropriately mitigate the air quality impacts resulting from the Quantification Settlement Agreement.

(2) For the purposes of this subdivision, “Quantification Settlement Agreement” has the same meaning as defined in subdivision (a) of Section 1 of Chapter 617 of the Statutes of 2002.

(c) Implementation of conservation measures necessary to protect the fish and wildlife species dependent on the Salton Sea, including adaptive management measurements pursuant to Section 2081.7. These conservation measures shall be limited to the Salton Sea and lower Colorado River ecosystems, including the Colorado River Delta.

(d) Implementation of the preferred Salton Sea restoration alternative.
Administer, technical, and public outreach costs related to the development and selection of the preferred Salton Sea restoration alternative.

SEC. 3. Chapter 6 (commencing with Section 42750) is added to Part 4 of Division 26 of the Health and Safety Code, to read:

CHAPTER 6. SALTON SEA DUST MITIGATION

42750. Unless the context requires otherwise, as used in this chapter, the following terms mean the following:

(a) “Air districts” means the Imperial County Air Pollution Control District and South Coast Air Quality Management District.

(b) “Authority” means the joint powers authority established pursuant to an agreement entered into pursuant to Chapter 613 of the Statutes of 2003.

(c) “County” means either of the following:

(1) The County of Riverside.

(2) The County of Imperial.

(d) “Quantification Settlement Agreement” has the same meaning as defined in subdivision (a) of Section 1 of Chapter 617 of the Statutes of 2002.

(e) “Valley” means either of the following:

(1) The Imperial Valley.

(2) The Coachella Valley.

42751. (a) Upon the execution of an agreement between the state board and the authority for purposes of compiling the air quality mitigation planning completed by the authority, the state board shall evaluate and determine if the air quality planning completed by the authority is sufficient to mitigate the air quality impacts of the Quantification Settlement Agreement.

(b) In determining if the authority’s air quality planning is adequate to mitigate the air quality impacts of the Quantification Settlement Agreement, the state board shall evaluate all of the following:

(1) The quantified current and projected exposed sea lake bed arising from the Quantification Settlement Agreement.

(2) The quantified current and projected exposed sea lake bed arising from factors other than the Quantification Settlement Agreement.
(3) The profiled Salton Sea lake bed aerosols, given chemicals that have historically drained into the sea from both agricultural runoff and water coming from Mexico over the New River, including Dichlorodiphenyltrichloroethane or “DDT.”

(4) The prioritization of mitigation measures that can be instituted at the sea to enable both valleys to meet National Ambient Air Quality Standards for particulate matter, including the applicability of measures used to mitigate ambient dust pollution at Owens Lake.

(c) (1) To the extent the state board concludes additional mitigation planning needs to take place to mitigate the air quality impacts of the Quantification Settlement Agreement, the state board shall submit recommendations to the authority.

(2) To the extent the state board recommends to the authority additional planning work that needs to be completed pursuant to paragraph (1), the state board shall make recommendations in a manner to minimize costs on the authority, including both of the following:

(A) The appropriate agencies or departments with whom the authority may work, including the air districts for purposes of accessing work the air districts have already completed as part of their state implementation plan planning activities.

(B) The appropriate number, model, and placement of air quality monitors in the Salton Sea basin to ensure aerosols arising from the sea are properly monitored.

(d) This section does not modify existing roles, responsibilities, or liabilities of the State of California, the County of Imperial, the County of Riverside, or any other governmental agency, under the Quantification Settlement Agreement.

(e) Moneys in the Salton Sea Restoration Fund shall, upon appropriation by the Legislature, be expended by the state board for purposes of this chapter.

SEC. 2. Article 3 (commencing with Section 2951) is added to Chapter 13 of Division 3 of the Fish and Game Code, to read:

Article 3. Dust Mitigation

2951. Unless the context requires otherwise, as used in this part, the following terms mean the following:
(a) “Authority” means the Salton Sea Authority, a joint powers authority comprised of the County of Imperial, the County of Riverside, the Imperial Irrigation District, the Coachella Valley Water District, and the Torres Martinez Desert Cahuilla Indian Tribe.

(b) “County” means either of the following:
   (1) The County of Riverside.
   (2) The County of Imperial.

(c) “Quantification Settlement Agreement” has the same meaning as defined in subdivision (a) of Section 1 of Chapter 617 of the Statutes of 2002.

(d) “Salton Sea Dust Mitigation Project” or “project” means a project to monitor and mitigate dust pollution created at the Salton Sea as a result of the Quantification Settlement Agreement.

(e) “Secretary” means the Secretary of Natural Resources Agency.

(f) “State board” means the State Air Resources Board.

(g) “Valley” means either of the following:
   (1) The Imperial Valley.
   (2) The Coachella Valley.

2952. (a) Upon the execution of an agreement with the Imperial Air Quality Management District and the South Coast Air Quality Management District, and for purposes of providing the necessary funding, the secretary, in consultation and coordination with the state board and the authority, shall develop a strategic plan to guide the implementation of the Salton Sea Dust Mitigation Project. The strategic plan shall include, but is not limited to, all of the following elements:

   (1) Quantification of current and projected exposed sea lake bed arising from the Quantification Settlement Agreement.

   (2) Quantification of current and projected exposed sea lake bed arising from factors other than the Quantification Settlement Agreement.

   (3) Profile of Salton Sea lake bed aerosols, given chemicals that have historically drained into the sea from both agricultural runoff and water coming from Mexico over the New River, including Dichlorodiphenyltrichloroethan or “DDT.”

   (4) Prioritization of mitigation measures that can be instituted at the sea to enable both valleys to meet National Ambient Air Quality Standards for particulate matter.
(5) Identification and prioritization of funding streams that can be accessed or developed for purposes of paying for dust mitigation measures at the sea, including an analysis of how to best monetize the renewable energy generating potential of the Salton Sea.

(b) To the extent permitted by law, the secretary, in consultation and coordination with the state board and the authority, may work with appropriate binational, federal, state, local, and nongovernmental organizations on both sides of the California-Mexico border to develop the strategic plan.

(c) (1) To further the objectives of this part, the secretary, in consultation and coordination with the state board and the authority, may convene and oversee a technical advisory committee. The advisory committee shall advise the council regarding the necessary studies and activities to carry out the project, and shall serve at the pleasure of the council. The advisory committee shall include representatives from the following:

(A) Impacted cities and counties.

(B) Relevant local, regional, and state agencies and departments.

(C) Nongovernmental organizations.

(D) Other stakeholders deemed necessary by the secretary, in consultation and coordination with the state board and the authority.

(2) The secretary, in consultation and coordination with the state board and the authority, shall appoint the chair of the committee and may expand the membership and expertise of the committee as it deems necessary.

(d) The secretary, in consultation and coordination with the state board and the authority, may enter into an agreement, including an interagency agreement and memorandum of understanding, with public agencies, including the county, to accept, manage, and expend funds for the implementation of this section.

(e) This section does not modify existing roles, responsibilities, or liabilities of the State of California, the County of Imperial, the County of Riverside, or any other governmental agency, under the Quantification Settlement Agreement.

(f) The Salton Sea Dust Mitigation Project Account is hereby created in the Salton Sea Restoration Fund to receive moneys for activities related to the Salton Sea Dust Mitigation Project from sources identified in paragraph (5) of subdivision (a) and other sources. Upon appropriation by the Legislature, moneys in the
account shall be expended to mitigate dust pollution arising from the implementation of the Quantification Settlement Agreement.
ASSEMBLY BILL
No. 1096

Introduced by Assembly Member Nestande
(Coauthor: Assembly Member V. Manuel Pérez)

February 22, 2013

An act to amend Section 5151 of, and to add Section 5162 to, the Vehicle Code, relating to vehicles.

LEGISLATIVE COUNSEL'S DIGEST


Under existing law, a state agency is authorized to apply to the Department of Motor Vehicles (DMV) to sponsor a specialized license plate program, and the department DMV is required to issue those license plates if the agency meets certain requirements. Existing law also requires the department DMV to charge specified fees for certain services related to the issuance of those plates.

This bill would include the Salton Sea Joint Powers Authority within the definition of state agency for the purposes of these provisions. The bill would authorize the authority Department of Fish and Wildlife to apply to the department DMV to sponsor a special Salton Sea license plate program, and would require the department DMV to issue the license plates if the authority Department of Fish and Wildlife meets certain requirements. The bill would require the plates issued under the program to bear a full-plate graphic design, as specified, and would
require the payment of an additional fee by a person applying for the special plate. The bill would also require the revenue generated from the license plates, as specified, to be deposited in the Salton Sea Restoration Account created by the bill in the Specialized License Plate Fund.


The people of the State of California do enact as follows:

SECTION 1. Section 5151 of the Vehicle Code is amended to read:

5151. (a) As used in this article, “state agency” means a state office, officer, department, division, bureau, board, or commission, any other state body or agency, or the Salton Sea Joint Powers Authority.

(b) It is the intent of the Legislature that this article contain the authority for specialized license plates for state agencies.

SEC. 2.

SECTION 1. Section 5162 is added to the Vehicle Code, to read:

5162. (a) The Salton Sea Joint Powers Authority Department of Fish and Wildlife may apply to the department, pursuant to Section 5156, to sponsor a Salton Sea license plate program. The department shall issue specialized license plates for that program if the Salton Sea Joint Powers Authority Department of Fish and Wildlife complies with the requirements of Section 5156.

(b) Notwithstanding Section 5155, the Salton Sea license plates shall bear a full-plate graphic that the department determines, in consultation with the Department of the California Highway Patrol, does not obscure the readability of the license plate, and that depicts an image to be designated by the Salton Sea Joint Powers Authority, Department of Fish and Wildlife.

(c) Notwithstanding subdivision (c) of Section 5157, the additional fees prescribed by Section 5157 for the issuance, renewal, or transfer of the specialized license plates shall be deposited, after the department deducts its administrative costs, in
the Salton Sea Restoration Account, which is hereby created in the Specialized License Plate Fund.
May 15, 2013

Attention: Legislation, Conservation and Outreach Committee

Value of Water Communications Update (Information)

Purpose
To review and discuss existing and proposed activities to help the Water Authority and its member agencies communicate to the public the value of safe and reliable water supplies, and to build greater awareness and understanding of the value of services provided by public water agencies.

Background
Communicating the “value of water” has emerged as an important outreach strategy for public water agencies around California, including the San Diego County Water Authority and its member agencies. The “value of water” in this context encompasses several interrelated topics, including tap water’s low unit cost compared to other commodities, the importance of a reliable water supply for supporting the region’s economy and quality of life and how water rates support investments in major infrastructure, equipment, operations and services necessary to deliver safe, reliable water to the region.

The Water Authority and member agencies have traditionally included elements of value of water-related messaging in an array of existing communication materials, such as fact sheets, news releases, presentations, etc. However, the need is growing for focused communications and regional messaging designed to improve the understanding among ratepayers between the rates they pay and improved water supply reliability. Water rates will continue to increase in coming years due to rising costs from the Metropolitan Water District of Southern California, increasing alternative supply costs and debt service to finance the Water Authority’s Capital Improvement Program. In addition, it is important for the Water Authority and its member agencies to communicate the investments necessary to fund repairs and maintenance of water systems around the region.

Many other water agencies face similar challenges. In recent months, demand for assistance on this issue has prompted several state and national organizations, such as the Association of California Water Agencies, California Urban Water Agencies and the American Water Works Association to conduct research or develop new outreach tools and resources on the topic.

Meanwhile, the Water Authority’s member agencies have recommended making communicating the value of water a priority. In fall 2012, the Joint Public Information Council (a working group of Water Authority and member agency communications staff) formed a task force to develop recommended messages and activities. In January 2013, the member agency managers group also requested that value of water communications be addressed this year. In March 2013, the Legislation, Conservation and Outreach Committee included reviewing and supporting value of water communications as one of the committee’s approved two-year goals.
Discussion
Between late 2012 and early 2013, the JPIC task force reviewed available value of water-related research and materials and received input and feedback from the entire JPIC group on potential ideas. From these sources it developed a suite of recommended strategies, messages and activities for near-term implementation. Recommended strategies from the task force included:

- Take advantage of existing agency opportunities/communication tools to incorporate value of water messaging as soon as possible.

- Develop new communication materials specifically focused on the value of water to build better awareness and message consistency around the region. Priority materials included newsletter articles, bill stuffers, fact sheets and a video.

- Make new communication materials broad enough to be usable by as many member agencies as possible.

- Blend no-cost or low-cost tactics with targeted communications activities that provide the greatest regional return on investment.

Activities Under Way
The Water Authority has moved ahead with a number of near-term communications activities in accordance with the task force’s recommendations. The Water Authority has emphasized value of water themes in some of its regular activities:

- Annual report: The Water Authority’s fiscal year 2012 Annual Report, released in February 2013, emphasizes the value of a reliable water supply for the region in multiple ways, including its theme (“Water: Real Value”) and through video testimonials from four prominent business and civic leaders on the importance of water to their industries.

- News releases: Where appropriate, the Water Authority is integrating messaging about the value of water into news releases. For example, the Water Authority incorporated the theme into its May 2 news release about below-average snowpack levels and the start of Water Awareness Month.

- Promotions and social media: In February and March 2013, the Water Authority conducted a “Love Your Water” smartphone photo contest. The contest’s intent was to make people think about how water was important to them personally by submitting water-related photos from their smartphone to the Water Authority’s Facebook page.

- Water Talks community forum: The Water Authority is in the preliminary stages of planning its next Water Talks community forum. The proposed topic, showcasing the value of safe, reliable water supplies for key industries in San Diego. The tentative timeline for this event is July.
In addition, the Water Authority has provided, or is providing the following tools to help member agencies communicate the value of water:

- **Newsletter articles**: Water Authority staff created and distributed a series of short articles on topics related to the value of water for use in member agency newsletters and other communications.

- **Bill stuffers**: The Water Authority worked with the JPIC task force to develop and print a bilingual bill stuffer that focuses on how the retail cost for tap water is about a penny per gallon, despite the significant costs involved with importing water, developing new local supplies to increase reliability and maintain water systems. Twelve member agencies ordered the bill stuffer with deliveries to customers of several agencies beginning this month.

- **Fact sheet**: The Water Authority is the lead agency working with California Urban Water Agencies to develop a two-page fact sheet that will help visualize the value of public water systems and services. It will also include a dedicated space for individual agencies to insert specific information about their own water systems if they wish. The Water Authority is funding the illustration costs for the fact sheet, which CUWA expects to be available for member agency use by this summer.

- **Video**: The Water Authority is working with a contractor to develop a short, animated video focusing on the essential components of the water system that are needed to ensure safe, reliable water supplies for the region. The video will be available for use on Water Authority and member agency websites, social media channels, community presentations, TV public service announcements, and other purposes. Several member agencies have pledged funding to help cover the video's costs, including Fallbrook Public Utility District, Olivenhain Municipal Water District, Padre Dam Municipal Water District, and Sweetwater Authority. The Water Authority estimates the video will be completed by the end of June.

**Planned and Future Activities**

In addition to activities already under way, the JPIC task force recommended identifying potential targeted advertising opportunities this summer. The goal of the advertising effort would be to help educate larger numbers of water users about the importance and value of safe, reliable water supplies during the highest water-use months of the year. The task force weighed several factors in determining an appropriate advertising opportunity, including the need for regional geographic reach, a relatively low cost/high level of return and the ability to communicate with a diverse audience.

Based on those considerations, the Water Authority is planning an eight-week movie theater advertising campaign around the county starting in July. The campaign would feature a 30-second version of the animated value of water video under development. It would be shown at 14 of the region’s top movie theater complexes in all parts of the region, both in theaters before movies begin and in the theater lobby areas. The estimated cost of the campaign is approximately $35,000, and
would be funded from savings in the Public Outreach and Conservation Department’s fiscal years 2012-2013 budget that have been redirected to support value of water communications.

The issues that make communicating the value of water so important are long term. The Water Authority will continue to work with JPIC on this topic on an ongoing basis. Together, Water Authority and member agency staff will evaluate messages and tactics and refine them, and they will also develop long-term approaches for strengthening value of water communications.

Prepared by: Jason Foster, Director of Public Outreach and Conservation
Reviewed by: Dennis A. Cushman, Assistant General Manager
May 15, 2013

Attention: Legislation, Conservation and Outreach Committee

New Homeowner’s E-Guide to a WaterSmart Lifestyle (Information)

Purpose
To preview the Water Authority’s “Homeowner’s E-Guide to a WaterSmart Lifestyle,” an online flipbook that will provide single-family homeowners with an evolving set of tools, information and advice for achieving long-term water efficiency.

Background
In 2008, the Water Authority, along with its member agencies and various public and private stakeholder groups, met and conducted focus groups and other research to develop a long-term approach for promoting water use efficiency. The long-term plan’s objectives were to increase awareness of water-efficient lifestyle choices, increase favorable public perception of water-efficient landscapes, and to accelerate consumer acceptance of a regional water conservation brand: WaterSmart.

In November 2010, the Water Authority convened member agency managers and conservation staff to identify and prioritize water conservation program activities. Five core activities were identified by the majority of member agency managers as priorities:

- Residential water use surveys;
- K-12 educational programs;
- Landscape audits;
- Maximizing participation in MWD device-based incentive programs; and,
- Development of regional “how to” resource tools for member agencies and consumers to make it easier for customers to improve their water efficiency.

Following the Board’s direction in December 2010 to pursue these priorities, Water Authority staff evaluated the potential development of several resource tools to help advance regional water use efficiency. One identified area of need was to develop market-specific “how-to” guides that would provide detailed instructions and recommendations that could walk water users through the process of identifying and implementing actions to make their home, business or other property more water efficient.

In 2008 and 2009, the Water Authority published a prototype “how-to” guide for homeowner associations and gathered input and feedback from industry representatives and member agency staff to refine and improve its content and structure. In 2011, the Water Authority launched its first “how-to” resource for the single-family residential sector, “A Homeowner’s Guide to a WaterSmart Landscape.” The guide takes homeowners through the steps of retrofitting or installing a new landscape.
Previous Board Actions:

In April 2012, the Water Authority Board adopted Water Use Efficiency Policy Principles to provide staff with long-term strategic direction for planning and implementing regional water use efficiency initiatives and programs.

In December 2010, the Board directed staff to focus on five activities designated as “core” by a majority of member agency managers: residential surveys, K-12 educational programs, landscape audits, maximizing the use of MWD device-based incentive programs, and the development of resource tools for member agencies and the region’s water users. The Board also directed staff to continue the programs and projects that were contractually obligated through grants, MOUs, or other agreements.

In July 2010, the Board directed staff to evaluate the Blueprint’s strategies and recommend new or modified strategies to reflect changed conditions from when the Blueprint was adopted in 2007.

In September 2008, the Board adopted the “WaterSmart” brand identity to become the region’s brand for promoting water-efficient lifestyle choices.

In July 2007, the Board formally adopted the “Blueprint for Water Conservation,” developed with input from member agencies and private sector stakeholders, as the Water Authority’s water use efficiency strategic plan for the next five years. The plan included development of a long-term water use efficiency brand identity.

Discussion
The objective of the “The Homeowner’s E-Guide to a WaterSmart Lifestyle” is to provide homeowners with an easy-to-use reference that will influence their decision-making and show them how to make specific behavior, plumbing and landscaping choices that will improve their long-term water efficiency. This resource will help member agencies cost-effectively meet SBX 7-7 mandates and promote overall water use efficiency.

This new tool expands upon “A Homeowner’s Guide to a WaterSmart Landscape” by addressing both indoor and outdoor water-efficiency. It also builds upon lessons learned and input gathered from previous publications. For example, the e-guide uses an electronic flipbook format, similar to recent Water Authority annual reports. The advantage of the flipbook format is that it allows the guide to become an evolving document that can be easily updated to reflect changes in irrigation technology, plant lists or other resources that can quickly make hard-copy guides obsolete. It also makes the guide available on a 24/7 basis, accessible to homeowners whenever and wherever they are motivated to act.

The e-guide also uses a lifestyle magazine approach by incorporating visuals and design trends as a means to engage, inspire and inform the viewer. The guide will be a key resource and housed on the Water Authority’s new regional conservation website, www.WaterSmartSD.org.
The Water Authority used input from multiple sources to assist in the development of the guide’s content and marketing plan. A project advisory committee made up of a homeowner and two member agency representatives provided input into content, copy and design throughout the development process. In addition, experts in the fields of soil, trees, stormwater, graywater and irrigation were consulted during the content and editing stages.

A variety of stakeholders attended a Water Authority marketing forum to explore marketing opportunities and partnerships for the guide. Attendees included member agencies, manufacturers, retailers, contractors, landscape designers and architects, media, regional gardens, and not-for-profit organizations. Water Authority staff are following up with forum attendees and other key influencers to identify partnership opportunities specifically related to their organization that could continually improve the content of the guides and enhance public awareness and use of the guides. For example, staff is working with landscape industry representatives to establish the guide as a trusted resource they can refer their clients to when promoting water-efficient improvements and incentives.

A $14,000 grant from the Hans and Margaret Doe Charitable Trust helped underwrite the development and production expenses of “The Homeowner’s E-Guide to a WaterSmart Lifestyle.” Staff will look to identify additional grant funding to help support the development of e-guides to assist other water use sectors.

Prepared by: Kelly Mooney, Water Resource Specialist
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
May 15, 2013

Attention: Legislation, Conservation and Outreach Committee

Government Relations Update (Information)

Discussion
This report is an update of the Water Authority’s government relations program.

The Legislature
Policy committee meetings on legislation introduced in 2013 wrapped up in early May. The deadline for Assembly and Senate policy committees to hear and report on fiscal bills in their respective houses was May 3; the deadline for non-fiscal bills was May 10. Assembly and Senate fiscal committees must hear and report on bills introduced in their respective houses by May 24. Floor sessions will be held the last week in May. Each house will attempt to pass bills to then send to the other house. May 31 is the last day for each house to pass bills out of their respective house.

In a separate memo, staff is recommending positions on a number of bills related to the Salton Sea this month; additional recommendations may be brought before the Board over the course of the next several months.

Budget
The Governor’s “May Revise” budget is expected to be released on May 14. The release of the May Revise represents a turning point each year in the development of the ultimate budget passed by the Legislature. Issues of interest to the Water Authority in the budget process include the Colorado River Board, Department of Water Resources, and Department of Fish and Game relating to the Salton Sea. Water Authority staff have been working on funding issues related to the Salton Sea, specifically related to the funding of a feasibility study as required by AB 71 (V. Manuel Pérez).

Water Bond
The Assembly has taken on three bills (AB 142, AB 295 and AB 1331) as vehicles to reflect three components of the water bond (infrastructure, safe drinking water, and Delta/watersheds), to use as educational pieces and to build working groups to educate new members on aspects of the water bond. Neither of two bills introduced in the Senate has moved and it is unclear if the Senate will put forward a water bond vehicle at this time. Action related to the rewrite of the water bond is not expected until August, after the budget process.

The Water Authority’s legislative advocates continue to participate in discussions at ACWA on how the water bond may be restructured. A separate memo on the 2014 water bond seeks Board direction on Water Authority priorities in a revised water bond.
Bay-Delta
The state Natural Resources Agency has released draft chapters of the Bay Delta Conservation Plan, and continues to release additional chapters. Key chapters that were scheduled for release the end of April have been pushed back to the end of May. The Resources Agency has also announced that it will release the administrative draft of the environment impact report/environmental impact statement (EIR/EIS) during the first two weeks of May, followed by the final draft on October 1.

Lobbyist Activities
Jonathan Clay of Carpi and Clay will provide a separate report of the firm’s monthly activities.

Bob Giroux of Lang, Hansen, O’Malley & Miller reports that he performed the following lobbying activities on behalf of the Water Authority in March:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Conferred with the Assembly Speaker and the Senate President pro tem regarding the Water Authority’s interests.

John White’s activities in March included:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Scheduled and participated in a meeting with Assemblymember V. Manuel Pérez and Water Authority staff to discuss the Salton Sea.

Washington, D.C.
Ken Carpi of Carpi & Clay will provide a separate report of the firm’s monthly activities in Washington, D.C.

Prepared by: Alexi Schnell, Management Analyst
Reviewed by: Dennis A. Cushman, Assistant General Manager
May 15, 2013

Attention: Legislation Conservation and Outreach Committee

Status Report on Legislation and Legislative Positions. (Information)

Background
Water Authority staff is currently reviewing and monitoring 164 bills in the Legislature for potential impact on the organization and its member agencies. Some of these bills are placeholder bills that do not propose substantive changes in the law, but which may be amended to propose such changes. The deadline for Assembly and Senate policy committees to hear and report on fiscal bills in their respective houses was May 3. The deadline for non-fiscal bills was May 10. Assembly and Senate fiscal committees must hear and report on bills introduced in their respective houses by May 24.

The Water Authority’s staff and legislative advocates review each bill in the context of the adopted 2013 Legislative Policy Guidelines. The Legislative Policy Guidelines provide direction to staff and the Water Authority’s legislative advocates to communicate support of, or opposition to legislation and amendments. Bills for which staff recommends a position are brought before the Legislation, Conservation and Outreach Committee and the Board for consideration.

Discussion
As of May 7, 2013, the Board is sponsoring one bill in the Legislature, and has taken a position of Support on five bills, a position of Oppose on four bills, a position of Oppose unless amended on three bills, and is watching two bills.

Water Authority staff and its legislative advocates will continue to track and monitor bills throughout the legislative session to ensure consistency with board policies, positions and the 2013 Legislative Policy Guidelines. Attached is a matrix outlining current positions on legislation of interest to the Water Authority as of May 7, 2013. Also attached is a comprehensive list of bills that are under review and are being monitored by staff and legislative advocates.

Prepared by: Alexi Schnell, Management Analyst
Reviewed by: Dennis A. Cushman, Assistant General Manager

Attachments: 1. Matrix summarizing the Water Authority’s current positions on 2013-2014 legislation as of May 7, 2013
2. List of legislation under review by Water Authority staff as of May 7, 2013
<table>
<thead>
<tr>
<th>Bill Number</th>
<th>Author</th>
<th>Bill Title, Summary &amp; Status</th>
<th>SDCWA Position (Date of Board Action)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB 115</td>
<td>Perea</td>
<td><strong>Safe Drinking Water State Revolving Fund</strong>&lt;br&gt;Under existing law, the California Department of Public Health is responsible for regulating public water systems, including small water systems, and for administering the Safe Drinking Water Revolving Fund (SDWRF) to provide grants and loans to public water systems to enable them to deliver water meeting drinking water standards. While CDPH has been effective in its regulation of large water systems, it has not been able to administer the SDWRF in a manner that would allow small disadvantaged communities to correct water quality problems in a timely manner. In addition, CDPH is a small part of the Health and Human Resources Agency (CHHISA) and often does not get the attention or resources needed to fulfill its mission.&lt;br&gt;AB 115 is one in a suite of bills designed to help solve water quality problems in disadvantaged communities. AB 115 would make it easier for water suppliers to apply for funds under the Safe Drinking Water Revolving Fund.</td>
<td>Support (28-Mar-13)</td>
</tr>
<tr>
<td>AB 145</td>
<td>Perea</td>
<td><strong>State Water Resources Control Board: Drinking Water</strong>&lt;br&gt;Under existing law, the California Department of Public Health is responsible for regulating public water systems, including small water systems, and for administering the Safe Drinking Water Revolving Fund (SDWRF) to provide grants and loans to public water systems to enable them to deliver water meeting drinking water standards. While CDPH has been effective in its regulation of large water systems, it has not been able to administer the SDWRF in a manner that would allow small disadvantaged communities to correct water quality problems in a timely manner. In addition, CDPH is a small part of the Health and Human Resources Agency (CHHISA) and often does not get the attention or resources needed to fulfill its mission.&lt;br&gt;AB 145 would move the Division of Drinking Water and Environmental Management from the Department of Public Health to the State Water Resources Control Board (SWRCB). The intent is to consolidate the state's drinking water regulatory authority and to eliminate inefficiencies. However, the SWRCB is focused on environmental issues. Drinking water regulation should stay where there is a public health focus. The amendment sought would allow the program, if the program is moved, to be a stand-alone program under another agency where it would retain a public health focus, such as Cal EPA.</td>
<td>Oppose unless amended (28-Mar-13)</td>
</tr>
</tbody>
</table>
## San Diego County Water Authority
### Summary of Current Positions on 2013-2014 Legislation
#### as of May 7, 2013

<table>
<thead>
<tr>
<th>Bill Number</th>
<th>Author</th>
<th>Bill Title, Summary &amp; Status</th>
<th>SDCWA Position (Date of Board Action)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AB 380</strong></td>
<td>Dickinson</td>
<td><strong>Environmental Quality: Notice Requirements</strong>&lt;br&gt;Existing law (CEQA) requires lead agencies to provide public notice sufficiently prior to adoption of certain environmental documents, to allow for mandated public review. It also requires that this notice be given to specified parties by at least one of several procedures.&lt;br&gt;&lt;br&gt;AB 380 would revise public notice requirements to include duplicative noticing procedures, requiring all notices to be filed with both the county clerk and the Office of Planning and Research (OPR). The Water Authority currently files certain public notices with the county clerk and, for projects having state, area, or region-wide importance, with OPR. There is concern that OPR does not have the resources to timely process and post notices for every project being approved throughout the state. Without a substantial increase in OPR staffing, this would result in confusion and a posting backlog. Further, it is duplicative to require posting at both OPR and the county clerk; a single posting location would provide consistency. If OPR is to be the designated repository for all notices, the requirement for duplicative posting with the county clerk should be eliminated; OPR should establish an Internet database where public agencies can directly upload the required notices, thus relieving OPR of both posting and staffing issues.&lt;br&gt;&lt;br&gt;Status:&lt;br&gt;Assembly Appropriations Committee</td>
<td>Oppose unless amended&lt;br&gt;(25-Apr-13)</td>
</tr>
<tr>
<td><strong>AB 543</strong></td>
<td>Campos</td>
<td><strong>California Environmental Quality Act: Translation</strong>&lt;br&gt;Existing law establishes regulations related to a number of environmental issues, including the preparation and completion of specified environmental review documents for proposed projects that may affect the environment.&lt;br&gt;&lt;br&gt;AB 543 would require that all notices, documents, or executive summaries required by CEQA be translated if the impacted community has a substantial number of non-English speaking people. It is not clear how “substantial number” is defined. This legislation would require lead agencies to incur potentially significant unreimbursed additional costs to provide one or more language translations.&lt;br&gt;&lt;br&gt;The Water Authority’s legislative policy guidelines state that the Water Authority shall oppose legislation that imposes mandated costs or regulatory constraints on local governments without providing subventions to reimburse local governments for such costs. (2013 Legislative Policy Guidelines, Fiscal Policy and Water Rates, Oppose, page 19, item 1.)&lt;br&gt;&lt;br&gt;Status:&lt;br&gt;Assembly Appropriations Committee</td>
<td>Oppose&lt;br&gt;(25-Apr-13)</td>
</tr>
</tbody>
</table>
## San Diego County Water Authority
### Summary of Current Positions on 2013-2014 Legislation
#### as of May 7, 2013

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</thead>
<tbody>
<tr>
<td>AB 762</td>
<td>Patterson</td>
<td><strong>Renewable Energy Resources: Hydroelectric Generation</strong>&lt;br&gt;Under existing Public Utilities Code, the California Renewables Portfolio Standard Program (Program) requires the Public Utilities Commission to implement annual targets for procurement of eligible renewable energy resources. The code identifies eligible hydroelectric facilities as 30 megawatts or smaller that meet the specified criteria. The existing code includes in-line hydroelectric facilities similar to the Rancho Penasquitos Hydroelectric facility, but does not include pumped-storage facilities similar to the Lake Hodges Hydroelectric facility.&lt;br&gt;AB 762 would amend the Public Utilities Code and Program to include eligible hydroelectric generation facilities of any size that meet the specified criteria. The Water Authority currently has no in-line hydroelectric facilities larger than 30 megawatts and does not foresee any future hydroelectric facilities exceeding this threshold. However, it may provide greater opportunity and flexibility for renewable energy opportunities in the future for the Water Authority and its member agencies.&lt;br&gt;Status:&lt;br&gt;Assembly Committee on Utilities and Commerce</td>
<td>Support (28-Mar-13)</td>
</tr>
<tr>
<td>AB 763</td>
<td>Buchanan</td>
<td><strong>Aquatic Invasive Plants: Control and Eradication</strong>&lt;br&gt;Existing law designates the Department of Boating and Waterways (DBW) as the lead agency for controlling certain invasive plants in the Sacramento-San Joaquin Delta, its tributaries and the marsh.&lt;br&gt;AB 763 would additionally designate the Department of Boating and Waterways as the lead agency for cooperating with other state and local agencies, and agencies of the U.S., in identifying, detecting, controlling, and administering programs to manage and eradicate invasive aquatic plants, instead of requiring legislative action each time an agency identifies a new species of invasive aquatic plant. The bill would authorize the DBW to take any action it determines is necessary to implement statewide management and eradication measures for these plants. The bill would require the DBW to consult with various other agencies to prioritize treatment, and determine the best methods of implementing identification, control and eradication methods. The DBW would also be required to notify the Department of Fish and Wildlife (DFW), and the DFW would be required to conduct a risk assessment and to report its findings to the Department of Boating and Waterways. Criteria for consideration would be whether the species may cause environmental damage, may cause harm to the state’s economy or infrastructure, or may obstruct navigation and recreational use of waterways or cause potential harm to manmade facilities.&lt;br&gt;Status:&lt;br&gt;Assembly Committee on Water, Parks and Wildlife</td>
<td>Support (28-Mar-13)</td>
</tr>
<tr>
<td>Bill Number</td>
<td>Author</td>
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<tr>
<td>AB 803</td>
<td>Hueso</td>
<td>Recycled Water</td>
<td>Support (28-Mar-13)</td>
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<tr>
<td></td>
<td></td>
<td>In 2012, WateReuse sponsored AB 2398 to expedite permitting of recycled water in California. The Bill was held in the Senate with a commitment to convene a series of bicameral meetings to identify impediments to recycled water development and develop agreed-upon solutions. AB 803 is proposing legislative solutions in three key areas: 1. <strong>Update of Titles 17 and 22 through statutory changes</strong>: Existing law requires the California Department of Public Health to adopt uniform regulations regarding the use of recycled water. The existing Title 22 and Title 17 regulations are out of date. This legislation avoids the need for a regulatory updating by proposing statutory changes to definitions and compliance procedures in the recycled water regulations to clarify and simplify requirements. 2. <strong>Alignment of Health and Safety Code and Water Code requirements for reporting spills</strong>: Existing law has inconsistent requirements for reporting spills of unauthorized discharge of recycled water. 3. <strong>Point of Compliance for Advanced Treated Purified Water</strong>: Existing law requires an NPDES permit for discharge to surface waters including the augmentation of drinking reservoirs with advanced treated purified water. AB 803 states that where discharge requirements apply, the compliance point for the water quality of advanced treated purified water can be the point where it enters a raw water conveyance facility, rather than at the point of discharge. This will make it easier to allow the use of existing raw water pipelines to transport advanced treated purified water. <strong>Status</strong>: Assembly Committee on Water, Parks and Wildlife</td>
<td></td>
</tr>
<tr>
<td>AB 823</td>
<td>Eggman</td>
<td>Environment: California Farmland Protection Act</td>
<td>Oppose (25-Apr-13)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>AB 823 would require a minimum level of mitigation for any residential, commercial, civic, industrial, infrastructure, or other similar project that results in the permanent or long-term conversion of agricultural lands to non-agricultural use. Mitigation would consist of the permanent protection and conservation of land suitable for agricultural use. Agricultural lands are converted to non-agricultural uses for a number of reasons (e.g., increased capital and operating costs, increased regulatory burdens, and competition). Simply preserving farmland does not address the underlying reasons of why land is converted, and there is no mechanism to mandate uneconomic, agricultural land be kept in production. Requiring project applicants to mitigate for actions not under their control is inappropriate. This legislation would require projects to incur substantial additional mitigation costs. <strong>Status</strong>: Assembly Committee on Agriculture</td>
<td></td>
</tr>
</tbody>
</table>
## California Environmental Quality Act

Existing law establishes regulations related to a number of environmental issues, including the preparation and completion of specified environmental review documents for proposed projects that may affect the environment.

AB 953 would revise the definitions of “environment” and “significant effect on the environment” and require the lead agency to include a specific analysis of any significant effects that may result from locating the proposed project near, or attracting people to, existing or reasonably foreseeable natural hazards or adverse environmental conditions.

This bill contains some of the provisions similar to those contained in SB 617 discussed below, specifically revisions in certain definitions and required analysis that make environmental documents more susceptible to legal challenge.

**Status:**
Assembly Appropriations Committee

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## Electricity: Hydroelectric Facilities

The Public Utilities Commission has regulatory authority over public utilities and can establish its own procedures. Under existing law, the Public Utilities Commission is required to open a new proceeding to determine the appropriate targets, if any, for each load-serving entity to procure viable and cost-effective energy storage systems to be achieved by December 31, 2015 and December 31, 2020.

AB 1258 would require the Public Utilities Commission to open a new proceeding or expand the scope of an existing proceeding to determine the potential use of hydroelectric facilities and specified pumped storage facilities (Helms, Balsam, Oroville and San Luis pumped storage facilities) to provide energy resources with delivery characteristics that may include dispatchable baseload, firm, and as-available capacity.

The Water Authority’s Lake Hodges pumped storage facility and the proposed San Vicente pumped storage project are similar types of facilities to the four pump storage facilities listed above.

**Status:**
Assembly Committee on Utilities and Commerce
## San Diego County Water Authority
### Summary of Current Positions on 2013-2014 Legislation
as of May 7, 2013

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</thead>
<tbody>
<tr>
<td>AB 1349</td>
<td>Gatto</td>
<td><strong>CalConserve Water Use Efficiency</strong>&lt;br&gt;In 2009, the legislature adopted SBX 7-7, which requires urban water agencies to reduce per capita water use 20 percent by 2020. AB 1349 would establish a sustainable funding source for loans for water use efficiency projects to reduce urban per capita water use, reduce greenhouse gas emissions through water efficiency, facilitate recycled water, and improve agricultural water use efficiency. The CalConserve Water Use Efficiency Fund would be created in the State Treasury. When appropriated, funds would be deposited into the revolving fund and repaid by loan recipients for future disbursements. The Department of Water Resources would manage the fund and would enter into agreements with local government agencies or investor-owned utilities that provide water or recycled water service, to provide loans for local water use efficiency or recycled water projects.</td>
<td>Support (28-Mar-13)</td>
</tr>
<tr>
<td>SB 425</td>
<td>DeSaulnier</td>
<td><strong>Public Works Peer Review Act of 2013</strong>&lt;br&gt;SB 425 would require any public works project valued at greater than $1 billion to establish a peer review group (PRG) responsible for reviewing: 1) project demand studies; 2) design and engineering models and estimates; and 3) construction, testing and inspection practices. The PRG would conduct all its business in a publicly accessible forum subject to the requirements of the Bagley-Keene Open Meeting Act and would be required to submit documentation similar to a Form 700 statement disclosing financial interests and lack of conflict of interest with the project. The administering agency’s process of establishing the PRG would be reviewed by the Bureau of State Audits to verify the selection of the PRG was done according to a transparent process. The bill would prohibit a PRG taking action until a charter is created and agreed upon by the project agency and the relevant legislative body, which could lead to possible project delays. SB 425 is duplicative of industry standard practices for large public works infrastructure projects. It is common to establish boards of senior consultants to advise and guide the project team with the design, construction and operation of large “megaprojects,” which are the subject of SB 425, and to dissect a project’s elements by a value engineering team to maximize the cost benefit. Value engineering is mandated for large Water Authority projects and boards of senior consultants were employed for the Olivenhain and San Vicente Dam projects. The use of boards of senior consultants and value engineering are recognized as “best practices” in public works and are often utilized on large complex projects. The peer review group as envisioned by this legislation attempts to combine these two industry-accepted practices into one and may not achieve the results anticipated.</td>
<td>Watch (28-Mar-13)</td>
</tr>
</tbody>
</table>

**Status:**<br>Assembly Committee on Water, Parks and Wildlife<br>Senate Committee on Governmental Organization
<table>
<thead>
<tr>
<th>Bill Number</th>
<th>Author</th>
<th>Bill Title, Summary &amp; Status</th>
<th>SDCWA Position (Date of Board Action)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB 436</td>
<td>Jackson</td>
<td><strong>Environmental Quality: Public Notice</strong>&lt;br&gt;SB 436 is very similar to AB 380 (Dickinson), discussed above. This bill would revise public notice requirements to include duplicative posting with both the county clerk and the Office of Planning and Research (OPR).&lt;br&gt;For the same reasons listed under AB 380, if OPR is to be the designated repository for all notices, the bill should be amended to remove the requirement for a duplicative posting with the county clerk, and OPR should establish an Internet database where public agencies can directly upload the required notices.&lt;br&gt;&lt;strong&gt;Status:&lt;/strong&gt; Senate Appropriations Committee</td>
<td>Oppose unless amended (25-Apr-13)</td>
</tr>
<tr>
<td>SB 617</td>
<td>Evans</td>
<td><strong>Environmental Quality: Public Notice</strong>&lt;br&gt;Existing law defines “environment” and “significant effect on the environment” for the purpose of factual analysis.&lt;br&gt;SB 617 would revise the definitions of “environment” and “significant effect on the environment” and require the lead agency to include in the Environmental Impact Report (EIR) a detailed statement on any significant effects that may result from locating development near, or attracting people to, existing or reasonably foreseeable natural hazards or adverse environmental conditions. In addition, SB 617 includes noticing provisions similar to those in both AB 380 (Dickinson) and SB 436 (Jackson), discussed above. The bill would authorize the Office of Planning and Research (OPR) to charge a $10 administrative fee per notice filed.&lt;br&gt;The proposed definition revisions broaden the required analysis to include not only the effects of the project on the environment, but the effects of the environment on the project. This additional analysis provides another layer of complexity that increases uncertainty in assessing the range and magnitude of potential significant effects, thus making environmental documents more susceptible to legal challenges. In addition, for the same reasons listed under AB 380, if OPR is to be the designated repository for all notices, the bill should be amended to remove the requirement for a duplicative posting with the county clerk, and OPR should establish an Internet database where public agencies can directly upload the required notices.&lt;br&gt;&lt;strong&gt;Status:&lt;/strong&gt; Senate Appropriations Committee</td>
<td>Oppose (25-Apr-13)</td>
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<tr>
<td>Bill Number</td>
<td>Author</td>
<td>Title</td>
<td>Fiscal Committee</td>
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<tr>
<td>CA AB 1</td>
<td>Alejo [D]</td>
<td>Water Quality: Integrated Plan: Salinas Valley</td>
<td>yes</td>
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<tr>
<td>CA AB 7</td>
<td>Wieckowski [D]</td>
<td>Oil and Gas: Hydraulic Fracturing</td>
<td>yes</td>
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<tr>
<td>CA AB 21</td>
<td>Alejo [D]</td>
<td>Safe Drinking Water Small Community Grant Fund</td>
<td>yes</td>
</tr>
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</table>
disadvantaged and severely disadvantaged communities.

**CA AB 26**

<table>
<thead>
<tr>
<th>AUTHOR:</th>
<th>Bonilla [D]</th>
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</thead>
<tbody>
<tr>
<td>TITLE:</td>
<td>Greenhouse Gas Reduction Fund</td>
</tr>
<tr>
<td>FISCAL COMMITTEE:</td>
<td>yes</td>
</tr>
<tr>
<td>URGENCY CLAUSE:</td>
<td>no</td>
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<tr>
<td>INTRODUCED:</td>
<td>12/03/2012</td>
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<tr>
<td>LAST AMEND:</td>
<td>04/22/2013</td>
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<tr>
<td>DISPOSITION:</td>
<td>Pending</td>
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<tr>
<td>LOCATION:</td>
<td>Assembly Appropriations Committee</td>
</tr>
<tr>
<td>SUMMARY:</td>
<td>Requires projects paid for in whole or in part from the Greenhouse Gas Reduction Fund to be considered public works. Authorizes fund moneys to be made available for refinery maintenance work if that work is related to reducing greenhouse gases that falls within an apprenticeable occupation that will be performed by journeypersons and apprentices. Requires an apprentice safety training curriculum. Requires the issuance of a certificate to a worker who completes the curriculum. Relates to wages for training.</td>
</tr>
</tbody>
</table>

**CA AB 30**

<table>
<thead>
<tr>
<th>AUTHOR:</th>
<th>Perea [D]</th>
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</thead>
<tbody>
<tr>
<td>TITLE:</td>
<td>Water Quality</td>
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<tr>
<td>FISCAL COMMITTEE:</td>
<td>yes</td>
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<tr>
<td>URGENCY CLAUSE:</td>
<td>no</td>
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<tr>
<td>INTRODUCED:</td>
<td>12/03/2012</td>
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<td>LAST AMEND:</td>
<td>01/24/2013</td>
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<td>DISPOSITION:</td>
<td>Pending</td>
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<tr>
<td>LOCATION:</td>
<td>Assembly Appropriations Committee</td>
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<tr>
<td>SUMMARY:</td>
<td>Amends the Porter-Cologne Water Quality Control Act to authorize the Water Resources Control Board to assess an annual charge in connection with any financial assistance under the Water Pollution Control Revolving Fund without a change unless it is determined that the charge is not consistent with federal requirements regarding the fund, at which time the board would replace the charge with an identical interest rate. Relates to deposits to another specified water pollution control fund.</td>
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**CA AB 37**

<table>
<thead>
<tr>
<th>AUTHOR:</th>
<th>Perea [D]</th>
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</thead>
<tbody>
<tr>
<td>TITLE:</td>
<td>Environmental Quality Act: Record of Proceedings</td>
</tr>
<tr>
<td>FISCAL COMMITTEE:</td>
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<td>URGENCY CLAUSE:</td>
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<tr>
<td>INTRODUCED:</td>
<td>12/03/2012</td>
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<td>DISPOSITION:</td>
<td>Pending</td>
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<tr>
<td>LOCATION:</td>
<td>Assembly Appropriations Committee</td>
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</tbody>
</table>
SUMMARY:
Requires, for specified projects or upon the request of a project applicant and the consent of the lead agency that the lead agency prepare a record of proceedings concurrently with the preparation of negative declarations, mitigated negative declarations, EIR's, or other environmental documents for specified projects.

STATUS:
05/01/2013 In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.

CA AB 39
AUTHOR: Skinner [D]
TITLE: Proposition 39: Implementation
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 12/03/2012
LAST AMEND: 04/24/2013
DISPOSITION: Pending
LOCATION: Assembly Second Reading File

SUMMARY:
Requires the State Energy Resources Conservation and Development Commission to administer grants, loans, or other financial assistance to an eligible institution that provides instruction in kindergarten or grades 1 to 12, inclusive, or a community college for the purposes of eligible projects that create jobs by reducing energy demand and consumption by eligible institutions. Provides the percentage of funds in the Job Creation Fund to be used for such grants and the remainder for specified projects.

STATUS:
04/29/2013 From ASSEMBLY Committee on UTILITIES AND COMMERCE: Do pass as amended to Committee on APPROPRIATIONS. (15-0)

CA AB 44
AUTHOR: Buchanan [D]
TITLE: Subletting and Subcontracting Fair Practices Act
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 12/18/2012
LAST AMEND: 05/06/2013
DISPOSITION: Pending
LOCATION: Senate Governmental Organization Committee

SUMMARY:
Requires specifications or conditions, under which bids will be received, by an officer, department, board, or commission for the construction of any public work or improvement to require any person making a bid or offer to perform the work to set forth the state contractor license number of each subcontractor who will perform work or labor or render services to the prime contractor in his or her bid or offer.

STATUS:
05/06/2013 From SENATE Committee on GOVERNMENTAL ORGANIZATION with author's amendments.
05/06/2013 In SENATE. Read second time and amended. Re-referred to Committee on GOVERNMENTAL ORGANIZATION.
CA AB 52

AUTHOR: Gatto [D]
TITLE: Native Americans: California Environmental Quality Act
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 12/21/2012
LAST AMEND: 04/19/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY: Requires a lead agency to make best efforts to avoid, preserve, and protect specified Native American resources with a project that may have a significant effect on the environment. Requires the agency to take specified actions if the project may adversely affect tribal cultural resources, a reservation or rancheria. Requires the revision of guidelines to include criteria for determining whether a proposed project has a significant effect on the environmental to include effects on tribal cultural resources.

STATUS: 04/19/2013 From ASSEMBLY Committee on APPROPRIATIONS with author's amendments.
04/19/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA AB 69

AUTHOR: Perea [D]
TITLE: Groundwater: Nitrate at Risk Area Fund
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 01/10/2013
DISPOSITION: Pending
LOCATION: Senate Environmental Quality Committee
SUMMARY: Establishes the Nitrate at Risk Area Fund. Provides that moneys in the fund would be available for the purposes of developing and implementing sustainable and affordable solutions for disadvantaged communities in specified areas designated by the State Department of Public Health, in conjunction with the State Water Resources Control Board.

STATUS: 04/25/2013 To SENATE Committee on ENVIRONMENTAL QUALITY.

CA AB 71

AUTHOR: Perez V [D]
TITLE: Salton Sea Restoration
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 01/10/2013
LAST AMEND: 04/18/2013
DISPOSITION: Pending
LOCATION: SENATE
SUMMARY: Requires the Secretary of the Natural Resources Agency to lead Salton Sea restoration efforts. Requires the secretary to form a technical advisory group to provide guidance about evaluating, developing, or proposing future restoration or economic development activities. Requires the secretary to seek input from the Salton Sea Authority with regard to specified components of the restoration
of the Salton Sea. Authorizes a restoration funding and feasibility study by the Authority.

STATUS:
04/25/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (76-0)

CA AB 72

AUTHOR: Holden [D]
TITLE: Municipal Water District: Board of Directors
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 01/10/2013
LAST AMEND: 03/19/2013
DISPOSITION: Pending
COMMITTEE: Senate Governance and Finance Committee
HEARING: 05/15/2013 9:30 am
SUMMARY:
Requires the directors of a municipal water district, except directors elected at a district formation election, to take office on the first Friday in December succeeding their election.

STATUS:
04/25/2013 To SENATE Committee on GOVERNANCE AND FINANCE.

CA AB 115

AUTHOR: Perea [D]
TITLE: Safe Drinking Water State Revolving Fund
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 01/14/2013
DISPOSITION: Pending
LOCATION: Senate Environmental Quality Committee
SUMMARY:
Relates to the state Safe Drinking Water Act. Authorizes the Department of Public Health to fund projects by grant or loan where multiple water systems apply for funding as a single applicant for the purpose of consolidating water systems or extending services to households relying on private wells. Authorizes funding of a project to benefit a disadvantaged community.

STATUS:
05/02/2013 To SENATE Committee on ENVIRONMENTAL QUALITY. SDCWA Position: Support (3-28-2013)

CA AB 118

AUTHOR: Env Safety & Toxic Material Cmt
TITLE: Safe Drinking Water State Revolving Fund
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 01/14/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Authorizes the State Department of Public Health to adopt interim regulations for purposes of implementing provisions relating to the Safe Drinking Water State Revolving Fund. Requires an applicant for funding to demonstrate that it has the technical, managerial, and financial capacity to operate and maintain its
Requires each manufacturer that offers for sale a water treatment device for which it makes a health of safety claim to submit specified information, including the manufacturer's contact information, product identification information, and the specific contaminant claimed to be removed or reduced by the device. Requires each manufacturer to pay a reasonable regulatory fee.

Requires the Department of Water Resources to initiate and complete a comprehensive study of state and local water supply infrastructure needs and to provide a report to the Legislature that summarizes those findings.

Transfers to the State Water Resources Control Board the various duties and responsibilities imposed on the State Department of Public Health by the State Safe Drinking Water Act and the Safe Drinking Water State Revolving Fund Law of 1997.
### CA AB 147

**AUTHOR:** Perez V [D]  
**TITLE:** Environment: Salton Sea: Dust Mitigation  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 01/18/2013  
**LAST AMEND:** 04/22/2013  
**DISPOSITION:** Pending  
**LOCATION:** Assembly Appropriations Committee  
**SUMMARY:**
Requires the State Air Resources Board to evaluate and determine with the air quality planning completed by a joint powers authority is sufficient to mitigate the air quality impacts of the Quantification Settlement Agreement. Requires the state board, if it concludes that additional mitigation measures are needed, to submit recommendations to the authority. Authorizes moneys in the Salton Sea Restoration Fund to be expended by the state board for these purposes.

### CA AB 148

**AUTHOR:** Perez V [D]  
**TITLE:** Renewable Energy: Salton Sea  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 01/18/2013  
**DISPOSITION:** Pending  
**LOCATION:** Assembly Natural Resources Committee  
**SUMMARY:**
Requires the Natural Resources Agency to establish a Salton Sea Renewable Energy and Biofuel Research and Development Program in the Salton Sea basin to meet high-priority economic and environmental goals by providing grants to facilitate research and the commercial development of renewable energy and biofuel resources.

### CA AB 153

**AUTHOR:** Bonilla [D]  
**TITLE:** Global Warming Solutions Act of 2006: Offsets  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 01/18/2013  
**LAST AMEND:** 04/08/2013  
**DISPOSITION:** Pending  
**LOCATION:** Assembly Appropriations Committee  
**SUMMARY:**
Amends the Global Warming Solutions Act of 2006. Requires the State Air Resources Board to adopt a specified process for the review and consideration
of new offset protocols for reducing greenhouse gases and, commencing in 2014 and continuing thereafter, use that process to review and consider new offset protocols. Requires the board to adopt guidelines and incentives that prioritize the approval of specified offset protocols. Requires the board to submit a specified annual report to the Legislature.

**STATUS:**

04/29/2013 From ASSEMBLY Committee on NATURAL RESOURCES: Do pass to Committee on APPROPRIATIONS. (9-0)

**CA AB 160**

**AUTHOR:** Alejo [D]

**TITLE:** Public Employees' Pension Reform Act: Exceptions

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 01/22/2013

**LAST AMEND:** 04/11/2013

**DISPOSITION:** Pending

**COMMITTEE:** Assembly Appropriations Committee

**HEARING:** 05/08/2013 9:00 am

**SUMMARY:**

Excepts from the Public Employees' Pension Reform Act of 2013 certain multiemployer plans authorized under federal law and retirement plans for public employees whose collective bargaining rights are protected by a specified provision of federal law if a federal agency determines a conflict with federal law. Excludes from the definition of a supplemental defined benefit plan for purposes of a prohibition in the Act, a multiemployer plan, pursuant to a collective bargaining or similar agreement.

**STATUS:**

04/24/2013 From ASSEMBLY Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY: Do pass to Committee on APPROPRIATIONS. (5-2)

**CA AB 162**

**AUTHOR:** Holden [D]

**TITLE:** Wireless Telecommunications Facilities

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 01/23/2013

**LAST AMEND:** 04/23/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Local Government Committee

**SUMMARY:**

Prohibits a local government from denying an eligible facilities request for a modification of an existing wireless telecommunications facility or structure that does not substantially change the physical dimension of the facility or structure. Requires the local government to act on a request within a specified time period of that request. Prohibits the local government from requiring proof of gap in coverage as part of the approval of the request.

**STATUS:**

04/23/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.

04/23/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on LOCAL GOVERNMENT.
CA AB 164

**AUTHOR:** Wieckowski [D]
**TITLE:** Infrastructure Financing
**FISCAL COMMITTEE:** no
**URGENCY CLAUSE:** no
**INTRODUCED:** 01/23/2013
**DISPOSITION:** Pending
**FILE:** 90
**LOCATION:** Assembly Third Reading File

**SUMMARY:** Requires a lease agreement between a governmental agency undertaking an infrastructure project and a private entity to include performance bonds as security to ensure the completion of the construction of the facility and payment bonds to secure the payment of claims of laborers, mechanics, and materialmen employed on the work under contract.

**STATUS:** 05/06/2013 In ASSEMBLY. Read second time. To third reading.

CA AB 185

**AUTHOR:** Hernandez R [D]
**TITLE:** Open and Public Meetings: Televised Meetings
**FISCAL COMMITTEE:** yes
**URGENCY CLAUSE:** no
**INTRODUCED:** 01/28/2013
**LAST AMEND:** 04/23/2013
**DISPOSITION:** Pending
**LOCATION:** Assembly Local Government Committee

**SUMMARY:** Provides the time frame for destruction of an audio or video recording of an open and public meeting. Requires a local agency that collects a franchise fee from a state franchise holder that provides public, educational, and government access channels to televise the open and public meetings of its legislative body and planning commission, unless such is a financial hardship, then meetings would be broadcast via an audio-visual medium. Authorizes the use of franchise fees to implement such televising.

**STATUS:** 04/23/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.

CA AB 194

**AUTHOR:** Campos [D]
**TITLE:** Open Meetings: Protections for Public Criticism
**FISCAL COMMITTEE:** yes
**URGENCY CLAUSE:** no
**INTRODUCED:** 01/28/2013
**DISPOSITION:** Pending
**LOCATION:** Assembly Local Government Committee

**SUMMARY:** Makes it a misdemeanor for a member of a legislative body, while acting as a chairperson of a legislative body of a local agency, to prohibit public criticism protected under the Ralph M. Brown Act. Authorizes a district attorney to commence an action for the purpose of obtaining a judicial determination that an action taken by a legislative body of a local agency in violation of the protection for public criticism is null and void.
CA AB 218

AUTHOR: Dickinson [D]
TITLE: Employment Applications: Criminal History
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/04/2013
LAST AMEND: 04/10/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY: Prohibits a state or local agency from asking an applicant for employment to disclose information regarding a criminal conviction until the agency has determined the applicant meets the minimum employment qualifications for the position. Includes specified findings and declarations of the Legislature in support of this policy.

STATUS: 05/01/2013 In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.

CA AB 229

AUTHOR: Perez J [D]
TITLE: Infrastructure and Revitalization Financing Districts
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/04/2013
LAST AMEND: 04/08/2013
DISPOSITION: Pending
FILE: 76
LOCATION: Assembly Third Reading File
SUMMARY: Authorizes the creation of an infrastructure and revitalization financing district and the issuance of debt with voter approval. Authorizes the creation of a district for up to 40 years and the issuance of debt with a final maturity date of up to 30 years. Authorizes a district to finance projects in redevelopment project areas and former redevelopment project areas and former military bases.

STATUS: 05/06/2013 In ASSEMBLY. Read second time. To third reading.

CA AB 240

AUTHOR: Rendon [D]
TITLE: Mutual Water Companies
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/05/2013
DISPOSITION: Pending
LOCATION: SENATE
SUMMARY: Permits the board of directors of a mutual water company, if authorized by its articles or bylaws, to record a notice of lien against a shareholder's property if the shareholder has not timely paid any rate, charge, or assessment arising from, or related to, water services provided by the mutual water company to
the shareholder's property and if the shareholder was given at least 20 days' notice of the lien.

STATUS:
04/29/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (76-0)

CA AB 246

AUTHOR: Bradford [D]
TITLE: Local Government: Open Meetings
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/06/2013
DISPOSITION: Pending
COMMITTEE: Senate Governance and Finance Committee
HEARING: 05/15/2013 9:30 am
SUMMARY: Makes technical, nonsubstantive changes to the Ralph M. Brown Act, authorizes the legislative body of a local agency to hold closed sessions with the Governor.

STATUS:
04/25/2013 To SENATE Committee on GOVERNANCE AND FINANCE.

CA AB 259

AUTHOR: Logue [R]
TITLE: Health and Care Facilities: CPR
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/07/2013
LAST AMEND: 04/16/2013
DISPOSITION: Pending
FILE: 97
LOCATION: Assembly Consent Calendar - First Legislative Day
SUMMARY: Makes it a misdemeanor for long-term care health care facilities, community care facilities, adult day care health care centers, and residential care facilities to have a policy that prohibits any employee from administering cardiopulmonary resuscitation. Provides an exception for do not resuscitate or advance health care directive that prohibits resuscitation.

STATUS:
05/06/2013 In ASSEMBLY. Read second time. To Consent Calendar.

CA AB 262

AUTHOR: Waldron [R]
TITLE: Local Government: Organization
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/07/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY: Makes technical, nonsubstantive changes to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 that governs the procedures for the formation, change of organization, and reorganization of cities and special districts.

STATUS:
02/07/2013 INTRODUCED.
CA AB 277

AUTHOR: Hall [D]
TITLE: Tribal Gaming: Compact Ratification
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/11/2013
LAST AMEND: 03/21/2013
DISPOSITION: Pending
LOCATION: SENATE
SUMMARY:
Ratifies the tribal-state gaming compact entered into between the State and the North Fork Rancheria Band of Mono Indians, executed on a specified date. Ratifies the tribal-gaming compact entered into between the State and the Wiyot Tribe, executed on a specified date. Provides that, in deference to tribal sovereignty, certain actions are not projects for purposes of the California Environmental Quality Act.
STATUS:
05/02/2013 In ASSEMBLY. Read third time. Failed to pass ASSEMBLY. (41-12)
05/02/2013 In ASSEMBLY. Motion to reconsider.
05/02/2013 In ASSEMBLY. Reconsideration granted.
05/02/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. ******To SENATE. (41-12)

CA AB 279

AUTHOR: Dickinson [D]
TITLE: Financial Affairs
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/11/2013
LAST AMEND: 03/21/2013
DISPOSITION: Pending
COMMITTEE: Senate Governance and Finance Committee
HEARING: 05/15/2013 9:30 am
SUMMARY:
Relates to the instruments in, and criteria by, which a local agency, may invest and deposit its funds, including its surplus funds. Removes the term certificates of deposit and instead authorizes a local agency to invest in deposits. Excludes from public funds reporting requirements specified deposits required under these provisions.
STATUS:
04/25/2013 To SENATE Committees on GOVERNANCE AND FINANCE and BANKING AND FINANCIAL INSTITUTIONS.

CA AB 288

AUTHOR: Levine [D]
TITLE: Oil and Gas: Well Stimulation
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/11/2013
LAST AMEND: 04/08/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Requires the State Oil and Gas Supervisor to supervise the stimulation, well
completion techniques, and rework of wells. Deletes the limitation to waters suitable for irrigation or domestic purposes. Provides the procedures to have an operator inform the Supervisor of well stimulation. Requires the Supervisor to allow owners and operators to utilize all methods and practices to increase the ultimate recovery of underground hydrocarbons under certain conditions. Relates to stimulation approval.

STATUS:
04/15/2013 From ASSEMBLY Committee on NATURAL RESOURCES: Do pass to Committee on APPROPRIATIONS. (6-3)

CA AB 295

AUTHOR: Water, Parks and Wildlife Cmt
TITLE: Water: Water Supply: Infrastructure
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/11/2013
LAST AMEND: 05/06/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Requires the State Water Resources Control Board and the Drinking Water and Environmental Management Division of the State Department of Public Health to initiate and complete a comprehensive study relating to the need for state funding for water projects and to provide a report to the Legislature summarizing those findings.

STATUS:
05/06/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA AB 378

AUTHOR: Hueso [D]
TITLE: Resources: Delta Research
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/14/2013
DISPOSITION: Pending
LOCATION: Assembly Accountability and Administrative Review Committee
SUMMARY:
Requires a person conducting Delta research whose research is funded, in whole or in part, by the state, to take specified actions with regard to the sharing of the primary data, samples, physical collections, and other supporting materials created or gathered in the course of that research. Authorizes the Delta Independent Science Board to adopt guidelines to provide adjustments to, and, where essential, exceptions from, these requirements.

STATUS:
03/07/2013 To ASSEMBLY Committees on ACCOUNTABILITY AND ADMINISTRATIVE REVIEW and WATER, PARKS AND WILDLIFE.

CA AB 380

AUTHOR: Dickinson [D]
TITLE: California Environmental Quality Act: Notice
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/14/2013
Amends the California Environmental Quality Act. Requires that notices regarding environmental impact reports filed by lead agencies need to be filed with the Office of Planning and Research and the county clerk and posted by that clerk for public review. Provides additional duties regarding that notice by the Office and the county clerk. Provides notice requirements for projects that are determined to be exempted from the Act.

STATUS:
05/01/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT: Do pass to Committee on APPROPRIATIONS. (7-0)

NOTES:
SDCWA Position: Oppose unless amended (4-25-13)

CA AB 407

AUTHOR: Perez V [D]
TITLE: New River Watershed Water Quality: Environment
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/15/2013
LAST AMEND: 03/21/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Requires the Natural Resources Agency and the Environmental Protection Agency to establish and administer the New River Watershed Water Quality, Public Health and River Parkway Development Program to coordinate the funding and implementation of the recommendations from the New River Improvement Project strategic plan. Requires a state agency awarding or granting funds for the implementation of the plan to integrate and align the contractual and administrative requirements for grants, loans, contracts.

STATUS:
04/16/2013 From ASSEMBLY Committee on ENVIRONMENTAL SAFETY AND TOXIC MATERIALS: Do pass to Committee on APPROPRIATIONS. (6-0)

CA AB 416

AUTHOR: Gordon [D]
TITLE: Local Emission Reduction Program
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/15/2013
LAST AMEND: 04/04/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Creates the Local Emission Reduction Program and requires money to be available from the general fund for providing grants and other financial assistance to develop and implement greenhouse gas emissions reduction projects in the state, giving consideration to the ability of a project to create local job training and job creation benefits and achieve greenhouse gas emissions reduction. Provides the public entities that will be required to administer the program.
CA AB 426

AMENDS EXISTING LAW THAT PROVIDES THAT ANY WATER RIGHT DETERMINED UNDER A COURT DECRREE ISSUED AFTER A SPECIFIED DATE, IS TRANSFERABLE. ELIMINATES THE REQUIREMENT THAT A COURT DECRREE BE ISSUED AFTER A SPECIFIED DATE.

STATUS:
04/30/2013 From ASSEMBLY Committee on WATER, PARKS AND WILDLIFE: Do pass to Committee on APPROPRIATIONS. (10-5)

CA AB 467

ESTABLISHES THE FRESHWATER PROTECTION FUND IN THE STATE TREASURY, UNDER THE ADMINISTRATION OF THE STATE WATER RESOURCES CONTROL BOARD. PROVIDES THAT MONEY IN THE FUND AT THE CLOSE OF THE FISCAL YEAR SHALL REMAIN IN THE FUND AND SHALL NOT REVERT TO THE GENERAL FUND. REQUIRES THE BOARD TO EXPEND MONEYS FROM THE FUND FOR VARIOUS PURPOSES GENERALLY RELATING TO GROUNDWATER AND WATER QUALITY, AND TO PRIORITIZE PROGRAMS PROVIDING SOLUTIONS FOR DISADVANTAGED AND SEVERELY DISADVANTAGED COMMUNITIES.

STATUS:
04/16/2013 From ASSEMBLY Committee on ENVIRONMENTAL SAFETY AND TOXIC MATERIALS: Do pass to Committee on APPROPRIATIONS. (6-1)

CA AB 504

REDUCES THE NUMBER OF REGULAR MEETINGS PER YEAR FOR THE FISH AND GAME COMMISSION. DELETES A REQUIREMENT REGARDING MEETING NOTICES. REVISES

STATUS:
05/01/2013 In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.
provisions regarding the adding, amending, or repeal of regulations. Adds provisions regarding the regulation pertaining to salmon and groundfish seasons and hours, the bag and possession limits, and total take.

STATUS:

03/04/2013 To ASSEMBLY Committee on WATER, PARKS AND WILDLIFE.

CA AB 515

AUTHOR: Dickinson [D]
TITLE: California Environmental Quality Act: Judicial Review
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 03/11/2013
DISPOSITION: Pending
LOCATION: Assembly Judiciary Committee
SUMMARY:
Establishes a CEQA Compliance Division of the Superior Court in a county in which the Attorney General maintains an office. Provides the division with original jurisdiction over actions of proceedings brought pursuant to the CEQA and matters related to land use and environmental laws. Provides decisions of the division may be reviewed by way of a petition for an extraordinary writ. Provides the contents of a writ if a public agency is found to be in error and what action the agency must take to comply.

STATUS:

04/23/2013 In ASSEMBLY Committee on JUDICIARY: Not heard.

CA AB 519

AUTHOR: Logue [R]
TITLE: Unfair Competition
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 03/19/2013
DISPOSITION: Pending
LOCATION: Assembly Judiciary Committee
SUMMARY:
Relates to unfair competition. Requires the court, prior to the imposition of any civil penalty, to consider all factors in mitigation of both the imposition and amount of any civil penalty.

STATUS:

04/02/2013 In ASSEMBLY Committee on JUDICIARY: Not heard.

CA AB 527

AUTHOR: Gaines B [R]
TITLE: Global Warming Solutions: Western Climate Initiative
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 05/07/2013
DISPOSITION: Pending
FILE: 23
LOCATION: Assembly Second Reading File
SUMMARY:
Relates to global warming and greenhouse gases. Subjects the Western Climate Initiative, Incorporated, and its appointees to the Bagley-Keene Open Meeting Act when performing their duties. Prohibits the state board from making a
payment pursuant to any agreement, or contract with the Western Climate Initiative, Incorporated, unless the state board makes a finding of compliance with the Bagley-Keene Open Meeting Act. Provides for audits.

STATUS:
05/07/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA AB 536

AUTHOR: Wagner [R]
TITLE: Contractors: Payments
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 04/08/2013
DISPOSITION: Pending
LOCATION: Assembly Business, Professions and Consumer Protection Committee

SUMMARY:
Amends existing law that allows specified persons to withhold from a contractor or subcontractor no more than a specified percentage of any disputed amount if there is a good faith dispute over the amount due on a contract payment. Excludes specified amounts from being considered disputed amounts; provides that disputed amounts shall not include any action related liquidated damages assessed by the owner against the prime contractor, and any amount regarding a mechanic's lien to stop payment notice.

STATUS:
04/16/2013 In ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION: Not heard.

CA AB 537

AUTHOR: Bonta [D]
TITLE: Meyers-Mlias-Brown Act: Impasse Procedures
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 04/17/2013
DISPOSITION: Pending
COMMITTEE: Assembly Appropriations Committee
HEARING: 05/08/2013 9:00 am

SUMMARY:
Authorizes the representatives of a public agency and an employee organization, if they fail to reach an agreement, to request mediation. Provides the time period for such action. Provides that if both sides fail to reach such agreement, either party may make such request. Provides that a public agency must meet and confer promptly and to continue for a reasonable time period with the employee organization prior to an agency budget for the next fiscal year. Provides procedures upon reaching an agreement.

STATUS:
04/24/2013 From ASSEMBLY Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY: Do pass to Committee on APPROPRIATIONS. (5-2)

CA AB 543

AUTHOR: Campos [D]
TITLE: California Environmental Quality Act: Translation
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 05/06/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Requires a lead agency to translate certain notices required by the California Environmental Quality Act and a summary of any negative declaration, mitigated negative declaration, or environmental impact report when the impacted community has a substantial number of non-English-speaking people.
STATUS:
05/06/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.
NOTES:
SDCWA Position: Oppose (4-25-13)

CA AB 550
AUTHOR: Brown [D]
TITLE: Office of Small and Disabled Veteran Business
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 04/16/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Requires the head of a state agency to ensure a state contracting program is administered in a manner that promotes small business participation. Requires the head of the agency to annually review small business participation levels and to develop a plan for increasing small business participation levels when levels are low. Requires the Department of General Services and the Office of the Small Business Advocate to serve as a resource to assist the heads of agencies identify contracting best practices.
STATUS:
05/01/2013 In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.

CA AB 562
AUTHOR: Williams [D]
TITLE: Economic Development Subsidies: Local Agency Review
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
DISPOSITION: Pending
COMMITTEE: Assembly Local Government Committee
HEARING: 05/08/2013 1:30 pm
SUMMARY:
Relates to economic development activities by state and local agencies. Requires each local agency to provide information to the public before approving an economic development subsidy, and to hold hearings, and report on those subsidies.
STATUS:
03/04/2013 To ASSEMBLY Committee on LOCAL GOVERNMENT.

CA AB 613
AUTHOR: Hueso [D]
TITLE: Water Reclamation
| FISCAL COMMITTEE: | no |
| URGENCY CLAUSE: | no |
| INTRODUCED: | 02/20/2013 |
| DISPOSITION: | Pending |
| LOCATION: | ASSEMBLY |
| SUMMARY: | Makes technical, nonsubstantive changes to a provision of the Water Recycling Law that provides that a person recycling water or using recycled water in violation of specific provisions is guilty of a misdemeanor. |

STATUS: 02/20/2013 INTRODUCED. SDCWA Position: Sponsor (bill is now SB 322; author moved from Assembly to Senate)

**CA AB 616**

| AUTHOR: | Bocanegra [D] |
| TITLE: | Local Public Employee Organizations: Dispute |
| FISCAL COMMITTEE: | yes |
| URGENCY CLAUSE: | no |
| INTRODUCED: | 02/20/2013 |
| LAST AMEND: | 04/25/2013 |
| DISPOSITION: | Pending |
| COMMITTEE: | Assembly Appropriations Committee |
| HEARING: | 05/08/2013 9:00 am |
| SUMMARY: | Relates to local public employee organizations. Authorizes such organization, if a dispute was not submitted to a mediation, to request that the public agency submit the parties' differences to a factfinding panel. Provides that if either party disputes that a genuine impasse has been reached, the issue of whether the impasse exists may be submitted to the Public Employment Relations Board for resolution before the dispute is submitted to a factfinding panel. Authorizes a rep from each party on the panel. |

STATUS: 04/25/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

**CA AB 621**

| AUTHOR: | Wagner [R] |
| TITLE: | Local Government: Bonds |
| FISCAL COMMITTEE: | no |
| URGENCY CLAUSE: | no |
| INTRODUCED: | 02/20/2013 |
| LAST AMEND: | 04/25/2013 |
| DISPOSITION: | Pending |
| COMMITTEE: | Assembly Elections and Redistricting Committee |
| HEARING: | 05/07/2013 1:30 pm |
| SUMMARY: | Relates to local government bonds and investment firms. Prohibits a local agency from entering into a financial advisory, legal advisory, underwriting, or similar relationship with an individual or firm, with respect to a bond issue that requires voter approval, if that individual or firm, or an employee, agent, or person related to an employee or agent of the individual or firm, provided or will provide bond campaign services to the bond campaign. |
CA AB 649

AUTHOR: Nazarian [D]
TITLE: Oil and Gas: Hydraulic Fracturing
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 03/19/2013
DISPOSITION: Pending
LOCATION: Assembly Second Reading File
SUMMARY:
Prohibits hydraulic fracturing, as well as the use of clean freshwater for purposes of hydraulic fracturing, on any oil or gas well, if the well is located a specified number of miles from an aquifer, until the completion of a report and a determination that hydraulic fracturing can be conducted without a risk to the public health, welfare, environment, or the economy.

CA AB 650

AUTHOR: Nazarian [D]
TITLE: General Services: Natural Gas Services Program
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 05/01/2013
DISPOSITION: Pending
COMMITTEE: Assembly Appropriations Committee
HEARING: 05/08/2013 9:00 am
SUMMARY:
Requires the Director of the Department of General Services to operate the Natural Gas Services Program under which the department shall enter into agreements with cities, counties, cities and counties, districts and other local governmental bodies, and to nonprofit hospitals and educational institutions that expend public funds for the acquisition of natural gas and related services, and enter into interagency agreements for acquisition of natural gas and related services.

CA AB 669

AUTHOR: Stone [D]
TITLE: Oil and Gas: Drilling
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/17/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY: 
SUMMARY:
Requires the operator of an oil or gas well prior to drilling, redrilling or deepening operations to submit proof to the supervisor that the Regional Water Quality Control Board has approved the method and location of wastewater disposal for the well. Requires the State Oil and Gas Supervisor to include information on the origin and total amount of freshwater used in each county for the production of oil and gas production, the disposal of wastewater and the well casing failures in each county.

STATUS:
04/17/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA AB 687
AUTHOR: Hernandez R [D]
TITLE: Electricity
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/10/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Requires the Public Utilities Commission provide the highest priority to acquire electric services from other providers to entities treating and remediating groundwater that a federal, state, or local agency identifies as contaminated on a site listed as a Superfund site when authorizing additional direct transactions for retail nonresidential end-use customers. Requires those entities to use moneys saved as a result of treatment and remediation of groundwater.
STATUS:
04/30/2013 From ASSEMBLY Committee on ENVIRONMENTAL SAFETY AND TOXIC MATERIALS: Do pass to Committee on APPROPRIATIONS. (7-0)

CA AB 690
AUTHOR: Campos [D]
TITLE: Jobs and Infrastructure Financing Districts
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/09/2013
DISPOSITION: Pending
LOCATION: Assembly Local Government Committee
SUMMARY:
Revises and recasts the provisions governing infrastructure financing districts. Provides for the creation of jobs and infrastructure financing districts without voter approval. Makes various conforming changes. Authorizes a public financing authority to enter into joint powers agreements with affected taxing entities with regard to nontaxing authority or powers only. Authorizes a district to implement hazardous cleanup under the Polanco Redevelopment Act.
STATUS:
04/09/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.
04/09/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on LOCAL GOVERNMENT.
CA AB 696  
**AUTHOR:** Mansoor [R]  
**TITLE:** Public Employment: Pensions  
**FISCAL COMMITTEE:** no  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 02/21/2013  
**DISPOSITION:** Pending  
**LOCATION:** ASSEMBLY  
**SUMMARY:** Makes technical, nonsubstantive changes to provisions of the Public Employee's Pensions Reform Act of 2013, which provides that the Judges' Retirement System I and the Judges' Retirement System II are not required to adopt the defined benefit formula contained in certain other provisions.  
**STATUS:** 02/21/2013 INTRODUCED.

CA AB 701  
**AUTHOR:** Perez J [D]  
**TITLE:** California Infrastructure and Economic Development Bank  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 02/21/2013  
**DISPOSITION:** Pending  
**LOCATION:** Senate Rules Committee  
**SUMMARY:** Relates to the Infrastructure and Economic Development Bank and board of directors. Adds a Member of the Assembly and a Member of the Senate as advisory members of the board. Requires the bank to serve as the primary state agency for purposes of developing an application for any federal infrastructure bank or financing authority. Incorporates additional changes made by the Governor's Reorganization Plan No. 2 of 2012.  
**STATUS:** 05/06/2013 Re-referred to SENATE Committee on RULES.

CA AB 709  
**AUTHOR:** Nestande [R]  
**TITLE:** Salton Sea Authority: Restoration Plan  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 02/21/2013  
**LAST AMEND:** 04/11/2013  
**DISPOSITION:** Pending  
**LOCATION:** Assembly Water, Parks and Wildlife Committee  
**SUMMARY:** Requires the Salton Sea Authority develop and submit a restoration plan to the Legislative Analyst for review. Requires the Analyst to complete its review by a specified date, and if the Analyst determines that the plan is financially feasible and that the authority is capable of implementing the plan, the bill would appropriate from the Salton Sea Restoration Fund any moneys received under Proposition 84 to the authority to implement the plan. Designates the authority as the lead agency for restoration.  
**STATUS:** 04/30/2013 In ASSEMBLY Committee on WATER, PARKS AND WILDLIFE: Failed passage.  
04/30/2013 In ASSEMBLY Committee on WATER, PARKS AND WILDLIFE: Reconsideration granted.
CA AB 749

AUTHOR: Gorell [R]
TITLE: Public-Private Partnerships
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/11/2013
DISPOSITION: Pending
LOCATION: Assembly Transportation Committee

SUMMARY: Amends existing law that authorizes the State Department of Transportation and regional transportation agencies to enter into comprehensive development lease agreements with public and private entities, or consortia of those entities, for certain transportation projects that may charge certain users tolls and user fees and calls those arrangements public-private partnerships. States the intent of the Legislature for a project developed under these provisions to have specified characteristics.

STATUS:
04/29/2013 In ASSEMBLY Committee on TRANSPORTATION: Not heard.

CA AB 756

AUTHOR: Melendez [R]
TITLE: Environmental Quality Act: Court Review: Public Works
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/11/2013
DISPOSITION: Pending
LOCATION: Assembly Judiciary Committee

SUMMARY: Applies the provisions of the California Environmental Quality Act and the Jobs and Economic Improvement Through Environmental Leadership Act of 2011 to a public works project, defined to mean an infrastructure project carried out by the city, county, special district, or state government or contracted out to a private entity by the special district or local or state government.

STATUS:
04/11/2013 From ASSEMBLY Committee on JUDICIARY with author's amendments.
04/11/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on JUDICIARY.

CA AB 762

AUTHOR: Patterson [R]
TITLE: Renewable Energy Resources: Hydroelectric Generation
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
DISPOSITION: Pending
LOCATION: Assembly Utilities and Commerce Committee

SUMMARY: Revises the definition of an eligible renewable energy resource for the purposes of the Renewables Portfolio Standard Program to include a hydroelectric generation facility of any size if it meets certain requirements.
CA AB 763

Buchanan [D]

Aquatic Invasive/Pest Plants: Control and Eradication

yes

02/21/2013

04/10/2013

Pending

Assembly Appropriations Committee

Designates the Department of Boating and Waterways as the lead agency of the state for the purpose of cooperating with other state and local public agencies and with federal agencies in identifying, detecting, controlling, and administering programs to manage and, when feasible, eradicate invasive aquatic plants and other aquatic pest plants in the Sacramento-San Joaquin Delta, its tributaries, and the Suisun Marsh. Provides required actions by specified agencies regarding invasive plants and pests.

CA AB 792

Mullin [D]

Local Government: Open Meetings

no

02/21/2013

05/06/2013

Pending

Assembly Third Reading File

Requires a local agency, if the agency is unable to post an agenda or notice on its Internet Web site because of software, hardware or network services impairment beyond the agency's reasonable control, to post the agenda or notice immediately upon resolution of the technological problems.

CA AB 793

Gray [D]

Renewable Energy: Public Utilities: Hydroelectric

no

02/21/2013

04/22/2013

Pending

Assembly Second Reading File
SUMMARY:
Requires a local publicly owned electric utility that receives a specified percentage of its consumption load demand from hydroelectric generation meeting specified requirements and other renewable energy resources to procure eligible renewable energy resources, including renewable energy credits, to meet only the electricity demands unsatisfied by its hydroelectric generation in any given year to satisfy its portfolio content requirements.

STATUS:
05/06/2013 From ASSEMBLY Committee on NATURAL RESOURCES: Do pass as amended. (7-0)

CA AB 796
AUTHOR: Muratsuchi [D]
TITLE: Thermal Powerplants: Certification: Sea Level Rise
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/10/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee

SUMMARY:
Amends an existing law that vests the State Energy Resources Conservation and Development Commission with the exclusive jurisdiction to certify sites for certain thermal powerplants. Requires the Commission to consider the effects of sea level rise in the context of protecting the proposed site and related facility from damage caused by sea level rise during the contamination process.

STATUS:
04/29/2013 From ASSEMBLY Committee on NATURAL RESOURCES: Do pass to Committee on APPROPRIATIONS. (6-2)

CA AB 803
AUTHOR: Gomez [D]
TITLE: Water Recycling Act of 2013
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/22/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee

SUMMARY:
Creates the Water Recycling Act of 2013. Relates to the notification requirements for the discharge of sewage, waste, or effluent of treated sewage or other waste to provide the notification requirement does not apply to an unauthorized discharge of effluent of treated sewage defines as recycled water. Authorizes compliance with effluent limitations and any other permit or waste discharge requirements for the release or discharge of advanced treated purified water that meets certain conditions.

STATUS:
04/30/2013 From ASSEMBLY Committee on ENVIRONMENTAL SAFETY AND TOXIC MATERIALS: Do pass to Committee on APPROPRIATIONS. (7-0)

NOTES: SDCWA Position: Support (3-28-2013)

CA AB 823
AUTHOR: Eggman [D]
TITLE: Environment: State Farmland Protection Act
Enacts the Farmland Protection Act. Requires that a lead agency reviewing a
development project require that all feasible mitigation of the identified
significant environmental impacts associated with the conversion of agricultural
lands be completed by the project applicant and to consider the permanent
protection or replacement of such land as feasible mitigation for identified
significant effects on the land caused by the project.

Amends existing law that requires the State Energy Resources Conservation and
Development Commission to establish, by regulations, building construction and
design standards and energy and water conservation standards for new
residential and new nonresidential buildings to increase the efficiency of energy
and water. Authorizes the commission to establish an administrative
enforcement process to enforce those regulations.

Authorizes a joint powers authority, upon application of a local agency that
owns and operates a publicly owned utility to issue rate reduction bonds to
finance a utility project. Provides the bonds are secured by utility project
property. Authorizes the authority to impose on customers a separate
nonbypassable charge, to finance the rate reduction bond, and to adjust utility
project charge to correct for any overcollection or undercollection to ensure timely payment of bond financing costs.

**STATUS:**

05/01/2013 In ASSEMBLY. Read second time. To third reading.

**CA AB 931**

**AUTHOR:** Gaines B [R]

**TITLE:** Public Employee Retirement: Health Benefits

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 03/21/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Public Employees, Retirement and Social Security Committee

**SUMMARY:** Relates to the Board of Administration of the Public Employees' Retirement System. Requires the board to establish a wellness program that provides financial incentives for participation. Requires the board to offer a high deductible health plan and a health savings account option to public employees and annuitants. Establish the Public Employees' Health Savings Fund for employees who elect the high deductible or health savings plan option.

**STATUS:**

03/21/2013 To ASSEMBLY Committees on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY and HEALTH.

03/21/2013 From ASSEMBLY Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY with author's amendments.

03/21/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY.

**CA AB 934**

**AUTHOR:** Cooley [D]

**TITLE:** Local Agencies: Unclaimed Money

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 03/21/2013

**DISPOSITION:** Pending

**COMMITTEE:** Assembly Appropriations Committee

**HEARING:** 05/08/2013 9:00 am

**SUMMARY:** Requires a local agency to document that it has made a reasonable effort to locate the victim to who the restitution is owed prior to depositing funds into the Restitution Fund or using those funds for victim services.

**STATUS:**

04/24/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT: Do pass to Committee on APPROPRIATIONS. (9-0)

**CA AB 941**

**AUTHOR:** Rendon [D]

**TITLE:** Controller: Reports

**FISCAL COMMITTEE:** Controller: Reports

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013
Amend existing law which requires the Controller to annually compile and publish reports of the financial transactions of each county, city and school district, or community redevelopment agency. Changes the definition of a special district subject to the reporting requirements of the Controller. Authorizes the Controller to perform certain audits or investigations. Raises certain forfeiture amounts for all local agencies. Doubles the fines for failure to submit a report for two consecutive years.

Amends the California Environmental Quality Act, which defines environment and significant effect on the environment for certain purposes. Revises those definitions. Requires a lead agency to include in an environmental assessment report, a detailed statement on any effects that may result in the locating a proposed project near natural hazards or adverse environmental conditions.

Defines hydraulic fracturing. Requires any notice of intent to drill, rework, or deepen a well where hydraulic fracturing will occur to include a groundwater monitoring plan for review and approval by the Oil and Gas Supervisor and the appropriate regional water quality control board, which would contain specific information relating to groundwater, water quality, and the monitoring of wells and water quality.
05/07/2013

In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA AB 1035

AUTHOR: Muratsuchi [D]
TITLE: Local Agencies: Financial Reports
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/04/2013
DISPOSITION: Pending
FILE: 68
LOCATION: Assembly Third Reading File
SUMMARY:

Raises the forfeiture amounts for a joint powers agency to which existing law does not apply. Doubles fines if the agency fails to submit the report to the Controller for 2 consecutive years. Triples the fines if the agency fails to submit the report to the Controller for 3 consecutive years, in which case the Controller would be required to conduct an independent audit report, the cost of which is reimbursed by the agency. Specifies the agency that has a forfeiture or payment still must file the report.

STATUS: 05/06/2013

In ASSEMBLY. Read second time. To third reading.

CA AB 1043

AUTHOR: Chau [D]
TITLE: Drinking Water, Quality, Flood, River Protection
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/16/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:

Amends the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006. Eliminates the requirement to develop and adopt regulations and requires a grantee of certain initiative bond act funds to take specific actions to recover the costs of cleanup and to utilize those funds for certain groundwater contamination cleanup projects.

STATUS: 04/30/2013

From ASSEMBLY Committee on ENVIRONMENTAL SAFETY AND TOXIC MATERIALS: Do pass to Committee on APPROPRIATIONS. (7-0)

CA AB 1060

AUTHOR: Fox [D]
TITLE: Environmental Quality: Filing Fees: Exemptions
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
FILE: 127
LOCATION: Assembly Consent Calendar - First Legislative Day
SUMMARY:

Exempts from the filing fees imposed on projects that are subject to the California Environmental Quality Act, a project being carried out or implemented
by a branch of the United States Armed Forces.

STATUS:
05/06/2013 In ASSEMBLY. Read second time. To Consent Calendar.

CA AB 1078

AUTHOR: Quirk [D]

TITLE: Water: Water Recycling Technology

FISCAL COMMITTEE: no

URGENCY CLAUSE: no

INTRODUCED: 02/22/2013

DISPOSITION: Pending

LOCATION: ASSEMBLY

SUMMARY:
States the intent of the Legislature to enact legislation to encourage the creation of new technologies to further the use of recycled water in the state.

STATUS:
02/22/2013 INTRODUCED.

CA AB 1095

AUTHOR: Nestande [R]

TITLE: Junk Dealers and Recyclers: Nonferrous Materials

FISCAL COMMITTEE: yes

URGENCY CLAUSE: no

INTRODUCED: 02/22/2013

LAST AMEND: 03/14/2013

DISPOSITION: Pending

LOCATION: Assembly Business, Professions and Consumer Protection Committee

SUMMARY:
Requires a junk dealer or recycler of nonferrous materials to provide payment for the materials by check only. Provides the procedures for such payment. Provides an exception from the check only requirement for providing proof of ownership and for providing a statement from a contractor if the materials are from a home during construction. Provides a crime for false documentation by a contractor. Requires the dealer or recycler to maintain documentation.

STATUS:
03/14/2013 To ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.

03/14/2013 From ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION with author's amendments.

03/14/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.

CA AB 1096

AUTHOR: Nestande [R]

TITLE: Specialized License Plates: Salton Sea

FISCAL COMMITTEE: yes

URGENCY CLAUSE: no

INTRODUCED: 02/22/2013

LAST AMEND: 05/02/2013

DISPOSITION: Pending

LOCATION: Assembly Appropriations Committee

SUMMARY:
Authorizes the Department of Fish and Wildlife to apply to the Department of Motor Vehicles to sponsor a special Salton Sea license plate program. Requires
the Department of Motor Vehicles to issue the plates if the Department of Fish and Wildlife meets certain requirements. Requires the plates to bear a full-plate graphic design. Requires the payment of an additional fee for the plate. Requires the fee moneys to be deposited in the Salton Sea Restoration Account.

STATUS: 05/02/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA AB 1140

AUTHOR: Daly [D]
TITLE: Public Works: Prevailing Wages
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 03/19/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee

SUMMARY: States that if the Director of Industrial Relations determines, within a semiannual period, that there is a change in any prevailing rate of per diem wages in a locality, that determination applies to any public works. Authorizes any contractor, awarding body, or representative affected by a change in rates to file with the director a verified petition to review the determination of that rate. Requires the initiation of an investigation or hearing to make a final determination.

STATUS: 05/01/2013 In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.

CA AB 1149

AUTHOR: Campos [D]
TITLE: Identity Theft: Local Agencies
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee

SUMMARY: Relates to disclosure of any breach of an agency security to any resident whose unencrypted personal information was acquired by an unauthorized person. Provides disclosure requirements applying to a breach of computerized data that is owned or licensed by a local agency.

STATUS: 04/30/2013 From ASSEMBLY Committee on JUDICIARY: Do pass to Committee on APPROPRIATIONS. (10-0)

CA AB 1156

AUTHOR: Perez V [D]
TITLE: Palo Verde Irrigation District Act
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
COMMITTEE: Assembly Local Government Committee
HEARING: 05/08/2013 1:30 pm
SUMMARY:
Entitles a person, firm, or corporation that owns land, or any interest in land, whose interest is assessed on the preceding equalized assessment roll of the Palo Verde Irrigation District Act to vote at the specified elections. Entitles each property owner to one vote for every $100 of assessed value of land, not including improvements, on the equalized assessment roll.

STATUS:
03/14/2013 To ASSEMBLY Committee on LOCAL GOVERNMENT.

CA AB 1158

AUTHOR: Waldron [R]
TITLE: Vehicles: On-Street Parking for Electric Vehicles
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Assembly Transportation Committee

SUMMARY:
Authorizes local authorities to adopt rules and regulations by ordinance or resolution regarding designating and enforcing on-street parking spaces for electric vehicles.

STATUS:
03/07/2013 To ASSEMBLY Committees on TRANSPORTATION and LOCAL GOVERNMENT.

CA AB 1175

AUTHOR: Bocanegra [D]
TITLE: Public Employee Benefits: Postemployment Health
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 03/21/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee

SUMMARY:
Relates to the Public Employees' Medical and Hospital Care Act and postemployment health care benefits. Provides that if the governing board of the local authority for the former redevelopment agency within the County of Los Angeles acts to dissolve that authority, the governing board shall identify the entity responsible for assuming the enforceable obligation of the authority for the amount necessary to fully compensate for the postretirement health benefit costs of specified personnel.

STATUS:
05/01/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT: Do pass to Committee on APPROPRIATIONS. (7-2)

CA AB 1190

AUTHOR: Bloom [D]
TITLE: Hazardous Waste: Transportation
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 05/07/2013
DISPOSITION: Pending
FILE: 15
LOCATION: Assembly Second Reading File
SUMMARY:
Exempts from the hazardous waste manifesting requirements a public utility, local publicly owned utility, or municipal utility district with regard to certain hazardous waste that is collected and transported as specified, subject to notice requirements.

STATUS:
05/07/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA AB 1200
AUTHOR: Levine [D]
TITLE: Recycled Water: Agricultural Irrigation Impoundments
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/09/2013
DISPOSITION: Pending
LOCATION: Assembly Second Reading File
SUMMARY:
Requires the San Francisco Bay Regional Water Quality Board to authorize a voluntary pilot project for the purposes of investigating potential water quality impacts associated with maximizing the supplementation of agricultural irrigation impoundments with disinfected tertiary treated recycled water, if the board finds the project satisfies specified criteria. Requires the project to include a stakeholder advisory group to review and provide input on the project design, implementation, and data analysis.

STATUS:
04/30/2013 From ASSEMBLY Committee on ENVIRONMENTAL SAFETY AND TOXIC MATERIALS: Do pass as amended to Committee on APPROPRIATIONS. (7-0)

CA AB 1212
AUTHOR: Levine [D]
TITLE: Public Contracts: Bids: Equal Materials or Service
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Assembly Accountability and Administrative Review Committee
SUMMARY:
Prohibits certain bid specifications from requiring a bidder to provide submission of data substantiating a request for a substitution of an equal item prior to the bid or proposal deadline.

STATUS:
03/07/2013 To ASSEMBLY Committee on ACCOUNTABILITY AND ADMINISTRATIVE REVIEW.

CA AB 1235
AUTHOR: Gordon [D]
TITLE: Financial Management Training
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Requires that if a local agency provides any type of compensation, salary, or stipend to, or reimburses the expenses of, a member of the legislative body, all local agency officials, except a member whose term of office ends, shall receive training in financial management.

STATUS:
05/01/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT: Do pass to Committee on APPROPRIATIONS. (7-2)

CA AB 1248

AUTHOR: Cooley [D]
TITLE: Local Agencies: Internal Control Guidelines
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
COMMITTEE: Assembly Appropriations Committee
HEARING: 05/08/2013 9:00 am

SUMMARY:
Requires the Controller to develop internal control guidelines applicable to a local agency to prevent and detect financial errors and fraud.

STATUS:
04/24/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT: Do pass to Committee on APPROPRIATIONS. (9-0)

CA AB 1249

AUTHOR: Salas [D]
TITLE: Public Water Systems
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Makes a technical, nonsubstantive change to the requirement that any public water system that may supply water for the project and to request those public water systems shall prepare a specified water supply assessment.

STATUS:
02/22/2013 INTRODUCED.

CA AB 1258

AUTHOR: Skinner [D]
TITLE: Electricity: Hydroelectric/Pumped Storage Facilities
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/23/2013
DISPOSITION: Pending
COMMITTEE: Assembly Appropriations Committee
HEARING: 05/08/2013 9:00 am
SUMMARY:
Requires the State Energy Resources Conservation and Development Commission to perform a technical analysis of the potential use of existing hydroelectric and pumped storage facilities to provide additional operational flexibility that could facilitate the integration of eligible renewable energy resources for the state's electrical grid. Requires the commission to complete its
analysis and include its analysis in an energy policy review.

**STATUS:**

04/23/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

**NOTES:**

SDCWA Position: Watch (3-28-2013)

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**CA AB 1259**

**AUTHOR:** Olsen [R]

**TITLE:** Sacramento-San Joaquin Valley

**FISCAL COMMITTEE:** no

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 03/21/2013

**DISPOSITION:** Pending

**LOCATION:** SENATE

**SUMMARY:**

Relates to the Central Valley Flood Protection Plan. Prohibits a city or county within the Sacramento-San Joaquin Valley from approving specified permits that would result in specified construction located within a flood hazard zone, and is required to deny approval of a tentative map, or a parcel map for which a tentative map was not required, for a subdivision located within the flood hazard zone.

**STATUS:**

05/02/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (75-0)

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**CA AB 1287**

**AUTHOR:** Quirk-Silva [D]

**TITLE:** Student Financial Aid: Cal Grant Eligibility

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 04/02/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Appropriations Committee

**SUMMARY:**

Amends the Cal Grant Program that authorizes the renewal of Cal Grant awards by eligible students, who are known as renewing recipients under the program, in accordance with prescribed requirements. Deletes additional requirements prescribed by the program for renewing recipients. Makes various conforming changes.

**STATUS:**

05/01/2013 In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.

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**CA AB 1301**

**AUTHOR:** Bloom [D]

**TITLE:** Oil and Gas: Hydraulic Fracturing

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 03/21/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Appropriations Committee

**SUMMARY:**

Prohibits hydraulic fracturing in oil and gas operations until the Legislature
enacts subsequent legislation that determines whether and under what conditions hydraulic fracturing may be conducted while protecting the public health and safety and the natural resources of the state.

**STATUS:**

04/29/2013 From ASSEMBLY Committee on NATURAL RESOURCES: Do pass to Committee on APPROPRIATIONS. (5-3)

**CA AB 1302**

**AUTHOR:** Hagman [R]

**TITLE:** Sustainable Environmental Protection Act

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 03/21/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Natural Resources Committee

Enacts the Sustainable Environmental Protection Act. Specifies the environmental review required pursuant to the CEQA for projects related to specified environmental topic areas. Prohibits certain causes of action. Provides that the act would only apply if the lead agency or project applicant has agreed to provide to the public in a readily accessible electronic format an annual compliance report prepared pursuant to the mitigation monitoring and reporting program.

**STATUS:**

04/29/2013 In ASSEMBLY Committee on NATURAL RESOURCES: Failed passage.

**CA AB 1317**

**AUTHOR:** Frazier [D]

**TITLE:** State Government Operations

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** yes

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 03/21/2013

**DISPOSITION:** Pending

**LOCATION:** SENATE

Reallocates certain duties of abolished Business, Transportation and Housing Agency to the created Transportation Agency and the abolished Commissioner of Corporations to the Commissioner of Business Oversight.

**STATUS:**

04/25/2013 In ASSEMBLY. Read third time, urgency clause adopted. Passed ASSEMBLY. *****To SENATE. (76-0)

**CA AB 1323**

**AUTHOR:** Mitchell [D]

**TITLE:** Oil and Gas: Hydraulic Fracturing

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 03/21/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Second Reading File

Prohibits hydraulic fracturing until the completion of a report and until a
determination is made that hydraulic fracturing can be conducted without a risk to the public health and welfare, environment, or the economy of the state. Provides for an advisory committee.

CA AB 1330

Author: Perez J [D]
Title: Environmental Justice
Fiscal Committee: yes
Urgency Clause: no
Introduced: 02/22/2013
Last Amend: 04/09/2013
Disposition: Pending
Location: Assembly Appropriations Committee

SUMMARY:
Requires the Secretary for Environmental Protection to periodically revise and update the agencywide strategy to identify and address any additional gaps in existing programs, policies, or activities that may impede the achievement of environmental justice. Requires each board, department, and office of the State Environmental Protection Agency to maintain a publicly available database of its ongoing enforcement cases and compliance histories of its regulated entities.

CA AB 1331

Author: Water, Parks and Wildlife Cmt
Title: Water Resources: Bay-Delta Sustainability
Fiscal Committee: yes
Urgency Clause: no
Introduced: 02/22/2013
Last Amend: 04/23/2013
Disposition: Pending
Location: Assembly Appropriations Committee

SUMMARY:
Requires the Delta Stewardship Council to initiate and complete a comprehensive study on the financial records for state funding for implementation of the Delta Plan.

CA AB 1336

Author: Frazier [D]
Title: Prevailing Wages: Payroll Records
Fiscal Committee: yes
Urgency Clause: no
Introduced: 02/22/2013
Last Amend: 04/17/2013
Disposition: Pending
Location: Assembly Appropriations Committee

SUMMARY:
Deletes the requirement that an action against an employer for failure to pay
prevailing wages be commenced not later than 180 days after the filing of a
valid notice of completion or not later than 180 days after acceptance of the
public work. Requires that the action be commenced not later than 24 months
after the wages were due. Requires any copy of payroll records made available
for inspection must be marked or obliterated to prevent social security number
disclosure.

STATUS:
04/30/2013 From ASSEMBLY Committee on JUDICIARY: Do pass to
Committee on APPROPRIATIONS. (7-3)

CA AB 1349

AUTHOR: Gatto [D]
TITLE: CalConserve Water Use Efficiency Revolving Fund
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
COMMITTEE: Assembly Appropriations Committee
HEARING: 05/08/2013 9:00 am
SUMMARY:
Establishes the CalConserve Water Use Efficiency Revolving Fund for the
purpose of water use efficiency projects. Requires moneys in the fund to be
used for purposes that include, but are not limited to, at-or-below market
interest rate loans.

STATUS:
04/16/2013 From ASSEMBLY Committee on WATER, PARKS AND
WILDLIFE: Do pass to Committee on APPROPRIATIONS. (14-0)
NOTES: SDCWA Position: Support (3-28-2013)

CA AB 1365

AUTHOR: Perez J [D]
TITLE: State and Local Agency Reports: Legislative Counsel
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/24/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY:
Requires the Legislative Council to make a list of agency reports available to the
public by posting it on an Internet Web site. Authorizes state and local agencies
to file certain reports with the Counsel electronically, with a hyperlink for report
access. Removes the requirement to remove obsolete reports from the list of
reports and that the list be provided to each member of the Legislature.
Requires providing a hyperlink to each member whereby the list or report could
be accessed.

STATUS:
05/01/2013 From ASSEMBLY Committee on ACCOUNTABILITY AND
ADMINISTRATIVE REVIEW: Do pass to Committee on
APPROPRIATIONS. (12-1)

CA ACA 8

AUTHOR: Blumenfield [D]
TITLE: Local Government Financing: Voter Approval
FISCAL COMMITTEE: no
Proposes an amendment to the Constitution to create an additional exception to the 1% limit for an ad valorem tax rate imposed by a city, county, city and county, or special district, to service bonded indebtedness incurred to fund specified public improvements and facilities, or buildings used primarily to provide sheriff, police, or fire protection services, that is approved by 55% of the voters of the city, county, city and county, or special district.
CA SB 7

Author: Steinberg [D]
Title: Public Works: Charter Cities
Fiscal Committee: yes
Urgency Clause: no
Introduced: 12/03/2012
Last Amend: 02/19/2013
Disposition: Pending
Location: Senate Appropriations Committee

Summary:
Prohibits a charter city from receiving or using state funding or financial assistance for a construction project if the city has a charter provision or ordinance that authorizes a contractor to not comply with prevailing wage provisions on any public works contract. Prohibits state funding assistance for such projects for a specified period. Authorizes such assistance for a city with an ordinance requiring prevailing wages. Provides a minimum contract threshold for such requirement.

Status:
04/08/2013 In SENATE Committee on APPROPRIATIONS: To Suspence File.

CA SB 9

Author: Price [D]
Title: State Government: Social Innovation Entrepreneurship
Fiscal Committee: yes
Urgency Clause: no
Introduced: 12/03/2012
Disposition: Pending
Location: Senate Governance and Finance Committee

Summary:
Establishes the Office of Social Innovation and Entrepreneurship Development to establish partnerships with government agencies, private investors, nonprofit organizations, and for-profit service providers to facilitate the use of social impact bonds to address social services needs. Requires the office to develop a plan for promoting such bonds, to develop model provisions for performance-based contract, and report to the Legislature on the use of the bonds.

Status:
01/10/2013 To SENATE Committees on GOVERNANCE AND FINANCE and GOVERNMENTAL ORGANIZATION.

CA SB 13

Author: Beall [D]
Title: Public Employees’ Retirement Benefits
Fiscal Committee: yes
Urgency Clause: yes
Introduced: 12/03/2012
Last Amend: 02/06/2013
Disposition: Pending
Location: ASSEMBLY

Summary:
Corrects an erroneous cross-reference in the Public Employees’ Pension Reform
Act of 2013 regarding the Judges’ Retirement System I and II defined benefit formula adoption. Amends the act regarding employers offering one of more defined benefit formulas to new safety members. Relates to contribution rates for defined pension plans. Repeals provisions regarding disability retirements. Relates to state miscellaneous or industrial members contributions or service credit. Requires related regulations.

STATUS:
04/11/2013 In SENATE. Read third time, urgency clause adopted. Passed SENATE. *****To ASSEMBLY. (37-0)

CA SB 24

AUTHOR: Walters [R]
TITLE: Public Employees’ Retirement: Benefit Plans
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 12/03/2012
DISPOSITION: Pending
LOCATION: Senate Public Employment and Retirement Committee
SUMMARY: Authorizes a local agency public employer or public retirement system that offers a defined benefit pension plan to offer a benefit formula with a lower benefit factor at normal retirement age and that results in a lower normal cost than the benefit formulas that are currently required, for purposes of addressing a fiscal necessity.

STATUS:
01/10/2013 To SENATE Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

CA SB 33

AUTHOR: Wolk [D]
TITLE: Infrastructure Financing Districts: Voter Approval
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 12/03/2012
LAST AMEND: 03/06/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY: Revises provisions governing infrastructure financing districts. Eliminates the requirement of voter approval for creation of the district and for bond issuance, and authorizes the legislative body to create the district subject to specified procedures. Authorizes the creation of such district subject to specified procedures. Authorizes a district to finance specified actions and project. Prohibits the district from providing financial assistance to a vehicle dealer or big box retailer.

STATUS:
04/11/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (24-13)

CA SB 36

AUTHOR: Hueso [D]
TITLE: Internet: Workers' Compensation Insurers: Data
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 12/04/2012
LAST AMEND: 04/30/2013
Requires the Department of Insurance to include on its Internet Web site a dedicated Internet Web page that includes workers' compensation data, statistics, and reports covering both insurers and self-insurers. Requires the department to only use data already collected by the department or the Department of Industrial Relations.

STATUS:

04/30/2013 In SENATE. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA SB 40

AUTHOR: Pavley [D]
TITLE: Safe, Clean, and Reliable Drinking Water Supply Act
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 12/10/2012
LAST AMEND: 01/17/2013
DISPOSITION: Pending
LOCATION: Senate Natural Resources and Water Committee

SUMMARY: Changes the name of the Safe, Clean, and Reliable Drinking Water Supply Act of 2012 to the Safe, Clean, and Reliable Drinking Water Supply Act of 2014. Declares the intent of the Legislature to amend the act for the purpose of reducing and potentially refocusing the bond.

STATUS:

01/31/2013 Re-referred to SENATE Committees on NATURAL RESOURCES AND WATER and RULES.

CA SB 42

AUTHOR: Wolk [D]
TITLE: Clean, Secure Water Supply and Delta Recovery Act
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 12/11/2012
DISPOSITION: Pending
LOCATION: Senate Natural Resources and Water Committee


STATUS:

01/10/2013 To SENATE Committee on NATURAL RESOURCES AND WATER.

CA SB 117

AUTHOR: Hueso [D]
TITLE: Integrative Cancer Treatment
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 01/17/2013
LAST AMEND: 04/30/2013
DISPOSITION: Pending
LOCATION: Senate Business, Professions & Economic Development Committee

SUMMARY: Prohibits a physician and surgeon, including an osteopathic physician and surgeon, from recommending, prescribing, or providing integrative cancer treatment to cancer patients unless certain requirements are met. Specifies that a failure of a physician and surgeon to comply with these requirements constitutes unprofessional conduct and cause for discipline by the applicable licensing board. Requires the State Department of Public Health to investigate violations of these provisions and to hold hearings.

STATUS: 04/30/2013 From SENATE Committee on BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT with author's amendments.
04/30/2013 In SENATE. Read second time and amended. Re-referred to Committee on BUSINESS, PROFESSIONS & ECONOMIC DEVELOPMENT.

CA SB 123

AUTHOR: Corbett [D]
TITLE: Environmental and Land-Use Court
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 01/18/2013
LAST AMEND: 05/02/2013
DISPOSITION: Pending
COMMITTEE: Senate Appropriations Committee
HEARING: 05/13/2013 10:00 am
SUMMARY: Requires the Judicial Council to direct the creation of an environmental and land-use division within the Superior Courts selected by the Council to process civil proceedings brought pursuant to the California Environmental Quality Act or in specified subject areas, including air quality, biological resources, climate change, hazards and hazardous materials, land use planning, and water quality. Increases the fees for environmental license plates with revenue for the environmental and land use court.

STATUS: 05/02/2013 From SENATE Committee on APPROPRIATIONS with author's amendments.
05/02/2013 In SENATE. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA SB 135

AUTHOR: Padilla [D]
TITLE: Earthquake Early Warning System
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 01/28/2013
LAST AMEND: 04/02/2013
DISPOSITION: Pending
LOCATION: Senate Appropriations Committee
SUMMARY: Requires the Office of Emergency Services to develop a comprehensive statewide earthquake warning system in California.
CA SB 167

AUTHOR: Gaines T [R]
TITLE: California Environmental Quality Act
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/04/2013
DISPOSITION: Pending
LOCATION: Senate Rules Committee

SUMMARY:
Makes technical, nonsubstantive changes to provisions of the California Environmental Quality Act that requires a lead agency to prepare an environmental impact report on a project that it proposes to carry out that may have a significant effect on the environment.

STATUS:
02/14/2013 To SENATE Committee on RULES.

CA SB 171

AUTHOR: Hueso [D]
TITLE: California Seed Law
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/05/2013
LAST AMEND: 04/08/2013
DISPOSITION: Pending
COMMITTEE: Senate Governance and Finance Committee
HEARING: 05/08/2013 9:30 am

SUMMARY:
Specifies that the Coachella Valley Water District is authorized to raise funds by special assessment or by adopting prescribed property related fees and charges.

STATUS:
04/11/2013 Re-referred to SENATE Committee on GOVERNANCE AND FINANCE.

CA SB 184

AUTHOR: Governance and Finance Cmt
TITLE: Local Government: Omnibus Bill
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/06/2013
LAST AMEND: 04/09/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY

SUMMARY:
Includes within the definition of family member under the Public Cemetery District Law a person's domestic partner. Defines the term domestic partner. Revises the definition of abuse of office to include bribery of a member of the Legislature in existing law that requires employment contracts between a local agency and an officer or employee to include a provision that would reimburse the agency for that officer's salary if that officer is convicted of an abuse of his or her office or position.
CA SB 217

AUTHOR: Beall [D]

TITLE: Memorandum of Understanding: State Bargaining Unit 9

FISCAL COMMITTEE: yes

URGENCY CLAUSE: yes

INTRODUCED: 02/11/2013

LAST AMEND: 03/18/2013

DISPOSITION: Pending

LOCATION: Senate Public Employment and Retirement Committee

SUMMARY:

Approves provisions of a memorandum of understanding entered into between the state employer and State Bargaining Unit 9, the Professional Engineers in state government, that require the expenditure of funds.

STATUS:

03/21/2013 Re-referred to SENATE Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

CA SB 246

AUTHOR: Fuller [R]

TITLE: Bighorn-Desert View Water Agency

FISCAL COMMITTEE: no

URGENCY CLAUSE: no

INTRODUCED: 02/12/2013

LAST AMEND: 04/23/2013

DISPOSITION: Pending

LOCATION: SENATE

SUMMARY:

Makes conforming changes related to the consolidated Bighorn-Desert View Water Agency district. Repeals provisions under which the consolidation was completed. Specifies procedures for the repayment of bonded indebtedness incurred prior to the consolidation. Eliminates the misdemeanor for ordinance violations. Makes a violation of certain regulations and infraction instead of a misdemeanor. Relates to right of access to meetings and writings of public agencies and officials. Relates to posting limitations.

STATUS:

04/29/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (37-0)

CA SB 322

AUTHOR: Hueso [D]

TITLE: Water Recycling

FISCAL COMMITTEE: yes

URGENCY CLAUSE: no

INTRODUCED: 02/19/2013

LAST AMEND: 04/22/2013

DISPOSITION: Pending

LOCATION: Senate Second Reading File

SUMMARY:

Relates to water recycling. Require the State Department of Public Health to investigate the feasibility of developing uniform water recycling criteria for direct potable reuse. Requires the National Water Research Institute to convene and administer an expert panel to establish uniform regulatory criteria for direct
CA SB 338

AUTHOR: Hill [D]
TITLE: Local Agency Meetings: Teleconferencing
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
DISPOSITION: Pending
LOCATION: Senate Governance and Finance Committee
SUMMARY: Requires if the legislative body of a local agency elects to use teleconferencing and a teleconference location is located outside the boundaries of the local agency, that the agenda be posted at that location at least 24 hours in advance of the meeting rather than 72 hours.
STATUS: 02/28/2013 To SENATE Committee on GOVERNANCE AND FINANCE.

CA SB 359

AUTHOR: Corbett [D]
TITLE: Environment: CEQA Exemption: Housing Projects
FISCAL COMMITTEE: yes
URGENCY CLAUSE: yes
INTRODUCED: 02/20/2013
LAST AMEND: 04/01/2013
DISPOSITION: Pending
COMMITTEE: Senate Appropriations Committee
HEARING: 05/13/2013 10:00 am
SUMMARY: Amends provisions of the California Environmental Quality Act which exempt from the Act's requirements residential infill projects meeting specified criteria. Exempts as residential a use consisting of residential units and neighborhood-serving goods, services, or retail uses that do not exceed a specified percent of the total building square footage of the project.
STATUS: 05/01/2013 From SENATE Committee on ENVIRONMENTAL QUALITY: Do pass to Committee on APPROPRIATIONS. (8-0)

CA SB 387

AUTHOR: Wright [D]
TITLE: Coastal Resources: Once-Through Cooling
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
DISPOSITION: Pending
LOCATION: Senate Environmental Quality Committee
SUMMARY: Requires State Water Resources Control Board to authorize the process of once-through cooling on existing powerplant facilities to the extent allowable by federal laws, including any federal regulations adopted by the United States.
CA SB 395

AUTHOR: Jackson [D]
TITLE: Hazardous Waste: Wells
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 05/07/2013
DISPOSITION: Pending
FILE: 57
LOCATION: Senate Second Reading File
SUMMARY:
Amends part of the Hazardous Waste Control Law that prohibits a person from discharging hazardous waste into an injection well unless certain conditions are met and imposes other requirements upon the operator of such well and defines injection for these purposes as excluding wells regulated by the Division of Oil and Gas. Deletes the exclusion of those regulated wells from the definition of injection well. Provides that oilfield wastewater does not include hazardous waste.
STATUS:
05/07/2013 In SENATE. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA SB 425

AUTHOR: DeSaulnier [D]
TITLE: Public Works: the Public Works Peer Review Act of 2013
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 05/07/2013
DISPOSITION: Pending
FILE: 67
LOCATION: Senate Second Reading File
SUMMARY:
Requires a public agency, principally tasked with administering the planning, development, and operation of a project to establish a specified peer review group, to provide it with expert advice on the scientific and technical aspects of the project if the public works is a megaproject, if it has been determined that the group is in the public interest or if a statute or resolution passed by the Legislature requires the agency to do so. Requires public disclosure by group members.
STATUS:
05/07/2013 In SENATE. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.
NOTES:
SDCWA Position: Watch (3-28-2013)

CA SB 429

AUTHOR: Hernandez E [D]
TITLE: San Gabriel Basin Water Quality Authority Act
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
CA SB 436

AUTHOR: Jackson [D]
TITLE: California Environmental Quality Act: Notice
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/03/2013
DISPOSITION: Pending
COMMITTEE: Senate Appropriations Committee
HEARING: 05/13/2013 10:00 am
SUMMARY:
Relates to the California Environmental Quality Act. Requires a lead agency to conduct at least one public scoping meeting for the specified projects and to provide notice to the specified entities of at least one public scoping meeting. Revises the meeting notice requirements to requires the notice be given to a list of specified parties including the State Clearinghouse and project applicants.
STATUS:
05/01/2013 From SENATE Committee on ENVIRONMENTAL QUALITY: Do pass to Committee on APPROPRIATIONS. (7-1)
NOTES:
SDCWA Position: Oppose unless amended (4-25-13)

CA SB 449

AUTHOR: Galgiani [D]
TITLE: Local Water Supply Programs or Projects: Funding
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/18/2013
DISPOSITION: Pending
COMMITTEE: Senate Appropriations Committee
HEARING: 05/13/2013 10:00 am
SUMMARY:
Prohibits the State Department of Water Resources from funding, through loans, grants or direct expenditure, specific programs or projects within the service area of an urban or agricultural water supplier that receives water from, transferred through, or used in the CALFED Bay-Delta watershed, unless the department determines that the supplier is reducing its dependence on the Delta.
STATUS:
04/23/2013 From SENATE Committee on NATURAL RESOURCES AND WATER: Do pass to Committee on APPROPRIATIONS. (7-2)
INTRODUCED: 02/21/2013
DISPOSITION: Pending
LOCATION: Senate Natural Resources and Water Committee
SUMMARY:

Authorizes the Sewerage Commission Oroville to file an application for a permit to appropriate a specified amount of water that is based on the volume of treated wastewater that it discharges into the Feather River. Authorizes the State Water Resources Control Board to grant a permit to appropriate that treated wastewater upon terms and conditions determined by the Board. Requires the Board to comply with permit, approval, and review requirements and other laws applicable to the appropriation of water.

STATUS:
04/23/2013 In SENATE Committee on NATURAL RESOURCES AND WATER: Not heard.

CA SB 481

AUTHOR: Huff [R]
TITLE: California Public Employees Pension Reform Act of 2013
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
DISPOSITION: Pending
LOCATION: Senate Rules Committee
SUMMARY:

Makes a nonsubstantive change to the California Public Employees' Pension Reform Act of 2013.

STATUS:
03/11/2013 To SENATE Committee on RULES.

CA SB 489

AUTHOR: Fuller [R]
TITLE: Water Corporations: Sewer System Corporations
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/02/2013
DISPOSITION: Pending
LOCATION: Senate Energy, Utilities and Communications Committee
SUMMARY:

Relates to water corporations and sewer system corporations. Authorizes the Public Utilities Commission to appoint, as an alternative to the appointment of a receiver, another water or sewer system corporation, or other qualified entity, to serve as the interim operator of the corporation providing inadequate service. Requires the commission to issue decisions and orders necessary for the interim entity to abate any danger to the public and to provide adequate service to the customers.

STATUS:
04/16/2013 In SENATE Committee on ENERGY, UTILITIES AND COMMUNICATIONS: Not heard.

CA SB 497

AUTHOR: Walters [R]
TITLE: California Global Warming Solutions Act of 2006: Fees
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 04/15/2013
DISPOSITION: Pending
LOCATION: Senate Environmental Quality Committee
SUMMARY: Amends the California Global Warming Solutions Act of 2006. Requires the State Air Resources Board to freely allocate greenhouse emissions allowances to the California State University, University of California and private colleges and universities for purposes of any market-based compliance mechanism adopted by the board.

STATUS:
05/01/2013 In SENATE Committee on ENVIRONMENTAL QUALITY: Failed passage.
05/01/2013 In SENATE Committee on ENVIRONMENTAL QUALITY: Reconsideration granted.

CA SB 548
AUTHOR: Roth [D]
TITLE: Public Utilities: Renewables Portfolio Standard
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Senate Energy, Utilities and Communications Committee
SUMMARY: Provides that for certain publicly owned electric utilities that provide electricity to retail end-use consumers, electricity products from eligible renewable energy resources may be used for compliance with the portfolio content requirements.

STATUS:
03/11/2013 To SENATE Committee on ENERGY, UTILITIES AND COMMUNICATIONS.

CA SB 553
AUTHOR: Yee [D]
TITLE: Local Government: Assessment: Elections Procedures
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/23/2013
DISPOSITION: Pending
COMMITTEE: Senate Appropriations Committee
HEARING: 05/13/2013 10:00 am
SUMMARY: Relates to property assessments and fees. Requires, where a proposed fee or charge is submitted to the electorate for approval, a county elections official shall conduct that election. Requires specific procedures for submission of a proposed fee or charge for approval by a vote of the subject property owners. Provides for procedures regarding the form and tabulation of ballots. Relates to agency proposals to impose or increase fees and election procedures. Provides for public hearings.

STATUS:
05/01/2013 From SENATE Committee on GOVERNANCE AND FINANCE: Do pass to Committee on APPROPRIATIONS. (7-0)

CA SB 591
AUTHOR: Cannella [R]
TITLE: Renewable Energy: Utilities: Hydroelectric Enforcement
Amends the state Renewables Portfolio Standard Program. Requires a local publicly owned electric utility that receives greater than a specified percentage of its electric sources from hydroelectric generation meeting specified requirements to meet only the electricity demands unsatisfied by its hydroelectric generation in any given year to satisfy its portfolio content requirements. Requires a report on whether enforcement procedures result in surplus electricity sales.

 STATUS: 04/22/2013 In SENATE Committee on APPROPRIATIONS: To Suspense File.

CA SB 608

FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/10/2013
DISPOSITION: Pending
LOCATION: Senate Appropriations Committee
SUMMARY: Provides that a nonpublic entity has no right under the doctrine of adverse possession to possess, occupy, or own public property or claim a public property by adverse possession. Prohibits a public entity from selling real property or conveying a durable interest except by official action.

 STATUS: 03/11/2013 To SENATE Committee on JUDICIARY.

CA SB 614

FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Senate Judiciary Committee
SUMMARY: Amends the state Renewables Portfolio Standard Program. Requires a local publicly owned electric utility that receives greater than a specified percentage of its electric sources from hydroelectric generation meeting specified requirements to meet only the electricity demands unsatisfied by its hydroelectric generation in any given year to satisfy its portfolio content requirements. Requires a report on whether enforcement procedures result in surplus electricity sales.

 STATUS: 04/08/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (25-12)

CA SB 617

FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/01/2013
SUMMARY: Provides that a nonpublic entity has no right under the doctrine of adverse possession to possess, occupy, or own public property or claim a public property by adverse possession. Prohibits a public entity from selling real property or conveying a durable interest except by official action.

 STATUS: 03/11/2013 To SENATE Committee on JUDICIARY.

CA SB 614

FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY: Relates to the Irrigation District Law. Eliminates the land ownership requirement pertaining to a director of the board of an irrigation district.

 STATUS: 04/08/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (25-12)
Amends various provisions of the California Environmental Quality Act. Requires that notices regarding environmental impact reports filed by lead agencies need to be filed with the Office of Planning and Research and the county clerk and posted by that clerk for public review. Provides additional duties regarding notices by the Office and the clerk. Requires a statement in the report regarding the placement of the project near natural hazards or adverse environment conditions. Repeals specified exemptions.

Amends the Water Replenishment District Act. Permits a district to establish an annual reserve fund. Requires the board of directors of a water replenishment district to declare whether funds are to be raised to purchase water for replenishment and whether the funds are to be raised either by a water charge, a general assessment, or a replenishment assessment. Provides that a producer is liable to the district for a penalty for unpaid assessment.

Amends the California Environmental Quality Act that requires the submission of a subsequent or supplemental environmental impact report when new information which was not known and could not have been known at the time of the original report was certified as complete, becomes available. Requires the new information that becomes available was not known and could not have been known by the lead agency or any responsible agency at the time the report was certified as complete. Relates to exemptions.
CA SB 636

AUTHOR: Hill [D]

TITLE: Redevelopment Property Tax Trust

FISCAL COMMITTEE: yes

URGENCY CLAUSE: no

INTRODUCED: 02/22/2013

DISPOSITION: Pending

COMMITTEE: Senate Appropriations Committee

HEARING: 05/13/2013 10:00 am

SUMMARY:
Modifies the provision of law relating to the allocation of remaining local property tax revenues in the Redevelopment Property Tax Trust Fund by deleting language requiring that the provision be construed in such a manner so as to not increase any allocations of excess, additional, or remaining Educational Revenue Augmentation Fund funds that would otherwise have been allocated to cities, counties, cities and counties, or special districts pursuant to existing law.

STATUS:
05/06/2013 In SENATE Committee on APPROPRIATIONS: Not heard.

CA SB 658

AUTHOR: Correa [D]

TITLE: Orange County Water District Act

FISCAL COMMITTEE: no

URGENCY CLAUSE: yes

INTRODUCED: 02/22/2013

LAST AMEND: 04/11/2013

DISPOSITION: Pending

FILE: 110

LOCATION: Senate Third Reading File

SUMMARY:
Relates to the Orange County Water District Act that requires the person causing or threatening to cause the contamination or pollution to the surface or groundwaters of the district to be liable to the district for reasonable costs actually incurred in cleaning up or containing the contamination or pollution, abating the effects of the contamination or pollution, or taking other remedial action. Makes that person also liable for costs in investigating the contamination and pollution.

STATUS:
05/06/2013 In SENATE. Read second time. To third reading.

CA SB 674

AUTHOR: Corbett [D]

TITLE: Energy: Renewable Energy

FISCAL COMMITTEE: yes

URGENCY CLAUSE: no

INTRODUCED: 02/22/2013

DISPOSITION: Pending

LOCATION: Senate Energy, Utilities and Communications Committee

SUMMARY:
Requires the Public Utilities Commission to adjust the payment rate for electricity purchased from electrical generation facility projects that integrate

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energy storage to adequately compensate for the additional value that energy storage system provides.

STATUS:
03/11/2013  To SENATE Committee on ENERGY, UTILITIES AND COMMUNICATIONS.

CA SB 726

AUTHOR: Lara [D]
TITLE: Global Warming: Western Climate Initiative, Inc.
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/08/2013
DISPOSITION: Pending
COMMITTEE: Senate Appropriations Committee
HEARING: 05/13/2013 10:00 am
SUMMARY:
Amends existing law that imposes conditions on the Western Climate Initiative, Incorporated which was created to assist the State Air Resources Board in the implementation of the State Global Warming Solutions Act of 2006. Requires the initiative to cease all work on behalf of the state until the entity's non-ex officio membership is confirmed by the Senate. Subjects the initiative to the Open Meetings Act and the Public Records Act.

STATUS:
05/01/2013  From SENATE Committee on ENVIRONMENTAL QUALITY: Do pass to Committee on APPROPRIATIONS. (9-0)

CA SB 731

AUTHOR: Steinberg [D]
TITLE: Environment: California Environmental Quality Act
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 05/07/2013
DISPOSITION: Pending
FILE: 32
LOCATION: Senate Second Reading File
SUMMARY:
Relates to the state environmental quality act. Provides that aesthetic impacts of a residential, mixed-use residential, or employment center project within a transit priority area shall not be considered significant impacts on the environment. Requires guidelines for thresholds of significance and the transportation and parking impacts to be made available to the public. Requires preparation of environmental impact reports. Extends tolling agreements for judicial actions and mitigation measures.

STATUS:
05/07/2013  In SENATE. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

CA SB 735

AUTHOR: Wolk [D]
TITLE: Sacramento-San Joaquin Delta Reform Act
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/24/2013
Amends the Sacramento-San Joaquin Delta Reform Act of 2009 to exclude from the definition of covered action the approval or implementation of a project as part of a larger conservation plan submitted pursuant to the Federal Endangered Species Act, a natural community conservation plan submitted pursuant to the Natural Community Conservation Planning Act, or certain permits related to the taking, importation, exportation, or sale of endangered species.

**STATUS:**
05/06/2013 In SENATE Committee on APPROPRIATIONS: To Suspense File.

**CA SB 739**

**AUTHOR:** Calderon R [D]
**TITLE:** Environmental Quality
**FISCAL COMMITTEE:** no
**URGENCY CLAUSE:** no
**INTRODUCED:** 02/22/2013
**DISPOSITION:** Pending
**LOCATION:** Senate Rules Committee

**SUMMARY:**
Makes a technical, nonsubstantive change to the definition of local agency for the purposes of the California Environmental Quality Act.

**STATUS:**
03/11/2013 To SENATE Committee on RULES.

**CA SB 754**

**AUTHOR:** Evans [D]
**TITLE:** Environmental Quality Act
**FISCAL COMMITTEE:** yes

**SUMMARY:**
Requires a water purveyor that provides water service to a newly constructed multiunit residential structure or newly constructed mixed-use residential and commercial structure that submits an application for a water connection to require the installation of either a water meter or a submeter to measure water supplied to each individual dwelling unit. Requires such meters comply with laws and regulations regarding the meter’s usage. Imposes certain requirements regarding meters on landlords.

**STATUS:**
04/29/2013 From SENATE Committee on JUDICIARY with author's amendments.

04/29/2013 In SENATE. Read second time and amended. Re-referred to Committee on JUDICIARY.
Amends the California Environmental Quality Act. Authorizes a person meeting specified requirements to bring an action or proceeding to enforce the implementation of the mitigation measures specified in a reporting and monitoring program if a project applicant fails to implement those measures. Prohibits a project proponent to contract for, direct or prepare the initial study, environmental impact report or negative declaration. Prohibits the use of a prior EIR for specified purposes.

CA SB 765

Prohibits a school district that employs any full-time peace officers from preventing those peace officers from joining or participating in employee organizations and negotiating units that are composed of peace officers, supervisory peace officers, or both and which are not subordinate to any other employee organization.

CA SB 772

Requires the Department of Health, or a local health agency, annually to provide the address and telephone number for each public water system and state small water system to the Public Utilities Commission and to a local agency formation commission. Relates to requests of information from entities that provide drinking water and the review of retail water suppliers in a county.
CA SB 776

AUTHOR: Corbett [D]
TITLE: Public Works: Prevailing Wage Rates
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/15/2013
DISPOSITION: Pending
FILE: 19
LOCATION: Senate Second Reading File
SUMMARY:
Makes changes to provisions specifying that certain employer payments are a credit against an obligation to pay the general prevailing rate of per diem wages, including certain benefits payments and payments to the Apprenticeship Council. Prohibits credit from being granted for payments made to enforce laws related to public works if those payments are not required by a collective bargaining agreement.
STATUS:
05/07/2013 In SENATE. Read second time. To third reading.

CA SB 783

AUTHOR: De Leon [D]
TITLE: Clean Water, Urban Parks, and Environmental Health Act
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Senate Rules Committee
SUMMARY:
Declares the intent of the Legislature to enact legislation that would improve the economy, the natural environment, and increase and improve access opportunities to physical fitness, by enacting the California Clean Water, Safe Urban Parks, and Environmental Health Investment Act of 2014.
STATUS:
03/11/2013 To SENATE Committee on RULES.

CA SB 787

AUTHOR: Berryhill T [R]
TITLE: Environmental Quality: Sustainable Protection
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/18/2013
DISPOSITION: Pending
LOCATION: Senate Environmental Quality Committee
SUMMARY:
Enacts the Sustainable Environmental Protection Act. Specifies the environmental review required pursuant for projects related to specified environmental topical areas. Prohibits certain causes of action. Provides that the Act only applies if a lead agency or project applicant has agreed to provide to the public an annual compliance report.
STATUS:
05/01/2013 In SENATE Committee on ENVIRONMENTAL QUALITY: Failed passage.
05/01/2013 In SENATE Committee on ENVIRONMENTAL QUALITY: Reconsideration granted.
CA SB 798

**AUTHOR:** De Leon [D]

**TITLE:** California Green Infrastructure Bank Act

**FISCAL COMMITTEE:**

**URGENCY CLAUSE:** yes

**INTRODUCED:** 02/22/2013

**DISPOSITION:** Pending

**LOCATION:** Senate Governance and Finance Committee

**SUMMARY:**

Enacts the Green Infrastructure Bank Act. Establishes the Green Infrastructure Bank. Provides for certain loans to a subdivision or local government. Amends an existing law which authorizes the allocation of moneys appropriated from Greenhouse Gas Reduction Fund for the purpose of reducing greenhouse gas emissions through investments in programs implemented by local and regional agencies and collaboratives and by nonprofit organizations.

**STATUS:**

03/11/2013 To SENATE Committees on GOVERNANCE AND FINANCE and RULES.

CA SB 805

**AUTHOR:** De Leon [D]

**TITLE:** Water Corporations: Low-Income Rate Relief Program

**FISCAL COMMITTEE:**

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**DISPOSITION:** Pending

**LOCATION:** Senate Rules Committee

**SUMMARY:**

Makes a technical, nonsubstantive change in provisions requiring the Public Utilities Commission to implement programs to provide rate relief for low-income ratepayers of a water corporation and to provide appropriate incentives and capabilities to achieve water conservation goals.

**STATUS:**

03/11/2013 To SENATE Committee on RULES.

CA SB 825

**AUTHOR:** Governance and Finance Cmt

**TITLE:** Government Finance

**FISCAL COMMITTEE:**

**URGENCY CLAUSE:** no

**INTRODUCED:** 03/20/2013

**DISPOSITION:** Pending

**COMMITTEE:** Senate Appropriations Committee

**HEARING:** 05/13/2013 10:00 am

**SUMMARY:**

Authorizes a public agency to accept a corporate check, cashier's check, money order, or other draft methods for payment of designated obligations and to impose a charge for any type of returned check or other authorized payment method that is not honored. Requires a private property owner to notify the county assessor if certain events occur. Relates to the assessment of contiguous properties in multiple tax districts. Adds information regarding assessments to tax bills or attached statements.

**STATUS:**

05/01/2013 From SENATE Committee on GOVERNANCE AND FINANCE: Do pass to Committee on APPROPRIATIONS. (7-0)
Proposes an amendment to the Constitution to provide that the imposition, extension, or increase of a special tax by a local government for the purpose of providing funding for local transportation projects and requires the approval of a related proposition. Prohibits the local government from expending any revenues derived from a special transportation tax approved by the voters at any time prior to the completion of a identified capital project funded by specified revenues.

STATUS:
03/19/2013 From SENATE Committee on GOVERNANCE AND FINANCE with author’s amendments.
03/19/2013 In SENATE. Read second time and amended. Re-referred to Committee on GOVERNANCE AND FINANCE.

 Makes conforming and technical, nonsubstantive changes to provisions relative to special taxation. Proposes an amendment to the Constitution to condition the imposition, extension, or increase of a special tax by a local government upon the approval of 55% of the voters voting on the proposition.

STATUS:
02/07/2013 To SENATE Committees on GOVERNANCE AND FINANCE and ELECTIONS AND CONSTITUTIONAL AMENDMENTS.
ADMINISTRATIVE AND FINANCE COMMITTEE

AGENDA FOR

MAY 23, 2013

Javier Saunders – Chair    Keith Lewinger
Gary Arant – Vice Chair    Dennis Sanford
Barbara Wight – Vice Chair    Bob Topolovac
Roger Bailey    Mark Watton
Ed Gallo    Mark Weston
Frank Hilliker    Ken Williams
Michael Hogan    Doug Wilson

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.

4-A Directors’ comments.

I. CONSENT CALENDAR

1. Treasurer’s report.
   Staff recommendation: Note and file the monthly Treasurer’s report.
   (Action)    Tracy McCraner

II. ACTION/DISCUSSION

1. Presentation of General Manager’s Recommended Budget for Fiscal Years 2014 and 2015 for review by the Administrative and Finance Committee and the Board of Directors. (Discussion)    Maureen Stapleton
<p>| | | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>2.</td>
<td><strong>Cost of Service Study Phase I and Calendar Year 2014 rates and charges.</strong></td>
<td>Tracy McCraner/ Robb Grantham (Carollo Engineering)</td>
<td></td>
</tr>
<tr>
<td>2-A</td>
<td>Presentation on final results of Cost of Service Study Phase I.</td>
<td>(Discussion)</td>
<td></td>
</tr>
<tr>
<td>2-B</td>
<td>Recommendation CY 2014 rates and charges.</td>
<td>David Shank</td>
<td>(Discussion)</td>
</tr>
<tr>
<td>2-C</td>
<td>Resolution setting a Public Hearing date for the Water Authority’s proposed calendar year 2014 Rate and Charge increases, System Capacity Charge increase and Water Treatment Capacity Charge decrease.</td>
<td>David Shank</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Staff recommendation:</strong> Adopt Resolution Number 2013-__ setting the time and place for a public hearing on June 27, 2013, at 1:00 p.m., or as soon thereafter as may practically be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2014.</td>
<td>(Action)</td>
<td></td>
</tr>
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</table>

## III. INFORMATION

1. Controller’s report on monthly financial reports.  
   Rod Greek

2. Board calendar.

## IV. CLOSED SESSION

## V. ADJOURNMENT

Doria F. Lore  
Clerk of the Board

**NOTE:** This meeting is called as an Administrative and Finance Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Revised). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
May 15, 2013

Attention: Administrative and Finance Committee

Treasurer’s Report

Attached for review by the Administrative and Finance Committee and the Board of Directors is the Treasurer’s Report as of April 30, 2013. The reports are formatted to provide information as required by the California Government Code and the San Diego County Water Authority’s Annual Statement of Investment Policy, which was last adopted by the Board on November 29, 2012. A brief description of each report follows:

Portfolio Master Summary: This one page report summarizes all cash and investments held by the Water Authority.

Portfolio Characteristics: This one page snapshot shows the Water Authority’s portfolio holdings by type and percentage; the maturity distribution of the portfolio; the portfolio yield for the past twelve months, with and without bond-related funds, compared to a rolling average yield of the Board adopted benchmark; the credit quality of the portfolio’s holdings; the cash flow projections for the next six months; and relevant market information.

Portfolio Details - Investments: This report takes the summary information listed in the Portfolio Master Summary and provides details of active investments.

Activity Summary: This one page report produces a thirteen-month rolling summary of portfolio investment activity.

The Water Authority’s portfolio is diversified among investment types, with a current concentration toward short-term maturities. This concentration is the result of cash flow needs, as well as the current historic low interest rate environment. The portfolio is comprised of high quality investments, with 75 percent currently invested in AAA rated or AAA/AA+ split-rated securities. The Water Authority’s overall portfolio yield decreased from 0.53 percent to 0.52 in April 2013 and continues to exceed the investment benchmark of 0.16 percent in April 2013. Bond Fund proceeds are expected to fund Capital Improvement Program expenditures for the next several years.

All investments have been made in accordance with the San Diego County Water Authority Statement of Investment Policy. This report provides documentation that the Water Authority has sufficient funds to meet the financial obligations for the next six months. The market value information is provided by Bloomberg L.P. and is as of the report date.

Tracy M. McCraner, Director of Finance/Treasurer
## PORTFOLIO PERCENTAGES

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Actual Percentage</th>
<th>Actual Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$50 Million</td>
<td>14.35%</td>
<td>$49,434,667</td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Treasury Securities</td>
<td>15% - Minimum</td>
<td>15.64%</td>
<td>53,860,863</td>
</tr>
<tr>
<td>Agency Securities</td>
<td>85%</td>
<td>51.89%</td>
<td>178,719,069</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Certificates of Deposit (CDARS)</td>
<td>15%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>15%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>10.63%</td>
<td>36,631,445</td>
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<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
<td>0.00%</td>
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<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>7.34%</td>
<td>25,286,242</td>
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<tr>
<td>Money Market Funds</td>
<td>15%</td>
<td>0.15%</td>
<td>503,242</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100.00%</strong></td>
<td><strong>$344,435,528</strong></td>
</tr>
</tbody>
</table>

Accrued Interest (unavailable for investing) 5,048
Checking/Petty Cash/Available Funds (unavailable for investing) 418,285

**Subtotal for Pooled Funds:** $344,858,861

**Bond/CP Fund Excluded from Portfolio Percentages:**

| Treasury Securities | 63,626,521 |
| Agency Securities   |            |
| Certificates of Deposit (CDARS) | - |
| Commercial Paper    | 6,291,024  |
| Local Agency Investment Fund (LAIF) | 122,443,537 |
| JPA Pools (CAMP)    | 17,885,646 |
| Money Market Funds and Cash | 4 |

Accrued Interest (unavailable for investing) -

**Subtotal for Bond/CP Fund (available for CIP expenditures):** $210,246,732

**Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:**

| Agency Securities and Money Market Fund - Series 2004A COPs | 4,478,473 |
| Trinity Plus - Reserve (GIC) Series 1998A COPs             | 12,240,775 |

**Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):** $16,719,248

**Total Cash and Investments:** $571,824,841

### Portfolio Information

<table>
<thead>
<tr>
<th>Portfolio Yield to Maturity - 365 Days</th>
<th>Pooled Funds **</th>
<th>Bond/CP Fund</th>
<th>Debt Service Reserve</th>
<th>Total *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Yield to Maturity - 365 Days</td>
<td>0.36%</td>
<td>0.49%</td>
<td>4.12%</td>
<td>0.52%</td>
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<tr>
<td>Average Term</td>
<td>653</td>
<td>298</td>
<td>150</td>
<td>508</td>
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<tr>
<td>Average Days to Maturity (730 Days Maximum)</td>
<td>471</td>
<td>86</td>
<td>130</td>
<td>319</td>
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</tbody>
</table>

* "The weighted average days to maturity of the total portfolio shall not exceed 730 days (two years) to maturity" per SDCWA Investment Policy.
** Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.
On March 20th, the FOMC maintained the target for the federal funds rate at a range of 0-25 basis points. The next meeting is May 1st.
<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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<td>36959HSU2</td>
<td>10064</td>
<td>GENERAL ELECTRIC CAPITAL CORP.</td>
<td>08/31/2012</td>
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<td>1,197,210.00</td>
<td>1,197,210.00</td>
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<td>AA+</td>
<td>0.318</td>
<td>27</td>
<td>05/28/2013</td>
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<td>AA+</td>
<td>0.257</td>
<td>107</td>
<td>08/16/2013</td>
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<td>GENERAL ELECTRIC CAPITAL CORP.</td>
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<td>2,496,704.17</td>
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<td>AA+</td>
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Subtotal and Average |
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<table>
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Subtotal and Average |
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<td>227,814,270.58</td>
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**Commercial Paper - Discount**

**Federal Agency - Coupon**

**Portfolio CWA2**

CC

PM (PRF_PM2) 7.3.0
SDCWA - Fiscal Year 2013
Portfolio Management

Page 2

Portfolio Details - Investments
April 30, 2013
CUSIP

Investment #

Issuer

Average
Balance

Purchase
Date

Par Value

Market Value

Book Value

10/13/2011
10/31/2011
11/30/2011
03/29/2012
06/28/2012
07/19/2012
07/25/2012
08/16/2012
09/18/2012
10/17/2012
11/08/2012
12/17/2012
01/17/2013
01/17/2013
02/20/2013
04/23/2013
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06/25/2012
06/25/2012
07/12/2012
08/09/2012
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03/29/2011
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05/12/2011
05/12/2011

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6,605,000.00
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7,000,000.00
11,000,000.00
6,000,000.00
3,000,000.00
2,966,000.00
3,500,000.00
7,600,000.00
2,080,000.00
3,000,000.00
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4,690,882.00

238,735,000.00

244,655,980.40

246,808,276.02

Stated
Rate

S&P

YTM Days to
365 Maturity

Maturity
Date

Federal Agency - Coupon
3133XUMR1
3133XGJ96
3137EACB3
3137EACX5
3134G23H3
3137EADD8
3137EADD8
3137EADD8
3137EAAD1
3137EAAD1
3137EACB3
3137EACB3
3134G3SB7
3137EADD8
3137EADD8
3137EAAD1
3134A4UU6
3128X2TM7
3134A4TZ7
3134G2UA8
3134G2WG3
3135G0BJ1
3135G0DW0
31398A4M1
3135G0BA0
3135G0DW0
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3135G0DW0
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31398A4N9
31398A6D9

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FEDERAL HOME LOAN BANK
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FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
Subtotal and Average

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5.250
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0.500
0.500
0.500
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5.250
2.500
2.500
0.375
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5.000
5.000
4.500
1.000
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1.625
2.375
0.625
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0.625
4.125
0.875
2.500
1.750
4.125
1.000
0.800

AA+
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167
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0.579

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09/13/2013
04/23/2014
10/30/2013
10/15/2013
04/17/2015
04/17/2015
04/17/2015
04/18/2016
04/18/2016
04/23/2014
04/23/2014
04/28/2014
04/17/2015
04/17/2015
04/18/2016
07/15/2014
01/30/2014
07/15/2013
08/20/2014
09/22/2014
06/27/2014
10/30/2014
10/26/2015
04/11/2016
10/30/2014
10/26/2015
10/30/2014
04/15/2014
08/28/2014
05/15/2014
05/07/2013
04/15/2014
10/15/2013
11/18/2013

Portfolio CWA2
CC
Run Date: 05/01/2013 - 14:27

Page 179 of 386

PM (PRF_PM2) 7.3.0


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<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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<td>912828MZ0</td>
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<td>Subtotal and Average</td>
<td>61,082,119.35</td>
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<td>53,713,070.84</td>
<td>53,861,536.09</td>
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<td></td>
<td>Total and Average</td>
<td>647,852,153.70</td>
<td>562,049,270.58</td>
<td>569,105,791.35</td>
<td>571,406,552.22</td>
<td>0.517</td>
<td>319</td>
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### Portfolio Details - Cash
#### April 30, 2013

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<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
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<tbody>
<tr>
<td>CASH01</td>
<td>48</td>
<td>PETTY CASH</td>
<td>0.00</td>
<td>07/01/2012</td>
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<td>CASH02</td>
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<td>420,561.97</td>
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<td>420,561.97</td>
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<td>CASH03</td>
<td>1001</td>
<td>WELLS FARGO - PAYROLL ZBA</td>
<td>-4,776.65</td>
<td>07/01/2012</td>
<td>-4,776.65</td>
<td>-4,776.65</td>
<td>-4,776.65</td>
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<tr>
<td>CASH38</td>
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<td>WELLS FARGO - 2010A BONDS</td>
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<td>07/01/2012</td>
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<td>CASH39</td>
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<tr>
<td>CASH30</td>
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<td>WELLS FARGO - 2008A COPS</td>
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<td>07/01/2012</td>
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<td>0.00</td>
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</table>

| Average Balance | | | | | 0.00 | | | | | | 1 |

| Total Cash and Investments | 647,852,153.70 | 562,467,559.75 | 569,524,080.52 | 571,824,841.39 | 0.517 | 319 |
## SDCWA - Fiscal Year 2013
### Portfolio Management Activity Summary
#### April 2012 through April 2013

<table>
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<tr>
<th>Month</th>
<th>Year</th>
<th>Number of Securities</th>
<th>Total Invested</th>
<th>Yield to Maturity</th>
<th>Managed Pool Rate</th>
<th>Average Term</th>
<th>Average Days to Maturity</th>
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</thead>
<tbody>
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<td>April</td>
<td>2012</td>
<td>99</td>
<td>706,317,085.02</td>
<td>0.695</td>
<td>0.998</td>
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<td>407</td>
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<tr>
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<td>2012</td>
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<td>710,072,846.50</td>
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<td>0.940</td>
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<td>2012</td>
<td>94</td>
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<td>692,323,234.29</td>
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<tr>
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<td>2012</td>
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Average: 89 | 674,409,262.64 | 0.650% | 0.659% | 0.875 | 3 | 5 | 472 | 269
May 15, 2013

Attention: Administrative & Finance Committee

Presentation of the General Manager’s Recommended Budget for Fiscal Years 2014 and 2015 for review by the Administrative and Finance Committee and the Board of Directors.

The General Manager’s Recommended Budget for Fiscal Years 2014 and 2015 builds upon the Water Authority’s past actions to address “the New Normal” in which the organization and its member agencies now operate. Decisions to fund programs/services is based on making investments that have long-term quantifiable payback and utilizing resources in the most efficient and effective manner possible. The Water Authority remains focused on continually searching for efficiencies, cost-reductions, process and performance improvements, and building our partnerships with other agencies and the private sector to mitigate costs to our ratepayer’s without sacrificing funding for critical programs.

The budget document will be delivered to Board members at the Administrative and Finance Committee meeting on May 23rd and the General Manager will present an overview of the Fiscal Years 2014 and 2015 Budget at that committee meeting. For reference purposes, the General Manager’s message at the front of the document summarizes the key aspects of the fiscal plan for the next two years. The schedule below outlines key dates and activities in the consideration and adoption of the General Manager’s Recommended Budget:

May 23, 2013  General Manager to present budget overview  
Set public hearing for 2014 rates and charges

June 11 & 13, 2013  Special Administrative and Finance Committee Meetings–budget hearings to review in greater detail the General Manager’s recommended budget including, water sales and purchases, capital improvement program, debt service, and operating departments budget.

June 27, 2013  Adopt Fiscal Years 2014 and 2015 budget  
Hold public hearing on proposed rates and charges  
Adopt proposed rates and charges

Prepared by: Lisa Celaya, Financial Resources Manager  
Reviewed by: Tracy McCraner, Director of Finance/Treasurer  
Approved by: Sandra L. Kerl, Deputy General Manager
May 15, 2013

Attention: Administrative and Finance Committee

Resolution setting a Public Hearing date for the Water Authority’s proposed calendar year 2014 Rate and Charge increases, System Capacity Charge increase and Water Treatment Capacity Charge decrease. (Action)

Purpose
To adopt a resolution setting a time and place for a public hearing for the consideration and adoption of the proposed rate and charge increases for water, services and facilities as detailed within the Cost of Service Study – Phase I and Capacity Charge Reports prepared by Carollo Engineers, Inc.

Staff recommendation
Adopt Resolution Number 2013-__ setting the time and place for a public hearing on June 27, 2013, at 1:00 p.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2014.

Alternative
Direct staff to set a different time or date for the public hearing.

Fiscal impact
The proposed water rates and charges, in combination with existing taxes, the System Capacity Charge, the Water Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income and the Standby Availability Charge are expected to raise revenues sufficient to meet the Water Authority’s revenue requirement, bond covenants and other key fiscal policy goals. The proposed rates and charges would result in an “all-in” increase of 2.6% in the untreated water rate and a 3.5% increase in the “all-in” treated water rate for CY 2014.

Background
Ordinance No. 2002-03
On June 27, 2002, the Water Authority adopted Ordinance No. 2002-03 establishing the current revenue structure, which consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a Water Standby Availability Charge levied pursuant to § 5.2 of the County Water Authority Act; an Infrastructure Access Charge imposed on member agencies as a condition of maintaining connections to Water Authority facilities; a capacity charge levied pursuant to § 5.9 of the County Water Authority Act; and rates and charges for delivery and

1 The “all-in” water rate is the estimated average cost of water that includes the Water Authority’s Melded Supply, Melded Treatment (if treated rate) and Transportation rates along with the Storage and Customer Service charges expressed as a $/AF estimate. The actual average cost will vary for each member agency depending on their Customer Service and Storage charge allocations.
supply of water, use of facilities, and provision of other services. This revenue structure is reflected in §5.00.050 of the Water Authority Administrative Code.

The June 2002 Board Action unbundled the then uniform commodity rate (commonly referred to as a postage stamp rate), creating separate commodity rates and charges for supply, treatment, transportation, customer service and storage. This action was the result of a multi-year work effort involving member agencies, Water Authority staff and consultants. The unbundling of rates and charges was effective for rates and charges starting January 1, 2003.

“Other” Key Governing Board Policies

On June 11, 1998, the Board adopted Ordinance No. 98-26 establishing both the Water Authority’s IAC and the methodology for its calculation. The IAC was established as a result of the Revenue Plan Review conducted in 1997. The adopted IAC policy defines fixed costs and establishes the “minimum” target for IAC revenue at least 25% of fixed costs. 25% was selected as the multiplier to reflect the impact of wet weather on the Water Authority’s finances at that time. It was shown that in a two year period Water Authority commodity sales could decline 25% below the level experienced in normal weather. Because water rates are set based on normal weather sales projections the impacts of wet weather would result in the need for rate spikes to collect sufficient revenue to meet debt service and bond covenants. Additionally, the level of financial commitment required to implement the Capital Improvement Program (CIP) and specifically the Emergency Storage Project (ESP) would result in significant revenue variations during wet weather which could not be managed solely by draws from the Rate Stabilization Fund (RSF). This long term financial commitment required a stable funding source that would avoid the need to spike water rates to meet revenue requirements during periodic weather related reductions in water demand. The IAC methodology ensures that this minimum target of 25% of fixed costs will be met by fixed revenues (IAC, property taxes and stand by availability). The IAC policy includes a 10% increase to the estimated minimum level of fixed revenue to provide increased assurance that the actual fixed revenues will be at least 25% of actual fixed costs since these costs can vary from the budget during the year.

On July 12, 1990, the Board adopted Ordinance No. 90-2 establishing the Water Authority’s capacity charge. Since then, the fee has been updated to reflect the changes in the value of system assets. In 2005, a fixed revenue study was conducted to update the capacity charge methodology and create a capacity charge for treatment capacity. On May 26, 2005, the Board adopted the recommended new methodology, created the Treatment Capacity Charge and authorized the annual escalation of the fees based upon changes in the Engineering News-Record Construction Cost Index for Los Angeles (ENR-CCI LA).

Colorado River Quantification Settlement Agreement Supplies

In October 2003, the Water Authority executed two major water supply agreements as part of the Colorado River Quantification Settlement Agreement: a 45- to 75-year water conservation and transfer agreement with the Imperial Irrigation District for 200,000 acre-feet of water annually; and, a 110-year agreement with the U.S. Secretary of Interior, under which the Water Authority funded the lining of the All American and Coachella canals in the Imperial Valley (less costs paid by the State) in return for approximately 80,000 acre-feet of conserved supplies each year. The canal lining supplies became available in 2006 from the Coachella project and in 2010 from the All-
American project. The supplies from Imperial Irrigation District ramp in between 2003 and 2021. In 2014, the quantity of the transfer will remain at 100,000 acre-feet. An increase in the rate for the supplies in accordance with the price schedule in the agreement, contribute to the Water Authority’s proposed rate increases in 2014.

Proposition 26
In November 2010, the voters adopted Proposition 26, an initiative measure amending provisions of articles XIII A and XIII C of the California Constitution. The General Counsel has determined that the measure’s amendment of article XIII C affects the Water Authority. Specifically, the measure adds a new definition of tax applicable to local government agencies. As newly defined, a “tax” is “any levy, charge, or exaction of any kind imposed by a local government” except one that falls within one of seven specific categories. One of these categories includes charges for benefits or privileges paid by a recipient that do not exceed the reasonable costs of providing the benefit or privilege. Another category includes charges for services or products that do not exceed the cost of providing the services or product. The requirements for Proposition 26 compliance are discussed in the Cost of Service Study prepared by Carollo Engineers which is being distributed concurrently with this memorandum.

Metropolitan Water Rate Increases
On April 10, 2012, MWD’s Board of Directors adopted rate and charge increases for calendar years 2013 and 2014 resulting in a 5% annual “average” rate increase in each year. Based upon MWD’s adopted rate and charge schedule, the cost of treated and untreated water to the Water Authority will increase by 5.1% and 0%, respectively, in CY 2014 (excluding the impact of MWD’s fixed charges). While the untreated water rate remained flat in CY 2014, MWDs transportation rate decreased by 1.8%.

Previous Board Action
On June 28, 2012, the Board a) adopted a mid-term update of the FY 2012 and FY 2013 multi-year budget; b) conducted a public hearing on CY 2013 rates and charges; and c) adopted CY 2013 rates and charges.

Discussion
The CY 2014 proposed rates are only modestly increasing as a result of the continued commitment by the Water Authority Board and staff to actively manage costs, focus on projects with a long-term quantifiable payback, and a continuous search for efficiencies, consolidations or outsourcing, and performance improvements. This was initiated with the New Normal and the approval of the FY 2012 and FY 2013 Adopted Budget which reflected a 16% structural budget reduction over the previous multi-year budget, and remains as the core budget principle in the FY 2014 and FY 2015 Proposed Budget being presented at the A&F Committee meeting scheduled for May 23, 2013.

Prudent Financial Management and Long-Range Planning
In 2006, following the recommendations of a Rate Model Working Group (RMWG) and Administrative and Finance Committee, the Board amended the Water Authority’s financial policies regarding the Rate Stabilization Fund (RSF) and Debt Service Coverage Ratio (DSCR). As part of the amendments, the Board established a target funding level for the RSF that better
protects the Water Authority against the financial impact of 2.5 years of wet weather (3.5 years max). In addition, it established a target DSCR of 1.50x.

The overall benefits of the amendments included reduced rate volatility, increased protection against wet weather, a transparent and flexible RSF framework, and increased cash funding of the CIP. Furthermore, it strengthened key financial ratios—higher debt service coverage ratio, decreased debt ratio and increased cash days—to support the maintenance of the Water Authority’s AA+ credit ratings and access to lower rates.

The Water Authority’s Long-Range Financing Plan, updated by the board of directors in 2008, requires the revenues of the Water Authority be sufficient to; pay operating expenses, provide for maintenance and repair of facilities, provide for payment of principle and interest on debt, and provide reasonable reserves consistent with bond covenants and sound fiscal management. As a public agency enterprise, the Water Authority does not generate a profit. Revenues are set to meet the reasonably anticipated costs of providing service to the member agencies and do not generate revenues that are unrelated to the accomplishment of the Water Authority’s purposes.

**Setting Water Rates and Charges**

On an annual basis, the Water Authority staff develops proposed water rates and charges, which it presents to the Board of Directors for adoption. Water rates and charges include the Melded Supply, Melded Treatment, Transportation rates and the Customer Service and Storage charges. Each year the Water Authority undertakes the following cost of service analysis to determine water rates and charges.

- **Step 1.** Establish the revenue requirement—determine the total amount of revenue needed to recover the Water Authority’s annual operating (operations and maintenance of facilities, cost of water, treatment costs, etc.) and capital expenditures (cash and short and long-term debt)
- **Step 2.** Allocate the revenue requirement and offsetting non-commodity revenues (i.e. investment income, property tax, IAC, etc) to rate categories (melded supply, melded treatment, transportation, storage and customer service) to determine the net revenue requirement for each rate category
- **Step 3.** Determine rates and charges based upon the net revenue requirements, water sales projections and other key financial management metrics (i.e. senior lien debt service coverage, fund deposits and withdrawals)
- **Step 4.** Allocate fixed charges (storage and customer service) to member agencies based on specified allocation methodologies

Water Authority staff performed this same detailed level of rate development and review as it typically would while Carollo Engineers was retained, concurrently, to independently perform a Cost of Service Study – Phase I. The Cost of Service Study – Phase I provides for the expert review and analysis of the Water Authority’s existing cost of service methodologies to ensure compliance with all legal requirements, Board policies and industry standards and best practices.
Independent Cost of Service Review
Consistent with best management practices, the Water Authority retained Carollo Engineers (Carollo) to perform an independent Cost of Service Study (the Study) to determine the Water Authority’s calendar year 2014 rates and charges. The Study focused on developing the revenue requirements, evaluating the cost allocation methodology and ensuring compliance with existing legal requirements and Board policies. Carollo has independently calculated the calendar year 2014 rates and charges and determined that the Water Authority’s rate setting process is consistent with California legal requirements, cost of service standards, and Water Authority Board policies. The Cost of Service Study report is included as Attachment A. It is proposed that the Board will consider and accept public comment regarding this study at the June 27, 2013 A&F Committee meeting before adopting the CY 2014 rates and charges.

Proposed Rates and Charges
In February 2011, staff developed a high/low rate and charge forecast to support member agency financial planning efforts. The high/low rate and charge forecasts were based upon scenarios varying the level of water sales, MWD rate and charge increases, and CIP expenditures. The CY 2014 proposed rates and charges are within that guidance. The Water Authority’s “all-in” rate for untreated and treated water is increasing 2.6% and 3.5%, respectively. It should be noted that the actual cost of water will vary by member agency based upon each agency’s fixed charge allocations.

Description of Proposed Rates and Charges
Table 1 summarizes the Water Authority’s proposed CY 2014 rates and charges. A description of the Water Authority’s rates and charges is provided in subsequent sections. In addition to the Water Authority’s rates and charges shown in Table 1, certain MWD rates and charges are passed through to the member agencies.

<table>
<thead>
<tr>
<th>Water Authority Rates and Charges</th>
<th>CY 2012 Previous</th>
<th>CY 2013 Current</th>
<th>CY 2014 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melded M&amp;I Supply Rate ($/AF)</td>
<td>$638</td>
<td>$714</td>
<td>$732</td>
</tr>
<tr>
<td>Melded M&amp;I Treatment Rate (S/AF)</td>
<td>$234</td>
<td>$256</td>
<td>$274</td>
</tr>
<tr>
<td>Transportation Rate ($/AF)</td>
<td>$85</td>
<td>$93</td>
<td>$97</td>
</tr>
<tr>
<td>Untreated Special Agricultural Water Rate ($/AF)</td>
<td>$560</td>
<td>$593</td>
<td>$593</td>
</tr>
<tr>
<td>Treated Special Agricultural Water Rate ($/AF)</td>
<td>$794</td>
<td>$849</td>
<td>$867</td>
</tr>
<tr>
<td>Infrastructure Access Charge</td>
<td>$2.60/ME$</td>
<td>$2.65/ME$</td>
<td>$2.68/ME$</td>
</tr>
<tr>
<td>Customer Service Charge</td>
<td>$26,400,000</td>
<td>$26,400,000</td>
<td>$26,400,000</td>
</tr>
<tr>
<td>Storage Charge</td>
<td>$54,200,000</td>
<td>$60,200,000</td>
<td>$63,200,000</td>
</tr>
<tr>
<td>Standby Availability Charge per parcel or acre, whichever is greater$1</td>
<td>$10</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>System Capacity Charge</td>
<td>$4,326/ME$</td>
<td>$4,326/ME$</td>
<td>$4,681/ME$</td>
</tr>
<tr>
<td>Treatment Capacity Charge</td>
<td>$166/ME$</td>
<td>$166/ME$</td>
<td>$119/ME$</td>
</tr>
</tbody>
</table>

$1 Fiscal Year Charge.
$2 ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge.
Table 2 summarizes MWD’s rates and charges that the Water Authority passes through to its member agencies.

<table>
<thead>
<tr>
<th>MWD Rates and Charges</th>
<th>CY 2012 Previous</th>
<th>CY 2013 Current</th>
<th>CY 2014 Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Untreated Tier 2 Supply Rate $/AF¹</td>
<td>$686</td>
<td>$743</td>
<td>$735</td>
</tr>
<tr>
<td>Interim Agricultural Water Program Untreated ($/AF)</td>
<td>$537</td>
<td>NA¹</td>
<td>NA³</td>
</tr>
<tr>
<td>Interim Agricultural Water Program Treated ($/AF)</td>
<td>$765</td>
<td>NA²</td>
<td>NA³</td>
</tr>
<tr>
<td>Replenishment Water Rate Untreated ($/AF)</td>
<td>$442</td>
<td>NA²</td>
<td>NA³</td>
</tr>
<tr>
<td>Replenishment Water Rate Treated ($/AF)</td>
<td>$651</td>
<td>NA²</td>
<td>NA³</td>
</tr>
<tr>
<td>MWD Capacity Charge</td>
<td>$7,809,220</td>
<td>$6,753,920</td>
<td>$8,268,900</td>
</tr>
<tr>
<td>Readiness-to-Serve Charge²</td>
<td>$21,930,087</td>
<td>$23,240,691</td>
<td>$24,498,074</td>
</tr>
</tbody>
</table>

¹ Agencies exceeding their Tier 1 allocation pay the MWD bundled Tier 2 Supply Rate (System Access Rate, System Power Rate and Water Stewardship Rate) instead of the M&I Melded Supply Rate.
² Fiscal Year Charge.
³ The Interim Agricultural Water Program was discontinued after 2012 and discussion on the replenishment program are continuing.

The following rates and charges will be effective July 1, 2013:

**Standby Availability Charge.** The County Water Authority Act limits the maximum annual Standby Availability Charge to $10 per acre or parcel, whichever is greater. Beginning before November 6, 1996, the Water Authority has determined that the maximum annual Standby Availability Charge should be levied on property within the Water Authority’s service area. To provide necessary funding for the CIP, the General Manager recommends that the charge continue at the $10 maximum for fiscal year 2013-2014. The Standby Availability Charge rate is effective July 1, 2013.

The following rates and charges are being proposed effective on January 1, 2014:

**Melded Untreated M&I Supply Rate.** The Melded Untreated Municipal and Industrial Supply Rate will be set to recover the costs of purchasing Tier 1 water from MWD, water purchases from IID, payments in connection with the All-American and Coachella Canal lining projects, payments to MWD under the 2003 Exchange Agreement for conveyance of IID and Canal Lining water, and may include other costs specifically associated with the acquisition of the IID supply source, cost recovery for supply costs previously incurred but not charged, etc. For CY 2014, the Melded M&I Supply Rate will increase from its current level of $714/AF to $732/AF. Table 3 shows the calculation of the Melded Untreated Supply Rate.
### Table 3 – Melded Untreated M&I Supply Rate Calculation

<table>
<thead>
<tr>
<th>Acre-Foot Sales (A/F) (000’s)</th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD Tier I</td>
<td>258.3</td>
</tr>
<tr>
<td>IID</td>
<td>100.0</td>
</tr>
<tr>
<td>Canal Water Delivery Costs</td>
<td>80.2</td>
</tr>
<tr>
<td><strong>TOTAL A/F SALES</strong></td>
<td><strong>438.5</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Water Purchase Cost (in Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD Tier 1 Water Purchases</td>
<td>$153.2</td>
</tr>
<tr>
<td>QSA Exchange with MWD Costs</td>
<td>80.2</td>
</tr>
<tr>
<td>IID Water Purchases</td>
<td>59.4</td>
</tr>
<tr>
<td>Canal Water Purchases</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Subtotal Water Purchases</strong></td>
<td><strong>$293.6</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Costs (in Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Canal Cost Differential and Operating Budget Costs</td>
<td>$18.2</td>
</tr>
<tr>
<td>IID Socioeconomic</td>
<td>3.2</td>
</tr>
<tr>
<td>QSA Environmental</td>
<td>5.3</td>
</tr>
<tr>
<td>Groundwater Storage</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Subtotal Other Costs</strong></td>
<td><strong>$27.2</strong></td>
</tr>
</tbody>
</table>

**TOTAL SUPPLY COST** $320.8

**A/F RATE (Total Supply Cost/Total A/F Sales)** $732

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**Melded M&I Treatment Rate.** The Melded Municipal and Industrial Treatment Rate will be set to recover the costs of treating water for the Water Authority and may include costs of purchasing treated water from MWD, the Levy and Olivenhain treatment plants, the Water Authority’s Twin Oaks Valley Water Treatment Plant, and may recover certain other costs associated with the delivery of treated water. For CY 2014, the Melded M&I Treatment Rate will increase from its current level of $256/AF to $274/AF. Table 4 shows the calculation of the Melded Treatment Rate.

### Table 4 – Melded M&I Treatment Rate Calculation

<table>
<thead>
<tr>
<th>Acre-Foot Sales (A/F) (000’s)*</th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD</td>
<td>104.7</td>
</tr>
<tr>
<td>Water Authority</td>
<td>65.8</td>
</tr>
<tr>
<td>Helix</td>
<td>25.6</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>TOTAL A/F SALES</strong></td>
<td><strong>199.9</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost (in Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD</td>
<td>$31.1</td>
</tr>
<tr>
<td>Water Authority</td>
<td>18.1</td>
</tr>
<tr>
<td>Helix</td>
<td>4.0</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>TOTAL TREATMENT COSTS</strong></td>
<td><strong>$54.7</strong></td>
</tr>
</tbody>
</table>

**A/F RATE (Total Treatment Costs/Total A/F Sales)** $274

*Includes SAWR treated water deliveries.
Transportation Rate. The Transportation rate is set to recover capital, operating, and maintenance costs of Water Authority-owned water delivery facilities, including facilities used to physically transport the water to member agency meters. The Transportation Rate is charged to each acre-foot of water delivered by the Authority as it occurs. For CY 2014, the Transportation Rate will increase from its current level of $93/AF to $97/AF.

The Water Authority will also use the Transportation rate, plus a cost-recovery based administrative charge determined by the Board of Directors, as the basis for charges paid to the Water Authority for any wheeling of non-Water Authority water through the Water Authority facilities.

Water Authority’s Transitional Special Agricultural Water Program Rates. For CY 2014, the untreated agricultural water rate will remain at its current level of $593/AF. The treated agricultural water rate will increase from $849/AF in CY 2013 to $867/AF in CY 2014. The TSAWR program rates correspond to a lower level of water supply reliability for its participants.

Infrastructure Access Charge. The infrastructure access charge is imposed on member agencies as a condition of maintaining connections to Water Authority facilities. It is apportioned based on water meters within each member agency. The methodology used to calculate the IAC is provided in Attachment A. For CY 2014, the IAC will increase from its current level of $2.65/ME to $2.68/ME.

Customer Service Charge. The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority. The Customer Service Charge will be allocated among the member agencies on the basis of each agency’s three-year rolling average of member agency supply purchases from the Water Authority. For CY 2014, the Customer Service Charge will remain unchanged at $26.4M.

Storage Charge. The Storage Charge is set to recover costs associated with the Emergency Storage Program and the Carryover Storage Program. Because agricultural users that participate in the TSAWR program agree to reduced or interrupted service during times of water emergencies, they will not receive benefit from the storage program; therefore, the Storage Charge is based on all non-TSAWR water deliveries and will be allocated among the member agencies using a pro rata share of each agency’s three-year rolling average deliveries. For CY 2014, the Storage Charge will increase from its current level of $60.2M to $63.2.

Capacity Charges
Capacity charges are one time fees charged to new system connections. The fee is set to recover the proportionate cost of the system necessary to serve that connection. The Cost of Service Study – Phase I provides a detailed discussion of the methodology used to calculate the System and Water Treatment Capacity Charges.

System Capacity Charge. This charge recovers a portion of the capital costs for the conveyance and storage facilities necessary to operate the delivery system. Application of the methodology to the conveyance and storage system capital facilities results in an increase from its current charge of $4,326 to $4,681 for each new meter equivalent.
Water Treatment Capacity Charge. This charge recovers a portion of the regional water treatment facility to be collected from all future users of the facility. In keeping with the Water Authority’s policy of exempting agencies that cannot benefit from a service, the Water Treatment Capacity Charge excludes customers from the City of Del Mar, City of Escondido, and City of Poway. This resulted in the Water Treatment Capacity Charge decreasing from its current level of $166 to $119 for each new meter equivalent connected to the treated water system.

Table 5 presents a summary of the proposed Capacity Charge schedule effective on January 1, 2014.

### Table 5 Summary of Water Authority Capacity Charges

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>System Capacity Charge</th>
<th>Water Treatment Capacity Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1.0</td>
<td>$4,681</td>
<td>$119</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>7,490</td>
<td>190</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3.0</td>
<td>14,043</td>
<td>357</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>24,341</td>
<td>619</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>44,938</td>
<td>1,142</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>76,768</td>
<td>1,952</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30.0</td>
<td>140,430</td>
<td>3,570</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52.0</td>
<td>243,412</td>
<td>6,188</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78.0</td>
<td>365,118</td>
<td>9,282</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132.0</td>
<td>$617,892</td>
<td>$15,708</td>
</tr>
</tbody>
</table>

The following MWD rates and charges are passed on directly or allocated to the Water Authority’s member agencies in the same manner as MWD applies them to the Water Authority.²

MWD Capacity Charge. For CY 2014, the Capacity Charge is $8,600 per cubic foot second (cfs) of maximum daily flow requested by a MWD member agency. The Capacity Charge is a fixed charge levied on an agency’s maximum daily flows over the three previous fiscal years. It recovers the cost of providing peak capacity within the distribution system, and is designed to encourage member agencies to shift demands and avoid placing large daily peaks on the MWD system during the summer months. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries. As part of a separate surface storage operating agreement to manage seasonal peaking, the Authority is expected to reserve its full available capacity. The Capacity Charge will be set at $8,268,900. The Authority’s Board has directed that the Capacity Charge will

² The Water Authority has opposed MWD’s cost of service methodology associated with these charges.
be recovered proportionally based on a five-year rolling average of member agency flows during coincident peak weeks.

**Readiness-to-Serve Charge.** MWD’s Readiness-to-Serve Charge differs from the other MWD charges in that it is set on a Fiscal Year basis. The total Readiness-to-Serve Charge will increase from its current level of $144 million to $166 million in Fiscal Year 2013-2014. The Authority’s share is set at $37,213,531. After credits from the MWD Standby Charge, and administrative costs, the net Authority share is $24,498,074. MWD’s Readiness-to-Serve Charge will recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge will be allocated among MWD member agencies on the basis of each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). This allocation will be revised each year. Revenues equal to the amount of MWD Standby Charges will continue to be credited against the member agency’s Readiness-to-Serve Charge obligation unless a change is requested by the member agency. The Board has directed that the Authority’s Readiness-to-Serve Charge will be passed through proportionally to member agencies on the basis of each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).

**Peaking.** Peaking can be considered as either a seasonal demand pattern or as a year-to-year demand pattern on a water supplier’s distribution system. Seasonal peaking generally occurs during summer months when water demand is higher. In the San Diego region seasonal peaking is mitigated in part by member agencies that use their local storage reserves to reduce peak day demands on the Water Authority. Year-to-year peaking occurs when member agencies elect to use available local supplies during wet years and thus reduce Water Authority purchases in such years and similarly, when local supplies are not available due to dry year conditions agencies can increase purchases to meet its demands.

Costs to maintain sufficient supplies or system capacity can be significant for a water agency. For some water agencies, peaking can be a serious issue when allocating costs among its members. If some members have significantly higher peaking patterns than others and the rate structure does not address this issue, certain members may be subject to higher costs, while others may not pay an appropriate share of the costs to keep supplies and capacity available. However in the case of the Water Authority, where imported water (from either MWD, the IID water transfer, or the canal lining projects) provides nearly 90 percent of all water supplies used within the service area, deliveries among the Water Authority’s member agencies are more uniform on a seasonal and year-to-year basis. The Water Authority’s operating policy is to base-load its supplies (IID, Canal water, Desal in the future) and its treatment facilities so there is little if any impact from peaking. Thus, MWD provides most, if not all, of the additional peaking supplies. MWD presently recovers the vast majority of its revenues through its volumetric water rates, with a small portion of its peak capacity costs recovered through what it calls its “Capacity Charge.” Because MWD’s volumetric rate is paid in connection with purchases of water, the costs are allocated to the supply rate. Finally, the Water Authority derives approximately 25% of its revenues from the IAC, property taxes, and the water availability standby charge. It also generates revenue from charges that are allocated to member agencies based on a rolling 3 year average of deliveries, (such as the Customer Service Charge and Storage Charge). Because of these revenue policies, the Water Authority does not have
subsidy issues resulting from agencies that have dramatic swings in their purchase profiles or use the Water Authority to meet their peak demands.

Summary
After consideration of public comments at the Public Hearing on June 27, 2013, the staff recommends that the Board adopt ordinances setting the water rates and charges for the next calendar year and continuing the existing Standby Availability Charge.

Prepared by: David G. Shank, Financial Planning Manager
Reviewed by: Tracy McCraner, Director of Finance/Treasurer
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments: A) Carollo Engineers Cost of Service Study – Phase I Report
B) Carollo Engineers Capacity Charge Report
C) Resolution of the Board of Directors of the San Diego County Water Authority fixing the time and place for a public hearing to consider: (1) Changes to the rates and charges for delivery and supply of water; (2) Changes in the System and Water Treatment Capacity Charges and (3) Continuing the existing Standby Availability Charge.
SAN DIEGO COUNTY WATER AUTHORITY

CALENDAR YEAR 2014 RATES AND CHARGES

COST OF SERVICE RATE STUDY

May 2013

[Carollo Logo]
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1.0 EXECUTIVE SUMMARY

The San Diego County Water Authority (Water Authority) is a public agency serving the San Diego region as a wholesale supplier of water. The Water Authority purchases water from the Metropolitan Water District of Southern California and obtains additional supplies pursuant to agreements commonly referred to as the Quantification Settlement Agreement. It also recently executed a water purchase agreement for desalinated water with Poseidon Resources, LLC. The Water Authority’s mission is to provide a safe and reliable supply of water to its 24 member agencies serving the San Diego region.

The Water Authority engaged Carollo Engineers (Carollo) to perform a Cost-of-Service Study to confirm the appropriateness and legality of the water rates and charges methodology and calculate the Proposed Calendar Year (CY) 2014 water rates and charges. In meeting this scope, Carollo developed an independent rate model and reviewed the Water Authority’s existing cost of service methodology for compliance with American Water Works Association (AWWA) cost-of-service standards, industry best practices, Board policies, as described in Report Section 2.3, and California legal requirements, as described in Report Section 2.4. Together, these establish the cost-of-service standard that is referenced throughout this report.

Based on our independent review, Carollo has determined that the amount of money reasonably anticipated to be generated through the Water Authority’s proposed CY 2014 water rates and charges, when combined with other Water Authority revenues, is reasonable to recover the costs of the Water Authority’s activities. It is our professional opinion that the manner in which each of the rates and charges are allocated to the Water Authority’s member agencies bears a fair, reasonable, and logical relationship to each member agency’s burdens on or benefits from Water Authority services, thus complying with legal requirements, cost-of-service standards, industry best practice, and Board policy requirements as discussed in this report.

1.1 Rate and Charges

The Water Authority imposes several different types of water rates and charges that are collected from the member agencies. These include volumetric commodity rates that are collected monthly per unit of metered water delivered to each agency (e.g., the supply, transportation, and treatment rates) and service charges that are apportioned among the member agencies according to their respective three-year rolling average of water purchases from the Water Authority (e.g., the customer service and storage charges). The water rates are set as a unit price per acre foot for water actually delivered. The customer service and storage charges recover costs for facilities and services that are provided.
generally and are apportioned in a manner that is designed to account for annual fluctuations in water demands and demand patterns commonly resulting from weather conditions and conservation requirements.\footnote{Customer Service Charge allocation excludes member agency wheeled water.}

In addition to these water rates and charges, the Water Authority recovers at least 25 percent of fixed annual expenditures through a combination of ad valorem property taxes and a water availability standby charge, which are imposed on property within the Water Authority, and through the Infrastructure Access Charge (IAC), which is an annual service charge imposed on member agencies and apportioned based on their respective total connected meter capacity, a measure of an agency’s maximum potential to take water from the Water Authority. The Water Authority also imposes System Capacity and Treatment Capacity Charges on ultimate users of water obtaining new and updated water meters in order to fairly and reasonably recover the cost to provide system capacity for new users and collects revenues through the Standby Availability Charge and property taxes. The capacity charges are the subject of a separate report prepared by Carollo that has been provided to the Water Authority concurrently with this study.

A description of each water rate and charge category is as follows:

- **Customer Service:**
  The Customer Service charge is a commodity based charge set to recover costs that are necessary to support the functioning of the Water Authority, to develop policies and to implement system-wide programs.

- **Storage:**
  The Storage charge is a commodity based charge set to recover costs associated with the Emergency Storage Program (ESP) and Carryover Storage Program (CSP). The ESP and CSP are a system of reservoirs, interconnected pipelines, and pumping stations designed to make water available to the San Diego region in the event of an interruption in imported water deliveries and in the case of the CSP to provide operational flexibility and drought protection.

- **Supply:**
  The Supply rate recovers the cost of water supply incurred by the Water Authority, including the full cost of purchase of water from the Metropolitan Water District of Southern California (MWD) at the delivery point, payments to the Imperial Irrigation District for transfer of conserved water, costs associated with obtaining conserved water from the Coachella Canal and the All-American Canal lining projects, costs of MWD wheeling for non-MWD water supplies (e.g. QSA supply exchange costs), and other costs associated with acquisition of supplies and implementation of the Quantification Settlement Agreement (QSA).

- **Transportation:**
  The Transportation rate is set to recover capital, operating, and maintenance costs of
the Water Authority’s water delivery facilities, including all facilities used to physically transport the water to member agency meters.\(^2\)

- **Treatment:**
  The Treatment rate is designed to recover the Water Authority’s cost of treating water. The Melded M&I Treatment Rate includes the costs of purchasing treated water from MWD, the operating and capital costs associated with the Water Authority’s agreement with Helix Water District’s Levy Water Treatment Plant, operating costs associated with the Olivenhain Treatment Plant, and the operating and capital costs associated with the Twin Oaks Valley Treatment Plant.

### 1.2 Water Authority Rate Setting Process

On an annual basis, the Water Authority develops proposed rates and charges, which it presents to the Board of Directors for adoption. Each year, the Water Authority undertakes the following cost of service process to determine water rates and charges:

- **Step 1:** Establish the revenue requirement – determine the total amount of revenues needed to recover the Water Authority’s annual operating and capital expenditures.

- **Step 2:** Allocate the revenue requirement and offsetting non-commodity revenues to rate categories to determine the net revenue requirement for each category.

- **Step 3:** Determine the legal rates and charges based upon the net revenue requirements, water sales projections, and other key financial management metrics.

- **Step 4:** Allocate fixed charges to member agencies based on specific allocation methodologies.

The Water Authority’s methodology and application is consistent with the AWWA for cost-of-service guidelines, as well as existing Board policies and legal requirements stated herein. Rates are designed to recover direct, indirect, and policy driven requirements. Throughout the process, the Water Authority identifies major cost drivers and aligns them to specific rate and charge categories.

### 1.3 Carollo Independent Review Process

Carollo independently performed Steps 2 through 4 above, when developing the proposed CY 2014 rates and charges. The purpose of this cost-of-service process is to: (1) identify which costs are recovered through water rates and charges; (2) allocate the Water Authority costs into functional rate categories; (3) update the rates and use of offsetting

\(^2\) Costs associated with facilities covered by the East County Facility Agreements are not included in Transportation, but relate to treatment services in connection with the Helix Water District’s Levy Water Treatment Plant and recovered through the Treatment rate.
revenues to fairly and reasonably recover system expenditures from member agencies; and, (4) appropriately calculate non-commodity revenues. In order to determine the costs to be recovered by water rates and charges, Carollo relied upon cost projections, reserve requirements, and revenue policies provided by the Water Authority. To perform its analysis Carollo relied upon the proposed Fiscal Years (FY) 2014 and 2015 budget cost projections provided by the Water Authority’s Finance Department and reviewed the 2012 Comprehensive Annual Financial Report, debt service schedules, Board policies, bond official statements, and summary outputs from the Water Authority’s rate model. Additionally, Carollo worked with Water Authority Finance staff to review the cost-of-service methodology and process. Finally, Carollo conducted interviews with select divisions within the Water Authority to discuss the functional allocation approach and metrics for assigning operating costs to rate categories. Costs and drivers have changed since the Water Authority’s last cost-of-service study in 2000 and further rate refinements in 2003. Carollo has worked with staff to provide an independent review and confirm the appropriateness of existing cost-of-service allocation methodologies. This review builds upon the work performed by previous rate consulting firms that supported the Water Authority during the 2003 rate setting process and recent construction of the Water Authority’s rate model.

The results of this independent review and analysis confirm the CY 2014 rates and charges calculated by the Water Authority. The details of this analysis are presented within the body of this report.

1.4 Summary of Findings

The Water Authority has developed a clear and defensible process to allocate system expenditures to rate categories and fairly and reasonably recover those expenditures from member agencies. The analysis performed by Carollo has confirmed that the Water Authority’s cost-of-service approach and the proposed CY 2014 rates and charges as determined in this report comply with cost-of-service principles, industry best practices, and applicable legal requirements.

Based on our independent review and rate development, the proposed CY 2014 cost of service water rates and charges are illustrated in Table 1 below.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Summary of Proposed CY 2014 Water Rates and Charges</th>
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<tbody>
<tr>
<td>Customer Service Charge</td>
<td>$26,400,000</td>
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<tr>
<td>Storage Charge</td>
<td>$63,200,000</td>
</tr>
<tr>
<td>Melded M&amp;I Supply Rate ($/AF)</td>
<td>$732</td>
</tr>
<tr>
<td>Melded M&amp;I Treatment Rate ($/AF)</td>
<td>$274</td>
</tr>
<tr>
<td>Transportation Rate ($/AF)</td>
<td>$97</td>
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</table>
2.0 INTRODUCTION

Carollo conducted an independent review of the Water Authority’s CY 2014 water rates and charges. The purpose of this Cost-of-Service Study was to confirm the appropriateness of the Water Authority’s existing rate structure and allocation methodology and calculate the proposed CY 2014 water rates and charges consistent with cost-of-service principles and the AWWA M1 guidelines, Board policy, and legal requirements. The results of this study are outlined within the body of this report.
The cost-of-service and rate development review process consisted of the following steps:

### Revenue Requirement Analysis
- Reviewed the total revenues required to fund operations, capital, debt service and coverage, and policy requirements.

### Functional Allocation by Rate Category
- Allocate the revenue requirements and offsetting revenues to the Water Authority's five water rate and charge categories in a fair and equitable manner.

### Water Rates and Charges
- Set rates to recover the revenue requirements from member agencies based on water sales projections.

### Member Agency Allocation
- Allocate expenditures to each member agency based on water demand patterns and other key metrics.

Based on this study review and in our professional opinion, we have concluded that the Water Authority’s existing rate methodology is consistent with AWWA cost-of-service principles, Board policies, and the legal requirements as described herein.

#### 2.1 Background on Existing Rates and Charges

The Water Authority sets water rates and charges, when combined with other revenues, that are sufficient to pay operating expenses, provide for maintenance and repair of facilities, provide for payment of principle and interest on debt, and provide reasonable reserves consistent with bond covenants and sound fiscal management. As a public agency, the Water Authority sets rates and collects other revenues to meet all reasonably anticipated costs of its operations as required by law.

On June 27, 2002, the Water Authority adopted Ordinance No. 2002-03 establishing the current revenue structure, which consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a Water Standby Availability Charge levied pursuant to § 5.2 of the County Water Authority Act; an Infrastructure Access Charge imposed on member agencies as a condition of maintaining connections to Water Authority facilities; a capacity charge levied pursuant to § 5.9 of the County Water Authority Act; and rates and charges for delivery and supply of water, use of facilities, and provision of other services. This revenue structure is reflected in § 5.00.050 of the Water Authority Administrative Code.
The June 2002 Board action unbundled the then uniform commodity rate, creating separate commodity rates and charges for customer service, storage, supply, and transportation. This action was the result of a multi-year work effort involving the member agencies, Water Authority staff, and consultants. The unbundled rates and charges took effect January 1, 2003. With the development of the Twin Oaks Water Treatment Plant, treatment was later added as the final functional rate category in 2006.

2.2 Criteria for Findings and Recommendations

To confirm the appropriateness and general application of AWWA cost-of-service principles, Board policies, and legal requirements, Carollo applied the following framework throughout the review:

- Does the cost allocation approach result in a fair, reasonable, and quantifiable connection between cost of service and benefit received?
- Is the allocation approach and methodology consistent with standards established in the AWWA M1 manual, meet Board policies, and adhere to applicable legal requirements?
- Have the policies and standards been applied consistently by the Water Authority? Is it likely that the allocation approach will be appropriate for use by the Water Authority in the future?
- Are there issues or processes that may be appropriate to highlight for possible financial review?

The review presented in this report applies these criteria to the existing revenue requirement and water rate and charge methodology utilized by the Water Authority.

2.3 Key Governing Board Policies

In setting its rates and charges, the Water Authority must first meet cost-of-service requirements, in which rates and charges may not exceed the reasonable cost of providing the services, as well as clearly demonstrating the nexus between the costs allocated and services provided to customers. As this requirement is achieved, the rates must also adhere with adopted Board policies, which serve as the basis for the determination of the total revenue requirement as well as the proportion of the revenue requirement to be recovered by fixed charges and variable commodity rates. Several key Board Policies are highlighted below and can be found in the appendix of this report.

2.3.1 Infrastructure Access Charge

In 1998, Resolution No. 98-26, the Board established the Infrastructure Access Charge (IAC). The intent of the IAC is to provide the Water Authority with a more appropriate balance of fixed and commodity revenues. Prior to the implementation of the IAC, the Water Authority’s revenues had a greater dependency on variable revenues that fluctuated with demand and did not adequately align with the existing cost structure. As such, the IAC was
2.3.2 Ordinance No. 2002-03

Following development and implementation of the IAC, the Water Authority reviewed the existing rate structure and redesigned the rate structure in 2002. Ordinance No. 2002-03 transitioned the rate structure from a historical unit price ("postage stamp") water rate to assigning the revenue requirements to functional categories. The rate structure was split into fixed and variable components. The fixed water rate categories are comprised of the Storage and Customer Service charges. The variable water rate categories encompass the Transportation, Melded M&I treatment, and Melded M&I Supply rates. This transition further aligned the Authority’s expenditure and cost recovery nexus. The ordinance in its entirety is included as Appendix B.

2.3.3 Financial Management Amendment (2006)

In 2006, following the recommendations of the Rate Model Working Group (RMWG) and Administrative and Finance Committee, the Board amended the Water Authority’s financial policies regarding the Rate Stabilization Fund (RSF) and Debt Service Coverage Ratio (DSCR). As part of the amendments, the Board established a target funding level for the RSF that better protects the Water Authority against the financial impact of 2.5 years of wet weather (3.5 years max). In addition, it established a target DSCR of 1.50x, which is above the minimum legal bond covenant of 1.20x.

The overall benefits of the amendments included reduced rate volatility, increased protection against wet weather, a transparent and flexible RSF framework, and increased cash funding of the CIP. The RSF also provides a mechanism for rate smoothing and source of emergency funding, as necessary. Furthermore, it strengthened key financial ratios—higher debt service coverage ratio, decreased debt ratio and increased cash days—to support the maintenance of the Water Authority’s AA+ credit ratings and access to lower rates. The Board Action, implementing the Rate Model Work Group Financial Policy Proposal is included as Appendix C.

2.4 Overview of Legal Cost-of-Service Requirements

The Water Authority’s rates must adhere to California constitutional and statutory requirements. In general, California law requires agencies imposing water rates and charge to demonstrate a nexus between the cost of providing services and the service or benefits received. Beyond the cost-of-service requirements imposed by the constitution and general statutory law, the Water Authority must also adhere to the County Water Authority Act.

Section 7 (j) of the County Water Authority Act states that the -board of directors, so far as practicable, shall fix such rate or rates for water as will result in revenue which will pay the
operating expenses of the authority, provide for repairs and maintenance, and provide for the payment of interest and principal of the bonded debt." The revenue requirement (e.g., costs”) described in this report is grounded on this statutory requirement, the Water Authority’s General Resolution, and sound fiscal management. These costs are then apportioned to the member agencies through the allocation to the fixed charges and variable rates described in the adopted rate structure according to service function. The apportionment is accomplished in accordance with standards established by California law, including the provisions summarized below, which, while stated a bit differently, essentially describe the same cost-of-service standard.

**Proposition 26** – This proposition was adopted by the voters in November 2010. Among other things, it amended California Constitution article XIII C, section 1 to add a definition of "tax." As defined by Proposition 26, a tax means "any levy, charge, or exaction of any kind imposed by a local government” with certain enumerated exceptions. There are two applicable exceptions:

- The exception for a "charge imposed for a specific benefit conferred or a privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege," and
- The exception for a "charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product."

Proposition 26 establishes that: "The local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity."

**Government Code Section § 50076** – This section of the Government Code was adopted in 1979, following the adoption of Proposition 13 in 1978. It provides that special taxes "shall not include any fee which does not exceed the reasonable cost of providing the service or regulatory activity for which the fee is charged."

**Government Code Section § 54999.7** – This is another section that grounds public agency rate setting on cost-of-service principles and states that fees "for public utility service, other than electricity or gas, shall not exceed the reasonable cost of providing the utility service. It also provides that the fees will be "established in consideration of service characteristics, demand patterns, and other relevant factors."
**County Water Authority Act Section 5 (13)** – This provision of the County Water Authority Act provides that in setting rates, “the board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service.” The Water Authority’s General Counsel has advised Carollo that this provision requires that rates be non-discriminatory and that differences in rates or rate apportionment be based on service differences, such as with the non-allocation of storage charge to agricultural customers. The General Counsel has also advised that this section may be construed consistently with the Constitutional and statutory cost-of-service requirements described above.

**2.5 Overview of Generally Accepted Rate-Setting Standards**

In addition to formal Board policies and objectives, the AWWA established a general set of principles used to guide the development of water rates. These principles were developed and published in the *M1 Manual – Principles of Water Rates, Fees, and Charges.* These guiding principles outline a consistent, universal approach and minimum standard that is employed by most agencies when setting rates and charges. The M1 Manual denotes that there is no prescribed single approach for establishing cost-based rates. Rather, agencies must exercise judgment to align rates and charges with local conditions and requirements, as well as applicable state law.

These guidelines, along with applicable California law, the Board’s policies, and industry best practices have been utilized within the Water Authority’s rate setting framework to help develop water rates and charges that are cost based and fairly, reasonably, and lawfully quantified and allocated to comply with the legal requirements outlined in Report Section 2.4. Throughout this report, compliance with industry standards shall refer to the AWWA M1 manual and industry best practices.

**3.0 REVENUE REQUIREMENTS**

A revenue requirements analysis defines the annual system revenue to be recovered through water rates and charges. The revenue requirement is typically derived of five components: Operations & Maintenance Expenditures; Annual Debt Service; Policy Requirements & Coverage; Capital Expenditures; and, Offsetting Revenues.
Table 2 outlines the Water Authority’s CY 2014 revenue requirements.

<table>
<thead>
<tr>
<th>Revenue Component</th>
<th>CY 2014 Total$1)</th>
<th>Description</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$45.95</td>
<td>The Operating Departments Budget funds the day-to-day operations of the Water Authority.</td>
<td>3.1</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$129.58</td>
<td>The Water Authority uses debt to fund capital and refund previous debt (long-term debt only). Excludes $1.54 million in debt apportioned for the capital funding of the Helix Water District’s Levy Treatment Plant.</td>
<td>3.3.1</td>
</tr>
<tr>
<td>Offsetting Revenues</td>
<td>($76.84)</td>
<td>Additional revenues generated from sources, outside traditional water rates and charges are applied as a credit to reduce required rates and charges revenues. Includes the IAC, standby availability charges, system and treatment capacity charges, property taxes, interest earnings, and miscellaneous revenues.</td>
<td>3.4</td>
</tr>
<tr>
<td>Operating Rev Req Before Coverage</td>
<td>$98.69</td>
<td>Revenue requirements associated with the Water Authority’s operating costs, debt service, and offsetting revenues.</td>
<td>3.2</td>
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<tr>
<td>Rev Req Before Coverage</td>
<td>$119.42</td>
<td>Revenue requirements including miscellaneous cost recovery.</td>
<td>3.7</td>
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<tr>
<td>Remaining Coverage &amp; Reserve Driven Needs</td>
<td>$49.93</td>
<td>Revenue requirements associated with meeting the Water Authority’s Financial Management Policies.</td>
<td></td>
</tr>
<tr>
<td>Water Sales Rev Req</td>
<td>$169.34</td>
<td>Total required revenues including coverage and reserves needs.</td>
<td></td>
</tr>
</tbody>
</table>

Notes
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

The following Report Section delineates the cost categories included in the Water Authority’s annual revenue requirement analysis.
3.1 Operating Costs

As part of the multi-year budget, an operating forecast is developed by the Water Authority’s various departments. For the Water Authority, operating budget expenditures account for most of the day-to-day expenditures for operation. The operating budget expenditures include: Administrative Services/Human Resources; Colorado River Program, Engineering; Finance; General Counsel; General Manager, MWD Program; Operations and Maintenance; Public Outreach and Conservation; and Water Resources. For CY 2014, the Water Authority’s operating costs are projected to be $45.95 million.

Table 3 Determination of Operating Cost

<table>
<thead>
<tr>
<th>Department</th>
<th>FY 2014 &amp; 2015 Expenditures (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services/Human Resources</td>
<td>$14.43</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>2.82</td>
</tr>
<tr>
<td>Engineering</td>
<td>7.78</td>
</tr>
<tr>
<td>Finance</td>
<td>4.80</td>
</tr>
<tr>
<td>General Counsel</td>
<td>9.08</td>
</tr>
<tr>
<td>General Manager and Board of Directors</td>
<td>5.19</td>
</tr>
<tr>
<td>MWD Program</td>
<td>2.94</td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>30.46</td>
</tr>
<tr>
<td>Public Outreach and Conservation</td>
<td>7.71</td>
</tr>
<tr>
<td>Water Resources</td>
<td>7.36</td>
</tr>
</tbody>
</table>

Total FYs 2014 and 2015 Operating Department Budget $92.57

Lake Hodges Pumped Storage 4.13

Total FYs 2014 and 2015 Operating Costs $96.70

Less Capitalized legal expenses for FYs 2014 and 2015 (estimated) (4.80)

Total FY 2014 and 2015 Operating Costs used for rates and charges $91.90

Calculated CY 2014 Operating Costs (2) $45.95

Notes:
(1) Presented in million dollars, calculations in tables may not foot due to rounding.
(2) CY 2014 Operating Costs are calculated by dividing the Total FYs 2014 and 2015 Operating Costs used for rates and charges by two, as the calendar year rates will collect half of each fiscal year costs.
3.2 Miscellaneous Cost Recovery

Miscellaneous Cost Recovery consists of expenses not included in annual Operating Costs and other cost recoveries to the Water Authority. Miscellaneous Cost Recovery is an important element of the Water Authority's annual revenue requirements.

Miscellaneous Cost Recovery totals $20.73 million in CY 2014, which is allocated to rate categories based on the nature of the cost that was incurred. Miscellaneous Cost Recovery includes the following:

**Dam Fill:**
This is the cost of purchased water for the filling of the San Vicente Dam. Due to the long-term benefit of water reliability, the cost of the dam fill is amortized over 6 years in order to fairly and reasonably spread the expenditure across member agencies based on a multi-year water demand trend. Costs are allocated to the storage rate component to adequately recover the associated cost while mitigating the overall rate impact. A total of $5.63 million will be recovered through the CY 2014 rates.

**Emergency Storage Project Evaporation:**
This cost accounts for the cost of purchased water that is lost due to surface water evaporation. As this is a function of storage, the $1.35 million cost has been allocated to the storage rate component and will be recovered through the CY 2014 rates.

**Local Water Supply Development:**
This is the cost to implement local water supply projects within the Water Authority’s service area in order to provide a long-term reliable and sustainable supply. This supply cost is recovered through the Customer Service charge, which is apportioned according to each member agencies 3 year rolling average of supplies purchased from the Water Authority. A total of $3.83 million will be recovered through the CY 2014 rates.

**Treatment:**
This includes costs associated with the operation of the Twin Oaks Water Treatment Plant. A total of $8.89 million will be recovered through the CY 2014 rates.

**Twin Oaks Reimbursement:**
The Water Authority sets the Twin Oaks reimbursement to ensure that the Customer Service rate category is reimbursed from Melded Treatment Rate revenues for the initial Twin Oaks Valley Water Treatment Plant (TOVWTP) development costs that were funded by Customer Service revenues. These costs are amortized and recovered over time so that treatment customers fully pay these costs. A total of $1.02 million is recovered through the treatment charge and credited against the Customer Service Charge revenue requirement for CY 2014 rates.
3.3 Capital Costs

The Water Authority’s existing Capital Improvement Program (CIP) is based on the results of planning studies, including the 2010 UWMP and the 2002 Regional Water Facilities Master Plan and extends through 2030. These CIP projects include a mix of new facilities that will add capacity to existing conveyance, storage, and treatment facilities, as well as repair and replace aging infrastructure. The Water Authority utilizes both Pay-as-You-Go (PAYGO) and debt financing to fund capital improvements. For CY 2014, debt service, excluding capital costs associated with the Helix Water District’s Levy Water Treatment Plant, is projected to be $129.58 million. In addition, the Water Authority projects using cash to fund $47.7 million of capital projects.

3.3.1 Annual Debt Service

PAYGO is the use of reserves and annual rates and charge revenues to fund capital improvements. With debt financing, capital improvements are funded, typically, through the issuance of bonds. Excluding the Build America Bonds (BABs) subsidy and Helix apportioned debt, the net annual long-term debt service expenditure for allocation is $116.63 million. Short-term debt service expenditures, excluding Helix, for CY 2014 are projected at $12.96 million.

The Water Authority finances major capital improvements, in part, by issuing debt for two primary reasons. First, given the size of recent capital projects, the Water Authority does not have available the financial reserves that would otherwise be required to fund the capital improvement program nor would it be reasonable to increase the water rates and charges in order to cash fund these improvements. Secondly, spreading the debt service costs for the project over the repayment period provides intergenerational equity by effectively spreading the financial burden between both existing and future users of the system. This approach allows the Water Authority to better match the cost of improvements with those benefitting from the improvements. This methodology is internally consistent with the development of the Water Authority’s System and Treatment Capacity Charges.

Finally, as an auxiliary benefit to the use of debt, the cash generated from meeting the Water Authority’s Coverage requirements provides additional cash that can be used to fund PAYGO projects.

Capital costs financed with debt issuances are allocated directly to the rate and charge category which receives the benefit of the project. As an example, the debt service for the San Vicente Dam Raise project is allocated to the storage category.

3.3.2 Non-Debt Capital Expenditures

To maintain its targeted capital structure, the Water Authority augments its use of short and long-term debt by funding a portion of its capital program with cash through its PAYGO Funds. In addition, as stated above, excess funds derived from meeting the Water
Authority’s targeted debt coverage ratio enables cash funding of capital projects. The Water Authority is projecting an estimated $47.7 million in cash expenditures for capital projects.

3.3.3 Depreciation

The Water Authority does not adjust rates to recover system depreciation. Rather, the Water Authority operates on a cash basis and the cost to rehabilitate and improve the system is accounted for through direct capital reinvestments. The cost of renewing the system over time is captured in the renewal and replacement Capital Improvement Projects as included in the 30-year budget. This approach also creates consistency with the Water Authority’s capacity charge methodology, which excludes depreciated asset values from the buy-in cost basis of the charge, and then recovers a proportionate share of the capital improvement program through the charge. It is important to note that once a meter is connected to the system, the user is then obligated to fund a proportionate share of future capital improvements and ongoing debt obligations through the water rates and charges.

3.4 Offsetting Revenues to Reduce Revenue Requirements

Beyond water rates and charges, the Water Authority collects revenues through other funding sources. These revenues provide a credit against the total revenues that must otherwise be collected annually from water rates and charges. Offsetting revenues include the IAC, standby availability charges, system and treatment capacity charges, property taxes, interest earnings, and miscellaneous revenues.

Table 4 details the offsetting revenues and provides a brief description source of revenue.

<table>
<thead>
<tr>
<th>Revenue Component</th>
<th>CY 2014 Revenues(^{(1)})</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Offsets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Capacity Charge</td>
<td>$14.54</td>
<td>The charge is designed to recover a proportionate share of the capital costs associated with providing services to new connections in the Water Authority’s service area.</td>
</tr>
<tr>
<td>Treatment Capacity Charge</td>
<td>$0.36</td>
<td>Helps fund the Water Authority’s regional water treatment facility. The charge recovers a portion of the capital costs from the future users of the Treatment facility.</td>
</tr>
</tbody>
</table>
Table 4  Offsetting Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standby Availability Charge</td>
<td>$11.28</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$11.16</td>
</tr>
<tr>
<td>IAC</td>
<td>$29.40</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$3.17</td>
</tr>
<tr>
<td>Twin Oak Reimbursement</td>
<td>$1.02</td>
</tr>
<tr>
<td>Misc. Revenue</td>
<td>$4.43</td>
</tr>
<tr>
<td><strong>Total Offsets</strong></td>
<td><strong>$76.84</strong></td>
</tr>
</tbody>
</table>

**Notes:**
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

3.5 Infrastructure Access Charge

In addition to revenues generated through the five water rate and charge categories, the Water Authority has additional revenues used to meet the annual rate revenue requirements. The most significant of these offsetting revenues is the Infrastructure Access Charge.
Charge. The IAC was implemented in 1998 by Board policy to reduce financial vulnerability due to fluctuations in annual Water Authority revenues by increasing the amount of fixed expenditures recovered through fixed charges. The IAC was designed to generate, in combination with ad valorem property tax and water availability standby charge revenue, a minimum 25 percent ratio of fixed revenues to fixed expenditures.

Consistent with the Board policy, the IAC is comprised of 25 percent of the forecasted four-year average of Debt Service (long- and short-term debt) and 80 percent of forecasted four-year average O&M costs, times 110 percent. Based on the results of an expenditures analysis at the time of implementation, the Water Authority concluded that roughly 80 percent of the agency’s operating costs were fixed (e.g., personnel costs) and did not vary based on water sales. Additionally, the level of fixed expenditures to be recovered through the IAC was established to mitigate fluctuations in net revenues due to water sales volatility that the Water Authority had experienced. Finally, in establishing the IAC policy, the Board increased the 25 percent fixed expenditure recovery by 10 percent to account for potential fluctuations in expenditures and offsetting revenues, as well as cost yet to be identified in the four year budget forecast. From this the forecasted four-year average of Water Authority’s Standby Availability Charge and property tax revenues are credited to recognize other fixed revenues. As detailed below, the IAC provides $29.40 million in revenue offsets against the required water rate and charges required revenues.

The IAC is allocated to each member agency based upon the previous year’s total household meter equivalents within the agency. A household meter equivalent is based on a meter size less than 1-inch. For CY 2014, the monthly IAC is proposed at $2.68 per household meter equivalent. The proposed member agency fixed charge allocations are provided as Appendix E. This allocation is a reasonable measure of a member agency’s burden on the Water Authority facilities and services available to meet demands as they occur, and is similar in nature to fixed monthly service charges commonly imposed by retail agencies.

Table 5 illustrates the calculation of the proposed IAC.

<table>
<thead>
<tr>
<th>Table 5</th>
<th>Infrastructure Access Charge Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>4-Year Average</strong>(1)</td>
</tr>
<tr>
<td>Long Term Debt Service</td>
<td>$130.42</td>
</tr>
<tr>
<td>Misc LTD Fees</td>
<td>0.01</td>
</tr>
<tr>
<td>Total Short Term Debt Service and Costs</td>
<td>14.65</td>
</tr>
<tr>
<td>Administration and Maintenance times 80%</td>
<td>37.46</td>
</tr>
<tr>
<td>Transportation O&amp;M times 80%</td>
<td>0.08</td>
</tr>
<tr>
<td>Total Local Supply Development Costs times 80%</td>
<td>3.14</td>
</tr>
</tbody>
</table>
Table 5  Infrastructure Access Charge Calculation

<table>
<thead>
<tr>
<th></th>
<th>4-Year Average&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESP Evaporation and System Losses times 80%</td>
<td>3.34</td>
</tr>
<tr>
<td><strong>Total Fixed Costs</strong></td>
<td>$189.40</td>
</tr>
<tr>
<td>Total Fixed Costs Times 110% Times 25%</td>
<td>$52.08</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Other Tax Receipts</td>
<td>($11.39)</td>
</tr>
<tr>
<td>Standby Availability Charge Rev</td>
<td>(11.30)</td>
</tr>
<tr>
<td><strong>Remaining Fixed Cost Need (IAC Revenue)</strong></td>
<td>$29.40</td>
</tr>
<tr>
<td>Number of Meter Equivalents (ME) Used in Calculation</td>
<td>914,166</td>
</tr>
<tr>
<td>Proposed CY 2014 IAC Per Meter Equivalent (Monthly in dollars)</td>
<td>$2.68</td>
</tr>
</tbody>
</table>

Notes
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

3.6 Revenue Sufficiency

Water Authority revenues must be sufficient on a fiscal year basis to meet two tests – (1) cash flow and (2) bond coverage. These sufficiency tests are commonly used to determine the amount of annual revenue that must be generated from an agency’s rates.

- **Cash Flow Sufficiency Test:**
  The cash flow test defines the amount of annual revenues that must be generated in order to meet annual expenditure obligations of the utility. These needs can include direct cash expenditures as well as planned transfers or additions to reserves.

- **Bond Coverage Sufficiency Test:**
  Bond coverage refers to the collection in revenues to meet all operating expenses and debt service obligations plus an additional multiple of that debt service. The Water Authority has a legally required minimum bond coverage ratio of 1.20x and a policy target of 1.50x. The Water Authority, as do many utilities, established a policy target in excess of legal requirements to retain or attain high bond ratings with correspondingly lower interest costs.

The revenue requirement analysis sets water rate and charge revenues at a level sufficient to pass both tests. Revenue requirements are considered either "cash flow" or "coverage" driven based on the test that requires a greater adjustment. The Water Authority’s current annual revenue requirements are coverage driven – it must generate revenues in excess of its cash needs in order to meet its legal and policy debt requirements. These excess revenues then become available to fund future capital projects, non-cash items, and reserves.
3.7 Financial Policies

The Water Authority has a legally required minimum bond coverage ratio of 1.20x on senior lien debt service. In order to maintain strong bond ratings and mitigate the impacts of annual water demand fluctuations, the Board sets rates to meet a senior lien debt service coverage target of 1.50x, inclusive of Rate Stabilization Fund (RSF) transfers, and 1.00x excluding capacity charge revenues.

The RSF is a critical short-term water rate management tool and helps the Water Authority manage a variety of short-term revenue and expenditure risks. A primary focus of the RSF is the address the permanent aspect of weather variability that can result in fluctuations in water sales revenue. The RSF provides a source of funds in wet years through revenues collected in dry and normal weather years that stabilizes annual revenue needs and keeps rates from fluctuating widely. The RSF is also an important tool for the Water Authority to address unanticipated expenditures, such as emergency repairs to critical facilities or other capital or operating cost events that require funding but were not included within the budget appropriations used to determine the rates for the calendar year in which the unanticipated expenditure occurs. The ability to respond to unanticipated events and to do so in a manner that avoids instability in revenues and rates is a significant purpose of the RSF and is a typical reserve for public agency utility enterprises such as the Water Authority. The Water Authority has a deposit target of just over $5 million in FY 2014.

As shown on the figure below, the Water Authority is projected to meet the Board policy target of 1.50x for FY 2014 after having allowed short-term deviations from the Board target in order to mitigate rate increases due to water demand reductions associated with statewide drought conditions and water pumping restrictions from the Sacramento River Delta. Although the coverage ratio fell below the Board target, the Water Authority’s coverage ratio remained well above its legal requirement.

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3 This requirement is established the Water Authority General Resolution as amended. This resolution and amendments are attached as Appendix D of this report.
In addition to the annual bond coverage requirements, the Water Authority from time to time deposits money into the RSF, which by covenant may be used to meet the Water Authority’s legal bond coverage requirement. Therefore, a deposit into the RSF is a reduction in current period revenues and withdrawals from the RSF are an increase in current period revenues. The RSF is a critical to mitigating weather related revenue risks, managing and stabilizing annual revenue needs through rate smoothing, and providing a source of emergency funds.

Finally, for CY 2014, the Water Authority’s revenue requirements are coverage driven. As illustrated in Table 2 above, in order to meet this policy bond coverage target and allocate revenues to the RSF, the Water Authority must collect an additional $49.93 million above its operating costs and debt service obligations. The bond coverage target is calculated based on net revenues, excluding capital expenses and policy requirements, such as additions to reserves. Revenues collected to fund these excluded expenditures help to meet the annual bond coverage requirement.

4.0 ALLOCATION OF REVENUE REQUIREMENTS TO FUNCTIONAL CATEGORIES

The purpose of a cost-of-service analysis is to provide a quantifiable basis for distributing the full costs of the Water Authority’s operations and capital investments to rate category and then the member agency in proportion to the demands placed on the system. The Water Authority currently maintains five functional rate categories. These components are developed and designed to mirror the nature in which expenditures are incurred. The Water Authority’s operating budget is allocated, by division, to a specific rate category as part of the development of the two-year budget process. This process is based on clear, concise, and consistent rate and charge categories definitions. In the allocation process, if work performed in a department or program is not specifically applicable to one of the five rate categories defined below, it is considered General and Administrative (G&A). This category is applicable to departments who support the internal operations of the Water Authority, such as Finance and Human Resources.

Debt issuances and the associated annual debt services are allocated to rate categories based on the specific capital improvement projects financed through the bond sale. Additionally, the Water Authority utilizes a combination of cash and PAYGO reserves to pay for capital projects. However, in an effort to minimize the immediate impact to rates, the Water Authority amortizes cash expenditures directly to the related rate category. For each year, the Water Authority uses its calculated weighted cost of capital as the interest rate on cash used for capital expenditures in each respective year. The Water Authority assumes a 1.5 percent reserve factor and a 30-year amortization term to calculate the projected annual cash payment stream. The annual cash payments are allocated to rate category based on the same percentages developed to allocate long-term debt service.
4.1 Allocation Categories

The Water Authority allocates its annual operating budget to the five functional rate categories. As applicable and identifiable, these expenditures are assigned directly to rate categories. Expenditures that cannot be directly allocated to a single rate category are allocated to General and Administrative and then redistributed to five functional categories based on their proportionate share of the directly assignable operating costs. A description of each category is as follows:

4.1.1 Customer Service

The Customer Service charge is set to recover costs that are necessary to support the functioning of the Water Authority, to develop policies and to implement system-wide programs. Cost recovered through the customer service charge include, but are not limited to customer billing, public relations, and expenses associated with the Board of Directors.

4.1.2 Storage

The Storage charge is set to recover costs associated with the ESP and CSP. The ESP and CSP are a system of reservoirs, interconnected pipelines, and pumping stations designed to make water available to the San Diego region in the event of an interruption in imported water deliveries and in the case of the CSP to provide operational flexibility and drought protection. An example of expenditures or programs allocated to this category would be a division, which works in support of the ESP projects such as Olivenhain Dam and Reservoir Operations in the Operations and Maintenance Department. Agriculture customers do not benefit from the Storage program as address in Report Section 5.3. An example of this category would be a division that works in support of the ESP projects such as Olivenhain Dam and Reservoir Operations in the Operations and Maintenance Department.

4.1.3 Supply

The Supply rate recovers the cost of water supply incurred by the Water Authority, including the full cost of purchase of water from the Metropolitan Water District of Southern California (MWD) at the delivery point, payments to the Imperial Irrigation District for transfer of conserved water, costs associated with obtaining conserved water from the Coachella Canal and the All-American Canal lining projects, costs of MWD wheeling for non-MWD water supplies (e.g. QSA supply exchange costs), and other costs associated with acquisition of supplies and implementation of the Quantification Settlement Agreement (QSA).

4.1.4 Transportation

The Transportation rate is set to recover capital, operating, and maintenance costs of the Water Authority's water delivery facilities, including all facilities used to physically transport the water to member agency meters, excluding certain distribution facilities covered under
the East County Treatment Agreement. An example of this category would be the maintenance division in the Operations & Maintenance Department. This division maintains the valves, pipelines, and facilities that are integral to the aqueduct system.

4.1.5 Treatment

The Treatment rate is designed to recover the Water Authority's cost of treating water. The Melded M&I Treatment Rate includes the costs of purchasing treated water from MWD, the operating and capital costs associated with the Water Authority’s agreement with Helix Water District’s Levy Water Treatment Plant, operating costs associated with the Olivenhain Treatment Plant, and the operating and capital (debt service) costs associated with the construction of the Twin Oaks Valley Treatment Plant.

4.1.6 General & Administrative

Each of the rate categories described above includes Water Authority staff costs and other expenditures directly attributable to a specific rate category. If expenditures cannot be allocated to a specific rate category, the costs are assigned to General & Administrative (G&A), which supports the general function of the Water Authority. An example of a cost that is assigned to G&A is accounting, which impacts all rate categories. Approximately 25 percent of the proposed FY 2014 and FY 2015 operating budget is allotted to the G&A allocation category. Total G&A costs are allocated to rate categories based upon the proportion of total directly allocated costs recovered by each rate category. For example, the Transportation rate category is allocated 37.5 percent of total directly allocated costs, therefore, 37.5 percent of the G&A costs are allocated to Transportation rates.

4.2 Allocation Summary

Carollo held interviews with select departments and divisions in order to analyze and confirm the appropriateness of the application of the annual budget allocation based on cost of service principles. The interviews evaluated the basis of the percentage allocations and as to reason allocations varied from the previous process, if applicable. In most cases, costs were allocated based on the historical and projected employee utilization and direct expenditures. For example, Carollo interviewed General Counsel to gain an understanding of why the department’s expenditures increased from the last budget process and, in particular, shifted to a 75 percent allocation to supply from the previous allocation of 20 percent. The department explained that the increase in expenditures was primarily associated with the special counsel costs for litigation relating to MWD rates and services, as well as ongoing requirements of the Quantification Settlement Agreement.

Based on Carollo’s analysis and review, the allocations were appropriately based on sound and defensible definitions. Carollo paid particular interest in allocations made to G&A.
4.2.1 Allocation of Operating Costs

On the following page, Table 6 provides a summary, by department, of the resulting CY 2014 operating budget functional allocation based on the FY 2014 and FY 2015 proposed budgets.
Table 6

<table>
<thead>
<tr>
<th>Department</th>
<th>FYs 2014 &amp; 2015 Operating Costs</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Transportation</th>
<th>Supply</th>
<th>Treatment</th>
<th>G&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services/Human Resources</td>
<td>$14.43</td>
<td>16%</td>
<td>0%</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
<td>80%</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>2.82</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Engineering&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>7.78</td>
<td>6%</td>
<td>4%</td>
<td>8%</td>
<td>0%</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>4.80</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>General Counsel&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>9.08</td>
<td>15%</td>
<td>0%</td>
<td>75%</td>
<td>0%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>General Manager and Board of Directors</td>
<td>5.19</td>
<td>53%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>47%</td>
</tr>
<tr>
<td>MWD Program</td>
<td>2.94</td>
<td>30%</td>
<td>0%</td>
<td>70%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>34.59</td>
<td>17%</td>
<td>12%</td>
<td>64%</td>
<td>0%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Public Outreach and Conservation</td>
<td>7.71</td>
<td>66%</td>
<td>6%</td>
<td>7%</td>
<td>19%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Water Resources</td>
<td>7.36</td>
<td>53%</td>
<td>12%</td>
<td>6%</td>
<td>30%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Operating Costs<sup>(4)</sup>** $96.70

**Functional Allocation** 31.71% 8.28% 37.52% 22.31% 0.18% N/A<sup>(5)</sup>

Notes:
- (1) Presented in million dollars, calculations in tables may not foot due to rounding.
- (2) Engineering costs associated with delivering capital projects are allocated directly to specific projects. The remaining $2.98 million of non-capital engineering expenditures supports the general operations of the Water Authority and is allocated to G&A.
- (3) See Report Section 4.2 for discussion of GC cost allocation for special counsel services.
- (4) Includes costs related to Lake Hodges Pumped Storage.
- (5) Costs allocated to G&A are redistributed to the five rate components as described in Report Section 4.1.6.

The FY 2014 and FY 2015 Operating Budget totals $96.70 million over the 2-year period. As shown in Table 3, $4.80 million of these costs will be capitalized and funded from existing reserves. As a result, $91.90 million must be recovered through rates over the two fiscal years—half of which, or $45.95 million, is proposed to be recovered in CY 2014.

Table 7 illustrates the allocation of CY 2014 operating costs to rate category based upon the FY 2014 and FY 2015 functional allocation.
### Allocation of Calendar Year 2014 Operating Costs

<table>
<thead>
<tr>
<th>CY 2014 Expenditures(^{(1)})</th>
<th>Customer Service(^{(1)})</th>
<th>Storage(^{(1)})</th>
<th>Transportation(^{(1)})</th>
<th>Supply(^{(1)})</th>
<th>Treatment(^{(1)})</th>
<th>G&amp;A(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Allocation</td>
<td>$45.95</td>
<td>$14.57</td>
<td>$3.80</td>
<td>$17.24</td>
<td>$10.25</td>
<td>$0.08</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

### 4.2.2 Allocation of Debt Service

For each debt issuance, the Water Authority actively allocates its use of long-term and short-term debt. Each issuance is apportioned to rate components based on specific projects funded. As a result, the Water Authority’s debt service is allocated in a defensible and equitable manner. Table 8 provides a summary allocation of the total CY2014 debt service by functional rate category. As noted earlier, debt service apportioned to the Helix Water District Levy Water Treatment Plant is excluded from the total debt service.

### Debt Service Allocation Summary

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>CY 2014 Total(^{(1)})</th>
<th>Customer Service(^{(1)})</th>
<th>Storage(^{(1)})</th>
<th>Transportation(^{(1)})</th>
<th>Supply(^{(1)})</th>
<th>Treatment(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Allocation</td>
<td>10.78%</td>
<td>47.27%</td>
<td>28.50%</td>
<td>8.24%</td>
<td>5.22%</td>
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</tr>
<tr>
<td>LTD Service</td>
<td>$116.63</td>
<td>$12.83</td>
<td>$55.46</td>
<td>$33.47</td>
<td>$9.29</td>
<td>$5.58</td>
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<tr>
<td>STD Service</td>
<td>12.96</td>
<td>1.14</td>
<td>5.79</td>
<td>3.45</td>
<td>1.40</td>
<td>1.18</td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td><strong>$129.58</strong></td>
<td><strong>$13.96</strong></td>
<td><strong>$61.25</strong></td>
<td><strong>$36.93</strong></td>
<td><strong>$10.68</strong></td>
<td><strong>$6.76</strong></td>
</tr>
</tbody>
</table>

**Notes:**
(1) Presented in million dollars, calculations in tables may not foot due to rounding.
4.2.3 Allocation of Offset Revenues

Offsetting revenues provide a credit against rate revenue needs. Operating revenue offsets are allocated to each functional rate category proportionate to the two-year average expenditures by rate category, excluding treatment. Operating revenue offsets include property taxes, IAC revenue, interest earnings, and miscellaneous revenues. The Water Authority also accounts for system capacity charge revenue, water standby availability charges, and interest earning on PAYGO reserves. These capital related offsets are allocated to the Water Authority’s customer service, storage, supply, and transportation rate components based on its respective share of the total capital expenditures for the two-year budget period.

Finally, treatment capacity charges are allocated directly to the Water Authority’s treatment rate category as a reimbursement for treatment-related capital expenditures. The treatment rate was implemented after the other four rate categories had been established and is treated as a separate and stand-alone charge.

Table 9 illustrates the offsetting revenues and allocated offsets to each rate component.

<table>
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<tr>
<th>Table 9 Offset Revenues</th>
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</table>
Table 9  Offsetting Revenues

<table>
<thead>
<tr>
<th>Total Revenue Offsets</th>
<th>Customer Service (1)</th>
<th>Storage (1)</th>
<th>Transportation (1)</th>
<th>Supply (1)</th>
<th>Treatment (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Offsets</td>
<td>$76.84</td>
<td>$12.27</td>
<td>$32.91</td>
<td>$23.36</td>
<td>$7.95</td>
</tr>
</tbody>
</table>

Notes:
(1) Presented in million dollars, calculations in tables may not foot due to rounding.
(2) Offset is directly allocated to Treatment and does not use the capital offset allocation.

4.2.4  Miscellaneous Cost Recovery

As described in Report Section 3.2, the Water Authority incurs costs beyond those captured within the core budget, such as the cost of operating the Twin Oaks Valley Water Treatment Plant. Additionally, some expenditures are initially funded using reserves and then recovered from member agencies over time through rates, such as with the filling of the San Vicente Dam. When developing the rates and charges, the Water Authority accounts for these miscellaneous cost recoveries separately from the base operating expenditures, allocating these expenditures directly to rate category based on direct benefit.

Table 10  Miscellaneous Cost Recovery

<table>
<thead>
<tr>
<th>Total Expense</th>
<th>Customer Service (1)</th>
<th>Storage (1)</th>
<th>Transportation (1)</th>
<th>Supply (1)</th>
<th>Treatment (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment Costs</td>
<td>$8.89</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Twin Oak Reimbursement</td>
<td>1.02</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local Water Supply Development</td>
<td>3.83</td>
<td>3.83</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ESP Evaporation</td>
<td>1.35</td>
<td>-</td>
<td>1.35</td>
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<td>-</td>
</tr>
<tr>
<td>Dam Fills</td>
<td>$5.63</td>
<td>-</td>
<td>5.63</td>
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</tr>
<tr>
<td>Total Expense</td>
<td>$20.73</td>
<td>$3.83</td>
<td>$6.98</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Notes:
(1) Presented in million dollars, calculations in tables may not foot due to rounding.
4.2.5 Coverage Driven Requirements

The bond coverage target is calculated based on net revenues, excluding capital expenses and policy requirements, such as additions to reserves. Although the bond coverage requirement applies to all Water Authority rates and charges revenues in aggregate, the Water Authority establishes rates to separately meet the 1.50x coverage test by rate category, proportionate to its share of overall debt. This approach is designed to fairly and reasonable recover bond coverage and reserve costs by rate category. Unlike the other rate categories, the treatment rate is not specifically set to achieve the policy bond coverage target, because the rate was implemented in 2006, after the 2002 functional rates and charges adoption process.

Based on the revenues requirements defined above, the Water Authority must generate an additional $49.93 million through rates to achieve a 1.50x debt service coverage ratio and provide funding for the RSF. Although, not specifically set to achieve the 1.50x coverage factor, revenues recovered through the treatment rate help to meet the overall coverage requirement.

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>CY2014 Total(1)</th>
<th>Customer Service(1)</th>
<th>Storage(1)</th>
<th>Transportation(1)</th>
<th>Supply(1)</th>
<th>Treatment(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remaining Coverage &amp; Reserve Driven Needs</td>
<td>$49.93</td>
<td>$6.31</td>
<td>$24.07</td>
<td>$12.67</td>
<td>$5.22</td>
<td>$1.67</td>
</tr>
</tbody>
</table>

Notes:
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

4.2.6 Summary of Allocation

Table 12 provides a summary of the Water Authority’s revenue requirements and rate component allocations. The water sales revenues requirements reflect only the portion of water rates and charges related to direct Water Authority operating activities and do not include expenditures such as purchased water costs.
### Table 12 Revenue Requirements Summary

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>CY 2014 Total&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Customer Service&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Storage&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Transportation&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Supply&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Treatment&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$45.95</td>
<td>$14.57</td>
<td>$3.80</td>
<td>$17.24</td>
<td>$10.25</td>
<td>$0.08</td>
</tr>
<tr>
<td>Debt Service</td>
<td>129.58</td>
<td>13.96</td>
<td>61.25</td>
<td>36.93</td>
<td>10.68</td>
<td>6.76</td>
</tr>
<tr>
<td>Offsetting Revenues</td>
<td>(76.84)</td>
<td>(12.27)</td>
<td>(32.91)</td>
<td>(23.36)</td>
<td>(7.95)</td>
<td>(0.36)</td>
</tr>
<tr>
<td>Operating Rev Req Before Coverage</td>
<td>$98.69</td>
<td>$16.26</td>
<td>$32.14</td>
<td>$30.81</td>
<td>$12.98</td>
<td>$6.48</td>
</tr>
<tr>
<td>Miscellaneous Cost Recovery</td>
<td>20.73</td>
<td>3.83</td>
<td>6.98</td>
<td>0.00</td>
<td>0.00</td>
<td>9.91</td>
</tr>
<tr>
<td>Remaining Coverage &amp; Reserve Driven Needs</td>
<td>49.93</td>
<td>6.31</td>
<td>24.07</td>
<td>12.67</td>
<td>5.22</td>
<td>1.67</td>
</tr>
</tbody>
</table>

**Notes:**
1. Presented in million dollars, calculations in tables may not foot due to rounding.

### 5.0 COST OF SERVICE WATER RATES AND CHARGES

Based on the resulting revenue requirements analysis and detailed cost of service allocations, the revenue requirements for each rate and charge category are recovered from the member agencies based on water demand and usage factors. The Water Authority serves two classes of customers: Full Service and Transitional Special Agricultural Water Rate (TSAWR) customers. The following Report Section summarizes the proposed CY 2014 water rates and charges and discusses the TSAWR rates.

#### 5.1 Commodity Based Fixed Charges

Fixed revenues are distinguished from variable revenues as they provide a known and predictable annual source of revenue for an upcoming calendar year. The fixed commodity charges are allocated to each agency based on their proportionate share of a three-year rolling average of water demands. The proposed allocation to member agencies of the Water Authority’s fixed charge allocations tables are provided as Appendix E.

##### 5.1.1 Customer Service Charge

Based on the cost of service analysis, $26.40 million must be recovered through the customer service water rate in CY 2014. These costs are recovered as an annual charge, as these costs do not vary based on current year water demand. Specifically, the costs are...
allocated among the member agencies based on each agency’s three-year rolling average of all supply deliveries, excluding member agency wheeled water.

Table 13  Calendar Year 2014 Customer Service Revenue Requirement

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$13.96</td>
</tr>
<tr>
<td>Operating Cost + Miscellaneous Cost Recovery</td>
<td>18.40</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
<td>$32.37</td>
</tr>
<tr>
<td>Less: Offsetting Revenues</td>
<td></td>
</tr>
<tr>
<td>Capital Offsets</td>
<td>$(3.03)</td>
</tr>
<tr>
<td>Operating Offsets</td>
<td>(9.24)</td>
</tr>
<tr>
<td>Revenue Requirement before Coverage</td>
<td>$20.09</td>
</tr>
<tr>
<td>Coverage &amp; Reserve Driven Needs</td>
<td>6.31</td>
</tr>
<tr>
<td>Total Revenue Requirement</td>
<td>$26.40</td>
</tr>
</tbody>
</table>

Notes:
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

5.1.2  Storage

Based on the cost of service analysis, $63.20 million is proposed to be recovered through the storage charge in CY 2014. The storage charge is a flat annual charge that is applied to non-agricultural water deliveries. The storage charge is allocated among the member agencies using a pro rata share of each agency’s three-year rolling average of non-agricultural deliveries. In return for not paying for storage, TSAWR agricultural customers agree to receive a level of service during an emergency that is less than that received by the Water Authority’s municipal and industrial (M&I) customers.

The Water Authority’s ESP and CSP are designed to make water available to the San Diego region in the event of an interruption in imported water deliveries. Because agricultural users that participate in the Transitional Special Agricultural Water Rate (TSAWR) program agree to reduced or interrupted service during times of water emergencies, they will not receive benefit from the Water Authority’s investment in its long-term storage program. It is therefore appropriate to exclude agricultural deliveries from the calculation of the storage rate. For further discussion of TWAWR, see Report Section 5.3.

Table 14  Calendar Year 2014 Storage Revenue Requirement

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$61.25</td>
</tr>
<tr>
<td>Operating Cost + Miscellaneous Cost Recovery</td>
<td>10.79</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
<td>$72.04</td>
</tr>
</tbody>
</table>
### Table 14  Calendar Year 2014 Storage Revenue Requirement

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Offsetting Revenues</td>
<td></td>
</tr>
<tr>
<td>Capital Offsets</td>
<td>$(13.32)</td>
</tr>
<tr>
<td>Operating Offsets</td>
<td>(19.59)</td>
</tr>
<tr>
<td>Revenue Requirement before Coverage</td>
<td>$39.13</td>
</tr>
<tr>
<td>Coverage &amp; Reserve Driven Needs</td>
<td>24.07</td>
</tr>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td>$63.20</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

### 5.2  Commodity Based Variable Rates

The commodity based variable water rates and charges are distinguished from fixed revenues as they are recovered based on annual water sales.

#### 5.2.1  Supply (Melded M&I Supply Rate)

The Melded Untreated M&I rate is a volume rate assessed on an acre-foot basis. The rate is a combination of direct and indirect costs. The revenue requirement apportioned to the supply rate component is $18.20 million and is detailed in Table 15.

### Table 15  Calendar Year 2014 Melded Supply Revenue Requirement

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$10.68</td>
</tr>
<tr>
<td>Operating Cost + Miscellaneous Cost Recovery</td>
<td>10.25</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
<td>$20.94</td>
</tr>
<tr>
<td>Less: Offsetting Revenues</td>
<td></td>
</tr>
<tr>
<td>Capital Offsets</td>
<td>$(2.44)</td>
</tr>
<tr>
<td>Operating Offsets</td>
<td>(5.51)</td>
</tr>
<tr>
<td>Revenue Requirement before Coverage</td>
<td>$12.98</td>
</tr>
<tr>
<td>Coverage &amp; Reserve Driven Needs</td>
<td>5.22</td>
</tr>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td>$18.20</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

Additionally, as detailed earlier, the supply rate directly recovers costs associated with the purchase of water from MWD, the Imperial Irrigation District, the Coachella Canal, and the All-American Canal, costs of MWD wheeling for non-MWD water supplies, and certain other costs associated with the Quantification Settlement Agreement (QSA).
For CY 2014, the Total Supply costs are projected to total $320.76 million. The Water Authority projected sales of 438,500 acre-feet at a cost of $293.56 million. An additional $27.20 million must be recovered through rates to fund supply’s revenue requirements and costs associated with the IID socioeconomic payment, storage, and QSA costs. By dividing the total supply cost by total water sales, an acre-foot cost of $732 is calculated.

<table>
<thead>
<tr>
<th>Table 16 Proposed Calendar Year 2014 Melded Supply Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projected Acre-Foot Sales (A/F) (000’s)</strong></td>
</tr>
<tr>
<td>MWD Tier I</td>
</tr>
<tr>
<td>IID</td>
</tr>
<tr>
<td>Canal Water Delivery Costs</td>
</tr>
<tr>
<td>Total A/F Sales</td>
</tr>
<tr>
<td><strong>Water Purchase Costs ($ Millions)</strong></td>
</tr>
<tr>
<td>MWD Tier 1 Water</td>
</tr>
<tr>
<td>QSA Exchange with MWD Costs</td>
</tr>
<tr>
<td>IID Water</td>
</tr>
<tr>
<td>Canal Water</td>
</tr>
<tr>
<td>Subtotal Water Purchase Costs</td>
</tr>
<tr>
<td><strong>Additional Costs ($ Millions)</strong></td>
</tr>
<tr>
<td>Supply Revenue Requirement (Table 15)</td>
</tr>
<tr>
<td>IID Socioeconomic</td>
</tr>
<tr>
<td>QSA Environmental</td>
</tr>
<tr>
<td>Groundwater Storage</td>
</tr>
<tr>
<td>Subtotal Other Costs</td>
</tr>
<tr>
<td><strong>Total Supply Cost</strong></td>
</tr>
<tr>
<td><strong>Proposed A/F Rate (Total Supply Cost /Total A/F Sales)</strong></td>
</tr>
</tbody>
</table>

5.2.2 Treatment (Melded M&I Treatment Rate)

The Treatment rate is a volumetric rate, assessed on an acre-foot basis, designed to recover the Water Authority’s cost of treating water. The Water Authority’s direct cost related to Treatment is $18.07 million. In addition, the melded treatment rate recovers direct costs associated with purchasing treated water from MWD, the operating and capital costs associated with the Water Authority’s agreement with East County Treatment Agreements and operating costs associated with the Olivenhain Treatment Plant.
Table 17  Calendar Year 2014 Melded Treatment Revenue Requirement

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$6.76</td>
</tr>
<tr>
<td>Operating Cost + Miscellaneous Cost Recovery</td>
<td>10.00</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
<td>$16.76</td>
</tr>
<tr>
<td>Less: Offsetting Revenues</td>
<td></td>
</tr>
<tr>
<td>Capital Offsets</td>
<td>$(0.36)</td>
</tr>
<tr>
<td>Operating Offsets</td>
<td>(0.00)</td>
</tr>
<tr>
<td>Revenue Requirement before Coverage</td>
<td>$16.40</td>
</tr>
<tr>
<td>Coverage &amp; Reserve Driven Needs</td>
<td>1.67</td>
</tr>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td><strong>$18.07</strong></td>
</tr>
</tbody>
</table>

Notes:
(1) Presented in million dollars, calculations in tables may not foot due to rounding.

As shown above, the Treatment rate category does not receive any offsetting revenues credits with the exception of the Treatment Capacity Charge. In addition, the Treatment rate is not specifically set to contribute to the Water Authority’s debt coverage requirement or rate stabilization fund.

Table 18 outlines the Water Authority’s projected treated acre-foot demand, incurred treatment costs, and corresponding melded treatment rate.

Table 18  Proposed Calendar Year 2014 Melded Treatment Rate

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Treatment Demands - (AF 000's)</td>
<td></td>
</tr>
<tr>
<td>MWD</td>
<td>104.74</td>
</tr>
<tr>
<td>CWA (Twin Oaks)</td>
<td>65.83</td>
</tr>
<tr>
<td>Helix</td>
<td>25.57</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>3.75</td>
</tr>
<tr>
<td><strong>Projected Total Treatment Demands</strong></td>
<td><strong>199.89</strong></td>
</tr>
<tr>
<td>Projected Treatment Costs ($ Millions)</td>
<td></td>
</tr>
<tr>
<td>MWD</td>
<td>$31.10</td>
</tr>
<tr>
<td>CWA</td>
<td>18.10</td>
</tr>
<tr>
<td>Helix</td>
<td>4.00</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>1.50</td>
</tr>
<tr>
<td><strong>Projected Total Treatment Cost</strong></td>
<td><strong>$54.70</strong></td>
</tr>
</tbody>
</table>
Table 18  Proposed Calendar Year 2014 Melded Treatment Rate

| Proposed A/F Rate (Total Supply Cost /Total A/F Sales) | $274 |

The Water Authority spreads the Melded Treatment costs over the projected acre-feet demands. The proposed CY 2014 Melded Treatment rate is $274 per acre-foot.

5.2.3  Transportation

The Transportation rate is set to recover capital, operating, and maintenance costs of the Water Authority’s water delivery facilities, including facilities used to physically transport the water to member agency meters. The transportation rate is charged to member agencies based on water deliveries.

Table 19  Proposed Calendar Year 2014 Transportation Rate

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$36.93</td>
</tr>
<tr>
<td>Operating Cost + Miscellaneous Cost Recovery</td>
<td>17.24</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
<td>$54.17</td>
</tr>
<tr>
<td>Less: Offsetting Revenues</td>
<td></td>
</tr>
<tr>
<td>Capital Offsets</td>
<td>$(8.52)</td>
</tr>
<tr>
<td>Operating Offsets</td>
<td>(14.84)</td>
</tr>
<tr>
<td>Revenue Requirement before Coverage</td>
<td>$30.81</td>
</tr>
<tr>
<td>Coverage &amp; Reserve Driven Needs</td>
<td>12.67</td>
</tr>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td><strong>$43.48</strong></td>
</tr>
<tr>
<td><strong>Projected Acre Feet Sales</strong>(2)</td>
<td><strong>448,210</strong></td>
</tr>
<tr>
<td>Proposed A/F Rate (Total Supply Cost /Total A/F Sales)</td>
<td>$97</td>
</tr>
</tbody>
</table>

Notes:

(1) Presented in million dollars and may not foot due to rounding.
(2) Project AF sales is reduced by water taken directly from MWD

The Water Authority spreads the Transportation cost over all projected acre-feet demands, less water taken directly from MWD, to generate the Transportation rate. The proposed CY 2014 Transportation rate is $97 per acre-foot.

---

4 Costs associated with facilities covered by the East County Facility Agreements are not included in Transportation, but relate to treatment services in connection with the Helix Water District’s Levy Water Treatment Plant and recovered through the Treatment rate.

5 The Water Authority will also use the Transportation rate, plus a cost-recovery based administrative charge determined by the Board of Directors, for any wheeling of non-Water Authority water through the Water Authority facilities.
5.3 Special Agricultural Water Rate Program

In October 2008, faced with a prolonged drought and rising water costs, the MWD Board voted to terminate the Interim Agricultural Water Program (IAWP) through a five-year phase-out of the program ending December 31, 2012. The IAWP was discounted rate for surplus system supplies available for the purpose of growing agricultural, horticultural, or floricultural products.

In response to MWD’s phase-out of IAWP, in October 2008, the Water Authority Board approved the Transitional Special Agricultural Water Rate (TSAWR) and formed a SAWR Board Workgroup to develop a recommended permanent program. In March 2010, the Board approved the Workgroup recommendation for a permanent TSAWR that would begin January 1, 2013 and only include the storage charge exemption. On April 26, 2012, the Board voted to extend the TSAWR program for two additional years to provide agricultural customers with additional time to transition to the higher cost of water. In exchange for this reduced rate, TSAWR customers are subject to greater cutbacks in times of shortage and do not receive the benefits of storage or QSA water transfers.

Under the TSAWR program, agricultural users receiving raw water are charged the MWD full service untreated tier 1 water rate. In CY 2014, this rate is $593 per acre-foot. Agricultural users receiving treated water are also charged the MWD Full Service Untreated Tier 1 water rate plus the Water Authority’s melded treatment charge, which is proposed at $274 per acre-foot in CY 2014 as shown above. Transportation and customer service related costs are recovered through transportation rates for TSAWR deliveries and the member agency’s customer service charges.

6.0 FINDINGS

Based on the independent review performed for this rate study, Carollo has found the Water Authority’s existing methodology, cost allocations, rate-setting practices, and proposed CY 2014 rates are appropriately calculated and consistent with AWWA cost-of-service principles, industry best practices, Board policies, and California legal requirements. Carollo’s finding for this study are as follows:

- The Water Authority has significant detail and a sound basis for existing and proposed water rates and charges.
- The resulting cost of service allocations and existing methodology provide a clear, reasonable, and defensible nexus between the costs of service and rates charged.
- Board policies and cost-of-service guidelines are consistent with industry best practices and AWWA M1 standards.
- The Water Authority’s rates and charges adhere to the legal requirements as described within this report.
• The IAC was calculated in compliance with Board policies and adheres to the legal requirements as described within this report.

• The existing methodology yields an appropriate and reasonable method for allocating costs, which could be sustained absent substantial changes in cost drivers or customer demand patterns.

• Revenue adjustments are necessary to cover the Water Authority’s budget requirements. The revenue requirements for CY 2014 are coverage driven, as existing revenues fall below the desired DSCR target of 1.50x and necessary deposits into the RSF.

• The proposed CY 2014 water rates and charges provide roughly a $5 million target for deposit into the RSF and meet the Board’s DSCR target of 1.50x.

• Carollo recommends that the Water Authority review the application of offsetting revenue credits to the rate categories, including treatment.

• In a parallel study which has been provided to the Water Authority concurrently with this report, Carollo reviewed and updated the Water Authority’s System and Treatment Capacity Charges.
Appendix A

INFRASTRUCTURE ACCESS CHARGE RESOLUTION
RESOLUTION NO. 98-26

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING THE AMOUNT OF THE INFRASTRUCTURE ACCESS CHARGE PURSUANT TO SECTION 15.3.5 OF THE ADMINISTRATIVE CODE

WHEREAS, on January 8, 1998, the Board of Directors adopted an Implementation Plan for Proposed Changes to the Authority's Revenue Structure; and

WHEREAS, on March 12, 1998, the Board of Directors conducted a public hearing duly noticed by publication to consider a revised revenue structure including a proposed infrastructure access charge; and

WHEREAS, on March 26, 1998, the Board of Directors adopted Resolution No. 98-10, amending Article 15 of the Administrative Code adding Section 15.3.5 establishing an infrastructure access charge the amount of which would be determined by later action of the Board of Directors; and

WHEREAS, Section 15.3.5 of the Administrative Code provides that the infrastructure access charge shall be set at an amount which, when added to the Authority's Water Standby Availability Charge and property tax revenues, will provide funding for at least 25 per cent of the Authority's estimated annual fixed costs, and further, that member agencies shall pay the infrastructure access charge based on the number and size of retail water meter connections within their respective jurisdictions; and

WHEREAS, on April 9, 1998, the Board of Directors established June 11, 1998, as the date for a public hearing to consider protests to the infrastructure access charge; and

WHEREAS, notice of the hearing to consider protests regarding the amount of the infrastructure access charge was mailed to owners of real property, as referred to in Articles XIIIC and XLIID of the California Constitution, not less than 45 days prior to the public hearing; and

WHEREAS, on June 11, 1998, the Board of Directors held a public hearing and considered the protests regarding the amount of the infrastructure access charge; and

WHEREAS, the Board of Directors did not receive a majority protest to the amount of the infrastructure access charge; and

WHEREAS, pursuant to Section 15.3.5 of the Administrative Code and as recommended by the "Final Report, Revenue Plan Review (Including Implementation
Steps" dated December 1997 prepared by R. W. Beck, consulting engineers, the Board of Directors hereby declares that the annual fixed costs of the Authority for the purposes of calculating the infrastructure access charge shall include annual payments of principle and interest on debt of the Authority, eighty percent of all operation and maintenance expenses as established by the Board in the annual budget, and payments to member agencies for generation of reclaimed water.

WHEREAS, the Board of Directors has considered the information relating to the infrastructure access charge and has determined that the revenue derived from the charge will, when combined with standby charges and property tax revenues, provide the sum necessary to pay at least twenty-five percent of the estimated annual fixed costs of the Authority, including but not limited to debt service; and

WHEREAS, the Board of Directors has determined that the amount of the infrastructure access charge for each member agency charge as set forth in this resolution complies with the requirements of Section 15.3.5 of the Authority's Administrative Code; and

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the San Diego County Water Authority as follows:

1. The foregoing recitations are true and correct.

2. The monthly amount of the infrastructure access charge to be collected from each member agency pursuant to Section 15.3.5 of the Authority's Administrative Code, commencing on January 1, 1999, is established as follows:

   Carlsbad Municipal Water District  $25,385
   City of Del Mar                 $ 2,442
   City of Escondido              $30,744
   Fallbrook Public Utilities District  $10,261
   Helix Water District          $ 62,433
   City of National City         (See Sweetwater Authority)
   City of Oceanside             $ 49,222
   Olivenhain Municipal Water District   $17,125
   Otay Water District           $ 37,988
   Padre Dam Municipal Water District   $24,678
   City of Poway                 $ 14,829
   Pendleton Military Reservation   $  -0-
   Rainbow Municipal Water District  $11,157
   Ramona Municipal Water District   $ 9,967
   Rincon del Diablo Municipal Water District  $ 8,938
   City of San Diego             $354,539
   San Dieguito Water District    $ 14,591
   Santa Fe Irrigation District   $ 10,269


Pursuant to Section 15.3.5 of the Administrative Code, the Board of Directors, by resolution, may establish a system of credits that member agencies may offset against the charge set by this section.

3. The amount of the monthly infrastructure access charge for each member agency has been determined based upon information provided by member agencies summarized in the table attached hereto as Attachment 1, and is apportioned based upon anticipated water delivery measured by the number of "household meter equivalents" served by each member agency. The infrastructure access charge for the Pendleton Military Reservation has been established at $0.00 due to the unique circumstances and limitations of its current receipt of service from the Authority.

4. The General Manager shall require each member agency to provide sufficient information to permit the Manager, or the Manager's designee, to evaluate the water use potential of a member agency based upon the number and types of water meters within the member agency as of December 31 of each year. Thereafter the General Manager shall determine the infrastructure access charge according to the procedures set forth in Attachment 2 to this resolution and shall recommend any adjustments to the charge to the Board of Directors.

5. The Board of Directors, by resolution, may from time-to-time adjust the infrastructure access charge to account for changes in capital improvement costs, operation and maintenance expenses, and other fixed costs to assure revenue from the charge, when combined with revenue from property taxes and stand-by charges, is sufficient to pay at least twenty-five percent of the Authority's fixed costs as defined in this resolution. Based upon current capital improvement plans, it is estimated that the infrastructure access charge will increase to $2.00 per month per household meter equivalent over the next ten years. Further, the charge is subject to future adjustments for inflation and modifications of capital improvement plans. The procedure by which the Board of Directors established and set the infrastructure access charge, or adopted this resolution, shall not be deemed to establish a precedent for future proceedings of the Authority to establish, levy, set, or increase any fee or charge.

PASSED, APPROVED, AND ADOPTED this 11th day of June, 1998.

AYES: Unless noted below, all Directors voted aye.
NOES: Chenelle, Mason, & Pocklington

ABSTAIN:

ABSENT: Fowler, Krauel, Madigan, & McMillan

ATTEST:

Harold W. Ball, Secretary
Board of Directors

I, Janet R. Maltman, Board Secretary of the Board of Directors of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 98-26 of said Board and that the same has not been amended or repealed.

Janet R. Maltman, Board Secretary
Board of Directors
<table>
<thead>
<tr>
<th>Multiplier</th>
<th>1.00</th>
<th>1.00</th>
<th>1.60</th>
<th>3.00</th>
<th>5.20</th>
<th>9.60</th>
<th>16.40</th>
<th>30.00</th>
<th>52.00</th>
<th>78.00</th>
<th>132.00</th>
<th>286.00</th>
<th>12/31/1997&quot;s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency ID</td>
<td>C. Yr.</td>
<td>5/8&quot;</td>
<td>3/4&quot;</td>
<td>1&quot;</td>
<td>1 1/2&quot;</td>
<td>2&quot;</td>
<td>2 1/2&quot;</td>
<td>3&quot;</td>
<td>4&quot;</td>
<td>5&quot;</td>
<td>6&quot;</td>
<td>8&quot;</td>
<td>10&quot;</td>
</tr>
<tr>
<td>Carlsbad</td>
<td>1997</td>
<td>14,340</td>
<td>1,374</td>
<td>1,174</td>
<td>1,503</td>
<td>5,892</td>
<td>0</td>
<td>230</td>
<td>394</td>
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PROCEDURES FOR DETERMINING THE INFRASTRUCTURE ACCESS CHARGE

The Infrastructure Access Charge shall be adjusted each year to maintain an estimated income, when combined with estimate income from taxes and standby charges, sufficient to pay at least twenty-five percent of the Authority’s annual fixed costs. The annual fixed costs of the Authority for the purposes of calculating the infrastructure access charge shall include annual payments of principle and interest on debt of the Authority, eighty percent of all operation and maintenance expenses as established by the Board in the annual budget, and payments to member agencies for generation of reclaimed water. The adjustment shall occur as a part of, and in the same manner as, the Authority’s regular rate-setting process.

The steps for setting the IAC will be as follows:

1) In January of each year, the Authority will request each member agency to provide a count of retail water meters serviced by that agency and active as of December 31 of the previous year. The meter count shall be based on the number of equivalent household meters, using multiplication factors established by the Authority’s Director of Engineering for each meter size to determine the number of household meter equivalents. (Criteria for including a meter in the active retail meter count are given later.)

2) The estimated average annual fixed capital and operating expenditures for the following four fiscal years will be established through the annual budgeting process by the end of March of each year.

3) The estimated average annual fixed capital and operating expenditures for the next four years will be multiplied by 25% to establish the minimum level of fixed revenues required for the next fiscal year. Since actual expenditures can vary from the budget estimates upon which the IAC will be based, the estimate of the minimum level of required fixed revenues will be increased by 10% to provide increased assurance that actual fixed revenues will be at least 25% of actual fixed expenditures.

4) Estimated income from the Authority’s other fixed income sources (standby charges and property taxes) will be subtracted from the estimated minimum level of fixed revenues to establish the total revenue required from the IAC.

5) The total revenue required from the IAC will be divided by the sum of the meter counts of all the member agencies to establish the IAC for a household meter equivalent (the per-meter IAC).
6) The amount of the IAC charge to be levied against each member agency will be established by multiplying the member agency’s meter count times the per-meter IAC.

7) The Board will adopt the fixed IAC charge for each member agency and the per-meter IAC at the same time the capacity charge and the water rate is set, typically in April.

8) Changes in the IAC will be effective the same date in the fiscal year that changes in the commodity rate are normally effective.

9) Meters will be counted using the following criteria and definitions:

   - All active retail water meters will be included in the meter count.
   - The meter count will be expressed as the number of household meter equivalents based on the same factors used for the capacity charge to compute the household meter equivalent for meters 1-inch and larger.
   - Active meters are defined as those meters which took water at any time during the preceding 12 months. If a meter is officially listed as inactive on a member agency’s books on December 31, but has taken any amount of water during the previous 12 months, it must be included in the meter count.
   - Fire service and similar types of emergency meters are not counted, even if they have taken water during the previous 12 months.
   - Reclaimed water meters are not counted unless they are connected to a reclaimed water system that has used water from the Authority’s system to meet more than 20% of that reclaimed water system’s total demand during the past 12 months.
   - Meters of local distributors other than member agencies which receive water through a master meter from a member agency are not separately counted if the annual amount of water attributable to the Authority is less than or equal to 20% of the total annual amount of water distributed by the local distributor.
   - Mutual support meters between member agencies are not counted.
   - Master meters within a member agency are counted if they are used by a member agency to bill retail customers.
   - Individual meters within a master metered area are not counted unless they are used by the member agency to bill retail customers in lieu of the master meter.
   - Meters in areas outside the Authority’s service area are not counted unless they are a net recipient of imported water through one of the member agencies.
   - Meters receiving the Special Agricultural Rate will be counted.
ORDINANCE NO. 2002-03

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES AND PROVISION OF SERVICES

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates the board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service." and

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority's purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water availability standby charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a capacity charge, an infrastructure access charge, a readiness to serve charge and a water rate; and

WHEREAS, under direction of the Board and its Rate Structure Subcommittee, the Authority's staff and consultants have been working with member agencies over the past several years to develop a new rate structure; and

WHEREAS, the Rate Structure Subcommittee has recommended a new structure of rates and charges is designed to ensure that the Authority has sufficient revenue to fulfill its role as the regional wholesale water provider, support local resources development and provide a new class of service for agencies with connections not using Authority facilities; and

WHEREAS, under the new structure of rates and charges, taxes, the water availability standby charge, the infrastructure access charge, and the capacity charge are not affected and will continue as currently levied; and

WHEREAS, under the new structure revenue formerly collected from a uniform water rate for raw and treated water of $95 per acre foot and a special agricultural water rate of $80 per acre foot will instead be collected from rates and charges fixed according to four categories called: Customer Service, Storage, Transportation, and Supply; and
WHEREAS, pursuant to Resolution No. 2002-06 adopted May 23, 2002, the Clerk of the Board has caused legal notice of a public hearing to hear objections protests or comments from the public about the proposed new rate structure; and

WHEREAS, the Director of Finance has presented a report dated June 19, 2002 describing the proposed structure of fees and charges, including, without limitation, the revenue requirement, the reasonable allocation of the revenue requirement among the appropriate functional categories, and the reasonable apportionment of revenue requirement allocated to the four functional categories to rates and charges to be collected from the member agencies (the "Report"); and

WHEREAS, the Director of Finance has recommended approval of the new structure of rates and charges as set forth in the Report; and

WHEREAS, on May 21, 2002 the Authority filed a Notice of Exemption pursuant to the California Environmental Quality Act for the project described as "Establishment of water supply and delivery rates and charges including: Customer Service Charge, Emergency Storage Program Charge, Transportation Rate and Supply Service Charge, Capacity Reservation Charge and Readiness-to-Serve Charge, and maintaining the Infrastructure Access Charge and Standby Availability Charge" stating the project is exempt from the requirements of CEQA pursuant to the statutory exemption of Public Resources Code Section 21080(b)(8) and stating as the reason therefore: "Project involves establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing and leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas."; and

WHEREAS, the Board of Directors has considered the information contained in the Report, the testimony and other evidence presented during the public hearing, the recommendations of the Rate Study Subcommittee, the recommendations of the Fiscal Policy Committee, and other information presented to the Board during its consideration of a new rate structure; and

WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:

1. The foregoing recitals are true and correct;
2. The rates and charges as proposed and recommended in the Report are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);
3. Any and all protests to the rates and charges as proposed and recommended in the Report are overruled;
4. The Report is approved;
5. The rates and charges as proposed and recommended in the Report are reasonable, fair, proper and necessary to meet the Authority's revenue requirements and fund its capital, operation, maintenance and other costs.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:
1. The Authority's revenues from taxes, water rates and charges consists of: ad
valorem property taxes, including payments of member agencies in lieu of taxes; a standby
availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including
payments of such charges pursuant to Section 5.3 if the County Water Authority Act; an
infrastructure access charge levied and established pursuant to Resolution No. 98-10; a capacity
charge levied pursuant to Section 5.9 of the County Water Authority Act and established by
Ordinance No. 97-1 in an amount as amended by Ordinance No. 99-2; and water rates and
charges having the following components as described in this ordinance: customer service,
storage, transportation and supply.

2. Ad valorem taxes, the standby availability charge and the capacity charge are not
affected by this ordinance. All other water rates and charges shall continue to be paid pursuant
to existing authority until January 1, 2003.

3. Pursuant to Resolutions Nos. 98-10 and 2001-26, the Infrastructure Access Charge
is based on a fixed amount per month per equivalent meter. The current charge of $1 per month per
equivalent meter unit is not changed by this ordinance. Commencing January 1, 2003, the amount
of the infrastructure access charge to be paid monthly by each member agencies of the Authority,
shall be determined according to Table 1 attached hereto and made a part hereof.

4. Effective January 1, 2003, the Customer Service Charge is fixed at $13,753,401.
Commencing January 1, 2003 the amount of the monthly Customer Service Charge to be paid by
each member agency shall be determined according to Table 2 attached hereto and made a part
hereof.

5. Effective January 1, 2003, the Storage Charge is fixed at $13,375,295.
Commencing January 1, 2003 the amount of the monthly Storage Charge to be paid by each rate
to the Authority for Storage as set forth in Table 3 attached hereto and made a part hereof.

6. Effective January 1, 2003, the Transportation Rate is fixed at $55 per acre-foot of
water delivered by the Authority through Authority facilities. Member agencies shall pay the
Transportation Rate in accordance with the procedures and processes of the Administrative Code
relating to billing and payment of the Municipal and Industrial Water Rate.

7. (a) Effective January 1, 2003, as a Supply Charge, each member agency shall
reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided
in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of
Southern California.

(b) Effective January 1, 2003 as part of the Supply Charge, each member agency
shall pay to the Authority a Capacity Reservation Charge determined according to Table 4
attached hereto and made a part hereof.

(c) Effective July 1, 2002 to January 1, 2003 each member agency shall pay a
Readiness-to-Serve Charge determined according to Table 5 attached hereto and made a part
hereof, and effective January 1, 2003 as part of the Supply Charge, each member agency shall
pay a Readiness-to-Serve Charge determined according to Table 5.
(d) The Authority has apportioned the Capacity Reservation Charge and the Readiness-to-Serve charge to member agency based upon historic water delivery information provided by the Metropolitan water district and historic water delivery information of the Authority. Any member agency, by October 1, 2002, may submit information to the Authority challenging the basis upon which the Capacity Reservation Charge and the Readiness-to-Serve Charge have been allocated. If justified by the information submitted by an agency, the board of directors may adjust the amount charged the agency. The information used to make an adjustment shall be used as the basis for future allocations.

(e) This section shall be administered in accordance with the Report approved by this Ordinance.

8. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

9. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

10. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until superceded on January 1, 2003 as provided in this ordinance.

11. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir and of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir; however, the contract provisions shall control in the event of a conflict.

12. For the purposes of Section 6 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be "water delivered by the Authority through Authority facilities" -- DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.

[Space intentionally left blank.]
PASSED, APPROVED AND ADOPTED, this 27th day of June 2002.

AYES: Unless noted below all Directors voted aye.
    Broomell,
    Knutson, Mason, Quist, Williams

NOES:    Lewinger

ABSTAIN: Croucher, Haddad, Irvin, Jacob, Lopez, Tu

ABSENT:  Croucher, Haddad, Irvin, Jacob, Lopez, Tu

I, Vernice R. Hartman, Clerk of the Board of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of Ordinance No. 2002-03 of said Board and that the same has not been amended or repealed.
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</tr>
</tbody>
</table>

**Grand Totals**

<p>| Meters | $10,158,792 | $846,566 |</p>
<table>
<thead>
<tr>
<th>Customer Service Charge Allocation</th>
<th>Fiscal Years 1999</th>
<th>Customer Service Charge Due</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>18,760</td>
<td>$467,078</td>
<td>$38,923</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>1,479</td>
<td>36,827</td>
<td>3,069</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>23,080</td>
<td>574,634</td>
<td>47,886</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>15,382</td>
<td>382,970</td>
<td>31,914</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>36,040</td>
<td>897,289</td>
<td>74,774</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>30,458</td>
<td>758,315</td>
<td>63,193</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>18,061</td>
<td>449,668</td>
<td>37,472</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>28,452</td>
<td>708,364</td>
<td>59,030</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>20,318</td>
<td>505,851</td>
<td>42,154</td>
</tr>
<tr>
<td>Pendleton M.R.</td>
<td>100</td>
<td>2,505</td>
<td>209</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>14,231</td>
<td>354,310</td>
<td>29,526</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>27,455</td>
<td>683,558</td>
<td>56,963</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>10,289</td>
<td>256,164</td>
<td>21,347</td>
</tr>
<tr>
<td>Rincon M.W.D.</td>
<td>8,426</td>
<td>209,780</td>
<td>17,482</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>205,582</td>
<td>5,118,420</td>
<td>426,535</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>4,559</td>
<td>113,505</td>
<td>9,459</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>7,339</td>
<td>182,714</td>
<td>15,226</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>6,657</td>
<td>165,735</td>
<td>13,811</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>15,472</td>
<td>385,202</td>
<td>32,101</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>44,114</td>
<td>1,098,318</td>
<td>91,527</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>14,052</td>
<td>349,846</td>
<td>29,154</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>2,102</td>
<td>52,348</td>
<td>4,362</td>
</tr>
</tbody>
</table>

Note: Values in table contain greater precision than displayed.
## Table 3. Storage Charge Allocation

<table>
<thead>
<tr>
<th>Agency</th>
<th>Fiscal Years 1999-2001 Average Total Non-Agr AF</th>
<th>Calendar Year Storage Charge Due</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>17,525</td>
<td>$498,514</td>
<td>$41,543</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>1,479</td>
<td>42,077</td>
<td>3,506</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>18,674</td>
<td>531,208</td>
<td>44,267</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>8,132</td>
<td>231,319</td>
<td>19,277</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>36,040</td>
<td>1,025,211</td>
<td>85,434</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>27,891</td>
<td>793,401</td>
<td>66,117</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>16,969</td>
<td>482,722</td>
<td>40,227</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>28,340</td>
<td>806,175</td>
<td>67,181</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>19,498</td>
<td>554,646</td>
<td>46,220</td>
</tr>
<tr>
<td>Pendleton M.R.</td>
<td>101</td>
<td>2,863</td>
<td>239</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>13,748</td>
<td>391,089</td>
<td>32,591</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>8,192</td>
<td>233,039</td>
<td>19,420</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>7,159</td>
<td>203,654</td>
<td>16,971</td>
</tr>
<tr>
<td>Rincon M.W.D.</td>
<td>7,440</td>
<td>211,642</td>
<td>17,637</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>205,441</td>
<td>5,844,092</td>
<td>487,008</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>4,559</td>
<td>129,687</td>
<td>10,807</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>7,208</td>
<td>205,059</td>
<td>17,088</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>6,657</td>
<td>189,363</td>
<td>15,780</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>13,092</td>
<td>372,433</td>
<td>31,036</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>8,669</td>
<td>246,597</td>
<td>20,550</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>13,350</td>
<td>379,777</td>
<td>31,648</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>25</td>
<td>727</td>
<td>61</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>470,189</strong></td>
<td><strong>$13,375,295</strong></td>
<td><strong>$1,114,608</strong></td>
</tr>
</tbody>
</table>

*Note: Values in table contain greater precision than displayed.*
## Table 4. Capacity Reservation Charge

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8/12/97 9/1/98 7/20/99 8/29/00 6/26/01</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>26.35 28.06 30.66 31.95 33.86</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>$237,414</td>
<td>$19,785</td>
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<tr>
<td>Del Mar, City of</td>
<td>2.31 1.81 2.30 2.72 2.85</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>18,872</td>
<td>1,573</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>63.14 29.32 57.34 57.20 64.20</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>426,684</td>
<td>35,557</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>4.96 5.92 5.97 7.65 5.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>46,457</td>
<td>3,871</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>72.41 64.33 68.80 61.15 74.33</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>536,530</td>
<td>44,711</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>76.93 82.66 83.73 91.51 78.44</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>650,226</td>
<td>54,166</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>30.71 32.04 33.48 37.76 34.93</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>265,755</td>
<td>22,146</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>42.46 47.10 49.63 59.92 56.55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>402,241</td>
<td>33,520</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>37.82 40.52 39.25 32.33 39.51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>298,048</td>
<td>24,837</td>
</tr>
<tr>
<td>Pendleton M.R.</td>
<td>0.04 0.04 0.04 0.06 0.04</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>339</td>
<td>28</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>23.80 26.32 24.38 21.69 23.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>187,640</td>
<td>15,636</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>42.10 43.83 37.47 48.31 47.22</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>344,459</td>
<td>28,705</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>7.83 8.79 7.42 9.61 9.47</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>67,851</td>
<td>5,654</td>
</tr>
<tr>
<td>Rincon M.W.D.</td>
<td>13.71 16.11 15.68 13.74 13.37</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>114,256</td>
<td>9,521</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>357.23 278.80 355.24 420.19 440.53</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,913,827</td>
<td>242,819</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>9.04 10.32 9.70 10.05 6.90</td>
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<td></td>
<td></td>
<td></td>
<td>72,370</td>
<td>6,031</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>18.10 20.66 19.42 20.12 13.82</td>
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<td></td>
<td></td>
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<td>144,935</td>
<td>12,078</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>- - - - -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Valllecitos W.D.</td>
<td>25.14 32.81 37.08 38.32 37.94</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>269,504</td>
<td>22,459</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>93.38 93.25 90.71 98.62 94.91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>740,836</td>
<td>61,736</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>16.80 15.13 16.99 15.33 17.17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>128,107</td>
<td>10,676</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>3.77 3.16 3.43 7.96 6.62</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>39,249</td>
<td>3,271</td>
</tr>
</tbody>
</table>

**TOTALS** $7,905,600  $658,800

Note: Values in table contain greater precision than displayed.
### Table 5. Readiness-to-Serve Charge Due from Member Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Current MWD Allocation</th>
<th>New MWD Allocation</th>
<th>Total Fiscal Year 2002-2003 RTS Charge*</th>
<th>Net Stand-by Charge Credit*</th>
<th>Net Fiscal Year 2002-2003 RTS Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Total Deliveries</td>
<td>RTS Due per MWD July 1-December 31, 1996 (AF)</td>
<td>10-yr Average Firm Deliveries</td>
<td>RTS Due January 1- June 30, 2003</td>
<td></td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>14,633</td>
<td>390,962</td>
<td>14,598 $ 378,978</td>
<td>$ 769,940 $ (376,697) $ 393,243</td>
<td></td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>1,346</td>
<td>35,954</td>
<td>1,416 36,750</td>
<td>72,704 $ (32,152) $ 40,552</td>
<td></td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>12,930</td>
<td>345,469</td>
<td>14,119 366,562</td>
<td>712,031 (214,997) $ 497,063.99</td>
<td></td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>12,568</td>
<td>335,789</td>
<td>6,866 178,243</td>
<td>514,032 (285,375) 228,657</td>
<td></td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,427</td>
<td>679,375</td>
<td>30,376 788,609</td>
<td>1,467,984 (721,164) 746,820</td>
<td></td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>25,594</td>
<td>683,833</td>
<td>25,284 656,407</td>
<td>1,340,240 (613,003) 727,237</td>
<td></td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>12,364</td>
<td>330,330</td>
<td>13,519 350,974</td>
<td>681,304 (400,469) 280,835</td>
<td></td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,078</td>
<td>563,152</td>
<td>23,587 612,364</td>
<td>1,175,516 (889,466) 266,050</td>
<td></td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>18,066</td>
<td>482,678</td>
<td>17,866 463,836</td>
<td>946,514 (710,041) 236,473</td>
<td></td>
</tr>
<tr>
<td>Pendleton M.R.</td>
<td>103</td>
<td>2,762</td>
<td>100 2,608</td>
<td>5,360 (4,048) 1,312</td>
<td></td>
</tr>
<tr>
<td>Poway, City of</td>
<td>10,949</td>
<td>292,529</td>
<td>11,827 307,042</td>
<td>595,571 (291,942) 307,629</td>
<td></td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>22,911</td>
<td>612,149</td>
<td>7,317 189,961</td>
<td>802,110 (547,350) 254,760</td>
<td></td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>8,241</td>
<td>220,191</td>
<td>6,171 160,208</td>
<td>380,399 (433,882) (53,483)</td>
<td></td>
</tr>
<tr>
<td>Rincon M.W.D.</td>
<td>6,119</td>
<td>163,489</td>
<td>6,356 165,014</td>
<td>328,503 (310,797) 17,706</td>
<td></td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>142,077</td>
<td>3,798,026</td>
<td>166,198 4,314,781</td>
<td>8,110,807 (4,055,507) 4,045,300</td>
<td></td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,870</td>
<td>103,399</td>
<td>4,035 104,766</td>
<td>208,165 (143,927) 64,238</td>
<td></td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,979</td>
<td>159,743</td>
<td>6,423 166,741</td>
<td>326,484 (149,199) 177,285</td>
<td></td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>4,052</td>
<td>108,264</td>
<td>5,522 143,367</td>
<td>251,631 (414,194) (162,563)</td>
<td></td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>12,062</td>
<td>322,279</td>
<td>11,036 266,503</td>
<td>600,782 (393,563) 215,219</td>
<td></td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>34,679</td>
<td>926,556</td>
<td>7,591 197,083</td>
<td>1,123,639 (674,755) 448,884</td>
<td></td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>7,298</td>
<td>194,987</td>
<td>10,393 269,818</td>
<td>464,905 (386,521) 78,384</td>
<td></td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>932</td>
<td>24,892</td>
<td>29 759</td>
<td>25,651 (64,409) (38,758)</td>
<td></td>
</tr>
</tbody>
</table>

**TOTALS** $10,774,798 $10,141,374 $20,916,172 $(12,153,428) $8,762,744

*Net of MWD Standby Charge Program Administrative Costs of $175,689.

Note: Values in table contain greater precision than displayed.
Appendix C

FINANCIAL POLICY AMENDMENT
August 16, 2006

Attention: Board of Directors

Adopt the Rate Model Work Group Financial Policy Proposal. (Action)

Purpose
To amend Water Authority financial policies regarding the Rate Stabilization Fund (RSF) and Debt Service Coverage Ratio (DSCR) as recommended by the Rate Model Work Group Proposal and the Administrative and Finance Committee.

Administrative and Finance Committee Recommendation
Adopt the Rate Model Work Group Proposal to amend financial policies regarding the RSF and DSCR.

Fiscal impact
The Rate Model Work Group (RMWG) Proposal will be phased in over a three-year period starting January 1, 2008. The phase-in will require that by June 30, 2011, the RSF have a balance approximately $10 million higher than the projected balance under the current policy. Starting January 1, 2008, water rates will need to include an additional increase of approximately one percent per year on average for the next three years; however, Infrastructure Access Charges (IAC) will decrease by approximately $3 per year per meter. Looking out to 2020-2021, the IAC will be approximately $6 per year per meter lower than projected under current policies, and the average annual increase in the water rate will decrease by approximately 0.40 percent.

Background
In December 2004, the Water Authority created the RMWG to promote financial transparency, to foster member agency relations and to create an open and collaborative process for discussing financial and rate management issues. The RMWG is made up of member agency general managers and finance officers. In 2005, the RMWG’s focus centered on understanding the inputs and outputs of the Financial Rate Modeling Program and how these were used to set rates and charges and prepare the Long Range Financing Plan. A workshop was then conducted with the member agencies to share this information. From this process, a list of parking lot items resulted. The analytical work surrounding these items formed the basis of the Proposal currently before the Board.

The Proposal is the result of six months of intensive, collaborative work among RMWG members, staff and Water Authority financial advisors. RMWG members included: Keith Lewinger (Fallbrook); Joe Beachem (Oatay); Augie Caires and Doug Wilson (Padre Dam); Tom Brammell (Ramona); Charles Yackly, Christine Ruess and Cathy Pieroni (San Diego); Dennis Bostad and Debra Farrow (Sweetwater); Eldon Boone and Farrokh Shahamiri (Vista); and Linden Burzell (Yuima). The group met six times between January and June 2006. In these meetings, the group analyzed quantitative data related to Water Authority financial risks, reviewed studies of comparable agency financial ratios, evaluated 35 rate runs, identified common interests and barriers regarding policy development, developed and voted on specific recommendations, and drafted the policy recommendations contained in Attachment A. Staff presented the RMWG Proposal at the member agency general managers’ meeting on July 18, 2006 and at the quarterly meeting of member agency finance officers on August 3, 2006. Staff
also held a workshop on the RMWG Proposal at a special meeting of the Administrative and Finance Committee on August 10, 2006. At this meeting, by a unanimous vote, the Committee recommended adoption of the RMWG Proposal to the Board.

Previous Board Action: On August 10, 2006, the Administrative and Finance Committee recommended adoption of the RMWG Proposal.

Discussion
The key findings that drove the development of the Proposal are the result of a comprehensive risk analysis (including quantitative hydrologic data) and a comparative analysis of the financial ratios of other AA-rated water agencies. The risk analysis showed not only that hydrologic risk was significant, but also that the existing RSF minimum provides only one year of protection against the negative financial impacts of extreme wet weather. The RMWG considered this level of protection to be insufficient and chose to implement a target funding level that provides 2.5 years of protection against wet weather. In addition to the risk analysis, the comparative financial analysis revealed that with respect to the three financial ratios of greatest importance to investors and rating agencies, the Water Authority placed below the average of its AA rating category. After analyzing different scenarios and with extensive input from the Water Authority’s financial advisor, the RMWG recommended a DSCR policy target of 1.50x.

Attachment A contains the RMWG recommendations relating to the RSF and DSCR policies. In addition to policy statements, the attachment provides edited sections of the Water Authority’s Long Range Financing Plan which demonstrate how the policies will be “operationalized.” The primary elements of the RMWG Proposal are to:

- Establish a target funding level for the RSF that protects the Water Authority against the financial impact of 2.5 years of wet weather;
- Decrease the maximum funding level for the RSF to protect the Water Authority against the financial impact of 3.5 years of wet weather;
- Phase in the new target funding level of the RSF over three years and replenish any target level deficits over the same time period;
- Provide for the use of RSF funds to pay for O&M and debt service expenses, to smooth water rates and to meet Operating Fund and DSCR targets;
- Establish a separate fund for known, specific future expenses such as dam fills; and
- Establish a target DSCR of 1.50x, which is above the minimum bond covenant of 1.20x.

Benefits of the RMWG Proposal include reduced rate volatility, increased protection against wet weather, a transparent and flexible RSF framework, increased cash funding of the CIP and less outstanding debt. Moreover, the strengthening of key financial ratios—higher debt service coverage ratio, decreased debt ratio and increased cash days—support the maintenance of the Water Authority’s AA credit ratings.

Prepared by: Eric Sandler, Deputy Director of Finance
Reviewed by: Karen P. Brust, Director of Finance/Treasurer
Approved by: Paul A. Lanspery, Deputy General Manager

Attachment(s):
Attachment A - Rate Model Work Group Recommended Adjustments to Existing Water Authority Financial Policies
Rate Stabilization Fund Policy Statement
The target funding level for the RSF is equal to the financial loss resulting from 2.5 years of above average rainfall, calculated at a 95% exceedence level. The maximum funding level for the RSF is equal to the financial loss resulting from 3.5 years of above average rainfall.

Transfers from the RSF to the Operating Fund may be made to meet annual O&M expenses, debt service expenses, stabilize water rates or to comply with debt service coverage and operating fund policies. Transfers from the Operating Fund to the RSF will be made as a closing audit adjustment if the Operating Fund maximum balance has been met.

Balances below the RSF target level are to be replenished within three years. The Board may also choose to budget for RSF deposits resulting in balances in excess of the target level but below the maximum level to provide for rate smoothing. The RSF is managed so that any funds above the maximum balance will be transferred to the Operating Fund—Operating Fund balances above the existing 45-day policy are subject to discretionary use by the Board.

Funds committed to specific future non-operating expenditures such as dam fills or QSA water pre-payments will be set-aside in either the Dam Fill Fund or QSA Commitment Fund.

Rate Stabilization Fund
Red-lined text from Water Authority’s Long Range Financing Plan for fiscal year 2004-2005
The Rate Stabilization Fund (RSF) was created in Fiscal Year 1989-1990 for the purpose of collecting amounts of water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate “rate shock” in years of weak water sales and/or to manage debt service coverage, or to smooth out water rate increases. The RSF is a critical short-term water rate management tool that provides the necessary funds to maintain a smooth water rate pattern over a long period of time. With the new melded supply rate, and the expansion of the Water Authority’s functional areas with treatment and desalination, the RSF will have an increasingly important role in managing hydrology risk and stabilizing annual revenue needs.

The RSF has served the Water Authority well since it was created, providing a vehicle that collected approximately $60 million in the first three years of its existence. Revenues greater than expenditures were generated in those years from strong water sales during the drought, combined with relatively low debt service requirements because major funding for the CIP was just beginning. In Fiscal Year 1994-1995, approximately $6 million was withdrawn from the RSF to supplement operating revenues and mitigate the need for water rates to rise above $80 per acre-foot. A transfer of $19 million was made from the RSF to the Operating Fund, as directed by the Board in Fiscal Year 1996-1997, to more efficiently balance Rate Stabilization and Operating Funds. The RSF will supply approximately $10 million in water purchases for the Olivenhain reservoir in Fiscal Year 2003-2004. In addition, in Fiscal Year 2003-2004, $10 million of this fund has been placed in restricted investments to fund the IID socioeconomic payment obligation. As a part of the Long Range Financing Plan process, a “QSA Commitment Fund” will be established to recognize that these restricted investments are no longer available for rate stabilization purposes. The RSF is anticipated to have an ending balance of $55.7 million (inclusive of the remaining $8 million in IID-restricted investments), and a permitted maximum balance of $86.1 million at the close of Fiscal Year 2003-2004.
For long-range financial planning purposes, Board policy requires that the target funding level for the Rate Stabilization Fund (RSF) be maintained at a minimum balance of at least 25 percent of the Water Authority's net water sales revenue, defined as total Water Authority water sales revenue less Water Authority water purchases from Metropolitan Water District. The RSF also has a maximum balance of 100 percent of the average annual water sales projected over the proceeding four years, equal to the financial loss resulting from 2.5 years of above average rainfall, calculated at a 95% exceedence level. Additionally, it establishes a maximum funding level equal to the financial loss resulting from 3.5 years of above average rainfall. The four-year forward-rolling average allows the RSF to gradually increase or decrease with respect to revenue coverage needs. Defining the target and maximum funding levels of the RSF in terms of the financial impact of above average rainfall matches the size of the fund to the primary risk it is designed to mitigate and provides additional capacity for rate smoothing.

As a general rule, the Water Authority will transfer portions of its net water revenues not required to meet either its debt service coverage ratio requirement or operating fund requirement into the RSF. The Board may choose to budget for RSF deposits resulting in balances in excess of the target level but not in excess of the maximum level for the purposes of rate smoothing. Balances below the target level are to be replenished within three years. As necessary, the Water Authority will transfer amounts from its RSF into net water revenues to meet its debt service coverage requirements, Operating Fund requirements or to smooth rate increases. Interest earnings accrue to the Rate Stabilization Fund unless the maximum balance is achieved, at which point they will be deposited into the Operating Fund. The RSF is managed so that any funds above the maximum balance will be transferred to the Operating Fund—Operating Fund balances above the existing 45-day policy are subject to discretionary use by the Board. Deposits are not made into the fund if the fund is at its maximum permitted balance.

In Fiscal Year 2003-2004, $10 million of the RSF was placed in restricted investments to fund the IID socioeconomic payment obligation. As a part of the Long-Range Financing Plan process, a “QSA Commitment Fund” was established to recognize that these balances are no longer available for rate stabilization purposes. Similarly, funds committed to specific future non-operating expenditures such as dam fills or QSA water pre-payments are to be set aside in the Dam Fill Fund or the QSA Commitment Fund. Planned non-operating expenditures in the future include San Vicente and Lake Hodges dam fill payments scheduled for 2012-2016 and a QSA Water Prepayment due in 2008.

The RSF was created to provide funds that would mitigate the need for an unanticipated rate increase in the event of an unexpected decline in water sales. As a result, the RSF is a critical short-term water rate management tool that provides the necessary funds to maintain a smooth water rate pattern over a long period of time.

With the new melded supply rate, and the expansion of the Water Authority’s functional areas with treatment and desalination, the RSF will have an increasingly important role in stabilizing annual revenue needs.
Debt Service Coverage Policy Statement
The Board will set rates to meet a senior lien debt service coverage target inclusive of RSF transfers of 1.50x as well as a senior lien debt service coverage target (excluding capacity charge revenues) of 1.00x. The 1.50x senior lien debt service coverage target is above the existing 1.20x bond covenant.

Debt Service Coverage
Red-lined text from Water Authority's Long Range Financing Plan for fiscal year 2004-2005
Debt service coverage is another key constraint in the FRMP, and is mandated by the legal documents that govern the Water Authority's outstanding debt issues. The Water Authority's debt service coverage covenants require that the Water Authority’s net operating revenues, defined as operating revenues less operations and maintenance expenditures, equal a minimum of 120 percent of debt service on senior lien debt. The Water Authority has also covenanted to provide gross revenues of at least 100 percent of debt service on all Water Authority obligations. Senior lien refers to debt that has a legal first priority repayment after the Water Authority first pays its operations and maintenance expenditures. At the present time, all of the Water Authority’s outstanding fixed-rate debt is senior lien debt.-

The projected senior lien debt service ratio, and overall debt service ratio are presented in Figures 5.3 and 5.4 respectively.—The obligations that are subject to the 100 percent debt service coverage requirement consist of all Water Authority obligations, including operations and maintenance expenditures, long-term debt service, short-term debt service and any other obligations (e.g., leases, contracts, etc.)

In addition to the 120 percent and 100 percent requirements, the Water Authority has the ability to issue an intermediate lien that would require 110 percent coverage after the payment of senior lien obligations. The Water Authority currently has no intermediate lien obligations outstanding and no plan to issue such debt.

Highly-rated water utilities generally have actual debt service coverage ratios in excess of their legal obligations. The maintenance of the Water Authority’s high credit ratings requires debt service coverage ratios that generally exceed the minimum requirement. Though not a legal commitment, the Board has established that inclusive of RSF transfers, the Water Authority will maintain senior lien debt service coverage of 150% and senior lien debt service coverage of 100% after excluding capacity charge revenues.
Appendix D

GENERAL RESOLUTION 89-91 (w/ Amendments)
SAN DIEGO COUNTY WATER AUTHORITY

RESOLUTION NO. 89-21

A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues

(General Resolution)

Adopted May 11, 1989
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SAN DIEGO COUNTY WATER AUTHORITY

RESOLUTION NO. 89-21

A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues

(General Resolution)

WHEREAS, the San Diego County Water Authority owns and operates the Water System;

WHEREAS, the Authority expects to issue Bonds and enter into Contracts, including the 1989 Installment Sale Agreement and the 1989 Contract of Indebtedness, the obligations of the Authority under which will be payable from Net Water Revenues;

WHEREAS, the Authority now desires to provide for the allocation of revenues of the Water System; and

WHEREAS, the Authority also desires to establish covenants to secure the payment of obligations payable from Net Water Revenues;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AS FOLLOWS:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accreted Value

"Accreted Value" means, with respect to any Capital Appreciation Bonds or Capital Appreciation Certificates, as of
the date of calculation, the initial amount thereof plus the
interest accrued thereon to such date of calculation,
compounded from the date of initial delivery at the
approximate interest rate thereof on each semiannual date
specified with respect thereto, as determined in accordance
with the table of accreted values for any Capital Appreciation
Bonds or Capital Appreciation Certificates prepared by the
Authority at the time of sale thereof, assuming in any year
that such Accreted Value increases in equal daily amounts on
the basis of a year of three hundred sixty (360) days composed
of twelve (12) months of thirty (30) days each.

Accreted Value Payment Date

"Accreted Value Payment Date" means any Installment
Payment Date on which Accreted Value is payable.

Authority

"Authority" means the San Diego County Water
Authority, a county water authority duly organized and
existing under and by virtue of the laws of the State of
California.

Bond or Contract Reserve Fund

"Bond or Contract Reserve Fund" means any debt
service reserve fund established to secure the payment of Bond
Payments or Installment Payments.

Bond Payments

"Bond Payments" means the principal and interest
payments scheduled to be paid by the Authority on Bonds.

Bonds

"Bonds" means all revenue bonds of the Authority
authorized, executed, issued and delivered by the Authority
under and pursuant to applicable law, the interest and
principal and redemption premium, if any, payments under and
pursuant to which are payable from Net Water Revenues on a
parity with all other Bonds and Contracts.

Capital Appreciation Bonds

"Capital Appreciation Bonds" means any Bonds
described as such when issued.
Capital Appreciation Certificates

"Capital Appreciation Certificates" means any certificates of participation in Installment Payments described as such when issued.

Certificate of the Authority

"Certificate of the Authority" means an instrument in writing signed on behalf of the Authority by the Chairman of the Board of Directors of the Authority, or by any other officer of the Authority duly authorized by the Board of Directors of the Authority to sign documents on its behalf with respect to the matters referred to therein.

Certificates

"Certificates" means any certificates of participation representing interests in payments to be made by the Authority pursuant to Leases, Installment Sale Agreements or Contracts of Indebtedness.

Contract Payments

"Contract Payments" means the contract payments scheduled to be paid by the Authority under and pursuant to Contracts of Indebtedness.

Contracts

"Contracts" means all Installment Sale Agreements, Leases and Contracts of Indebtedness.

Contracts of Indebtedness; 1989 Contract of Indebtedness

"Contracts of Indebtedness" means contracts of indebtedness or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with all other Contracts and Bonds. "1989 Contract of Indebtedness" means the contract of indebtedness by and between the Authority and Security Pacific National Bank, dated as of May 1, 1989, as originally executed and as it may from time to time be amended or supplemented and which constitutes a Contract of Indebtedness hereunder.

Current Water Revenues

"Current Water Revenues" means all gross income and revenue received or receivable by the Authority from the
ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Authority for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund, the General Reserve Fund and the Rate Stabilization Fund, and (2) all income from the deposit or investment of money held in the Installment Payment Fund, the Subordinate Obligation Fund or any Bond or Contract Reserve Fund or other fund established pursuant to a Trust Agreement to the extent such income will be available to pay Bond Payments or Installment Payments, but excluding any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

Debt Service

"Debt Service" means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year or period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Payments due under any of such Contracts are evidenced by Capital Appreciation
Certificates, then the Accreted Value payment shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Bonds or Contracts (with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02, the initial interest rate on such Bonds or Contracts), or, (2) if available, the average interest rate on such Bonds or Contracts during the thirty-six (36) months preceding the date of calculation or, (3) if such Bonds or Contracts have not been outstanding for such thirty-six month period (or with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02), such average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by the rating agencies rating such Bonds or Contracts in a rating category equivalent to the rating on such Bonds or Contracts; and (c) if 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Contracts or twenty (20) years, whichever is greater; provided further, that "Debt Service" shall not include (1) payments due on voter-approved general obligation bonds and other voter-approved general obligation debts for which taxes are then being levied and collected or (2) interest on Bonds or Contracts which are to be paid from amounts constituting capitalized interest held pursuant to a Trust Agreement.

Director of Finance

"Director of Finance" means the Director of Finance of the Authority or its successor designated by the Board of Directors of the Authority.

Fiscal Year

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Board of Directors of the Authority as the Fiscal Year of the Authority.
General Reserve Fund

"General Reserve Fund" means the fund by that name established pursuant to Section 2.01.

Generally Accepted Accounting Principles

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Installment Payment Date

"Installment Payment Date" means any date on which Bond Payments or Installment Payments are scheduled to be paid by the Authority under and pursuant to any Contract or Bonds.

Installment Payment Fund

"Installment Payment Fund" means the fund by that name established pursuant to Section 2.01.

Installment Payments

"Installment Payments" means Contract Payments, Installment Sale Payments or Lease Payments.

Installment Sale Agreements; 1989 Installment Sale Agreement

"Installment Sale Agreements" means installment sale agreements or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with all other Contracts and Bonds. "1989 Installment Sale Agreement" means the installment sale agreement by and between the Authority and Security Pacific National Bank, dated as of May 1, 1989, as originally executed and as it may from time to time be amended or supplemented and which constitutes an Installment Sale Agreement hereunder.

Installment Sale Payments

"Installment Sale Payments" means the installment sale or other periodic payments scheduled to be paid by the Authority under and pursuant to Installment Sale Agreements.
Interest Payment Date

"Interest Payment Date" means an Installment Payment Date on which interest is payable.

Law

"Law" means the County Water Authority Act, being California Water Code Appendix, Sections 45-1 et seq., and all laws amendatory thereof or supplemental thereto.

Lease Payments

"Lease Payments" means the rental payments scheduled to be paid by the Authority under and pursuant to Leases.

Leases

"Leases" means capital leases or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of all other Contracts and Bonds.

Maintenance and Operation Costs

"Maintenance and Operation Costs" means all costs paid or incurred by the Authority for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all costs of water purchased by the Authority for resale, and including all expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Authority, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other costs of the Authority or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Contract or of any resolution authorizing the issuance of any bonds or of such bonds, such as compensation, reimbursement and indemnification of the trustee for any such Contracts or bonds and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense and (3) amounts paid from other than Water Revenues (including, but not limited to, amounts paid from the proceeds of ad valorem property taxes).
Maximum Annual Debt Service

"Maximum Annual Debt Service" means the greatest total Debt Service payable in any Fiscal Year during the period commencing with the next ensuing Fiscal Year and terminating with the Fiscal Year in which payments are due under the last outstanding Bonds or the last outstanding Contract, whichever is later.

Monthly Accrued Debt Service

"Monthly Accrued Debt Service" means, with respect to any month, an amount equal to the sum of Debt Service with respect to all Bonds and Contracts accrued and to accrue to the end of such month; provided, in calculating the amount of Monthly Accrued Debt Service (i) Accreted Value with respect to Capital Appreciation Bonds and Capital Appreciation Certificates shall be deemed to accrue over the twelve-month period immediately preceding the scheduled redemption or prepayment date of such Capital Appreciation Bond or Capital Appreciation Certificate, (ii) the adjustment to principal described in provision (c) of the definition of Debt Service shall not be made and (iii) if the interest on any Bonds or Installment Payments due under any Contract bear interest payable pursuant to a variable rate formula, the amount of interest deemed to accrue during any period shall be the actual interest borne by such Bonds or Installment Payments during such period.

Net Water Revenues

"Net Water Revenues" means, for any Fiscal Year or other period, the Water Revenues during such Fiscal Year or period less the Maintenance and Operation Costs during such Fiscal Year or period.

Obligation

"Obligation" means any contract or lease for the purchase of any facilities, properties, structures, or works, or any loan of credit to or guaranty of debts, claims or liabilities of any other person for the purpose of obtaining any facilities, properties, structures or works, the final payments under which are due more than five years following the effective date thereof, so long as in each case the payments thereunder are to constitute Maintenance and Operations Costs.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel of national representation generally recognized to be
well qualified in the field of law relating to municipal bonds, retained by the Authority.

Outstanding

"outstanding" means with respect to any Bonds or Contracts, Bonds or Contracts the payment obligations of the Authority under which are not deemed paid in accordance with the terms of such Bonds or Contracts or applicable Trust Agreement.

Principal Payment Date

"Principal Payment Date" means any Installment Payment Date on which principal is payable.

Rate Stabilization Fund

"Rate Stabilization Fund" means the fund by that name established pursuant to Section 2.01.

Reimbursement Agreement

"Reimbursement Agreement" means an agreement between the Authority and a bank or financial institution providing for the issuance of a letter of credit, reserve fund insurance policy, guaranty or surety bond for the purpose of making Bond Payments or Installment Payments and requiring the Authority to make payments to reimburse or compensate such bank or financial institution for draws under such instruments from Net Water Revenues on a parity with all Contracts and Bonds.

Reimbursement Payments

"Reimbursement Payments" means amounts payable by the Authority as compensation or reimbursement for a draw on a letter of credit, reserve fund insurance policy, guaranty or surety bond for the purpose of making Bond Payments or Installment Payments in accordance with any Reimbursement Agreement.

Subordinate Obligation Payment Fund

"Subordinate Obligation Payment Fund" means the fund by that name established pursuant to Section 2.01.

Subordinate Obligation Payments

"Subordinate Obligation Payments" means the payments scheduled to be paid by the Authority under and pursuant to Subordinate Obligations.
Subordinate Obligations

"Subordinate Obligations" means obligations of the Authority authorized and executed by the Authority under applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues, from the Subordinate Obligation Payment Fund, subject and subordinate to Bond Payments and Installment Payments.

Trust Agreement

"Trust Agreement" means any indenture or trust agreement providing for the issuance of Bonds or Certificates.

Trustee

"Trustee" means the trustee under any Trust Agreement.

Water Revenue Fund

"Water Revenue Fund" means the San Diego County Water Authority Water Revenue Fund established pursuant to Section 2.01.

Water Revenues

"Water Revenues" means Current Water Revenues plus deposits to the Water Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in Section 2.03, less amounts transferred to the Rate Stabilization Fund.

Water Service

"Water Service" means the water service furnished, made available or provided by the Water System.

Water System

"Water System" means all property rights, contractual rights and facilities of the Authority, including all facilities for the conservation, storage, transmission and distribution of water and the generation and delivery of hydroelectric power in connection therewith now owned by the Authority and all other properties, structures or works for the conservation, storage, transmission and distribution of water and the generation and delivery of hydroelectric power in connection therewith hereafter acquired and constructed by or for the Authority and determined by the Authority to be a part of the Water System; together with all additions,
betterments, extensions or improvements to such facilities, properties structures or works or any part thereof hereafter acquired and constructed.

ARTICLE II

WATER REVENUES

SECTION 2.01. Establishment of Funds. The Authority hereby establishes and agrees to maintain, so long as any Bonds, Certificates or Subordinate Obligations remain outstanding, the following funds, each such fund to be held by the Director of Finance:

1. Rate Stabilization Fund;
2. Water Revenue Fund;
3. Installment Payment Fund;
4. Subordinate Obligation Payment Fund; and
5. General Reserve Fund.

Amounts in such funds shall be disbursed, allocated and applied solely to the uses and purposes hereinafter in this article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority. The Authority will only have such beneficial right or interest in such money as is provided herein.

SECTION 2.02. Allocation of Water Revenues. In order to carry out and effectuate the obligations of the Authority to make Bond Payments, Installment Payments, Reimbursement Payments and Subordinate Obligation Payments, the Authority agrees and covenants that all Current Water Revenues received by it shall be deposited when and as received in the Water Revenue Fund. The Authority may, to the extent provided in Section 2.03, transfer amounts in the Water Revenue Fund to the Rate Stabilization Fund or from the Rate Stabilization Fund to the Water Revenue Fund.

The Authority shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Water Revenue Fund as they become due and payable, and all remaining money on deposit in the Water Revenue Fund shall be set aside and deposited or transferred
by the Authority, as the case may be, at the following times in the following order of priority:

(a) Installment Payment Fund. On or before the last business day of each month, beginning in May, 1989, the Authority shall deposit in the Installment Payment Fund, a sum equal to the Monthly Accrued Debt Service for such month, plus a sum equal to all Reimbursement Payments then due and payable; provided that no such deposit need be made if amounts on deposit in the Installment Payment Fund equal the amount of Bond Payments or Installment Payments due with respect to all Bonds and Contracts on the next succeeding Interest Payment Date (with respect to interest), Principal Payment Date (with respect to principal) and Accreted Value Payment Date (with respect to Accreted Value) for such Bonds or Contract, and the Reimbursement Payments then due and payable.

(b) Bond or Contract Reserve Funds. On or before the last business day of each month, the Authority shall transfer to each Trustee for deposit in the applicable Bond or Contract Reserve Fund an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Bond or Contract Reserve Fund as and to the extent required by the applicable Contract or Trust Agreement.

(c) Subordinate Obligation Payment Fund. On or before the last business day of each month, the Authority shall deposit in the Subordinate Obligation Payment Fund the sum or sums required to be deposited under or pursuant to the indenture, trust agreement or other instrument securing each Subordinate Obligation.

(d) Subordinate Obligation Reserve Funds. On or before the last business day of each month, the Authority shall transfer to each Trustee with respect to Subordinate Obligations for deposit in the debt service reserve fund with respect to such Subordinate Obligations an amount equal to the amount, if any, required to be deposited therein to build up or replenish such debt service reserve fund as and to the extent required by the applicable Subordinate Obligation or the indenture, trust agreement or other instrument securing such Subordinate Obligation.

(e) General Reserve Fund. On the last business day of each month, the Authority shall, after making each of the foregoing deposits and transfer, transfer all money remaining in the Water Revenue Fund to the General Reserve Fund.

SECTION 2.03. Rate Stabilization Fund. From time to time the Authority may deposit in the Rate Stabilization Fund from Current Water Revenues such amounts as the Authority
shall determine. All amounts transferred by the Authority from the Rate Stabilization Fund to the Water Revenue Fund shall be used by the Authority solely to pay Maintenance and Operation Costs. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Current Water Revenues.

SECTION 2.04. Installment Payment Fund. The Authority may withdraw amounts from the Installment Payment Fund solely for the purpose of paying Bond Payments, Installment Payments and Reimbursement Payments at the times and in the amounts required by applicable Bonds, Contracts, Trust Agreements and Reimbursement Agreements.

SECTION 2.05. Subordinate Obligation Payment Fund. The Authority may withdraw amounts from the Subordinate Obligation Fund solely for the purpose of paying or providing for the payment of Subordinate Obligation Payments at the times and in the amounts required by applicable Subordinate Obligations or trust agreement or indenture securing such Subordinate Obligations.

SECTION 2.06. General Reserve Fund. The Authority may withdraw money in the General Reserve Fund for any lawful purpose of the Authority except to make transfers to the Rate Stabilization Fund.

ARTICLE III
BONDS AND CONTRACTS; OBLIGATIONS

SECTION 3.01. 1989 Installment Sale Agreement; 1989 Contract of Indebtedness. (a) The Authority may execute the 1989 Installment Sale Agreement and the 1989 Contract of Indebtedness without the necessity of complying with Section 3.02.

(b) The Authority may not execute any amendment to the 1989 Installment Sale Agreement or the 1989 Contract of Indebtedness if such amendment would increase the amount of Installment Payments thereunder; provided, the Authority may execute such an amendment if the requirements of Section 3.02 will be satisfied in connection therewith.

SECTION 3.02. Additional Bonds and Contracts. The Authority may at any time issue any Bonds the payments under and pursuant to which or execute any Contract the Installment Payments under and pursuant to which, as the case may be, are payable from the Net Water Revenues on a parity with the 1989 Installment Sale Agreement, the 1989 Contract of Indebtedness and all other Contracts and Bonds; provided:
(a) For any period of twelve (12) consecutive calendar months within the twenty-four (24) calendar month period ending on the last day of the month preceding the date of issuance of such Bonds or execution of such Contract, as evidenced by a Certificate of the Authority (together with supporting calculations prepared by the Authority) to the effect that (1) the Net Water Revenues shall have been equal to at least one hundred twenty per cent (120%) of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Bonds or the execution of such Contract, as the case may be, and (2) the Net Water Revenues shall have been sufficient for the payment of all amounts payable from Net Water Revenues during such twelve-month period and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts outstanding during such twelve-month period, or

(b) (i) For any period of twelve (12) consecutive calendar months within the twenty-four (24) calendar month period ending on the last day of the month preceding the date of issuance of such Bonds or the execution of such Contract, as evidenced by a Certificate of the Authority (together with supporting calculations prepared by the Authority) to the effect that the Net Water Revenues shall have been sufficient for the payment of all amounts payable from Net Water Revenues during such twelve-month period and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts outstanding during such twelve-month period, and

(ii) As evidenced by a Certificate of the Authority (together with supporting calculations and assumptions prepared by the Authority) to the effect that, in each of the five succeeding Fiscal Years, projected Net Water Revenues shall be sufficient for the payment of all amounts to be payable from Net Water Revenues in each such Fiscal Year and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts to be outstanding in each such Fiscal Year, and

(c) The Authority shall file a Certificate of the Authority to the effect that the Authority is not then in default under any Trust Agreement or with respect to any Bonds or Contracts; and

(d) Such Bond or Contract shall not allow the declaration of Bond Payments or Installment Payments
thereunder to be immediately due and payable in the event of a default by the Authority thereunder or under the applicable Trust Agreement unless such remedy is then allowed with respect to all Bonds and Contracts then outstanding.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the Authority to execute any Contract or to issue any Bonds at any time to refund any outstanding Bonds or any outstanding Contract or to execute Reimbursement Agreements.

SECTION 3.03. Obligations. Amounts to be paid by the Authority with respect to any Obligation shall constitute Maintenance and Operation Costs only if at the time such Obligation is entered into the Authority shall deliver a Certificate of the Authority to the effect that (i) the making of payments on such Obligation as Maintenance and Operation Costs will not impair the Authority's ability to comply with the covenant set forth in Section 4.09 hereof during the next five Fiscal Years or five years beyond the commercial operation date of the project being financed with such Obligation, whichever is later and (ii) the properties, services or commodities to be furnished pursuant to such Obligation can be economically and beneficially utilized by the Authority. If the amounts to be paid by the Authority for an Obligation do not constitute Maintenance and Operation Costs, then such amounts shall be paid out of the Subordinate Obligation Payment Fund or the General Reserve Fund.

ARTICLE IV

COVENANTS OF THE AUTHORITY

SECTION 4.01. Against Encumbrances. The Authority will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the Authority in, upon, about or relating to the Water System and will keep the Water System free of any and all liens against any portion of the Water System. In the event any such lien attaches to or is filed against any portion of the Water System, the Authority will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Authority desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay
thereafter expires, the Authority will forthwith pay or cause to be paid and discharged such judgment.

SECTION 4.02. Against Sale or Other Disposition of Property. The Authority will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Water Revenues, and will not enter into any agreement or lease which would impair the operation of the Water System or any part thereof necessary to secure adequate Net Water Revenues for the payment of Bond Payments, Installment Payments or Subordinate Obligation Payments, or which would otherwise impair the rights of the holders of Bonds or Certificates with respect to the Net Water Revenues or the operation of the Water System; provided, that any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Water Revenues below the requirements to be maintained under Section 4.09.

SECTION 4.03. Maintenance and Operation of the Water System; Budgets. The Authority will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

Not later than September 1 of each year, the Authority will adopt and, if requested, make available to each Trustee, a budget approved by the Board of Directors of the Authority setting forth the estimated Maintenance and Operation Costs, the estimated payments for Debt Service and the estimated debt service payments on all Subordinate Obligations for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to each Trustee.

SECTION 4.04. Compliance with Contracts. The Authority will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the Authority is a party thereto.

SECTION 4.05. No Superior Liens. The Authority will not create or allow any lien on or payment from the Net Water Revenues or any part thereof prior or superior to the
obligation to make the Bond Payments or Installment Payments as provided herein or which might impair the security of the Bond Payments or Installment Payments other than Subordinate Obligations.

SECTION 4.06. Insurance. The Authority will procure and maintain such insurance relating to the Water System which it shall deem advisable or necessary to protect its interests, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with facilities, properties, structures and works similar to the Water System; provided, the Authority shall not be required to procure or maintain any such insurance unless such insurance is commercially available at reasonable cost; provided, further, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with facilities, properties, structures and works similar to the Water System. All policies of insurance required to be maintained herein shall provide that each Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.


(a) The Authority will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by each Trustee at reasonable hours and under reasonable conditions.

(b) The Authority will prepare and file with each Trustee annually within one hundred and twenty (120) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1989):

(1) financial statements of the Authority for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, certified by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to his attention in connection with such examination that caused him to believe that the Authority was not in compliance with any of the agreements or covenants contained herein; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the Authority with respect to the Water
System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

(c) The Authority will prepare annually not more than one hundred twenty (120) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1989) a summary report showing in reasonable detail the results of the operations of the Authority for such Fiscal Year and containing a general statement of the physical condition of the facilities, properties, structures or works of the Authority. The Authority will furnish a copy of such summary report to each Trustee.

SECTION 4.08. Payment of Taxes and Compliance with Governmental Regulations. The Authority will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof when the same shall become due. The Authority will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the Authority shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

SECTION 4.09. Amount of Rates, Fees and Charges. The Authority will at all times fix, prescribe and collect or cause to be collected rates, fees and charges for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield during the next succeeding Fiscal Year of the Authority Net Water Revenues sufficient for the payment of all amounts payable from Net Water Revenues during such Fiscal Year and at least equal to one hundred twenty per cent (120%) of the Debt Service on all Bonds and Contracts for such Fiscal Year. The Authority may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

SECTION 4.10. Collection of Rates, Fees and Charges. The Authority will charge and collect or cause to be collected the rates, fees and charges applicable to the Water Service and will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of
California and any city, county, district, political subdivision, public corporation or agency of any thereof; provided, that the Authority may without charge use the Water Service.

SECTION 4.11. Eminent Domain and Insurance Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, or if the Authority receives any insurance proceeds resulting from a casualty loss to the Water System, the proceeds thereof shall be used to substitute other components for the condemned or destroyed components of the Water System.

ARTICLE V
MISCELLANEOUS

SECTION 5.01. Benefits of 1989 Resolution Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustees, the other parties to any Trust Agreement, Contract or Reimbursement Agreement or the holder of any Bonds, Certificates or Subordinate Obligations any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority shall be for the sole and exclusive benefit of such other party.

SECTION 5.02. Successor Is Deemed Included in all References to Predecessor. Whenever the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the Authority shall bind and inure to the benefit of the successors thereof whether so expressed or not.

SECTION 5.03. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections," "Exhibits" and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Resolution as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.
SECTION 5.04. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority hereby declares that it would have adopted this Resolution, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 5.05. Funds. Any fund required to be established and maintained herein by the Director of Finance may be established and maintained in the accounting records of the Director of Finance either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the rights of the holders of Bonds, Certificates and Subordinate Obligations.

SECTION 5.06. Investments. Any money held by the Authority in any of the funds provided herein shall be invested in lawful investments of Authority funds, provided that money held in the Installment Payment Fund and the Subordinate Obligation Payment Fund shall be invested in lawful investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed to pay Bond Payments, Installment Payments, Reimbursement Payments or Subordinate Obligation Payments.

SECTION 5.07. Repeal of Inconsistent Resolutions. Any resolution of the Authority and any part of any resolution inconsistent herewith is hereby repealed to the extent of such inconsistency.

SECTION 5.08. Effective Date. This Resolution shall take effect from and after its passage and approval.
PASSED AND ADOPTED this 11th day of May, 1989, by the following vote:

AYES: 29

NOES: 0

ABSENT: 6

Approved:

[Signature]
Chairman of the Board of Directors of the San Diego County Water Authority

[SEAL]

Attest:

[Signature]
Secretary of the Board of Directors of the San Diego County Water Authority
RESOLUTION NO. 97-52

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY PLEDGING NET WATER REVENUES TO SECURE THE PAYMENT OF OBLIGATIONS PAYABLE FROM NET WATER REVENUES

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "Authority"), is authorized under provisions of the Constitution and laws of the State of California, and in accordance therewith, to incur indebtedness and to purchase real and personal property as the Authority may determine is necessary or proper; and

WHEREAS, the Board of Directors of the Authority adopted, on May 11, 1989, Resolution No. 89-21 of the Authority providing for the allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues of the Authority (the "General Resolution"); and

WHEREAS, it is now desirable to amend the General Resolution to pledge net water revenues to secure the payment of Bonds, Contracts, Reimbursement Payments and Subordinate Obligations (as defined in the General Resolution);

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority, as follows:

Section 1. The Authority hereby specifically finds and declares that the statements, findings and determinations of the Authority set forth above are true and correct.

Section 2. Section 2.07 is hereby added to the General Resolution to read in full as follows:

Section 2.07 Pledge of Net Water Revenues. Net Water Revenues are hereby pledged to secure the payment of all Bond Payments, Installment Payments and Reimbursement Payments and, subordinate thereto, the payment of all Subordinate Obligations.

Section 3. This resolution shall take effect upon receipt of the consent of all parties from whom consent is required for amendments to the General Resolution.
PASSED, APPROVED and ADOPTED this 11th day of December, 1997.

AYES:

NOES: Manning

ABSTAIN:

ABSENT: Broomell, Chenelle, Davis, Newton, Quist, Slater, R. Williams

Chris Frahm, Chair

ATTEST:

Harold W. Ball, Secretary

I, Janet R. Maltman, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 97-5 of said Board and that the same has not been amended or repealed.

Janet R. Maltman, Board Secretary
RESOLUTION NO. 09-23

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY ADDRESSING THE TREATMENT OF INTEREST SUBSIDY PAYMENTS UNDER RESOLUTION 89-21

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and the laws of the State of California (the “Water Authority”), is authorized under provisions of the Constitution and the laws of the State of California, and in accordance therewith, to incur indebtedness and to purchase real and personal property as the Water Authority may determine is necessary or proper; and

WHEREAS, the Board of Directors of the Authority adopted, on May 11, 1989, Resolution No. 89-21 of the Water Authority, amended by Resolution No. 97-52 of the Board of Directors of the Water Authority adopted on December 11, 1997, providing for the pledge and allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues of the Water Authority (the “General Resolution”); and

WHEREAS, the Water Authority may, from time to time, issue Bonds (as defined in the General Resolution) or execute Contracts (as defined in the General Resolution) with respect to which the Water Authority will be entitled to receive cash subsidy payments from the United States Treasury, such as “Build America Bonds” issued under the provisions of the American Recovery and Reinvestment Act of 2009 (“Interest Subsidy Payments”); and

WHEREAS, it is now desirable to amend the General Resolution to provide that Interest Subsidy Payments not constitute Current Water Revenues (as defined in the General Resolution) but instead constitute reductions in Debt Service (as defined in the General Resolution).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority, as follows:

Section 1. The Water Authority hereby specifically finds and declares that the statements, findings and determinations of the Water Authority set forth above are true and correct.

Section 2. Section 1.01 of the General Resolution is hereby amended to add the following definition:

Interest Subsidy Payments

“Interest Subsidy Payments” means cash subsidy payments entitled to be received by the Authority from the United States Treasury with respect to Bonds issued and Contracts executed by the Authority, including, but not limited to, “Build America Bonds” issued as contemplated by the American Recovery and Reinvestment Act of 2009.
PASSED, APPROVED and ADOPTED this 17th day of December, 2009.

AYES: Unless noted below, all Directors present voted aye.

NOES:

ABSTAIN: Wornham

ABSENT: Bowersox (p)  
        Johnson  
        Martin  
        Watton (p)

ATTEST:

Thomas V. Wornham, Secretary

Claude A. "Bud" Lewis

I, Doria F. Lore, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 09-23 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Board Secretary
Section 3. The definition of “Current Water Revenues” in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Current Water Revenues

“Current Water Revenues” means all gross income and revenue received or receivable by the Authority from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Authority for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund, the General Reserve Fund and the Rate Stabilization Fund, and (2) all income from the deposit or investment of money held in the Installment Payment Fund, the Subordinate Obligation Fund or any Bond or Contract Reserve Fund or other fund established pursuant to a Trust Agreement to the extent such income will be available to pay Bond Payments or Installment Payments, but excluding any Interest Subsidy Payments, any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

Section 4. The definition of “Debt Service” in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Debt Service

“Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, therecon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year or period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed due on the
scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Payments due under such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Bonds or Contracts (with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02, the initial interest rate on such Bonds or Contracts), or, (2) if available, the average interest rate on such Bonds or Contracts during the thirty-six (36) months preceding the date of calculation or, (3) if such Bonds or Contracts have not been outstanding for such thirty-six month period (or with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02), such average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by the rating agencies rating such Bonds or Contracts in a rating category equivalent to the rating on such Bonds or Contracts; and (c) if 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Contracts or twenty (20) years, whichever is greater; provided further, that “Debt Service” shall not include (1) payments due on voter-approved general obligation bonds and other voter-approved general obligation debts for which taxes are then being levied and collected, (2) interest on Bonds or Contracts which is to be paid from amounts constituting capitalized interest held pursuant to a Trust Agreement or (3) interest on Bonds or Contracts which is to be paid from Interest Subsidy Payments.

Section 5. This resolution shall take effect upon receipt of the consent of all parties from whom consent is required for amendments to the General Resolution.
PASSED, APPROVED and ADOPTED this 17th day of December, 2009.

AYES: Unless noted below, all Directors present voted aye.

NOES:

ABSTAIN: Wornham

ABSENT: Bowersox (p)  
          Johnson  
          Martin  
          Watton (p)

ATTEST:

Thomas V. Wornham, Secretary

I, Doria F. Lore, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 09-23 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Board Secretary
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\(^1\)Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.
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¹Three-year rolling average of M&I, SAWR and agricultural MWD deliveries (excludes wheeled water) based on FY10-FY12 period. Rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.
## Proposed - Emergency Storage Charge Allocation

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<th>Monthly Charge</th>
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¹Three-year rolling average of firm, non-agricultural MWD deliveries based on FY10-FY12 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.
SAN DIEGO COUNTY WATER AUTHORITY

COST OF SERVICE RATE STUDY

CAPACITY CHARGE REPORT

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APPENDIX A  Capacity Charge Calculations
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1.0 BACKGROUND

In December 2012, the San Diego County Water Authority (Water Authority) contracted with Carollo Engineers, Inc. to conduct a comprehensive Cost-of-Service review of the Water Authority’s rates and charges, including the capacity charges.

The objective of the capacity charge review process is to confirm the methodology for calculating the Water Authority’s System Capacity Charge and Treatment Capacity charge and to update the charges as appropriate based on current system values and proposed capital improvements. The capacity charge analysis is based upon a point in time calculated based the 2012 Certified Annual Financial Report (CAFR), current Water Authority capital improvement program (CIP), and projected meter equivalents.

In order to determine conformance with industry standards and principles, legal requirements, and the Water Authority Board policy, Carollo developed the following criteria to use in evaluating specific issues examined during the review:

- Do the capacity charges represent a reasonable nexus to the costs incurred by the Water Authority on behalf of future customers and the benefits received?
- Is the capacity charge methodology consistent with standards established in the American Water Works Association (AWWA) M1 manual, meet Board policies, and adhere to applicable legal requirements?
- Is the allocation approach consistent with industry practices and California Government Code §54999.7 and §66013?
- Is it likely that the allocation approach will be appropriate for use by the Water Authority in the future?

This report presents Carollo’s findings and proposed adjustment to the System and Treatment Capacity Charges.

2.0 INTRODUCTION

The Water Authority is a public agency serving the San Diego region as a wholesale supplier of water. The Water Authority purchases water from the Metropolitan Water District of Southern California and obtains additional supplies pursuant to agreements commonly referred to as the Quantification Settlement Agreement. It also recently executed a water purchase agreement for desalinated water with Poseidon Resources, LLC. The Water Authority’s mission is to provide a safe and reliable supply of water to its 24 member agencies serving the San Diego region. The Water Authority owns, operates, and maintains a water delivery and storage facilities comprised of pipelines, pumping stations, and storage
facilities (including hydroelectric generation) as well as ancillary facilities and equipment necessary for its operations. Ultimate users of water installing a new service connection or upsizing an existing service connection within the Water Authority’s service area are assessed a System Capacity Charge in order to equitably recover a portion of the cost to provide Water Authority facilities to serve that customer. Additionally, a Treatment Capacity Charge is imposed in a like manner for on new or expanded retail connections capable of receiving treated water from the Water Authority in order to equitably recover a portion of the cost of Water Authority water treatment facilities.

Section § 5.9 of the County Water Authority Act permits the Water Authority to fix and impose capacity charges on each of its member agencies or upon ultimate users of water delivered by the Water Authority to the member agencies. Capacity Charges are a one-time payment for new or upsized meters to fund the cost to construct capacity to serve that meter. These capacity charges may include components for water resources, production, storage, distribution, treatment, and financial reserves. However, the Water Authority must demonstrate a reasonable nexus between the amount of the charge and the cost of capacity to serve new development.

In May 1990, the Water Authority’s Board of Directors adopted a System Capacity Charge on all new or upsized retail water meters installed. The charge was designed to recover a proportionate share of future capacity related capital expenditures required to provide service to new connections in the Water Authority’s service area. In May 2005, the Board approved a change in the System Capacity Charge calculation methodology. The new methodology not only recovers the costs of future improvements, but accounts for unused capacity available within the existing system funded by existing customers and future capital improvements that will benefit future users. The Board also approved the creation of a Treatment Capacity Charge to help fund the Water Authority’s regional water treatment facility. The Treatment Capacity Charge was implemented in 2008 and recovers a proportionate share of capital expenditures incurred by the Water Authority for the Twin Oaks Valley and Levy water treatment plants. Both the System and Treatment Capacity Charges are imposed based upon the size of the meter installed.

3.0 STATUTORY REQUIREMENTS

The Water Authority may levy a capacity charge pursuant to Section § 5.9 of the County Water Authority Act. A capacity charge that is levied on ultimate users of water is subject to the requirements of Chapter 13.7 (commencing with Section §54999) of Part 1 of Division 2 of Title 5 of the California Government Code relating to the imposition of charges on customers that are public agencies, such as school districts. Capacity charges are also subject to the requirements of Government Code §66013. Capacity charges are “charges for facilities in existence at the time the charge is imposed or charges for new facilities to be constructed in the future which are of benefit to the person or property being charged.” Section 66013 provides that capacity charges “shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed.” Section §54999.7 establishes a similar cost-of-service requirement. Capacity charges are not subject to the
provisions of California Constitution article XIII D (Proposition 218). (*Richmond v. Shasta Community Services Dist.* (2004) 32 Cal. 4th 409.). A capacity charge is imposed on new connections in order to recover a fair and equitable share of the costs of capacity within the utility facilities. A key tenet in adopting these connection fees is: “growth pays for growth”. This means that the costs associated with building excess capacity to serve new customers ultimately should be borne by those new users who benefit from this available capacity.

**4.0 CAPACITY CHARGE OVERVIEW**

Capacity charges are designed to recover a proportionate share of system capacity costs from future users. The Water Authority’s facilities are designed and built to provide service to existing as well as planned future users. The Water Authority will also continue to maintain, improve, and expand the system with future capital improvements. The Water Authority funds its operating costs, including costs of capital facilities, through a combination of revenues, including ad valorem property taxes, a water standby availability charge imposed on real property within its boundaries, rates and charges for water and other services, the capacity charge discussed in this report, and other revenues. For further discussion of these revenues, see “San Diego County Water Authority / Calendar Year 2014 Rates and Charges / Cost of Service Study / May 2013” prepared by Carollo Engineers. The capacity charge methodology implemented by the Water Authority in 2005 accounts for the benefit that future users will receive from both the existing system and future improvements.

There are two basic components to the Water Authority’s capacity charge – the “buy-in component” (or existing cost basis); and the “future component” (or future cost basis). For the purposes of this study, the term “buy-in component” shall refer to the value of existing system assets (i.e. facilities already in service) that may be recovered through the capacity charge. The term “future component” shall refer to future facilities (i.e., facilities in the Capital Improvement Program, CIP) that may be recovered through the capacity charge.

The buy-in component of the capacity charge is based on a valuation method known as replacement cost new less depreciation or RCNLD with adjustments described in this report. Outstanding debt principal and monetary reserves are also accounted for in this cost basis as described in Report Section 4.1 below. The future component incorporates the present value (in 2014 dollars) of the Water Authority’s capital improvement program. Costs are fairly and reasonably spread over both existing and future users by dividing the total system value by the total number of equivalent household meters that are projected to receive water service through 2035.

The methodology for calculating both the system and treatment capacity charges is illustrated in Figure 1:
4.1 Buy-In Cost Basis

Utilities often construct infrastructure capacity to meet projected future demands. The purpose of the buy-in component of the Water Authority’s capacity charges is to recover costs that have already been incurred by the Water Authority. Existing customers have paid for this system over time through their user rates (through direct capital financing or retired debt). The buy-in component of a capacity charge provides a mechanism to reimburse existing system users for the carrying costs of constructing system capacity that is available to be used by future users.

There are further considerations when calculating the buy-in component of the capacity charge. Given that the existing system was constructed over time, the original cost of constructing the system does not accurately reflect its current value nor the cost to construct the facilities today. Consequently, original costs were escalated to 2014 dollars using Engineering News Records Construction Cost Index (ENR CCI). The Water Authority’s fixed asset records were used as the basis for this analysis, which included original costs, acquisition dates, and estimated useful lives.

Replacement costs alone might not be the best estimate of system value, because system assets have a finite lifespan and must be replaced and/or rehabilitated in time. The Water Authority adjusts the existing cost basis by deducting straight-line depreciation. Accumulated depreciation is determined by dividing the age of each asset by the projected useful life and reducing the asset value by that percentage. By accounting for accumulated depreciation in the buy-in cost basis, the Water Authority may recover a proportionate value of capital improvements that will replace depreciated assets or will be undertaken to extend the useful lives of these assets through the future cost component of the capacity charge.

The Water Authority does not adjust annual rates and charges to specifically recover system depreciation. Rather, the Water Authority operates on a cash basis and the cost to rehabilitate and improve the system is accounted for through direct capital reinvestments. The cost of renewing the system over time is captured in the renewal and replacement Capital Improvement Projects as included in the 30-year budget. This approach also creates consistency with the Water Authority’s capacity charge methodology, which excludes depreciated asset values from the buy-in cost basis of the charge, and then recovers a proportionate share of the capital improvement program through the charge.
important to note that once a meter is connected to the system, the user is then obligated to fund a proportionate share of future capital improvements and ongoing debt obligations through the water rates and charges.

The existing cost basis should not include costs of assets that were grant-funded or donated assets and should only include those costs incurred by the Water Authorities ratepayers for the development of the existing system. For this reason, contributed assets are removed from the existing cost basis.

Finally, the buy-in component is reduced by outstanding debt principal on existing assets net of available reserves. While there is no statutory requirement to do so, the Water Authority recognizes that customers connecting to the system will pay for these assets through the debt service component of their utility rates and therefore deducts outstanding debt principal from the existing cost basis. However, because the Water Authority maintains reserves that are essentially assets in the form of cash that could also be used to retire outstanding debt service, reserves are accounted for as a credit against the outstanding debt principal.

4.2 Future Cost Basis

In addition to the value of the existing system, the Water Authority recovers a proportionate share of future capital improvements that will benefit future customers. Projects included in the Water Authority’s capital improvement program have two primary purposes – maintain reliability of existing infrastructure; and increase system capacity. Existing and future users will benefit generally in the same manner and to the same extent from these projects. As noted above, accumulated depreciation is deducted from the buy-in component of the capacity charge. This allows for the inclusion of future rehabilitative and upgrade projects, in order to equitably recover system value from future users and prevent a double counting of assets through the buy-in and future components of the capacity charges.

The future cost basis accounts for capital improvements that will be constructed through 2030. The costs of these improvements are estimated based on mid-point of construction and stated in future dollars. Costs are brought back to present value terms (2014 dollars) using a capital discount rate.

4.3 Existing and Future Customer Base

The capacity charge methodology spreads the buy-in and future cost-bases over the projected customer base (existing and future) through 2035, which is the planning horizon used by the Water Authority in its 2010 Urban Water Management Plan. Because meter size dictates the maximum instantaneous water demand a customer can put on the system, it provides a reasonable estimate of the overall demand a new user will place on the system. As such, the Water Authority uses meter size as the basis for assessing capacity charges.

The San Diego Association of Governments (SANDAG), based on its 2013 forecasts, projected an increase in population of approximately 633,000 through 2035 within the Water Authority’s service area. The Water Authority uses this population estimate to project
the number of new meters and meter equivalents that will be installed within its service area through 2035.

Between 2003 and 2012, the Water Authority estimated that each new meter served 5.18 persons based on recent population increases with an average flow ratio of 1.45 times a base residential meter. By converting the projected population to meter equivalents, the Water Authority estimates that approximately 177,000 new meter equivalents will be added to the system. As of June 30, 2012, the Water Authority serves approximately 912,000 meter equivalents.

The calculation of new meter equivalents is shown in Table 1.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Projection of Added Equivalent Meters</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANDAG Population (2012-2035)</td>
<td>632,730</td>
</tr>
<tr>
<td>Persons Per Meter (2003-2012)</td>
<td>5.18</td>
</tr>
<tr>
<td><strong>New Meters</strong></td>
<td><strong>122,149</strong></td>
</tr>
<tr>
<td>Weighted Meter Factor (2003-2012)</td>
<td>1.45</td>
</tr>
<tr>
<td><strong>Projected Meter Equivalents</strong></td>
<td><strong>177,094</strong></td>
</tr>
</tbody>
</table>

The weighted multiplier for each meter size is shown in Table 2 based on American Water Works Associations meter ratios.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Equivalent Meter Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meter Size</td>
<td>Purchased Meters (2003-2012)</td>
</tr>
<tr>
<td>&lt;1&quot;</td>
<td>35,945</td>
</tr>
<tr>
<td>1</td>
<td>8,472</td>
</tr>
<tr>
<td>1.5</td>
<td>2,048</td>
</tr>
<tr>
<td>2</td>
<td>1,874</td>
</tr>
<tr>
<td>3</td>
<td>233</td>
</tr>
<tr>
<td>4</td>
<td>111</td>
</tr>
<tr>
<td>6</td>
<td>38</td>
</tr>
<tr>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48,722</strong></td>
</tr>
</tbody>
</table>

1 The Water Authority, like many public water suppliers in the region, uses a residential meter less than 1 inch in size as the base for calculating “meter equivalents.”
5.0 SYSTEM CAPACITY CHARGE CALCULATION

The System Capacity Charge is applicable to any new development requiring water service or upsize in water meter within the Water Authority’s service area. The charge is designed to recover a proportionate share of the capital costs associated with providing water supplies and services, including storage and conveyance facilities. The system capacity charge excludes all treatment related costs.

5.1 Existing System Cost Basis

The cost to buy into the existing system is determined based on the total value of existing assets, net of liabilities (the buy-in cost basis). The following items are included as part of the Buy-In Cost Basis.

5.1.1 Value of Infrastructure in Service

The infrastructure portion of existing capital assets, excluding treatments, are valued based on the replacement cost of existing conveyance infrastructure (escalated to current dollars based on ENR CCI), less straight-line depreciation. The Water Authority’s asset records, which provide the install date of each asset (prior to 2008) were used to determine the replacement cost new less depreciation (RCNLD) of the following asset types:

- Pipelines
- Flow control facilities
- Tunnels
- Pump Stations
- Hydroelectric
- Flow Regulating Structures
- Olivenhain Dam
- Rancho Penasquitos
- Miscellaneous

Updated through 2014, the RCLND existing system infrastructure is $3.8 billion.

5.1.2 Adjustments to Value of Water Infrastructure in Service

The value of system infrastructure in service is adjusted to account for land value and construction work in progress.

- The value of land owned by the Water Authority is added to the value of the existing system. This value includes land, easements, and mitigation banks (Table 5 - Capital Assets, 2012 CAFR).

- “Construction work in progress” (CWIP) is separately tracked and added to the value of the existing system to avoid double counting with the Capital Improvement Program. In this analysis, the CWIP has been updated to exclude the cost of the Twin Oaks Valley water treatment plant which was completed in 2008. This cost of this facility is now included in the Treatment Capacity Charge.
5.1.3 Liability and Asset Related Adjustments

The Water Authority’s outstanding debt principal is deducted from the asset base, as it represents an outstanding liability that will be paid by future ratepayers through the Water Authority’s annual rates and charges. Tax Exempt Commercial Paper (TECP) is also deducted as a liability. As an offset to these deductions, and as applicable, the Water Authority’s existing cash assets were added back. This approach assumes that the Water Authority could retire or defease the outstanding debt with their reserves/cash on hand. Existing cash assets include the following funds:

- Debt Service Reserve Fund
- Construction Fund (Proceeds still available)
- PAYGO Fund (excluding water standby availability charge revenues)
- Operating Fund (Facilities Portion)
- Rate Stabilization Fund
- Stored Water Fund

Additionally, non-infrastructure assets (e.g., Participation and Capacity Rights) have been included as asset-related adjustments. As of June 30, 2012, there are nearly $1.17 billion in total liability and asset related adjustments, accounting for the debt associated with the significant capital improvement program undertaken by the Water Authority.

5.2 Future System Cost Basis

The future system cost basis of the System Capacity Charge is based on the Water Authority’s Board adopted Capital Improvement Program (CIP). The current list of projects included in the CIP is based upon the 2002 Regional Water Facilities Master Plan. That long-term planning document addressed the timing and need of capital projects through 2030. The estimates of current and future water demands and ultimate users for calculating the water cost responsibility components for the capacity charge itself are based on the more recent results contained in the Water Authority’s 2010 Urban Water Management Plan, which has a planning horizon of 2035. These CIP projects include a mix of new facilities that will add capacity to existing conveyance, storage, and treatment facilities, as well as repair and replace aging infrastructure. The System Capacity Charge excludes any projects related to treatment improvements, which will be recovered through the Treatment Capacity Charge. Based on the existing information, future CIP (2014-2030) accounts for nearly $1.8 billion in costs with less than $1.0 million associated with the Treatment Capacity Charge.

5.3 Existing and Future Customer Base

As discussed in Report Section 4.3 the capacity charges are calculated by dividing the total treatment system value by the total number of existing and future equivalent meters projected to be served by the Water Authority’s treatment system in 2035. Approximately 1.1 million meter equivalents are projected through 2035.
5.4 System Capacity Charge Calculation

The table below summarizes the various inclusions and adjustments related to the development of the CY 2014 System Capacity Charge.

<table>
<thead>
<tr>
<th>Table 3 System Capacity Charge Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Capacity Charge</td>
</tr>
<tr>
<td>RCNLD of Water Infrastructure in Service</td>
</tr>
<tr>
<td>Sub-Total of Adjustments</td>
</tr>
<tr>
<td>Total Value of Capital Assets</td>
</tr>
<tr>
<td>Total Liability and Asset-Related Adjustments</td>
</tr>
<tr>
<td>Total Value of Existing Assets Net of Liabilities</td>
</tr>
<tr>
<td>Infrastructure Related Future CIP Costs</td>
</tr>
<tr>
<td>Total Value of Existing and Future Assets</td>
</tr>
<tr>
<td>Total Number of Meter Equivalents</td>
</tr>
<tr>
<td>Proposed System Capacity Charge (Per ME)</td>
</tr>
</tbody>
</table>

The system capacity charge is calculated to increase to $4,681 from the current charge of $4,326, which is an increase of $355 per meter equivalent.

6.0 TREATMENT CAPACITY CHARGE

The system capacity charge is applicable to any new connection within the Water Authority service area that will receive treated water. The charge recovers a portion of the capital costs from the future users of treatment facilities. Similar to the System Capacity Charge, the fee is based upon the size of the meter installed.

6.1 Existing System Cost Basis

The existing capital assets are valued based on the replacement cost of existing treatment infrastructure (escalated to current dollars), less straight-line depreciation and outstanding debt principal. Treatment capital costs include the leased capacity at the Levy treatment plant and the Twin Oaks Valley water treatment plant. The Water Authority’s asset records were used to determine the depreciated replacement cost of leased capacity at the Levy Water Treatment Plant. The replacement value of the Twin Oaks Treatment Plant was determined by escalating the 2008 construction cost through 2014 and deducting straight-line depreciation. The existing cost basis of the treatment facilities is $259 million.

6.1.1 Liability and Asset Related Adjustments

The Water Authority’s outstanding debt principal related to Treatment is deducted from the asset base, as it represents an outstanding liability the will be paid for by future ratepayers
through the Water Authority’s annual rates and charges. As of June 30, 2012, there is roughly $137 million in total liability and asset related adjustments.

6.2 Future System Cost Basis

The future system cost basis of the Treatment Capacity Charge is based on projected expansions in the Water Authority and member agency water treatment facilities, and exclude all non-treatment costs that are otherwise recovered through the System Capacity Charge. The current list of projects included in the CIP is based on the results of planning studies, including the 2010 UWMP and the 2002 Regional Water Facilities Master Plan, and does not include the results of the system master plan currently under development. Following the completion of the Twin Oak Treatment Plant, the Water Authority has less than $1 million in planned treatment related projects.

6.3 Meter Equivalents

The capacity charges are calculated by dividing the total treatment system value by the total number of existing and future equivalent meters projected to be served by the Water Authority’s treatment system in 2035. Meters from Escondido, Del Mar, and Poway that are not connected to the treated water system are excluded from the Treatment Capacity Charge Calculation. Approximately 800,000 meter equivalents are projected through 2035.

6.4 Treatment Capacity Charge Calculation

The table below summarizes the various inclusions and adjustments related to the development of the CY 2014 Treatment Capacity Charge.

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Treatment Capacity Charge Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Treatment Capacity Charge 2014</td>
</tr>
<tr>
<td>Total</td>
<td>Existing Cost Basis</td>
</tr>
<tr>
<td>Sub-Total of Adjustments</td>
<td>-</td>
</tr>
<tr>
<td>Total Value of Capital Assets</td>
<td>258,844,494</td>
</tr>
<tr>
<td>Total Liability and Asset-Related Adjustments</td>
<td>(137,328,706)</td>
</tr>
<tr>
<td>Total Value of Existing Assets Net of Liabilities</td>
<td>121,515,787</td>
</tr>
<tr>
<td>Total Future Cost Basis</td>
<td>798,687</td>
</tr>
<tr>
<td>Total Value of Existing and Future Assets</td>
<td>$122,314,474</td>
</tr>
<tr>
<td>Total Number of Meter Equivalents</td>
<td>1,026,624</td>
</tr>
<tr>
<td>Proposed System Capacity Charge (per ME)</td>
<td>$119</td>
</tr>
</tbody>
</table>

The treatment capacity charge is calculated to decrease to $119 from the current charge of $166, which is a decrease of $47 (with rounding) per meter equivalent.
7.0 FINDINGS AND RECOMMENDATIONS

Carollo finds that the Water Authority methods for calculating the System Capacity Charge and the Treatment Capacity Charge are consistent with applicable AWWA and industry standards, Board policy, and applicable legal requirements as defined in Report Section 3.0 above. The Water Authority capacity charge methodology spreads the value of the current system and future improvements fairly and reasonably to all customers, existing and future, creating a nexus between the cost of capacity and the benefit received. This approach accounts for the fact that all customers will benefit generally in the same manner and to the same extent from the current system and future CIP improvements. Future users are required to pay for a proportionate share of system costs through the capacity charges, while existing users have paid through their past rates and will continue to contribute through future rate contributions.
### SDCWA - Capacity Charge Calculations

**March 2013**

#### Capacity Charge Calculations

**CY 2014**

**Notes/Source:**

<table>
<thead>
<tr>
<th>System Capacity Charge</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Cost Basis</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Value of Water Infrastructure in Service</strong></td>
<td></td>
</tr>
<tr>
<td>1 Total Replacement Cost of Existing System (Through 2008)</td>
<td>$4,519,304,195 Based on Asset Valuation Calculator, ENR updated to 2012</td>
</tr>
<tr>
<td>2 Total Replacement Costs - Asset Updates to RCNL (2008-2013)</td>
<td>$1,350,843,819 2008-2012 Capitalized Project List</td>
</tr>
<tr>
<td>3 Less Treatment Related Assets (Through 2008)</td>
<td>$64,862,594 Based on Asset Valuation Calculator</td>
</tr>
<tr>
<td>4 Less Treatment Related Costs - Updates to RCNL (2008-2013)</td>
<td>$229,524,868 Based on Asset Valuation Calculator</td>
</tr>
<tr>
<td>5 Less Accumulated Depreciation on Existing Assets</td>
<td>(1,634,252,574) Based on Asset Valuation Calculator</td>
</tr>
<tr>
<td>6 Less Accumulated Depreciation - Updates to RCNL (2008-2013)</td>
<td>(46,862,594) Based on Asset Valuation Calculator</td>
</tr>
<tr>
<td>7 Plus Accumulated Depreciation on Treatment Assets (Through 2008)</td>
<td>22,162,096 Based on Asset Valuation Calculator</td>
</tr>
<tr>
<td>8 Plus Accumulated Depreciation on Treatment Assets - Updates to RCNL (2008-2013)</td>
<td>$13,354,796 2008-2012 Capitalized Project List</td>
</tr>
<tr>
<td>9 RCNL of Water infrastructure in Service (sum of 5 to 8)</td>
<td>$1,380,190,035</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjustments to Value of Water Infrastructure in Service</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Treatment Related Construction work in Progress</td>
<td>- Treatment Plant is completed, so no WTP WIP</td>
</tr>
<tr>
<td>13 Contributed Capital</td>
<td>(4,548,860) Contributed Assets, not paid for by existing or future users</td>
</tr>
<tr>
<td>14 Carlsbad Desalination Plant</td>
<td>- Allocation between system, treatment, and supply</td>
</tr>
<tr>
<td>15 Sub-Total of Adjustments (sum of 10 to 14)</td>
<td>$662,123,133</td>
</tr>
<tr>
<td>16 Total Value of Capital Assets (9+15)</td>
<td>$4,492,313,185</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liability and Asset Related Adjustments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17 Outstanding Debt for Infrastructure</td>
<td>$(2,015,530,000) Total Debt Principal</td>
</tr>
<tr>
<td>18 Construction Fund (Proceeds still available)</td>
<td>303,396,599 Based on 2012 CAFR</td>
</tr>
<tr>
<td>19 Adj for Treatment Asset Related Debt</td>
<td>172,744,630 Principal related to WTP Assets</td>
</tr>
<tr>
<td>20 Tax-Exempt Commercial Paper (TECP)</td>
<td>$(360,000,000) Based on 2012 CAFR</td>
</tr>
<tr>
<td>21 Equipment &amp; Computer System</td>
<td>37,302,395 Based on 2012 CAFR</td>
</tr>
<tr>
<td>22 Less Accumulated Depreciation (Equip &amp; Computers)</td>
<td>$(28,775,198) Based on 2012 CAFR</td>
</tr>
<tr>
<td>23 Participation and Capacity Rights</td>
<td>457,526,713 Total Participation and Capacity Rights, net of Amortization</td>
</tr>
<tr>
<td>24 Adj Levy Treatment Plant Capacity Rights</td>
<td>(13,278,866) Treatment related Participation and Capacity Rights, net of Amortization</td>
</tr>
<tr>
<td>25 Debt Service Reserve Fund</td>
<td>60,958,652 Based on 2012 CAFR, Page 107</td>
</tr>
<tr>
<td>26 PAYGO Fund</td>
<td>87,039,198</td>
</tr>
<tr>
<td>27 Operating Fund (Facilities Portion)</td>
<td>20,714,528 Based on 2012 CAFR's balance of $57,733,957 - Allocation is $5M related to emergency set-aside and 45/365 of FY12 Total DS Payment [$127.5M * 45/365]</td>
</tr>
<tr>
<td>28 Rate Stabilization Fund</td>
<td>51,003,353 Based on 2012 CAFR</td>
</tr>
<tr>
<td>29 Stored Water</td>
<td>57,818,196 Based on 2012 CAFR</td>
</tr>
<tr>
<td>30 Total Liability and Asset-Related Adjustments (sum of 17 to 29)</td>
<td>$(1,172,045,792)</td>
</tr>
<tr>
<td>31 Total Value of Existing Assets Net of Liabilities (16+30)</td>
<td>$3,320,267,393</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future Cost Basis</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>32 Total Value of Future CIP</td>
<td>$1,699,630,686 Based on 2012 Data. Includes “Budgeted” and “open” projects from 2014 to 2030. Includes both planning and construction projects.</td>
</tr>
<tr>
<td>33 Twin Oaks - Pipeline</td>
<td>80,000,000</td>
</tr>
<tr>
<td>34 Less Water Treatment CIP</td>
<td>$(798,687) Based on 2012 Data. WTP Rate Category Costs Only</td>
</tr>
<tr>
<td>35 Infrastructure Related Future CIP Costs (32+34)</td>
<td>$1,778,831,999</td>
</tr>
<tr>
<td>36 Total Value of Existing and Future Assets (16+35)</td>
<td>$5,099,099,392</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing and Future Customer Base</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>37 Total Existing Meter Equivalents</td>
<td>912,321 IAC Equivalent Meters (ME) as of 12/31/11</td>
</tr>
<tr>
<td>38 Number of Future Meter Equivalents</td>
<td>177,094 Based on 2035 — 5.18 people per meter (10 yr SANDAG average) and 1.45 Meter Ratio Factor</td>
</tr>
<tr>
<td>39 Total Number of Meter Equivalents (37+38)</td>
<td>1,089,415</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>System Capacity Charge Results</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>40 Estimated CY System Capacity Charge (36/39)</td>
<td>$4,681 Based on 2035 — 5.18 people per meter (10 yr SANDAG average)</td>
</tr>
</tbody>
</table>

---

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<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
<th>Notes/Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Cost Basis</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of Treatment Infrastructure</td>
<td>$64,836,518</td>
<td>Line 3</td>
</tr>
<tr>
<td>Total Replacement Costs - Asset Updates to RCNLD (2008-2013)</td>
<td>$229,524,888</td>
<td>Line 4</td>
</tr>
<tr>
<td>Less SDCWA Treatment Capital Depreciation (Through 2008)</td>
<td>($22,162,096)</td>
<td>Line 7</td>
</tr>
<tr>
<td>Less SDCWA Treatment Capital Depreciation - Updates to RCNLD (2008-2013)</td>
<td>($13,354,796)</td>
<td>Line 8</td>
</tr>
<tr>
<td><strong>Total Existing Cost Basis (sum of 43 to 45)</strong></td>
<td>$258,844,494</td>
<td></td>
</tr>
<tr>
<td><strong>Adjustments to Value of Treatment Infrastructure in Service</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treatment Related Construction work in Progress</td>
<td>$</td>
<td>Line 12</td>
</tr>
<tr>
<td>Carlsbad Desalination Plant</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Total of Adjustments (48 + 49)</strong></td>
<td>$</td>
<td></td>
</tr>
<tr>
<td><strong>Total Value of Capital Assets (47+50)</strong></td>
<td>$258,844,494</td>
<td></td>
</tr>
<tr>
<td>Liability and Asset Related Adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding Debt for Treatment</td>
<td>($172,784,630)</td>
<td>Line 19</td>
</tr>
<tr>
<td>Levy Treatment Plant Capacity Rights</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Helix Related Debt</td>
<td>$26,150,579</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Fund (Treatment)</td>
<td>$8,505,600</td>
<td></td>
</tr>
<tr>
<td>PARGO Fund (Treatment Portion)</td>
<td>$799,744</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liability and Asset-Related Adjustments (sum of 52 to 57)</strong></td>
<td>($137,328,706)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Value of Existing Assets Net of Liabilities (47+58)</strong></td>
<td>$121,515,787</td>
<td></td>
</tr>
<tr>
<td><strong>Future Cost Basis</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SDCWA WTP &amp; Member Agency WTP Expansion Capital Cost</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>SDCWA CIP Treatment Costs</td>
<td>$798,687</td>
<td>Line 34</td>
</tr>
<tr>
<td><strong>Total Future Cost Basis (60+61)</strong></td>
<td>$798,687</td>
<td></td>
</tr>
<tr>
<td><strong>Total Value of Existing and Future Assets (59+62)</strong></td>
<td>$122,314,474</td>
<td></td>
</tr>
<tr>
<td><strong>Meters Equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Number of Meter Equivalents</td>
<td>1,089,415</td>
<td>Line 39</td>
</tr>
<tr>
<td>Existing MEs not connect to treated water system</td>
<td>(54,625)</td>
<td></td>
</tr>
<tr>
<td>Projected new MEs not connected to treated system</td>
<td>(8,166)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Existing and Future MEs connected to treated system</strong></td>
<td>1,026,624</td>
<td></td>
</tr>
<tr>
<td><strong>Treatment Capacity Charge Results</strong></td>
<td>$119</td>
<td></td>
</tr>
<tr>
<td>Water Treatment Capacity Charge (63/67)</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>
ORDINANCE NO. 2000-3

ORDINANCE OF SAN DIEGO COUNTY WATER AUTHORITY TO AMEND ORDINANCE NO. 97-1 FIXING CAPACITY CHARGES ON ULTIMATE USERS OF WATER FROM THE SAN DIEGO COUNTY WATER AUTHORITY

WHEREAS, pursuant to Section 5.9 of the County Water Authority Act, the San Diego County Water Authority ("Authority") may fix and impose capacity charges upon the ultimate users of water delivered by the Authority to its member agencies and to require its member agencies to collect the charges on behalf of the Authority; and

WHEREAS, the Authority revised the capacity charge imposed on ultimate users of water by adoption of Ordinance No. 97-1, dated May 15, 1997; and

WHEREAS, the Long Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority's purposes and programs as determined by the Board of Directors; and

WHEREAS, the Authority has prepared, considered, and approved an analysis and study regarding proposed revised capacity charges, based upon an undated calculation based upon the methodology used in the analysis entitled "San Diego County Water Authority Revised Capacity Charge Methodology," ("Capacity Charge Study") dated May 17, 1999, and

WHEREAS, the Authority, by adoption of Ordinance No. 99-2, dated July 22, 1999, amended Sections 2 and 10 of Ordinance 97-1 to adjust the Capacity Charge in accordance with the methodology of the Capacity Charge Study, and

WHEREAS, the Authority has updated the data used in the calculation of the charge pursuant to the Capacity Charge Study. The Capacity Charge Study, with current data, justifies a capacity charge of $2,004 for new meters of a size less than one inch and a capacity charge for new meters of a size one inch or larger based upon the amount of $2,004 multiplied by a factor that is based upon additional meter capacity; and

WHEREAS, on September 28, 2000, the Board adopted Resolution No. 2000-22 setting the time and place of a public hearing by the Fiscal Policy Committee regarding the Capacity Charge Study and the proposed capacity charge increase.

WHEREAS, pursuant to Resolution No. 2000-22 a duly noticed public hearing was held by the Fiscal Policy Committee which, in consideration of the Capacity Charge Study,
Study, the Authority's capital and operations budgets for Fiscal Year 2000-2001, the Authority's rate and revenue structures and projections, the Long Range Financing Plan, and the testimony presented during the public hearing thereafter recommended increasing the capacity charge for meters with a size less than one inch to $2,004, and a corresponding increase for larger meters; and

WHEREAS, the Board has considered the recommendation of the Fiscal Policy Committee and is fully informed: and

WHEREAS, it is in the interests of the Authority, its member agencies, its water users and taxpayers, that the Authority take final action to adopt revised capacity charges on new water users as recommended by the Capacity Charge Study in order to provide funds to pay a portion of the costs of new capital facilities needed to serve such users; and

WHEREAS, the proposed capacity charges are nondiscriminatory and will not exceed the estimated reasonable amount required to provide the services for which the charges are to be levied; and

WHEREAS, at least fifteen (15) days prior to the meeting at which the capacity charges were levied, the Authority made available to the public data indicating the amount of cost, or estimated cost, required to provide the services for which the charges are to be levied and the revenue sources anticipated to provide such services, including general fund revenues; and

WHEREAS, the Authority has determined that imposition of the revised capacity charge recommended by the Capacity Charge Study is exempt from CEQA under Section 15378(b)(5) of the State CEQA Guidelines regarding the creation of government funding mechanisms that do not involve any commitment to any specific project that may have potentially significant physical impacts on the environment. Any project funded by this charge either has or will have appropriate CEQA documentation completed prior to any activities that could result in physical impacts on the environment;

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

Section 1. Findings. The foregoing recitals are true and correct and constitute legislative findings of this Board.

Section 2. Amendment of Ordinance No. 97-1

a. Section 2.1 of Ordinance No. 97-1 is amended to read in its entirety as follows:
Section 2.1. Schedule of Charges. Except as hereinafter provided, there is hereby fixed and imposed a capacity charge on each person, corporation, partnership, public agency, or other entity (hereinafter referred to as "a water user") obtaining a water meter from a member agency for the use of water received by the member agency from the Authority. The amount of the capacity charge for a meter shall be determined according to the following table:

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>Capacity Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1.0</td>
<td>$2,004</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>$3,206</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3.0</td>
<td>$6,012</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>$10,421</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>$19,238</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>$32,866</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30.0</td>
<td>$60,120</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52.0</td>
<td>$104,208</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78.0</td>
<td>$156,312</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132.0</td>
<td>$264,528</td>
</tr>
</tbody>
</table>

The member agency shall determine the size of the water meter necessary or appropriate to provide the service for which the meter is requested.

b. Section 10 of Ordinance No. 97-1 is amended as follows:

Section 10. Deposit and Use of Funds. All funds received by the Authority from capacity charges from or after January 1, 2001 shall be deposited in a capital facilities account or fund and shall be expended for the purposes described in the "San Diego County Water Authority Revised Capacity Charge Methodology and Analysis," dated May 17, 1999. All interest income earned by monies in the capital facilities account or fund shall also be deposited in that account or fund and shall be expended only for the same purposes.

Section 3. Effective Date. This ordinance shall be effective upon adoption. The provisions of Section 2 shall become operative on January 1, 2001.

Section 4. Continuation of Ordinance No. 97-1. Except as amended by this ordinance all provisions, terms and conditions of Ordinance No. 97-1 shall remain in full force and effect.

Section 5. Future Revisions to Capacity Charge. The Board of Directors may by resolution make adjustments to the capacity charge to account for the addition, deletion, or modification of projects considered in the establishment of such charge.
Section 6. **Codification.** The General Counsel shall incorporate the provisions of Ordinance No. 97-1 and this ordinance into the Authority's Administrative Code according to the recodification plan approved by the Administrative and Legal Committee.

PASSED, APPROVED AND ADOPTED, this 26th day of October, 2000

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN: Director Leach did not participate in discussion or vote.

ABSENT: Bowersox, Broomell, Fowler, Knutson, Magigan, Mason, Quist and Tinker.

Joseph Parker, Chair
Board of Directors

ATTEST:

Francesca M. Krauel, Secretary
Board of Directors

I, Janet R. Maltman, Executive Secretary of the Board of Directors of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said Ordinance 2000-3 of said Board and that the same has not been amended or repealed.

Janet R. Maltman, Executive Secretary
Board of Directors
ORDINANCE NO. 2005-03

AN ORDINANCE OF SAN DIEGO COUNTY WATER AUTHORITY AMENDING ORDINANCE NO. 2004-08 TO INCREASE THE SYSTEM CAPACITY CHARGE TO $3,985 FOR A METER SIZE OF LESS THAN ONE-INCH, MAKE CORRESPONDING ADJUSTMENTS TO THE SYSTEM CAPACITY CHARGE FOR LARGER METERS, ESTABLISH A WATER TREATMENT CAPACITY CHARGE AND SET THAT CHARGE AT $153 FOR A METER SIZE OF LESS THAN ONE-INCH AND MAKE CORRESPONDING ADJUSTMENTS TO THE WATER TREATMENT CAPACITY CHARGE FOR LARGER METERS AND PROVIDE FOR AUTOMATIC ANNUAL ADJUSTMENTS TO BOTH CHARGES

WHEREAS, pursuant to Section 5.9 of the County Water Authority Act, the San Diego County Water Authority ("Water Authority") may fix and impose Capacity Charges upon the ultimate users of water delivered by the Water Authority to its member agencies and to require its member agencies to collect the charges on behalf of the Water Authority; and

WHEREAS, the Water Authority revised the Capacity Charge imposed on ultimate users of water by adoption of Ordinance No. 97-1, dated May 15, 1997; and

WHEREAS, the Water Authority further revised the Capacity Charge imposed on ultimate users of water by adoption of Ordinance No. 2004-08, dated November 18, 2004; and

WHEREAS, the Long Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Water Authority, to provide revenues for accomplishment of the Water Authority’s purposes and programs as determined by the Board of Directors; and

WHEREAS, the Water Authority directed completion of a Fixed Revenue Study to revise the Capacity Charges imposed on ultimate users of water; and

WHEREAS, the Water Authority has updated the data used in the calculation of the charge pursuant to the Fixed Revenue Study. The Fixed Revenue Study, with current data, justifies a System Capacity Charge of $3,985 for new meters of a size less than one inch and a System Capacity Charge for new meters of a size one inch or larger based upon the amount of $3,985 multiplied by a factor that is based upon additional meter capacity. The Fixed Revenue Study, with current data, justifies a Water Treatment Capacity Charge of $153 for new meters of a size less than one inch and a Water Treatment Capacity Charge for new meters of a size one inch or larger based upon the amount of $153 multiplied by a factor that is based upon additional meter capacity; and
WHEREAS, on April 28, 2005, the Board adopted Resolution No. 2005-15 setting the time and place for a public hearing by the Administrative and Finance Committee regarding the Fixed Revenue and the proposed System Capacity Charge increase and the establishment of the proposed Water Treatment Capacity Charge; and

WHEREAS, pursuant to Resolution No. 2005-15 a duly noticed public hearing was held by the Administrative and Finance Committee which, in consideration of the Fixed Revenue Study, the Water Authority’s capital and operations budgets for Fiscal Year 2004-2005, the Water Authority’s rate and revenue structures and projections, the Long Range Financing Plan, and the testimony presented during the public hearing thereafter recommended increasing the System Capacity Charge for meters with a size less than one inch to $3,985, and a corresponding increase for larger meters; and establishing a Water Treatment Capacity Charge for meters with a size less than one inch to $153, and a corresponding increase for larger meters; and

WHEREAS, the Board has considered the recommendation of the Administrative and Finance Committee and is fully informed: and

WHEREAS, it is in the interests of the Water Authority, its member agencies, its water users and taxpayers, that the Water Authority take final action to adopt revised Capacity Charges on new water users as recommended by the Fixed Revenue Study in order to provide funds to pay a portion of the costs of new capital facilities needed to serve such users; and

WHEREAS, it is in the interests of the Water Authority, its member agencies, its water users and taxpayers that the Water Authority automatically increase the Capacity Charge in the same percentage as the annual increase in the Engineering News-Record Construction Cost Index; and

WHEREAS, the proposed System and Water Treatment Capacity Charges are nondiscriminatory and will not exceed the estimated reasonable amount required to provide the services for which the charges are to be levied; and

WHEREAS, at least fifteen (15) days prior to the meeting at which the System and Water Treatment Capacity Charges were levied, the Water Authority made available to the public data indicating the amount of cost, or estimated cost, required to provide the services for which the charges are to be levied and the revenue sources anticipated to provide such services, including general fund revenues; and

WHEREAS, the Water Authority has determined that imposition of the revised System and Water Treatment Capacity Charges recommended by the Fixed Revenue Study is exempt from CEQA under Section 15378(b)(5) of the State CEQA Guidelines regarding the creation of government funding mechanisms that do not involve any commitment to any specific project that may have potentially significant physical impacts on the environment. Any project funded by this charge either has or will have appropriate CEQA documentation completed prior to any activities that could result in physical impacts on the environment.
NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

Section 1. Findings.

The foregoing recitals are true and correct and constitute legislative findings of this Board.

Section 2. Amendment of Ordinance No. 2004-08

Section 2.1 of Ordinance No. 2004-08 is amended to read as follows:

Section 2.1. Schedule of Charges.

Except as hereinafter provided, there is hereby fixed and imposed System Capacity Charge on each person, corporation, partnership, public agency, or other entity (hereinafter referred to as "a water user") obtaining a water meter from a member agency for the use of water received by the member agency from the Water Authority.

Except as hereinafter provided, there is hereby fixed and imposed Water Treatment Capacity Charge on each person, corporation, partnership, public agency, or other entity (hereinafter referred to as "a water user") obtaining a water meter from a member agency with an existing or planned connection to the Water Authority treated water system.

The amount of the System and Water Treatment Capacity Charges for a meter shall be determined according to the following table:

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>System Capacity Charge</th>
<th>Water Treatment Capacity Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1.0</td>
<td>$3,985</td>
<td>$153</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>$6,376</td>
<td>$245</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3.0</td>
<td>$11,955</td>
<td>$459</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>$20,722</td>
<td>$796</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>$38,256</td>
<td>$1,469</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>$65,354</td>
<td>$2,509</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30.0</td>
<td>$119,550</td>
<td>$4,590</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52.0</td>
<td>$207,220</td>
<td>$7,956</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78.0</td>
<td>$310,830</td>
<td>$11,934</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132.0</td>
<td>$526,020</td>
<td>$20,196</td>
</tr>
</tbody>
</table>

The member agency shall determine the size of the water meter necessary or appropriate to provide the service for which the meter is requested.
The Director of Finance shall adjust the schedule of charges established by this section as of January 1, 2006, on as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles (ENR-CCI LA) for the calendar year immediately preceding the adjustment.

Section 3. Continuation of Ordinance No. 97-1.

Ordinances Nos. 97-1, 99-2, 2000-1, 2000-3, 2001-03, and 2002-05 shall remain in full force and effect except to the extent amended by, or inconsistent with, the provisions of this ordinance.

Section 6. Codification.

This ordinance is effective upon adoption, provided however that the increase approved by section 2 of this ordinance shall be effective 60 days following the date of adoption.

PASSED, APPROVED AND ADOPTED, this 26th day of May, 2005

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT: Bowersox, Broomell, Croucher (p.), Haddad, Irvin, Jaeschke, Lewanski (p.), Lewis (p.), Loveland and Rep. Slater-Price

James H. Bond, Chair

ATTEST:

Claude A. (Bud) Lewis, Secretary

I, Doria F. Lore, Clerk of the Board of Directors of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said Ordinance 2005-03 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Clerk of the Board
RESOLUTION NO. 2013-

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY FIXING THE TIME AND PLACE FOR A PUBLIC HEARING TO CONSIDER: (1) CHANGES TO THE RATES AND CHARGES FOR DELIVERY AND SUPPLY OF WATER, AND (2) CONTINUING THE EXISTING STANDBY AVAILABILITY CHARGE (3) CHANGES TO THE SYSTEM AND TREATMENT CAPACITY CHARGES.

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted resolutions and ordinances setting rates and charges for delivery and supply of water, use of facilities and provision of other services; and

WHEREAS, pursuant to Section 5.9 of the County Water Authority Act, the San Diego County Water Authority ("Water Authority") may fix and impose Capacity Charges upon the ultimate users of water delivered by the Water Authority to its member agencies and to require its member agencies to collect the charges on behalf of the Water Authority; and

WHEREAS, the Metropolitan Water District has adopted certain rate and charge increases for water and services it provides to the Water Authority that will become effective January 1, 2014; and

WHEREAS, the County Water Authority Act and the updated Long-Range Financing Plan adopted by the Board of Directors contemplate the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Water Authority, to provide revenues for accomplishment of the Water Authority’s purposes and programs as determined by the Board of Directors; and

WHEREAS, the Director of Finance has provided a report recommending increases of Water Authority rates and charges a copy of which has been filed with the Clerk of the Board; and

WHEREAS, the Water Authority revised the Capacity Charge imposed on ultimate users of water by adoption of Ordinance No. 97-1, dated May 15, 1997; and

WHEREAS, the Water Authority conducted a Fixed Revenue Study to revise Capacity Charges imposed on ultimate users of water; and

WHEREAS, the Water Authority from time to time administratively adjusted the Capacity Charge further revised the Capacity Charge imposed on ultimate users of water by adoption of Ordinance No. 2004-08, dated November 18, 2004; and

WHEREAS, the Water Authority revised the methodology used to calculate Capacity Charges, created the System Capacity Charge and Treatment Capacity Charge and authorized the Director of Finance to adjust these fees based upon the annual percentage
change in the Engineering News-Records Construction Cost Index for Los Angeles (ENR-CCI LA) by adoption of Ordinance No. 2005-03, dated May 26, 2005; and

WHEREAS, Ordinance No. 2008-01 amending Ordinance No. 97-1 to permit an exemption from payment of capacity charges for increase in meter size necessary to accommodate standby capacity for residential fire sprinklers in single family residences was adopted by the Board on March 27, 2008; and

WHEREAS, the Board of Directors desires to set a public hearing to consider comments regarding continuing the existing rates and charges

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the San Diego County Water Authority as follows:

1. The foregoing recitations are true and correct.

2. A public hearing will be held by the Board of Directors of the San Diego County Water Authority Administrative and Finance Committee on June 27, 2013, at 9:00 a.m., or as soon thereafter as the matter may be heard, in the Board Room of the Water Authority at 4677 Overland Avenue, San Diego, California 92123, to consider changes to the rates and charges for delivery and supply of water, use of facilities, and provision of other services as determined necessary by the Director of Finance

3. The Clerk of the Board is directed to cause the following notice to be published pursuant to Government Code Section 6066 in the newspapers of general circulation stated in paragraph 5, below:

Legal Notice

Notice is hereby given that the San Diego County Water Authority Board of Directors Administrative and Finance Committee will hold a public hearing at June 27, 2013, at 9:00 a.m. or as soon thereafter as may practicably be heard, at its offices located at 4677 Overland Avenue, San Diego, CA 92123. The purpose of the hearing will be to hear objections, protests or comments from the public about proposed water rates and charges as specified below. The Water Authority also intends to continue the water standby availability charge at its existing level, and to levy property taxes as authorized by law. For further details see the memorandum dated May 15, 2013 on file with the Clerk of the Board.

The following rates and charges will be effective July 1, 2013:

**Standby Availability Charge.** The County Water Authority Act limits the maximum annual Standby Availability Charge to $10 per acre or parcel, whichever is greater. Beginning before November 6, 1996, the Water Authority has determined that the maximum annual standby availability charge should be levied on property within the Water Authority’s service area. To provide necessary funding for the CIP, the General
Manager recommends that the charge continue at the $10 maximum for fiscal year 2013-2014. The Standby Availability Charge rate is effective July 1, 2013. The amount of this charge has not changed since the adoption of Proposition 218 in 1996. The justification for imposition of this charge is the same as for when the charge was initially levied and as it was imposed before November 6, 1996.

**The following rates and charges are being proposed effective on January 1, 2014:**

**Melded Untreated M&I Supply Rate.** The Melded Untreated Municipal and Industrial Supply Rate will be set to recover the costs of purchasing Tier 1 water from MWD, water purchases from IID, payments in connection with the All-American and Coachella Canal lining projects, payments to MWD under the 2003 Exchange Agreement for conveyance of IID and Canal Lining water, and may include other costs specifically associated with the acquisition of the IID supply source, cost recovery for supply costs previously incurred but not charged, etc. For CY 2014, the Melded M&I Supply Rate will increase from its current level of $714/AF to $732/AF.

**Melded M&I Treatment Rate.** The Melded Municipal and Industrial Treatment Rate will be set to recover the costs of treating water for the Water Authority and may include costs of purchasing treated water from MWD, and the Levy and Olivenhain treatment plants and may recover certain other costs associated with the delivery of treated water. For CY 2014, the Melded M&I Treatment Rate will increase from its current level of $256/AF to $274/AF.

**Transportation Rate.** The Transportation Rate is a uniform rate set to recover capital, operating and maintenance costs of the Water Authority’s aqueduct system including all facilities used to physically transport the water to member agency meters. The Transportation Rate is charged to each acre-foot of water delivered by the Water Authority as it occurs. All users, member agencies and third-party wheelers will pay the Transportation Rate. For CY 2014, the Transportation Rate will increase from its current level of $93/AF to $97/AF.

**Water Authority’s Transitional Special Agricultural Water Program Rates.** For CY 2014, the untreated agricultural water rate will remain at its current level of $593/AF. The treated agricultural water rate will increase from $849/AF in CY 2013 to $867/AF in CY 2014.

**Infrastructure Access Charge.** The infrastructure access charge is imposed on member agencies as a condition of maintaining connections to Water Authority facilities. It is apportioned based on retail water meters within each agency. For CY 2014, the infrastructure access charge will increase from its current level of $2.65/ME to $2.68/ME. ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge.

**Customer Service Charge.** The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority, to develop policies and implement programs that benefit the region as a whole. The Customer Service Charge will be allocated among the member agencies on the basis of each...
agency’s three-year rolling average of member agency purchases from the Water Authority (excludes member agency wheeled water). For CY 2014, the Customer Service Charge will remain at its current level of $26.4M.

**Storage Charge.** The Storage Charge is set to recover costs associated with the Emergency Storage Program. The Storage Charge is based on all non-agricultural water deliveries and will be allocated among the member agencies using a pro rata share of each agency’s three-year rolling average deliveries (including all users, member agencies and third-party wheeling throughput). For CY 2014, the Storage Charge will increase from its current level of $60.2M to $63.2.

**System Capacity Charge.** This charge recovers a portion of the capital costs for the conveyance and storage facilities necessary to operate the delivery system. Application of the methodology to the conveyance and storage system capital facilities results in an increase from its current charge of $4,326 to $4,681 for each new meter equivalent.

**Water Treatment Capacity Charge.** This charge recovers a portion of the regional water treatment facility to be collected from all future users of the facility. In keeping with the Water Authority’s policy of exempting agencies that cannot benefit from a service, the Water Treatment Capacity Charge excludes customers from the City of Escondido, City of Del Mar, and City of Poway. This results in a Water Treatment Capacity Charge decreasing from its current level of $166 to $119 for each new meter equivalent connected to the treated water system.

Table 5 presents a summary of the proposed Capacity Charge schedule effective on January 1, 2014.

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>System Capacity Charge</th>
<th>Water Treatment Capacity Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1.0</td>
<td>$4,681</td>
<td>$119</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>7,490</td>
<td>190</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3.0</td>
<td>14,043</td>
<td>357</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>24,341</td>
<td>619</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>44,938</td>
<td>1,142</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>76,768</td>
<td>1,952</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30.0</td>
<td>140,430</td>
<td>3,570</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52.0</td>
<td>243,412</td>
<td>6,188</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78.0</td>
<td>365,118</td>
<td>9,282</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132.0</td>
<td>$617,892</td>
<td>$15,708</td>
</tr>
</tbody>
</table>

The following MWD rates and charges are passed on directly or allocated to the member agencies as follows;
**MWD Capacity Charge.** For CY 2014, the Capacity Charge is $8,600 per cubic foot second (cfs) of maximum daily flow requested by a MWD member agency. The Capacity Charge is a fixed charge levied on an agency’s maximum daily flows over the three previous fiscal years. It recovers the cost of providing peak capacity within the distribution system, and is designed to encourage member agencies to shift demands and avoid placing large daily peaks on the MWD system during the summer months. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries. As part of a separate surface storage operating agreement to manage seasonal peaking, the Water Authority is expected to reserve its full available capacity. The Capacity Charge will be set at $8,268,900. The Water Authority’s Board has directed that the Capacity Charge will be recovered proportionally based on a five-year rolling average of member agency flows during coincident peak weeks.

**Readiness-to-Serve Charge.** MWD’s Readiness-to-Serve Charge differs from the other MWD charges in that it is set on a Fiscal Year basis. The total Readiness-to-Serve Charge will increase from its current level of $144 million to $166 million in Fiscal Year 2013-2014. The Water Authority’s share is set at $37,213,531. After credits from the MWD Standby Charge, and administrative costs, the net Water Authority share is $24,498,074. MWD’s Readiness-to-Serve Charge will recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge will be allocated among MWD member agencies on the basis of each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). This allocation will be revised each year. Revenues equal to the amount of MWD Standby Charges will continue to be credited against the member agency’s Readiness-to-Serve Charge obligation unless a change is requested by the member agency. The Board has directed that the Water Authority’s Readiness-to-Serve Charge will be passed through proportionally to member agencies on the basis of each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).

The Water Authority also intends to continue the Water Standby Availability Charge at its existing level, and to levy property taxes as authorized by law.

By Order of the Board of Directors of the San Diego County Water Authority

Doria F. Lore
Clerk of the Board
5. The newspapers in which said notice is to be published are:

San Diego Union-Tribune
350 Camino de la Reina
San Diego, CA 92108

North County Times
1722 S. Coast Hwy
Oceanside, CA 92054

PASSED, APPROVED AND ADOPTED, this 23th day of May 2013.

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

___________________________
Thomas V. Wornham, Chair

ATTEST:

___________________________
Michael T. Hogan, Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2012-05 was duly adopted at the meeting of the Board of Directors on the date stated above.

___________________________
Doria F. Lore
Clerk of the Board
May 15, 2013

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Reports (Information)

Financial Reports:
Attached for review by the Administrative and Finance Committee and the Board of Directors are the following financial reports:

Attachment A: Water Sales Volumes, in acre-feet
Attachment B: Water Sales Revenues, in millions
Attachment C: Water Purchases and Treatment Costs, in millions
Attachment D: Multi-Year Budget Status Report
Attachment E: Operating Departments/Programs Expenditures, in millions
Attachment F: Schedule of Cash and Investments

The Multi-Year Budget Status Report reflects actual revenues and expenditures, on a budgetary basis, for the twenty-one month period of July 1, 2011 through March 31, 2013 (Attachment D). Attachment D has been modified to include information on the source of funding for capital projects. The Multi-Year Budget Status Report compares actual revenues and expenditures to the adopted budget, as amended by the Board. Budgeted amounts for the twenty-one month period are presented on a straight-line basis, except for water sales and purchases which are based on projected acre-feet calculated per month. In addition, the period-to-date budgeted amounts are adjusted for items occurring on a periodic basis which include property taxes and in-lieu charges, capacity charges, water standby availability charges, debt service, and QSA mitigation.

Net Water Sales Revenue
Net Water Sales Revenue is the Water Authority’s principal source of revenue and is the difference between the sale of water and the cost of that water. Sales include revenues from variable commodity charges for supply, treatment and transportation, as well as from fixed charges for customer service and storage. Cost of water includes payments to water suppliers such as Metropolitan Water District (MWD) and Imperial Irrigation District (IID).

Net Water Sales Revenue for the twenty-one months ended March 31, 2013 was $243.0 million, and the period-to-date budgeted amount was $234.2 million, a difference of $8.8 million or 4% more than budgeted (Attachment D). Detailed information relative to net water sales revenue is described below and shown on Attachments A, B, and C.

Total acre-feet (AF) of water sold were budgeted to be 780,071 AF for the twenty-one months ended March 31, 2013, and actual water sales volumes were 788,337 AF, a difference of 8,266 AF or 1% more volume (Attachment A). Total Water Sales revenues for the twenty-one months ended March 31,

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1 All information regarding water sales volumes, revenues and costs are based on the adopted fiscal years 2012 and 2013 multi-year budget.
2013 were $814.1 million, which is $10.9 million or 1% more than budgeted sales revenues of $803.2 million (Attachment B). Water sales volumes and revenues are trending slightly higher than budgeted as shown on Attachments A and B.

Total Water Purchases and Treatment costs were budgeted to be $569.0 million for the twenty-one months ended March 31, 2013 and actual costs were $571.1 million, which is $2.1 million more than budgeted (Attachment C). This category included $71.0 million for the 155,001 AF of water purchased from IID, as well as $111.5 million for MWD’s conveyance charges related to IID, Coachella Canal and All-American Canal water.

**Revenues and Other Income**

As shown in Attachment D, Total Revenues and Other Income were budgeted to be $162.2 million for the twenty-one months ended March 31, 2013. Actual revenues were $153.7 million, a difference of $8.5 million or 5% lower than budgeted. The variance was primarily due to actual revenues that were below the period-to-date budgeted amounts in Investment Income and Other Income. These were partially mitigated by actual revenues received that were higher than the period-to-date budget for a variety of other accounts, as explained below.

Actual revenues that were below the period-to-date budgeted amounts for the twenty-one months ended March 31, 2013 included Investment Income and Other Income. Investment Income had a variance of $4.6 million due to continued historic low interest rates. The variance of $10.9 million in Other Income was due to the timing of receipts, which included Integrated Regional Water Management (IRWM) grants and miscellaneous reimbursements.

Actual revenues that exceeded the period-to-date budgeted amounts for the twenty-one months ended March 31, 2013 included Hydroelectric Revenue, Capacity Charges, and Contributions in Aid of CIP. Hydroelectric Revenue category was budgeted conservatively for the current two-year budget period and included only the Rancho Penasquitos Pressure Control and Hydroelectric Facility (Rancho Hydro) budget. As a result, Hydroelectric Revenue is trending higher than budgeted due to hydroelectric power sales of $0.6 million related to Lake Hodges Pumped Storage Facility (Hodges Hydro) which began earning revenue in September 2011 to offset Water Authority costs. Capacity Charges are trending higher than budgeted by approximately $2.8 million due to an increase in the number of permits issued. Contributions in Aid of CIP are trending higher than budgeted due to a $5.1 million refund received from SDG&E in September 2012 for the cost of network upgrades for Hodges Hydro.

**Expenditures**

As shown in Attachment D, Total Expenditures were budgeted to be $354.9 million for the twenty-one months ended March 31, 2013. Actual expenditures were $296.7 million, a difference of $58.2 million or 16% lower than budgeted. The variance was primarily due to the timing of expenditures in the Operating Departments and Other Expenditures. Consistent with the mid-term budget update, Operating Departments are expected to expend between 93-96% of their budget. This projection does not anticipate spending any of the $500,000 contingency set aside in the General Managers’ office budget.

Actual expenditures which were below the period-to-date budgeted amounts for the twenty-one months ended March 31, 2013 included Hodges Pumped Storage and Stored Water Purchases.
Hodges Pumped Storage had minimal costs during the twenty-one month period because the facility did not become fully operational until late August 2012. Stored Water Purchases were budgeted at $21.1 million for the current two-year budget period for Hodges Hydro and San Vicente Reservoir. However, no water purchases occurred in fiscal year 2012. In addition, stored water purchases for San Vicente Reservoir were originally forecasted to occur towards the end of fiscal year 2013 and are dependent on the dam raise project schedule. The project is currently behind schedule and as such, no purchases to fill the dam are expected.

Attachment D also shows that CIP Expenditures were budgeted to be $285.4 million for the twenty-one months ended March 31, 2013. Actual expenditures were lower at $209.0 million, a difference of $76.4 million or 27% lower than budgeted primarily due to the timing of expenditures during the twenty-one months of the two-year budget period. In addition, the Water Authority’s current largest individual CIP, ESP-San Vicente Dam Raise is experiencing a seven month project delay, which will push expenditures beyond the current budget period. Actual CIP expenditures funded by Pay As You Go Fund and CIP/Bond Construction Funds for the twenty-one months ended March 31, 2013 were $16.6 million and $192.4 million, respectively.

**Cash and Investments**
For the months ended March 31, 2013, and February 28, 2013, the Water Authority’s cash and investments had an overall balance of $630.9 million and $660.8 million, respectively (Attachment F). The decrease was primarily due to the release of $34.5 million in the Debt Service Reserve Fund with the issuance of the Series 2013A Bonds that refunded a portion of the Series 2004A Certificates. Approximately 40% of funds were unrestricted with approximately 60% of funds restricted for specific purposes. In order to maximize investment return, the Water Authority pools the cash of the Pay As You Go Fund with unrestricted funds. As of March 31, 2013, the Rate Stabilization Fund was funded at $51.1 million which represented approximately 93% of the targeted amount of $55.1 million.
*Budgeted amounts are based on the adopted two year budget, and do not reflect any projected revisions that may have previously been communicated to the Board.

Fiscal Year 2012 Cumulative Water Sales (AF)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-12</th>
<th>Aug-12</th>
<th>Sep-12</th>
<th>Oct-12</th>
<th>Nov-12</th>
<th>Dec-12</th>
<th>Jan-12</th>
<th>Feb-12</th>
<th>Mar-12</th>
<th>Apr-12</th>
<th>May-12</th>
<th>Jun-12</th>
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<tbody>
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<td>248,933</td>
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<td>352,519</td>
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<td>(1,990)</td>
<td>(5,742)</td>
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<td>(331)</td>
<td>(1,325)</td>
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Fiscal Year 2013 Cumulative Water Sales (AF)

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<td>345,285</td>
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<td>312,965</td>
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<td>(8,630)</td>
<td>(8,187)</td>
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<td>(6,236)</td>
<td>(7,769)</td>
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Fiscal Year 2012通过 Mar-13 Total

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<th>FY12</th>
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<th>Total</th>
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<td>7,855</td>
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<tr>
<td>% Difference</td>
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<td>1%</td>
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*Budgeted amounts are based on the adopted two year budget, and do not reflect any projected revisions that may have previously been communicated to the Board.

WATER SALES REVENUES
Budget Versus Actual (in Millions $)
for the 21 Months Ended March 31, 2013

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<tr>
<th>Months</th>
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<th>Aug-11</th>
<th>Sep-11</th>
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<th>Mar-12</th>
<th>Apr-12</th>
<th>May-12</th>
<th>Jun-12</th>
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<tbody>
<tr>
<td>*Budget (a)</td>
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<td>133.2</td>
<td>171.2</td>
<td>203.3</td>
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<td>263.0</td>
<td>289.6</td>
<td>318.9</td>
<td>353.3</td>
<td>391.4</td>
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<td>Actual</td>
<td>43.6</td>
<td>90.7</td>
<td>132.1</td>
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<td>199.5</td>
<td>227.1</td>
<td>258.3</td>
<td>288.6</td>
<td>319.2</td>
<td>352.8</td>
<td>395.3</td>
<td>443.3</td>
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<td>Difference (b)</td>
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<td>(1.1)</td>
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<td>(3.8)</td>
<td>(6.3)</td>
<td>(4.7)</td>
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<td>(0.3)</td>
<td>(0.5)</td>
<td>3.9</td>
<td>8.6</td>
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<tr>
<td>Cum. Actual</td>
<td>-4%</td>
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<td>2%</td>
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</table>

Fiscal Year 2012 Cumulative Water Sales (in Millions $)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-12</th>
<th>Aug-12</th>
<th>Sep-12</th>
<th>Oct-12</th>
<th>Nov-12</th>
<th>Dec-12</th>
<th>Jan-12</th>
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<th>Apr-12</th>
<th>May-12</th>
<th>Jun-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>53.2</td>
<td>106.3</td>
<td>155.3</td>
<td>198.7</td>
<td>234.8</td>
<td>268.5</td>
<td>303.4</td>
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<td>408.8</td>
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<tr>
<td>Actual</td>
<td>47.0</td>
<td>98.4</td>
<td>149.5</td>
<td>193.9</td>
<td>234.7</td>
<td>265.9</td>
<td>298.5</td>
<td>331.5</td>
<td>370.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(6.2)</td>
<td>(7.9)</td>
<td>(5.8)</td>
<td>(4.8)</td>
<td>(0.1)</td>
<td>(2.6)</td>
<td>(4.9)</td>
<td>(2.6)</td>
<td>2.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>-12%</td>
<td>-7%</td>
<td>-4%</td>
<td>-2%</td>
<td>0%</td>
<td>-1%</td>
<td>-2%</td>
<td>-1%</td>
<td>1%</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-12%</td>
<td>-7%</td>
<td>-4%</td>
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<td>-1%</td>
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Fiscal Year 2013 Cumulative Water Sales (in Millions $)

<table>
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<tr>
<th>Months</th>
<th>Jul-12</th>
<th>Aug-12</th>
<th>Sep-12</th>
<th>Oct-12</th>
<th>Nov-12</th>
<th>Dec-12</th>
<th>Jan-12</th>
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<th>Mar-12</th>
<th>Apr-12</th>
<th>May-12</th>
<th>Jun-12</th>
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</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>434.7</td>
<td>368.5</td>
<td>803.2</td>
<td>443.3</td>
<td>370.8</td>
<td>814.1</td>
<td>8.6</td>
<td>2.3</td>
<td>10.9</td>
<td></td>
<td></td>
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<tr>
<td>Actual</td>
<td>434.7</td>
<td>368.5</td>
<td>803.2</td>
<td>443.3</td>
<td>370.8</td>
<td>814.1</td>
<td>8.6</td>
<td>2.3</td>
<td>10.9</td>
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<td></td>
<td></td>
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<tr>
<td>Difference</td>
<td>8.6</td>
<td>2.3</td>
<td>10.9</td>
<td>434.7</td>
<td>368.5</td>
<td>803.2</td>
<td>443.3</td>
<td>370.8</td>
<td>814.1</td>
<td>8.6</td>
<td>2.3</td>
<td>10.9</td>
</tr>
<tr>
<td>% Difference</td>
<td>2%</td>
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<td>1%</td>
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</tbody>
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*Budgeted amounts are based on the adopted two year budget, and do not reflect any projected revisions that may have previously been communicated to the Board.

### Fiscal Year 2012 Cumulative Cost of Water Purchases and Treatment (in Millions $)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-12</th>
<th>Aug-12</th>
<th>Sep-12</th>
<th>Oct-12</th>
<th>Nov-12</th>
<th>Dec-12</th>
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<th>Feb-13</th>
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<th>Apr-12</th>
<th>May-12</th>
<th>Jun-12</th>
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</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>33.8</td>
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<td>98.5</td>
<td>125.7</td>
<td>147.9</td>
<td>168.4</td>
<td>188.4</td>
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<td>225.3</td>
<td>249.3</td>
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<tr>
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<td>63.4</td>
<td>91.0</td>
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<td>242.7</td>
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<td>(7.5)</td>
<td>(5.2)</td>
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<td>(6.6)</td>
<td>(3.8)</td>
<td>4.2</td>
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<tr>
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<tr>
<td>% Difference (b/a)</td>
<td>-6%</td>
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<td>-8%</td>
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### Fiscal Year 2013 Cumulative Cost of Water Purchases and Treatment (in Millions $)

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<th>Apr-13</th>
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<th>Jun-13</th>
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<td>260.8</td>
<td>289.2</td>
<td>231.2</td>
<td>358.6</td>
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<td>187.3</td>
<td>209.3</td>
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<td>(8.4)</td>
<td>(8.8)</td>
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<td>(2.1)</td>
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<tr>
<td>Cum. Actual</td>
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### Summary

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<th>Total</th>
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<td>Difference</td>
<td>4.2</td>
<td>(2.1)</td>
<td>2.1</td>
</tr>
<tr>
<td>% Difference</td>
<td>1%</td>
<td>-1%</td>
<td>0%</td>
</tr>
</tbody>
</table>
### Revenues and Other Income

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 21 &amp; 22 Actual</th>
<th>Period-to-Date Amended Budget</th>
<th>Variance with</th>
<th>Amended Budget</th>
<th>Actual/Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Access Charges</td>
<td>56,978,000</td>
<td>50,140,640</td>
<td>(1,017,845)</td>
<td>(142,226)</td>
<td>86%</td>
</tr>
<tr>
<td>Property Taxes and In-Lieu Charges</td>
<td>21,077,900 (c)</td>
<td>16,968,141 (o)</td>
<td>86%</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>13,002,000 (d)</td>
<td>11,441,760</td>
<td>53%</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>1,800,000 (e)</td>
<td>1,584,000</td>
<td>124%</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>43,609,030 (f)</td>
<td>38,375,946</td>
<td>63%</td>
<td>82%</td>
<td></td>
</tr>
<tr>
<td>Capital Contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Charges</td>
<td>21,365,000 (g)</td>
<td>18,762,816</td>
<td>101%</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td>Water Standby Availability Charges</td>
<td>22,233,000 (h)</td>
<td>17,650,894</td>
<td>81%</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td>Contributions in Aid of CIP</td>
<td>8,220,000 (i)</td>
<td>7,233,600</td>
<td>140%</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues and Other Income</strong></td>
<td>188,284,930</td>
<td>162,157,797</td>
<td>82%</td>
<td>86%</td>
<td></td>
</tr>
</tbody>
</table>

### Net Water Sales Revenue and Revenues and Other Income, net

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 21 &amp; 22 Actual</th>
<th>Period-to-Date Amended Budget</th>
<th>Variance with</th>
<th>Amended Budget</th>
<th>Actual/Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Water Sales Revenue</strong></td>
<td>465,218,857</td>
<td>396,340,347</td>
<td>383,884</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Departments (see detail below)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Administrative Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Colorado River Program</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Engineering</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General Counsel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General Manager &amp; Board of Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Human Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MWD Program</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operations &amp; Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Public Outreach and Conservation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Water Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Departments</strong></td>
<td>88,415,458 (m)</td>
<td>77,805,603</td>
<td>9,555,248</td>
<td>77%</td>
<td></td>
</tr>
</tbody>
</table>

### CIP Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 21 &amp; 22 Actual</th>
<th>Period-to-Date Amended Budget</th>
<th>Variance with</th>
<th>Amended Budget</th>
<th>Actual/Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CIP Expenditures</strong></td>
<td>324,322,904 (n)</td>
<td>285,404,156</td>
<td>76,918,748</td>
<td>64%</td>
<td></td>
</tr>
</tbody>
</table>

### CIP Expenditures by Funding Source

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 21 &amp; 22 Actual</th>
<th>Period-to-Date Amended Budget</th>
<th>Variance with</th>
<th>Amended Budget</th>
<th>Actual/Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Go Fund</td>
<td>16,560,686</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
<td>192,467,820</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total CIP Expenditures by Funding Source</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CIP Expenditures by Funding Source</strong></td>
<td>209,028,506</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 21/24ths (88%) of fiscal years 2012 and 2013 amended budget unless noted.
b) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet calculated per month.
c) Property taxes are primarily received in December and April. In-lieu charges in the amount of $410,490 for fiscal year 2012 and $398,288 for fiscal year 2013 are received quarterly from the City of San Diego.
d) Investment income excludes unrealized gains or losses, which are non-cash transactions.
e) Hydroelectric revenue budget amount includes only Rancho Penasquitos Pressure Control and Hydroelectric Facility (Rancho Hydro); actual amount includes Rancho Hydro and Lake Hodges Pumped Storage Facility (Hodges Hydro). Power generating from both locations are sold to SDG&E.
f) Other income includes Build America Bonds (BABs) federal subsidies, grants and other miscellaneous revenues.
g) Capacity charges are received quarterly in July, October, January and April.
h) Water standby availability charges are primarily received in January and May.
i) Contributions in aid of capital assets include planned reimbursements for the Lake Hodges Pump Station, Twin Oaks Regulatory Storage, Carlsbad Desalination Aqueduct Improvements, and Coachella Canal Lining.
j) Debt Service for Bonds and Certificates of Participation includes interest payments due semi-annually on November 1 and May 1 and principal payments due annually on May 1. Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1 due July 1 and January 1. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to long-term debt, such as discounts, premiums, deferred loss on refunding, and cost of issuance, are excluded because they are non-cash transactions.
k) The QSA mitigation payments includes: QSA JPA contributions of $3,084,803 in December 2011 and $3,496,247 in December 2012; IID Socioeconomic Mitigation Settlement payments of $2,940,000 in June 2012 and $2,940,000 in June 2013.
l) Other expenditures include IRWM grants and other miscellaneous expenditures.
m) Amounts include capital equipment purchases.
n) The current Capital Improvement Program 2 year appropriation and life budget increased for: 1) the Carlsbad Desalination Project by $2,783,904 and 2) the 2012 Regional Water Facilities Optimization and Master Plan Update by $410,000.
o) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.
p) In November 2012, the Board approved a budget increase of up to $3.5 million for General Counsel to be appropriated as needed.
q) In March 2013, Water Revenue Refunding Bonds, Series 2013A refunded $299,105,000 of the Water Revenue Certificates of Participation, Series 2004A resulting in additional debt service savings of approximately $6.5 million on a present-value basis for the fiscal year ending June 30, 2013.
San Diego County Water Authority
Comparison of Adopted Budget and Period-to-Date Budget (88% Overall)
to Actual Operating Expenditures by Departments
For the 21 Months Ended March 31, 2013

Actual Operating Expenditures to Adopted Budget in Percentages (%)
## San Diego County Water Authority
### Schedule of Cash and Investments
#### As of March 31, and February 28, 2013

<table>
<thead>
<tr>
<th>Fund</th>
<th>March</th>
<th>February</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$136,118,633</td>
<td>$124,487,189</td>
<td>$67,000,000</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td>57,916,545</td>
<td>57,923,890</td>
<td></td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>7,924,144</td>
<td>7,963,453</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>51,099,350</td>
<td>51,106,519</td>
<td>55,100,000</td>
</tr>
<tr>
<td><strong>Total Unrestricted Funds</strong></td>
<td><strong>40% 253,058,672</strong></td>
<td><strong>241,481,051</strong></td>
<td></td>
</tr>
<tr>
<td>Pay As You Go Fund</td>
<td>144,800,102</td>
<td>145,229,623</td>
<td></td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
<td>216,350,130</td>
<td>222,899,631</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Funds</td>
<td>16,714,795</td>
<td>51,233,787</td>
<td></td>
</tr>
<tr>
<td><strong>Total Restricted Funds</strong></td>
<td><strong>60% 377,865,027</strong></td>
<td><strong>419,363,041</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>$630,923,699</strong></td>
<td><strong>$660,844,092</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Notes:
1. Total Unrestricted Funds and the Pay As You Go Fund represent the Pooled Funds in the Treasurer's Report.
2. The Operating Fund target/maximum balance is set to equal 45-days of operating expenditures.
3. In 2006, the Board adopted a policy governing the Rate Stabilization Fund (RSF). The policy created a target and a maximum RSF balance. The target balance is set equal to the negative financial impact of 2.5 years of extremely wet weather and the RSF maximum balance is set equal to the negative financial impact of 3.5 years of extremely wet weather. Wet weather adversely impacts the Water Authority by reducing water sales and net water sales revenue. The balance in this fund represents approximately 93% of the targeted value.
BOARD CALENDAR

JUNE 2013

- 4  SCOOP – 9:30 a.m.
- 5  MWD Delegates – 11:00 a.m.
- 11  A&F Budget workshop – 1:30 p.m.
- 13  A&F Budget workshop – 1:30 p.m.
- 27  Committees begin at 9:00 a.m.

Formal Board meeting begins at 3:00 p.m.

JULY 2013

- 3  MWD Delegates – 11:00 a.m.
- 11  Special meeting of the Water Planning Committee,
  Master Plan update – 1:30 p.m.
- 25  Committees begin at 9:00 a.m.

Formal Board meeting begins at 3:00 p.m.

AUGUST 2013

- 8  Special meeting of the Imported Water Committee,
  Bay Delta update – 1:30 p.m.
- 14  MWD Delegates – 11:00 a.m.
- 22  Committees begin at 9:00 a.m.

Formal Board meeting begins at 3:00 p.m.

5/15/2013
1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
   4-A Directors’ comments.

I. CONSENT CALENDAR

1. Professional services contract to AECOM Technical Services, Inc. to provide as-needed Environmental Consulting Services for a four-year period in an amount not-to-exceed $2,000,000.
   
   Staff recommendation: Authorize execution of a professional services agreement with AECOM Technical Services, Inc. to provide as-needed Environmental Consulting Services for four years in an amount not-to-exceed $2,000,000. (Action)

II. ACTION/DISCUSSION

1. Master Plan status report.
   1-A Presentation on the May 16, 2013 Water Planning Committee workshop developments of a draft Water Facilities Optimization and Master Plan. (Discussion)
III. INFORMATION

1. Presentation on North City Water Reclamation Plant Demonstration Project and the City’s next steps on Indirect and Direct Potable Reuse. Marsi Steirer

2. Presentation on Water supply and demand conditions. Lesley Dobalian


IV. CLOSED SESSION

V. ADJOURNMENT

Doria F. Lore
Clerk of the Board

NOTE: This meeting is called as an Water Planning Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
May 15, 2013

Attention: Water Planning Committee

Professional services contract to AECOM Technical Services, Inc. to provide As-needed Environmental Consulting Services for a four-year period in an amount not to exceed $2,000,000. (Action)

Staff recommendation
Authorize execution of a professional services agreement with AECOM Technical Services, Inc. (AECOM) to provide As-needed Environmental Consulting Services for four years in an amount not to exceed $2,000,000.

Alternatives
Do not authorize the contract, and direct staff to negotiate with other consultant(s) or solicit new proposals.

Fiscal Impact
The availability of funds and the rate category are dependent upon the specific projects as they are identified for these services. Funds identified for use in future fiscal years will be dependent upon Board approval of the future budgets.

Background
Under the direction of the Water Authority contract manager, the As-needed Environmental Consultant provides professional and technical services required to support CIP and Operating Program projects, including managing environmental documentation required to comply with the CEQA, NEPA and other applicable State and/or Federal statutes, regulations, and policies (e.g., permits). This contract will provide “peak” environmental support services to expedite processes and reduce administrative costs. Because of the time and technical detail required for the environmental compliance process, staff resources alone are insufficient to effectively manage and provide the level of support necessary to maintain desired schedules, especially when multiple projects require simultaneous environmental compliance.

The As-needed Environmental Consulting contract assists staff in two ways: 1) directly provides general and technical environmental consulting services on an as-needed/on-call basis for individual work tasks that cost $150,000 or less; and, 2) supports consultant procurement using the Water Authority’s Request for Proposals (RFP) process for work anticipated to exceed $150,000. This contract is essentially a reiteration of the existing Environmental Program Manager (EPM) contract that will expire on June 30, 2013. The previous EPM contracts have been used with much success over the past nine years providing key environmental support for several high-profile projects, enabling Water Authority staff to efficiently and effectively resolve environmental issues.
Discussion

AECOM has been selected through a competitive procurement process to assist Water Authority staff with environmental regulatory compliance issues. A RFP for As-needed Environmental Consulting Services was advertised and emailed directly to environmental consulting firms via the Water Authority’s online vendor database (The Network) on March 14, 2013. Thirty-three firms attended the pre-proposal meeting held on March 21, 2013. Nine firms submitted proposals: AECOM, Conestoga-Rovers and Associates, ESA, Green ECS, Helix Environmental, ICF International, PMC & LSA (joint venture), RECON Environmental, and Rincon Consultants.

Four firms were short-listed and interviewed by a panel comprised of Water Authority staff. The selection criteria required firms to demonstrate their understanding of the scope of work, technical and specialized qualifications, familiarity with similar projects, and past performance including the firm’s ability to meet schedules and control costs. Based on the evaluation of written proposals and interviews, AECOM was selected as the best qualified to perform the required work at a fair and reasonable price.

The approval and implementation of CIP and Operating Program projects require preparation of environmental review documents in compliance with CEQA and NEPA, as well as regulatory permits from various federal and state agencies including, but not limited to: U.S. Fish & Wildlife Service, U.S. Army Corps of Engineers, California Department of Fish & Wildlife, Regional Water Quality Control Board, and the California Coastal Commission. The Water Authority does not have the in-house staff resources to effectively meet all environmental regulatory compliance requirements in a timely manner. Therefore, the services of an environmental consulting firm or team that can provide the additional resources is recommended.

The Water Authority has an ongoing need for specialized professional services to address environmental issues on an as-needed basis. Field surveys, technical studies, and preparation of environmental documents require a specialized skill set that the AECOM team can provide. Staff often does not have the specialized expertise or time available to effectively address the myriad of environmental issues associated with Water Authority projects. Use of the As-needed Environmental Consultant will streamline the environmental process by providing a single consultant that can respond immediately to as-needed work, while also providing project management support that can increase or decrease to match a changing workload.

The recommendation to hire a consultant to provide these services is consistent with the Water Authority’s staffing strategy. This strategy incorporates a cost effective blend of resources, including regular staff and consultants. Staffing decisions are based on established criteria designed to add value to the organization, reduce risk, and complement/leverage existing staff competencies. Criteria considered for this recommendation include: workload, timing, duration, and specialized skill/service/equipment.

Consultant selection was determined, in part, by the consultant’s demonstrated effort in conducting effective outreach to local small firms during the solicitation period. Although there are no local participation goals for this project, effective implementation of SCOOP was
demonstrated by the consultant’s commitment to maximize participation. This commitment included documentation of all efforts to indicate the consultant’s understanding of the Water Authority’s equal opportunity objectives; in particular, a willingness to make meaningful sub-consulting and employment opportunities available to all interested and qualified firms. For this contract, AECOM has identified SCOOP sub-consultants on the project team for the following disciplines: air quality, aquatic biology, geology/soils, hydrology, noise, and traffic.

Prepared by:  Mark Tegio, Water Resources Specialist  
Reviewed by:  Ken Weinberg, Director of Water Resources  
Approved by:  Sandra L. Kerl, Deputy General Manager
May 15, 2013

Attention: Water Planning Committee

Water supply and demand conditions. (Information)

Purpose
To monitor water supply and demand conditions, along with storage levels, in accordance with the Water Authority’s Water Shortage and Drought Response Plan. This report is provided during the wetter months of the year, from October through May, to report on hydrologic conditions that influence supply availability.

Background
Hydrologic conditions are dry throughout California and the Colorado River Basin for the second consecutive water year. Water year 2013 is from October 1, 2012 – September 30, 2013.

Discussion
State Water Project
On March 22, 2013, the California Department of Water Resources decreased the State Water Project (SWP) Table A allocation for calendar year 2013 from 40 percent to just 35 percent of the State Water Contractors’ requested amounts. The reduction was primarily due to dry conditions on the State Water Project. Following a very wet November and December, record dry conditions were recorded in January through April in California. The allocation was also limited by increased pumping restrictions on the State Water Project to protect Delta smelt prevented DWR from pumping more than 550,000 acre-feet of water from the Delta.

Table 1 provides a summary of SWP hydrologic conditions. Table 2 provides reservoir storage levels for Oroville and San Luis reservoirs.

Table 1. State Water Project Hydrologic Conditions

<table>
<thead>
<tr>
<th>Hydrologic Indicator</th>
<th>Percent of Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Sierra 8-Station Precipitation Index on May 13, 2013</td>
<td>90%</td>
</tr>
<tr>
<td>Northern Sierra snowpack on May 13, 2013¹</td>
<td>10%</td>
</tr>
<tr>
<td>Forecasted runoff from the Feather River to Oroville for water year 2013</td>
<td>71%</td>
</tr>
</tbody>
</table>

¹ Snowpack in the Northern Sierra mountains is typically at its maximum accumulation on April 1, which was 48% of average for the date.

Table 2. Reservoir Storage Levels on May 11, 2013

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in MAF</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oroville</td>
<td>2.96</td>
<td>84%</td>
</tr>
<tr>
<td>San Luis¹</td>
<td>1.02</td>
<td>50%</td>
</tr>
<tr>
<td>Combined</td>
<td>3.98</td>
<td>71%</td>
</tr>
</tbody>
</table>

¹ Includes both State Water Project and Central Valley Project storage in San Luis. SWP share is approximately 380 thousand AF.
Colorado River Basin is in a long-term drought. Eleven of the past fourteen years have been dry, including the current water year 2013. January through March were record dry months on the Colorado. The month of April was wet in the Colorado Basin, which slightly boosted runoff projections for the water year. Hydrologic conditions in the Upper Colorado River Basin for water year 2013 are summarized in Table 3. Table 4 provides reservoir storage in Lake Mead and Lake Powell.

<table>
<thead>
<tr>
<th>Hydrologic Indicator</th>
<th>Percent of Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Colorado Basin precipitation on May 13, 2013</td>
<td>81%</td>
</tr>
<tr>
<td>Snowpack conditions on May 13, 2013</td>
<td>76%</td>
</tr>
<tr>
<td>Forecasted unregulated inflow to Lake Powell for water year 2013</td>
<td>45%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in MAF</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>11.4</td>
<td>47%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>12.8</td>
<td>49%</td>
</tr>
<tr>
<td>Combined</td>
<td>24.2</td>
<td>48%</td>
</tr>
</tbody>
</table>

Based on April 1, 2013 conditions, Reclamation assessed the likelihood of future shortages under its Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead. According to its modeling analysis, there is close to a fifty percent chance of a shortage declaration in 2016. While a shortage declaration would affect the states of Arizona and Nevada before California, due to California’s higher priority, MWD’s ability to take storage reserves from Lake Mead would be restricted.

Metropolitan Water District of Southern California
The Metropolitan Water District of Southern California (MWD) provided a summary of supply and demand conditions in its May 14, 2013 Water Surplus and Drought Management (WSDM) report. MWD provided its projected supply and demand balance for calendar year 2013, shown in Table 5, which includes the 90\textsuperscript{th} and 10\textsuperscript{th} percentile estimates of 2013 demands. Under this scenario, MWD would take approximately 195 to 595 thousand acre-feet (TAF) out of storage to meet the range of projected demands for calendar year 2013. According to MWD, the WSDM portfolio is sufficient to operate within the expected range of 2013 demands.
Local Supply and Demand Conditions
Local conditions are dry. Accumulated total precipitation for water year 2013 is shown in Table 6 for two stations in San Diego County.

Total local reservoir storage including the Water Authority’s carryover storage on April 30, 2013 was approximately 260,370 AF, which is about 78 percent if the recently 10-year average. Storage levels reflect withdrawals that occurred during this period, along with increases due to runoff. Water Authority has the following supplies in storage:

- Water Authority local carryover storage: 7,450 AF
- Water Authority Semitropic groundwater storage bank: 16,100 AF

Figure 1 compares the Water Authority member agencies total monthly water use, excluding recycled water use, over the past 12 months compared to the prior year. Cumulatively, the member agencies total potable water use was approximately 541,300 AF, which is approximately 25,500 AF, or five percent more than the previous year.
Improving Drought Prediction Workshop

Water resources staff attended the workshop, Improving Drought Prediction at Seasonal to Inter-Annual Timescales, sponsored by the California Department of Water Resources and the Western States Water Council, and held in San Diego on April 29 – May 1, 2013. The workshop brought together representatives from western states and federal agencies, and scientific experts from the research community. Topics discussed included current supply conditions and the future supply outlook for the Colorado Basin, climate change, and strategies for making near-term improvements in drought prediction.

Summary

Water year 2013 is the second consecutive dry year in California and the Colorado River Basin. Storage levels are decreasing and are expected to continue to drop based on low runoff forecasts for the spring. Although MWD is projecting it will draw from its WSDM storage reserves to supplement its core imported supplies in order to meet demands, its WSDM 2103 storage reserves are high compared with historic levels. In addition, demand is still significantly down from 2007 levels, lessening the magnitude of withdrawal from storage to meet demand. Based on the combination of higher storage and lower demand, staff does not anticipate the Water Authority needing to take shortage management actions in 2013 beyond current water use-efficiency programs and outreach.

The Water Authority has a Water Shortage and Drought Response Plan (WSDRP) in place that includes regional actions to minimize the potential impacts of shortages for the region and, if necessary, to ensure an equitable allocation of supplies. It was developed by the Water Authority with input from the member agencies, and adopted by the Water Authority Board in 2006. It provides a series of potential management actions to take when faced with a shortage of imported
water supplies from MWD due to drought or other shortage conditions. Should water year 2014 also be dry statewide, and the Board determines it necessary, the Water Authority is prepared to take potential regional actions under the WSDRP to manage supplies and demand during calendar year 2014.

Staff will continue to closely monitor demands and storage levels over the spring and summer months and report to the Committee if conditions drastically change from current projections and trends.

Prepared by: Lesley Dobalian, Water Resources Specialist
Reviewed by: Ken Weinberg, Director of Water Resources
May 15, 2013

Attention: Water Planning Committee

Water Resources Report

Purpose
This report includes the following exhibits for April 2013:

- Rainfall totals for the month and water year to date
- Deliveries to Member Agencies (Exhibit A)
- Water Use by Member Agencies (Exhibit B)
- Storage Available to Member Agencies (Exhibit C)
- Firm Water Deliveries to Member Agencies (Exhibit D)
- Summary of Water Authority Member Agency Operations (Exhibit E)

<table>
<thead>
<tr>
<th>Station</th>
<th>April 2013</th>
<th>Normal</th>
<th>2012-2013 WATER YEAR (October 2012 through September 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Normal</td>
<td>Actual</td>
</tr>
<tr>
<td>Lindbergh Field (N.O.A.A.)</td>
<td>0.01</td>
<td>0.78</td>
<td>6.24</td>
</tr>
<tr>
<td>Lake Cuyamaca (Helix W.D.)</td>
<td>0.15</td>
<td>2.67</td>
<td>12.64</td>
</tr>
<tr>
<td>Lake Henshaw (Vista I.D.)</td>
<td>0.13</td>
<td>1.86</td>
<td>11.78</td>
</tr>
</tbody>
</table>

Sources: National Weather Service, Helix Water District, Vista Irrigation District.
## MONTHLY WATER RESOURCES REPORT

### Water Deliveries to Member Agencies (acre-feet)

#### APRIL 2013

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>2013</th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,413.3</td>
<td>1,249.1</td>
<td>16,847.7</td>
<td>16,212.6</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>84.4</td>
<td>76.1</td>
<td>1,126.8</td>
<td>1,088.2</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>2,058.0</td>
<td>1,327.2</td>
<td>21,915.3</td>
<td>16,288.4</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>1,084.2</td>
<td>668.7</td>
<td>12,803.7</td>
<td>11,881.0</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>2,845.2</td>
<td>2,397.7</td>
<td>28,515.6</td>
<td>20,037.2</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>271.9</td>
<td>201.4</td>
<td>3,567.5</td>
<td>3,395.9</td>
</tr>
<tr>
<td>National City, City of</td>
<td>-</td>
<td>-</td>
<td>603.4</td>
<td>1,720.1</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>2,016.2</td>
<td>1,613.3</td>
<td>23,767.2</td>
<td>23,496.3</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,726.9</td>
<td>1,244.7</td>
<td>20,622.7</td>
<td>19,210.7</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,680.9</td>
<td>2,178.9</td>
<td>31,616.1</td>
<td>30,572.9</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>969.4</td>
<td>746.8</td>
<td>11,858.4</td>
<td>11,378.7</td>
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<tr>
<td>Pendleton Military Reservation</td>
<td>2.7</td>
<td>2.7</td>
<td>43.6</td>
<td>57.1</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>1,046.4</td>
<td>684.2</td>
<td>11,913.4</td>
<td>11,006.9</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>2,283.2</td>
<td>1,113.8</td>
<td>22,720.3</td>
<td>20,034.8</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>613.2</td>
<td>536.1</td>
<td>6,792.1</td>
<td>6,617.8</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>579.6</td>
<td>392.9</td>
<td>6,659.9</td>
<td>5,908.5</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>15,298.9</td>
<td>12,261.5</td>
<td>185,984.4</td>
<td>166,009.2</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>4.3</td>
<td>79.1</td>
<td>1,604.6</td>
<td>2,808.1</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>3.7</td>
<td>169.2</td>
<td>4,765.3</td>
<td>5,778.1</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>-</td>
<td>0.1</td>
<td>2,024.4</td>
<td>6,602.4</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,455.6</td>
<td>1,078.2</td>
<td>17,180.7</td>
<td>16,124.6</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>2,420.3</td>
<td>1,419.9</td>
<td>29,013.9</td>
<td>27,415.5</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,571.9</td>
<td>1,269.2</td>
<td>17,039.7</td>
<td>11,445.9</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>121.9</td>
<td>-</td>
<td>1,814.5</td>
<td>1,145.1</td>
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</tbody>
</table>

### Deliveries To SDCWA Agencies

<table>
<thead>
<tr>
<th></th>
<th>April</th>
<th>12 Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Total</td>
<td>40,552.1</td>
<td>30,710.8</td>
</tr>
<tr>
<td>South Coast Water District</td>
<td>40.4</td>
<td>55.8</td>
</tr>
<tr>
<td>Deliveries From SDCWA Storage</td>
<td>460.3</td>
<td>276.2</td>
</tr>
</tbody>
</table>

1 April 2013 carryover storage account deliveries were zero. 2 Deliveries from storage accounts include 460.3 AF sold to San Diego from L. Otay storage account.
### MONTHLY WATER RESOURCES REPORT

**Estimated Water Use by Member Agency**

**(acre-feet)**

**APRIL 2013**

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>Imported Source</th>
<th>Surface Water</th>
<th>Groundwater</th>
<th>Reclaimed Water</th>
<th>April Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,479.3</td>
<td>1,138.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>84.4</td>
<td>76.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>1,918.2</td>
<td>1,379.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>1,055.6</td>
<td>646.8</td>
<td>-</td>
<td>-</td>
<td>10.7</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>2,777.4</td>
<td>2,318.3</td>
<td>-</td>
<td>-</td>
<td>10.4</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>271.9</td>
<td>201.3</td>
<td>-</td>
<td>-</td>
<td>83.8</td>
</tr>
<tr>
<td>National City, City of 2</td>
<td>-</td>
<td>-</td>
<td>189.8</td>
<td>126.0</td>
<td>254.2</td>
</tr>
<tr>
<td>Oceanside, City of 2</td>
<td>-</td>
<td>-</td>
<td>1,613.3</td>
<td>-</td>
<td>444.2</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,726.9</td>
<td>1,244.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,680.9</td>
<td>2,178.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>945.3</td>
<td>734.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pendleton M.R. 3</td>
<td>43.1</td>
<td>58.5</td>
<td>-</td>
<td>-</td>
<td>400.0</td>
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<tr>
<td>Poway, City of 4</td>
<td>1,017.0</td>
<td>661.5</td>
<td>0.5</td>
<td>11.5</td>
<td>-</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,983.2</td>
<td>1,102.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>498.6</td>
<td>359.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>579.6</td>
<td>392.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>15,313.2</td>
<td>10,848.9</td>
<td>413.5</td>
<td>2,141.3</td>
<td>93.5</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>4.3</td>
<td>79.1</td>
<td>693.6</td>
<td>378.7</td>
<td>-</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>4.8</td>
<td>168.9</td>
<td>767.2</td>
<td>500.9</td>
<td>-</td>
</tr>
<tr>
<td>South Bay I.D. 2</td>
<td>-</td>
<td>-</td>
<td>1,107.5</td>
<td>879.8</td>
<td>211.4</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,438.2</td>
<td>1,078.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>2,420.3</td>
<td>1,419.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,571.9</td>
<td>1,269.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>121.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>182.3</td>
</tr>
<tr>
<td><strong>TOTAL USE</strong></td>
<td>39,952.2</td>
<td>28,970.2</td>
<td>3,172.1</td>
<td>4,038.2</td>
<td>1,690.5</td>
</tr>
<tr>
<td><strong>PERCENT CHANGE</strong></td>
<td>38%</td>
<td>-21%</td>
<td>37%</td>
<td>48%</td>
<td>31%</td>
</tr>
</tbody>
</table>

1De Luz figures included in Fallbrook P.U.D. total.
2Brackish groundwater use included in groundwater totals.
3Pendleton's imported water use includes water delivered by South Coast Water District.
4Poway recycled use is reported quarterly.
### Member Agency Reservoir Capacity | APRIL 2013 | % of | APRIL 2012 | % of | Change During Month
--- | --- | --- | --- | --- | ---
Carlsbad M.W.D.  |  |  |  |  |  
Maerkle  | 600  | 189  | 32%  | 291  | 49%  | (16)  
Escondido, City of  |  |  |  |  |  
Dixon  | 2,606  | 2,352  | 90%  | 2,352  | 90%  | 127  
Wohlford  | 6,506  | 2,054  | 32%  | 2,334  | 36%  | (60)  
Subtotal  | 9,112  | 4,406  | 48%  | 4,686  | 51%  | 67  
Fallbrook P.U.D.  |  |  |  |  |  
Red Mountain  | 1,335  | 653  | 49%  | 759  | 57%  | 29  
Helix W.D.  |  |  |  |  |  
Cuyamaca  | 8,195  | 833  | 10%  | 1,433  | 18%  | (6)  
Jennings  | 9,790  | 8,976  | 92%  | 8,926  | 91%  | 59  
Subtotal  | 17,985  | 9,809  | 55%  | 10,361  | 58%  | 53  
Poway, City of  |  |  |  |  |  
Poway  | 3,330  | 2,934  | 88%  | 3,078  | 92%  | 12  
Rainbow M.W.D.  |  |  |  |  |  
Beck  | 625  | 0  | 0%  | 188  | 30%  | 0  
Morro Hill  | 465  | 371  | 80%  | 0  | 0%  | 330  
Subtotal  | 1,090  | 371  | 34%  | 188  | 17%  | 330  
Ramona M.W.D.  |  |  |  |  |  
Ramona  | 12,000  | 2,511  | 21%  | 2,708  | 23%  | 12  
San Diego, City of  |  |  |  |  |  
Barrett  | 34,806  | 18,719  | 54%  | 26,272  | 75%  | (104)  
El Capitan  | 112,807  | 62,647  | 56%  | 72,740  | 64%  | (422)  
Hodges  | 30,251  | 5,912  | 20%  | 21,917  | 72%  | (2,050)  
Lower Otay  | 49,849  | 34,809  | 70%  | 36,581  | 73%  | (1,551)  
Miramar  | 6,682  | 5,370  | 80%  | 5,577  | 83%  | (95)  
Morena  | 50,694  | 8,028  | 16%  | 12,845  | 25%  | (564)  
Murray  | 4,684  | 3,884  | 83%  | 4,027  | 86%  | (222)  
San Vicente  | 89,312  | 36,578  | 41%  | 34,295  | 38%  | (244)  
Sutherland  | 29,508  | 3,409  | 12%  | 12,095  | 41%  | 8  
Subtotal  | 408,593  | 179,354  | 44%  | 226,350  | 55%  | (5,244)  
San Diego W.D/Santa Fe ID  |  |  |  |  |  
San Diego  | 883  | 424  | 48%  | 563  | 64%  | 60  
Sweetwater Authority  |  |  |  |  |  
Loveland  | 25,400  | 9,100  | 36%  | 18,123  | 71%  | 10  
Sweetwater  | 28,079  | 11,077  | 39%  | 16,861  | 60%  | (1,613)  
Subtotal  | 53,479  | 20,177  | 38%  | 34,984  | 65%  | (1,603)  
Valley Center M.W.D.  |  |  |  |  |  
Turner  | 1,612  | 1,388  | 86%  | 1,612  | 100%  | (46)  
Vista I.D.  |  |  |  |  |  
Henshaw  | 51,774  | 6,688  | 13%  | 6,717  | 13%  | 399  
MEMBER AGENCY TOTAL WATER IN STORAGE  |  |  |  |  |  
El Capitan  | 4,548  | 8,059  | (30)  
Hodges  | 4,743  | 751  | (40)  
Olivenhain  | 24,789  | 20,641  | (51)  
Lower Otay  | 1,085  | 5,167  | (480)  
San Vicente  | 1,817  | 4,173  | (53)  
Sweetwater  | 0  | 2,880  | -  
Subtotal  | 31,476  | 41,673  | (654)  
TOTAL WATER IN STORAGE  |  |  |  |  |  
586,582  | 260,379  | 44%  | 333,971  | 57%  | (6,601)  
SDCWA Accounts (city evap/seepage losses estimated)  |  |  |  |  |  
El Capitan  | 4,548  | 8,059  | (30)  
Hodges  | 4,743  | 751  | (40)  
Olivenhain  | 24,789  | 20,641  | (51)  
Lower Otay  | 1,085  | 5,167  | (480)  
San Vicente  | 1,817  | 4,173  | (53)  
Sweetwater  | 0  | 2,880  | -  
Subtotal  | 31,476  | 41,673  | (654)  
TOTAL OTHER WATER IN STORAGE  |  |  |  |  |  
4,381,864  | 3,754,210  | 86%  | 4,214,802  | 96%  | 47,474  
1 Excludes storage allocated to Escondido Mutual Water Co. or its rights to a portion of the unallocated water in Lake Henshaw.
2 Includes reserves subject to city’s outstanding commitments to San Diego W.D., and California American Mutual Water Co. (Cal-Am)
SDCWA has storage contracts in City of San Diego reservoirs in the amount of 40,000 AF, if available capacity exists.
3 Includes allocated and unallocated water in Lake Henshaw.
## MONTHLY WATER RESOURCES REPORT

**Tier 1 Estimated Deliveries to Member Agencies**

(Figures in acre-feet)

### CY 2013 through April

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>CY2013 Tier 1 Threshold</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,376.0</td>
<td>4,545.6</td>
<td>36.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>935.0</td>
<td>287.7</td>
<td>30.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,859.0</td>
<td>6,228.9</td>
<td>34.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,325.0</td>
<td>2,991.5</td>
<td>29.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,519.0</td>
<td>9,199.6</td>
<td>36.1%</td>
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<td></td>
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<tr>
<td>Lakeside M.W.D.</td>
<td>3,168.0</td>
<td>863.4</td>
<td>27.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>19,383.0</td>
<td>6,093.5</td>
<td>31.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>13,071.0</td>
<td>5,133.0</td>
<td>39.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,390.0</td>
<td>8,481.9</td>
<td>39.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,939.0</td>
<td>2,973.5</td>
<td>29.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pendleton M.C.B./South Coast W.D.</td>
<td>758.0</td>
<td>171.5</td>
<td>22.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,348.0</td>
<td>2,863.7</td>
<td>30.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>19,018.0</td>
<td>5,213.0</td>
<td>27.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>8,052.0</td>
<td>1,461.0</td>
<td>18.1%</td>
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<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,482.0</td>
<td>1,621.1</td>
<td>29.6%</td>
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<tr>
<td>San Diego, City of</td>
<td>144,555.0</td>
<td>50,308.7</td>
<td>34.8%</td>
<td></td>
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<tr>
<td>San Dieguito W.D.</td>
<td>3,116.0</td>
<td>431.7</td>
<td>13.9%</td>
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<td>Santa Fe I.D.</td>
<td>5,226.0</td>
<td>784.2</td>
<td>15.0%</td>
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<tr>
<td>Sweetwater Authority</td>
<td>9,650.0</td>
<td>0.0</td>
<td>0.0%</td>
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<tr>
<td>Vallecitos W.D.</td>
<td>10,557.0</td>
<td>4,459.4</td>
<td>42.2%</td>
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<tr>
<td>Valley Center M.W.D.</td>
<td>29,774.0</td>
<td>6,283.1</td>
<td>21.1%</td>
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<tr>
<td>Vista I.D.</td>
<td>11,876.0</td>
<td>5,034.4</td>
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<tr>
<td>Yuima M.W.D.</td>
<td>2,165.0</td>
<td>121.9</td>
<td>5.6%</td>
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**MEMBER AGENCY TOTALS**

<table>
<thead>
<tr>
<th>CY2013 Tier 1 Threshold</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>393,542.0</td>
<td>125,552.3</td>
<td>31.9%</td>
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</table>

Less: QSA deliveries calendar year to date

- **(59,233.2)**
- **294.5**
- **(1,841.3)**

**Estimated Tier 1 deliveries calendar year to date**

| Estimated Tier 1 deliveries calendar year to date | 64,772.3 | 16.5% |

---

1. Tier 1 threshold is equal to all firm deliveries up to 60% of a member agency’s historic maximum year firm demand
2. Includes forced deliveries and deliveries made through temporary carryover storage agreements.
3. Includes sales from Water Authority storage accounts.
MONTHLY WATER RESOURCES REPORT
Summary of Water Authority Member Agency Operations

APRIL 2013

Member Agency Deliveries (AF)

April 2013

Previous 12 Months

Imported 83%
Surface 9%
Well & Brackish Recovery 3%
Recycled 5%

Imported 86%
Surface 7%
Well & Brackish Recovery 3%
Recycled 4%

Member Agency Water Use

APRIL 2013

Previous 12 Months

Member Agency Storage (AF)

April

12 Month Average

PRIMA
Water Resources Department

Generated:
5/13/13 11:10 AM
May 23, 2013

3:00 p.m.

1. Call to Order.

2. Salute to the flag.

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

4. Additions to agenda. (Government code Sec. 54954.2(b)).

5. Approve the minutes of the Special meeting of the Engineering & Operations Committee on April 11, 2013 and the Formal Board of Directors’ meeting of April 25, 2013.

6. Opportunity for members of the public who wish to address the Board on matters within the Board’s jurisdiction.

7. PRESENTATIONS & PUBLIC HEARINGS
   7-A Retirement of Director. Adopt Resolution 2013-__ honoring Marilyn Dailey upon her retirement from the Board of Directors.
   7-B Appointment of Director. Ed Gallo representing the city of Escondido. Term expires October 18, 2016.
   7-C Recognition of Don Chadwick, Senior Water Resources Specialist, Employee of the 3rd Quarter.

8. REPORTS BY CHAIRS
   8-A Chairs report: Chair Wornham
9. CONSENT CALENDAR

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

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

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

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

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

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

10. ACTION / DISCUSSION
11. CLOSED SESSION(S)

11-A CLOSED SESSION:
Conference with Real Property Negotiator
Government Code §54956.8
Property: Desalination Project Right of Way
Agency Negotiators: Daniel S. Hentschke, Frank Belock, Bill Rose, John Kross
Negotiating Parties:
Choi - APN 178-170-11
Bachman/Merriam - APNs 178-170-08, 178-080-33, 178-170-08, 178-080-33
Meng - APN 181-072-06
Schroder - APN 181-180-80
Chamanara - APN 184-102-11
Karimi - APN 184-102-08
Tarman - APN 184-102-46
Vista San Marcos LTD - APNs 184-101-14, 184-241-05
Rancho Santalina LLC - APN 184-241-03
KB Home Coastal INC - APNs 218-371-04, 218-650-48
Matias - APN 218-381-04
Richard & Melissa Buz - APN 218-381-04
James Taylor - APN 219-352-17
Delgado - APN 219-352-16
Richardson - APN 219-352-01
Movement Church - APNs 219-116-21, 219-116-22
Under Negotiation: Price and Terms of Acquisition

11-B CLOSED SESSIONS:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: QSA Judicial Council Coordination Proceeding No. 4353

Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board (SWRCB)
Imperial Irrigation District and San Diego County Water Authority
Joint Petition for Modification of Revised Order WRO 2002-
(Permit 7643, Application 7482)

11-C CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
SDCWA v Metropolitan Water District of Southern California;
Case Nos. CPF-10-510830 and CPF-12-512466
11-D  CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1) -
SDCWA v City of Los Angeles Department of Water and Power;
Case No. BS136663

11-E  CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1) -
SDCWA v Eastern Municipal Water District;
Riverside Superior Court Case No. RIC1300887

12.  Action following Closed Session

13.  SPECIAL REPORTS
13-A  AUDIT COMMITTEE REPORT - Audit Committee Chair Sanford
13-B  GENERAL MANAGER’S REPORT – Ms. Stapleton
13-C  GENERAL COUNSEL’S REPORT – Mr. Hentschke
13-D  SANDAG REPORT – Chair Wornham
       SANDAG Subcommittee: Borders/Regional Planning Committee –
       Director Douglas
13-E  AB 1234 Compliance Reports – Directors

14.  OTHER COMMUNICATIONS

15.  ADJOURNMENT

Doria F. Lore
Clerk of the Board

NOTE: The agendas for the Formal Board meeting and the meetings of the Standing Committees
held on the day of the regular Board meeting are considered a single agenda. All information or
possible action items on the agenda of committees or the Board may be deliberated by and become
subject to consideration and action by the Board.
CALL TO ORDER / ROLL CALL

Chair Brady called the Engineering and Operations Committee meeting to order at 1:34 p.m. Committee members present were Chair Brady, Vice Chairs Miller and Pocklington, and Directors Morrison*, Mudd*, Murtland, Simpson*, Tu, Verbeke, Watkins, and Wornham. Members absent were Directors Bailey, Barnum, and Price. Also present were Directors Arant, Croucher, Dailey, Evans, Hilliker, Hogan, Lewinger, Linden, Madaffer, Muir, Sanford, Saxod, Topolovac, Weston, Wilson. At that time there was a quorum of the Board.

Staff present included General Counsel Hentschke, Deputy General Manager Belock, Director of Engineering Rose, Director of Operations and Maintenance Eaton, Engineering Manager Bousquet, Deputy General Counsel Gallien, and Engineer P.E. Crutchfield.

*Directors Morrison and Simpson arrived at 1:39 p.m., and Director Mudd arrived at 1:48 p.m.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no public comments.

CHAIR’S REPORT

Chair Brady welcomed everyone and gave a brief overview and purpose for the meeting.

DIRECTORS’ COMMENTS

There were no comments by Directors.

I. CONSENT CALENDAR

There were no items on the consent calendar.

II. ACTION/DISCUSSION

There were no Action/Discussion items.

III. INFORMATION

1. Presentation on project background for San Vicente Pipeline and Lake Hodges projects.
Engineering Manager Bousquet gave a presentation including an overview and project background for the San Vicente Pipeline and Lake Hodges projects. He reviewed the Emergency Storage Project, of which both the San Vicente Pipeline and Lake Hodges projects were components. For the San Vicente project he reviewed project facts and roles, geotechnical information, differing site conditions, and an overview of lawsuits. For the Lake Hodges project he reviewed project facts; completion milestones; litigation team and litigants; major issues of litigation including pump house equipment, turbine binding, and generator bolt design; and warranty phase.

Mr. Bousquet introduced members of Special Counsel for each project who would speak during the Closed Session portion of the meeting; Mr. Scott Omohundro from Procopio, Cory, Hargreaves & Savitch for San Vicente Pipeline; and Mr. Mark Budwig, Esquire from McKenna, Long, & Aldridge for Lake Hodges.

IV. CLOSED SESSION

Mr. Hentschke took the committee into Closed Session at 2:17 p.m.

1. CLOSED SESSION:
   Conference with Legal Counsel – Existing Litigation
   Government Code § 54956.9(d)(1) –
   Traylor Shea Joint Venture v. SDCWA
   Case No. 37-2011-00092666-CU-BC-CTL

2. CLOSED SESSION:
   Conference with Legal Counsel – Existing Litigation
   Government Code § 54956.9(d)(1) –
   SDCWA v. MWH Americas, Inc. et al
   Case No. 37-2011-00090504-CU-BC-CTL

Mr. Hentschke brought the committee out of Closed Session at 3:51 p.m. and announced that there were no reportable actions.

IV. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Chair Brady adjourned the meeting at 3:52 p.m.

_______________________
Brian Brady, Chair
ADMINISTRATIVE AND FINANCE COMMITTEE
CALL TO ORDER / ROLL CALL

Vice Chair Wight called the Administrative and Finance Committee meeting to order at 9:00 a.m. Committee members present were Vice Chairs Arant and Wight, and Directors Dailey, Hilliker, Hogan, Lewinger, Topolovac, Watton*, Weston, Williams and Wilson. Committee members absent were Chair Saunders, and Directors Bailey and Sanford. At that time, there was a quorum of the Board, however only Committee members participated in the vote. Also present were Directors Barnum, Brady, Evans, Kern, Linden, Madaffer, Miller, Murtland, Saxod, Tu, Simpson, Verbeke, and Wornham

* Director Watton arrived at 9:20 a.m.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer McCraner, Director of Human Resources Leone, Director of Administrative Services Young, Financial Planning Manager Shank, and Controller Greek. Also present was Robert Grantham of Carollo Engineers.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR’S REPORT

There was no Chair’s report.

DIRECTORS’ COMMENTS

There were no Directors’ comments.

I. CONSENT CALENDAR

1. Treasurer’s Report.

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

Director Hogan moved, Director Topolovac seconded, and the motion passed unanimously to approve the Consent Calendar.
II. ACTION/DISCUSSION

1. Selection of firms to renew the Water Authority’s pre-qualified underwriting pool, the selection of a new liquidity facility to support the commercial paper program and the addition of a dealer to commercial paper program dealers.

Staff recommendation:
(1) Approve the recommended underwriter pool.
(2) Approve the selection of J.P. Morgan as the liquidity provider to replace Barclays Capital.
(3) Approve the addition of Morgan Stanley as a dealer for commercial paper program.
(4) Adopt Resolution 2013-10 authorizing the issuance and sale of short-term revenue certificates and authorizing and approving certain actions in connection therewith.

Mr. Shank began the presentation with an update on the underwriting pool, followed by a review of each of the four staff recommendations comprising the action item.

Vice Chair Arant moved, Director Hilliker seconded, and the motion passed unanimously to approve the item.

2. Presentation on preliminary results of Cost of Service Study Phase I – calendar year 2014 rates and charges.

Vice Chair Wight stated this was an information item and would be revisited as an action item at a future Board meeting.

Ms. McCraner introduced Robert Grantham of Carollo Engineers, the lead on the Cost of Service Study Phase I and the calculation of the calendar year 2014 rates and charges. Mr. Grantham presented the processes his firm conducted for determining capacity charges and cost of service rates, and reviewed the key governing policies and preliminary initial ranges for the calendar year 2014 rates and charges.

Ms. McCraner closed the presentation with a review of the next steps in the process leading up to the adoption of the calendar year 2014 rates and charges and capacity charges at the June 27, 2013 Board meeting.

Ms. Stapleton invited Directors to ask questions during the discussion of the item, as well as throughout the entire rate setting and budget process. Ms. Stapleton stated Mr. Grantham and staff would be available if Directors wished to meet with them individually.

Vice Chair Wight reported the Fiscal Sustainability Board Task Force would look into methodology behind existing Board policy as part of their work.

Vice Chair Wight and Director Wilson requested the Cost of Service study be provided as soon as possible to allow for review and questions.
Directors Wilson, Lewinger, and Wornham asked questions. Vice Chair Wight, Ms. Stapleton, Ms. Kerl, and Mr. Grantham provided answers. Those questions that were not answered during the discussion were recorded to be researched and answered at a future date.

Director Barnum thanked Finance Department staff for their ongoing communications to the Board and retail agencies. He encouraged staff to communicate any potential issues that might impact retail customers and to expeditiously continue with their work.

Ms. Kerl thanked the member agencies for their patience in allowing time in the process to complete Phase I of the Cost of Service study. She stated preliminary high/low ranges had been provided to member agencies and final numbers would be provided during the first week of May.

III. INFORMATION
The following items were noted and filed:
1. Board of Director’s first quarter 2013 expenses and attendance.
2. Controller’s report on monthly financial statements.
3. Board Calendar.

IV. CLOSED SESSION
There were no closed session items.

V. ADJOURNMENT
There being no further business to come before the Administrative and Finance Committee, Vice Chair Wight adjourned the meeting at 9:45 a.m.

ENGINEERING AND OPERATIONS COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Brady called the Engineering and Operations Committee meeting to order at 9:55 a.m. Committee members present were Chair Brady, Vice Chairs Miller and Pocklington, and Directors Barnum, Mudd*, Murtland, Simpson, Tu, Verbeke, and Wornham. Committee members absent were Directors Bailey, Morrison, Price, and Watkins. Also present were Directors Arant, Croucher, Dailey, Douglas, Hilliker, Hogan, Kern, Lewinger, Linden, Madaffer, Sanford, Saxod, Steiner, Topolovac, Watton, Weston, Williams, and Wilson. At that time, there was a quorum of the full Board, and the meeting was conducted as a meeting of the Board, however only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Deputy General Counsel Gallien, Director of Engineering Rose, Director of Operations and Maintenance Eaton, Engineering Manager Reed, and Operations and Maintenance Manager Faber.

ADDITIONS TO AGENDA
There were no additions to the agenda.
PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
Chair Brady announced that the Engineering and Operations Committee held a Special Meeting on April 11, 2013 at which staff presented background information on the Lake Hodges and San Vicente Pipeline projects, followed by Closed Sessions regarding litigation on both projects. He also announced the annual E&O Tour was scheduled for the morning of September 30, 2013 and more details would be announced over the following months.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no Consent Calendar items.

II. ACTION/DISCUSSION
1. San Vicente Dam Raise project.
   1-A Construction Update.
   1-B Change Orders to Shimmick/Obayashi Joint Venture for the San Vicente Dam Raise Package 3 – Roller Compacted Concrete Dams and Appurtenant Facilities project.
   Staff recommendation: Accept Shimmick/Obayashi Joint Venture Change Orders 38 through 40 for an increase of $101,046; and authorize the General Manager to reduce the contract value by $2,294,828 to reconcile final unit price quantities for roller compacted concrete and increase marina quarry unit price quantities, decreasing the authorized contract amount from $141,116,106.70 to $138,922,324.70.

   Mr. Rose began the presentation with a brief background of the Emergency Storage Project of which the San Vicente Dam Raise project is a part. Mr. Reed continued with an update on construction of the San Vicente Dam Raise project including downstream step cleaning and repair, work to the gallery access building, the 108-in Butterfly Valve, schedule update, and future activities. He also presented information regarding the change orders for acceptance, authorizations for approval, and a construction contract summary.

   Vice Chair Pocklington moved, Director Tu seconded, and the motion to approve staff’s recommendation passed unanimously.

III. INFORMATION
1. Presentation on the status update of the Carlsbad Desalination project.

   Deputy General Manager Belock gave a presentation on the Carlsbad Desalination project components: San Marcos Vent Modifications, Pipeline 3 Relining, Twin Oaks Valley
Water Treatment Plant Modifications, Conveyance Pipeline, and the Carlsbad Desalination plant. He also presented information regarding public outreach; the organizational chart for the project; and upcoming Board actions.

Staff was requested to provide an update at a later meeting regarding the status of alternative alignments to avoid placing the conveyance pipeline on the Cannon Road bridge.

* Director Mudd arrived at approximately 10:24 a.m.

2. Presentation on the expansion of the Twin Oaks Valley Water Treatment Plant service area.

Mr. Eaton began the presentation on the Twin Oaks Valley Water Treatment Plant expanded service area including project objectives, components, and meter rescaling. Mr. Rose continued the presentation covering current pump station operations, expanded pump station operations, status of the project, schedule, budget, and future Board actions.

Staff was requested to provide an update to the Board regarding the return on investment for the second phase of the project.

3. Presentation on asset management/pipeline database.

Mr. Eaton provided a brief background of the database including the pipeline system, condition assessment, pipeline monitoring, and asset management. Mr. Faber continued the presentation on data management including industry-wide issues, amount and types of data, conditions assessment reports, and the benefits and value of the database.

IV. CLOSED SESSION
There were no closed session items on the agenda.

V. ADJOURNMENT
There being no further business to come before the Engineering and Operations Committee, Chair Brady adjourned the meeting at 10:55 a.m.

IMPORTED WATER COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Saxod called the Imported Water Committee meeting to order at 11:05 a.m. Committee members present were Vice Chairs Muir and Williams, and Directors Arant, Croucher, Evans, Hogan, Lewinger, Linden, Pocklington, Steiner, Wilson, and Wornham. Directors Price and Watkins were absent. Also present were Directors Barnum, Brady, Dailey, Douglas, Hilliker, Kern, Madaffer, Miller, Mudd, Murtland, Sanford, Simpson, Topolovac, Tu, Verbeke, Watton, and Weston. At that time, there was a quorum of the full Board, and the meeting was conducted as a meeting of the Board, however, only committee members participated in the vote.
Staff present included General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of MWD Program Chen, Colorado River Program Director Razak, and others.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no public comments.

CHAIR’S REPORT
Chair Saxod reported that new Secretary of Interior, Sally Jewell had been sworn in and she would oversee issues related to the Colorado River and Central Valley Project, among other things. The first seven chapters of the Bay Delta Conservation Plan have been released, including a chapter on governance structure. Staff would continue to cover related issues in support of a sustainable Bay-Delta solution.

Chair Saxod reported that the Delta Stewardship Council approved final direction of the Delta Plan and was expected to adopt the final Delta Plan and certify environmental documents at its May 2013 Council meeting. Staff toured the Tijuana Aqueduct alongside other U.S. and Mexican officials. The focus was to determine feasibility of a potential turn-out for the All American Canal that would accommodate emergency deliveries to Mexico.

Chair Saxod announced that the Salton Sea stakeholders forum, hosted by Congressman Raul Ruiz of Coachella and Assistant to the Secretary of the Interior Anne Castle, would be held Friday, April 26, 2013 along the sea. A representative from Senator Barbara Boxer’s office would also attend. The forum would focus on projects at the Sea, including a project to reintroduce water to exposed playa along the eastern shore at Red Hill Bay, and an update on the state’s Species Conservation Habitat program. In addition, energy development at the sea and funding issues would be discussed. Staff would be attending this forum.

DIRECTORS’ COMMENTS
Director Arant asked if Gerald Meral, California Natural Resources Agency Deputy Secretary, would be presenting at the next committee meeting on Bay Delta Conservation Plan process. Ms. Stapleton replied that staff would confirm date and time with Dr. Meral and place him on the May 23, 2013 Imported Water Committee agenda. She informed the board that the Committee would have numerous discussions and presentations on the Bay Delta over the following months.

I. CONSENT CALENDAR
There were no items on the consent calendar.

II. ACTION/DISCUSSION
1. Metropolitan Water District Issues and Activities update.
1-A Metropolitan Water District Delegates report.
The delegates reported on discussions and actions taken at the recent MWD board meetings.

1-B Metropolitan Water District’s Unfunded Liabilities for Other Post-Employment Benefits and Pension.

Ms. Chen made a presentation on the MWD’s unfunded liabilities for Other Post-Employment Benefits and Pension.

2. Colorado River Program.
   2-A Colorado River Board representative’s report.

Director Hogan reported on discussions at the April 2013 Colorado River Board meeting.

III. INFORMATION
1. Salton Sea update.

Principal Water Resources Specialist Denham provided an update on the Salton Sea, which included a brief background, recent activities of the QSA JPA, and an update on the status of state and federal efforts.

The following information item was noted and filed:
2. Metropolitan Water District Program report.

Mr. Hentschke took the Committee into closed session at 12:10 p.m.

IV. CLOSED SESSION
1. CLOSED SESSION:
   Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: QSA Judicial Council Coordination Proceeding No. 4353

   Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: State Water Resources Control Board (SWRCB) Imperial Irrigation District and San Diego County Water Authority Joint Petition for Modification of Revised Order WRO 2002-0013 (Permit 7643, Application 7482)

2. CLOSED SESSION:
   Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   SDCWA v Metropolitan Water District of Southern California; Case Nos. CPF-10-510830 and CPF-12-512466
3. **CLOSED SESSION:**
   Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(a) – SDCWA v City of Los Angeles Department of Water and Power; Case No. BS136663

4. **CLOSED SESSION:**
   Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(a) – SDCWA v Eastern Municipal Water District; Riverside Superior Court Case No. RIC1300887

   Mr. Hentschke brought the Committee out of Closed Session at 12:49 p.m. and reported that the Committee made a recommendation to the board to authorize General Counsel to amend the services agreement with Essential Discovery from a not-to-exceed amount of $50,000 to a not-to-exceed amount of $150,000. He stated this item would be on the consent calendar for the formal board meeting.

V. **ADJOURNMENT**

   There being no further business to come before the Imported Water Committee, Chair Saxod adjourned the meeting at 12:49 p.m.

**WATER PLANNING COMMITTEE**

**CALL TO ORDER/ROLL CALL**

   Chair Douglas called the Water Planning Committee Meeting to order at 1:34 p.m. Committee members present were Chair Douglas, Vice Chairs Tu and Watton, and Directors Brady, Kern, Madaffer, Miller, Murtland, Sanford, Simpson, Steiner and Weston. Absent were Directors Linden and Saunders. Also present were Directors Arant, Barnum, Croucher, Dailey, Evans, Hilliker, Hogan, Lewinger, Mudd, Muir, Pocklington, Saxod, Topolovac, Verbeke, Wilson and Wornham. At that time, there was quorum of the Board.

   Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Counsel Gallagher, Water Resources Director Weinberg, Water Resources Managers Purcell and Yamada, Principal Water Resources Specialist Chamberlain and Senior Water Resources Specialist Lopez.

**PUBLIC COMMENT**

   There were no public comments.

**DIRECTORS’ COMMENTS**

   There were no comments made by Directors.

**CHAIR’S REPORT**

   Chair Douglas advised there would be a special Water Planning Committee Meeting on Thursday, May 16, 2013 to learn more about the Facilities Master Plan update, as well as a
public scoping meeting on Monday, April 29, 2013 for receiving public comment on what issues should be considered in preparing the Master Plan environmental document.

I. CONSENT CALENDAR
There were no items for the Consent Calendar.

II. ACTION/DISCUSSION
1. Master Plan update.

Mr. Weinberg provided opening remarks on the two items being presented. He explained that the projects would be part of the Master Plan scope as the Board had directed staff in the past to examine these and evaluate them in the context of the overall system and Master Plan as long-term supply options at the feasibility level. He added that the May 16, 2013 Special Meeting would provide more information on how both would be evaluated in the Master Plan.

1-A. Report on the evaluation of a proposed Camp Pendleton Seawater Desalination Project.

Mr. Lopez provided a presentation on the evaluation of the proposed project, including background, technical studies, evaluations, analyses, two location options, and project cost summary.

Director Simpson thanked staff for their work, advised that the cost of pipe to a discharge site would still have to be included, added that permission for the project would also have to come from the Secretary of the Navy, and invited anyone interested in visiting Camp Pendleton to contact him. Director Weston suggested staff prepare a matrix with metrics, costs, and timing, of all the possible future projects being considered for the Master Plan.

Mr. Chamberlain provided a presentation on the Colorado River Conveyance Option, including background, alternative alignments, impact on operations, transportation cost comparisons and implementation schedule. He pointed out that staff would want the results of this study considered as part of the alternatives evaluated within the Master Plan.

Director Lewinger requested staff present costs escalated into the future and the present value of each alternative over project life. Director Arant raised the issue of the term of the existing Quantification Settlement Agreement as it related to the expected life of the project and the potential for a stranded asset. Director Mudd requested staff prepare a graphic that depicts various options overlaid with points of impact – similar to graphics used in the Carlsbad Desalination Project presentations – as well as cost offsets related to Pipeline 6 and the potential for stranded assets in any of the projects being considered. Director Pocklington inquired about costs and ‘breaking even’ as it would relate to MWD costs. Director Brady pointed out salinity levels and blending concerns as well as capacity rights in the All American Canal.

Director Tu inquired about the Master Plan schedule and what would be provided at the May 16, 2013 Special Meeting. Mr. Weinberg advised that staff would present a timeline, as
well as comments obtained from Directors at prior meetings, and through work with a Member Agency Technical Advisory Committee. He added there would be several more workshops held, leading to a preferred alternative to study in the Environmental Impact Report. Ms. Stapleton reiterated that, over the next several months, staff would bring manageable components of the Master Plan to the Board in Regular and Special meetings with the goal to have a Master Plan for Board consideration and adoption by the end of calendar year 2013.

III. INFORMATION
The following item was continued to the Water Planning Committee meeting scheduled for May 23, 2013:
1. Presentation on water supply and demand conditions.

The following report was received and filed:

IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
Chair Douglas adjourned the meeting at 2:40 p.m.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE CALL TO ORDER/ROLL CALL
Chair Topolovac called the Legislation, Conservation and Outreach Committee to order at 2:45 p.m. Committee members present were Chair Topolovac, Vice Chair Croucher, and Directors Barnum, Douglas, Evans, Hilliker, Kern, Mudd, Muir, Saxod, and Verbeke. Committee members absent were Vice Chair Madaffer, and Directors Dailey, Morrison and Wight. Other Board members present were Directors Arant, Brady, Hogan, Lewinger, Miller, Murtland, Pocklington, Price, Sanford, Simpson, Tu, Watton, Weston, Williams, Wilson and Wornham. At that time, there was a quorum of the Board and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present were General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Public Outreach and Conservation Foster, SCOOP Manager Yanushka, Public Affairs Representative Otero and Management Analyst Schnell.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to address the Committee.
CHAIR'S REPORT
Chair Topolovac reminded board members of the Special Legislation, Conservation, and Outreach committee meeting on May 2, 2013 at The Water Conservation Garden. He mentioned the Legislative Roundtable with Congressman Scott Peters, which would be held on May 1, 2013. Chair Topolovac reported that Director Verbeke was now the ACWA Region 10 Chair and urged board members to encourage their agencies to participate in ACWA to ensure that San Diego would be well-represented.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no items on the Consent Calendar.

II. ACTION/DISCUSSION
1. Legislative Issues.
   1-A Report by Carpi and Clay.

   Mr. Clay reported on legislative issues, and stated that the policy committee hearings were currently under way. He announced the state had over collected approximately $4 billion, and was beginning to address what to do with the excess revenue. He stated that more information would be available once the Governor’s May revision was released.

   Mr. Clay spoke regarding the budget subcommittee process and the potential use of money from the state for Salton Sea restoration efforts. He also reported on efforts to move the public drinking water program from the California Department of Public Health to the State Water Resources Control Board. It was reported that the sponsor bill AB 613 with Senator Hueso had been replaced with SB 322, and was set for hearing on May 1, 2013.

   Mr. Clay stated nothing was expected to go forward in regards to the water bond until August 2013, or more likely, next year. He reported the Assembly would be amending three spot bills and turning them into different components of the bond, those three being safe drinking water, infrastructure and Delta watersheds.

   Mr. Clay added that Senator Hueso was now on the Senate Natural Resources and Water Committee.

   1-B Adopt priorities for the renegotiation of a water bond.
   Staff recommendation: Adopt priorities for the renegotiation of a water bond.

   Management Analyst Schnell presented on the water bond. She reported the content of the bond measure was expected to be changed later in the year, and that the bond was anticipated to be smaller and to provide less funding for surface storage. She then reviewed the staff recommended priorities for renegotiation of a water bond.
Chair Topolovac announced that the item would be continued to the May 23, 2013 board meeting to allow Board members to consult with directors at their local agencies.

1-C  Adopt positions on various state bills.

Staff recommendation:
1. Adopt a position of Oppose Unless Amended on AB 380 (Dickinson)
2. Adopt a position of Oppose on AB 543 (Campos)
3. Adopt a position of Oppose on AB 823 (Eggman)
4. Adopt a position of Oppose on AB 953 (Ammiano)
5. Adopt a position of Oppose Unless Amended on SB436 (Jackson)
6. Adopt a position of Oppose on SB 617 (Evans)

Director Muir moved, and Director Croucher seconded, to adopt staff recommendation and the motion passed unanimously to adopt positions on various state bills.

III. INFORMATION
1. Demonstration of new WaterSmart Regional Water Conservation Website.

Public Affairs Representative Otero provided a demonstration of the new WaterSmart Regional Water Conservation Website. She described purpose and goals, content plan, and marketing tactics of the new WaterSmart conservation website. She also provided a brief preview of test pages from the WaterSmart site and announced the site would launch in May 2013.

2. Presentation on Small Contractor Outreach and Opportunities Program Quarterly Report.

SCOOP Manager Yanushka presented on history and highlights of the Small Contractor Outreach and Opportunities Program. She reported on the achievements of SCOOP and the activities that the program would focus on for the following year.

The committee received and filed the following items:

IV. ADJOURNMENT
There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Topolovac adjourned the meeting at 3:15 p.m.
FORMAL BOARD OF DIRECTORS’ MEETING OF APRIL 25, 2013

1. CALL TO ORDER Chair Wornham called the Formal Board of Directors’ meeting to order at 3:30 p.m.

2. SALUTE TO THE FLAG Director Miller led the salute to the flag.

3. ROLL CALL, DETERMINATION OF QUORUM Secretary Hogan called the roll. Directors present were Arant, Barnum, Croucher, Douglas, Evans, Hilliker, Hogan, Kern, Lewinger, Miller, Mudd, Muir, Murtland, Pocklington, Sanford, Saxod, Simpson, Steiner, Topolovac, Tu, Verbeke, Watton, Weston, Williams, Wornham, and Representative Roberts. Directors absent were Bailey, Brady, Dailey, Linden, Madaffer, Morrison, Price, Saunders, Watkins, Wight, and Wilson.

3-A Report on proxies received. Director Verbeke was the proxy for Director Linden, and Director Arant was the proxy for Director Watkins.

4. ADDITIONS TO AGENDA There were no additions to the agenda.

5. APPROVAL OF MINUTES Director Muir moved, Director Lewinger seconded, and the motion carried at 90.34% of the vote to approve the minutes of the Special meeting of the Water Planning Committee on March 14, 2013, and the Formal Board of Directors’ meeting of March 28, 2013.

6. OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD’S JURISDICTION There were no members of the public that wished to speak.

7. PRESENTATIONS AND PUBLIC HEARINGS 7-A Presentation of Science Fair award winners. 3:15 p.m. time certain.
7-B Retirement of Director. Adopt Resolution 2013-11 honoring Dennis Lamb upon his retirement from the Board of Directors.

Chair Wornham announced that for the past 50 years the “Greater San Diego Science and Engineering Fair” has been honoring the County’s best science projects, and for the last decade the Water Authority has shared the celebration by recognizing the finalists with water related projects. He introduced Education Resource Specialist Bohlander who then introduced the Science Fair award winners. Each winning student provided a brief description of their project.
Director Pocklington moved, Director Barnum seconded, and the motion carried at 90.34% of the vote to adopt Resolution No. 2013-11 honoring Dennis Lamb upon his retirement from the Board of Directors.

Chair Wornham announced the appointment of Director Evans and welcomed her to the Board.

8. REPORTS BY CHAIRS
   8-A Chairs report: Chair Wornham thanked staff for a successful Board Retreat the week prior. He reported the Retreat had focused on where the Water Authority had been, what work was ahead, and the future vision of the organization. He thanked all board members who participated in the retreat and announced the Board would receive documents cataloging all the discussion and ideas from the retreat.

   He reminded the Board of the Special Legislation, Conservation and Outreach meeting on Thursday, May 2, 2013.

   Chair Wornham reported that he and General Manager Stapleton continue to provide presentations to Member Agencies, adding that in the previous month they had given presentations at Otay Water District and the City of Escondido.

   He reported that he and many of the Board Members had attended the required harassment prevention training and thanked staff for making the training interesting.

   Chair Wornham announced the retirement of Director Dailey and expressed his appreciation for her many years service to the Water Authority Board, the city of Escondido and to the San Diego Ratepayers.

   8-B Report by Committee Chairs. Director Arant reviewed the meeting and the action taken. Director Pocklington reviewed the meeting and the action taken. Director Saxod reviewed the meeting and the action taken. Director Douglas reviewed the meeting and the action taken. Director Topolovac reviewed the meeting and the action taken.
9. **CONSENT CALENDAR**
Director Tu moved, Director Hilliker seconded, and the motion carried at 90.34% of the vote to approve the consent calendar. Directors voting no or abstaining are listed under the item number.

9- 1. **Treasurer’s report.**
The Board noted and filed the monthly Treasurer’s report.

9- 2. **Selection of firms to renew the Water Authority’s pre-qualified underwriting pool, the selection of a new liquidity facility to support the commercial paper program and the addition of a dealer to commercial paper program dealers.**
The Board approved the recommended underwriter pool. The Board approved the selection of J.P. Morgan as the liquidity provider to replace Barclays Capital. The Board approved the addition of Morgan Stanley as a dealer for commercial paper program. The Board adopted **Resolution 2013-10** authorizing the issuance and sale of short-term revenue certificates and authorizing and approving certain actions in connection therewith.

9- 3. **Change Orders to Shimmick/Obayashi Joint Venture for the San Vicente Dam Raise Package 3 – Roller Compacted Concrete Dams and Appurtenant Facilities project.**
The Board accepted Shimmick/Obayashi Joint Venture Change Orders 38 through 40 for an increase of $101,046; and authorized the General Manager to reduce the contract value by $2,294,828 to reconcile final unit price quantities for roller compacted concrete and increase marina quarry unit price quantities, decreasing the authorized contract amount from $141,116,106.70 to $138,922,324.70.

9- 4. **Adopt priorities for the renegotiation of a water bond.**
This item was continued to the May 23, 2013 Board meeting.

9- 5. **The Board Adopted positions on various state bills.**
   1. Adopted a position of Oppose Unless Amended on AB 380 (Dickinson)
   2. Adopted a position of Oppose on AB 543 (Campos)
   3. Adopted a position of Oppose on AB 823 (Eggman)
   4. Adopted a position of Oppose on AB 953 (Ammiano)
   5. Adopted a position of Oppose Unless Amended on SB 436 (Jackson)
   Adopted a position of Oppose on SB 617 (Evans)

9- 6. **CLOSED SESSION:** The Board authorized the General Counsel to amend the services agreement with Essential Discovery from a not-to-exceed amount of $50,000 to a not-to-exceed amount of $150,000.

10. **ACTION/DISCUSSION**
There were no Action/Discussion items.
11. **CLOSED SESSION(S)**

11-A **CLOSED SESSIONS:**
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: QSA Judicial Council Coordination Proceeding No. 4353

Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board (SWRCB) Imperial Irrigation District and San Diego County Water Authority Joint Petition for Modification of Revised Order WRO 2002-0013 (Permit 7643, Application 7482)

11-B **CLOSED SESSION:**
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
SDCWA v Metropolitan Water District of Southern California;
Case Nos. CPF-10-510830 and CPF-12-512466

11-C **CLOSED SESSION:**
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1) -
SDCWA v City of Los Angeles Department of Water and Power;
Case No. BS136663

11-D **CLOSED SESSION:**
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1) -
SDCWA v Eastern Municipal Water District;
Riverside Superior Court Case No. RIC1300887

Mr. Hentschke announced there was no need for a Closed Session.

12. **ACTION FOLLOWING CLOSED SESSION** – None.
13. **SPECIAL REPORTS**

13-A **GENERAL MANAGER’S REPORT** – Ms. Stapleton reminded the Board that there would be no Special Board Meeting on May 9, 2013 due to the ACWA Spring Conference, however there was a Special Water Planning Committee meeting scheduled for Thursday, May 16, 2013.

13-B **GENERAL COUNSEL’S REPORT** – Mr. Hentschke reminded the public that in keeping with open transparency all legal services expenditures are reported in written form every month within the Formal Board Packet.

13-C **SANDAG REPORT** – Director Barnum reviewed the SANDAG meeting of April 12, 2013.

SANDAG BORDERS/REGIONAL PLANNING COMMITTEE – No report was given.

13-D **AB 1234 COMPLIANCE REPORTS** – No reports were given.

14. **OTHER COMMUNICATIONS** - There were no other communications.

15. **ADJOURNMENT**

There being no further business to come before the Board, Chair Wornham adjourned the meeting at 3:55 p.m.

__________________________________  ______________________________
Thomas V. Wornham, Chair    Michael T. Hogan, Secretary

Doria F. Lore, Clerk of the Board
RESOLUTION NO. 2013-______

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN DIEGO COUNTY WATER AUTHORITY
HONORING MARILYN DAILEY
UPON HER RETIREMENT FROM THE BOARD OF DIRECTORS

WHEREAS, Marilyn Dailey served as a member of the Board of Directors of the San Diego County Water Authority, representing city of Escondido, from May 27, 1999 to her retirement on May 13, 2013; and

WHEREAS, she served as Chair on the Administrative and Legal Committee, Fiscal Policy Committee, and Legislation Conservation and Outreach Committee, and as Vice Chair on the Administrative and Finance Committee, and Engineering and Operations Committee; and

WHEREAS, she served as a member on the Administrative and Finance Committee, Engineering and Operations Committee, Executive Committee, Legislation Conservation and Outreach Committee, Public Affairs Committee, Water Planning Committee, and Water Policy Committee; and

WHEREAS, she served as Chair on the Special Budget Committee, and as a member on the AD HOC Committee on Binational Activities, AD HOC Committee on EBE Program, Board Compensation Subcommittee, Board Representation AD HOC Committee, Conservation AD HOC Committee, Construction Costs AD HOC Committee, Rate Study Subcommittee, Special Budget Committee, and Small Contractor Outreach and Opportunities Program; and

WHEREAS, she served as a representative with SANDAG, and as an alternate on the Chairman’s Water Advisory Committee; and

WHEREAS, her contributions to the community extend beyond the activities with the San Diego County Water Authority; and

WHEREAS, her service, both public and private, has resulted in a benefit to all people of San Diego County.
NOW, THEREFORE, BE IT RESOLVED, that on behalf of its individual members, past and present, its staff, and the people of San Diego County, the Board of Directors offers its most sincere appreciation to Marilyn Dailey for her dedicated service to the San Diego region.

PASSED, APPROVED, and ADOPTED this 23rd day of May, 2013.

Ayes:

Noes:

Abstain:

Absent:

____________________________________
Thomas V. Wornham,
Chair

ATTEST:

____________________________________
Michael T. Hogan,
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2013- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

____________________________________
Doria F. Lore
Clerk of the Board
DATE: May 15, 2013
TO: Board of Directors
FROM: Daniel S. Hentschke, General Counsel
RE: Credentials of Ed Gallo
     City of Escondio

Transmitted herewith is a copy of Resolution No. 2013-49 submitted by the city of Escondio appointing Ed Gallo to the Water Authority’s Board of Directors. His term will expire on October 18, 2016.

The credentials furnished are sufficient for the qualifications of Mr. Gallo as a member of the Water Authority Board.

Daniel S. Hentschke
General Counsel

dfl
Attachment
May 1, 2013

San Diego County Water Authority  
Attn: Doria Lore, Clerk of the Board  
4677 Overland Ave.  
San Diego, CA  92123

Dear Ms. Lore:

RE: APPOINTMENT TO SDCWA

At the Escondido City Council meeting held April 10, 2013, the Council adopted Resolution 2013-49 approving the appointment of Council Member Ed Gallo to serve as the City of Escondido’s representative to the San Diego County Water Authority Board. This appointment is effective immediately.

If you have any questions, please let me know.

Sincerely,

Diane Halverson, CMC  
City Clerk

Copies:  
Council Members Ed Gallo
RESOLUTION NO. 2013-49

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, APPOINTING ED GALLO TO SERVE AS THE CITY’S REPRESENTATIVE TO THE SAN DIEGO COUNTY WATER AUTHORITY BOARD OF DIRECTORS

WHEREAS, Ms. Marilyn Dailey has submitted her resignation as the City of Escondido’s representative on the San Diego County Water Authority Board of Directors; and

WHEREAS, the Mayor has appointed and the City Council confirmed Ed Gallo to assume the position of the City of Escondido’s representative on the San Diego County Water Authority Board of Directors upon Ms. Dailey’s resignation.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Escondido, California, as follows:

1. The above recitations are true and correct.

2. That Ed Gallo is hereby appointed as the representative to the Board of Directors of the San Diego County Water Authority.
PASSED, ADOPTED AND APPROVED by the City Council of the City of Escondido at a regular meeting thereof this 10th day of April, 2013 by the following vote to wit:

AYES : Councilmembers: DIAZ, GALLO, MORASCO, MASSON, ABED

NOES : Councilmembers:

ABSENT : Councilmembers:

APPROVED:

Sam Abed

SAM ABED, Mayor of the City of Escondido, California

ATTEST:

Diane Halverson

DIANE HALVERSON, City Clerk of the City of Escondido, California

RESOLUTION NO. 2013-49
May 15, 2013

Attention:  Board of Directors

General Counsel’s Report – April/May 2013

Purpose
This report discusses certain legal matters receiving attention during the months of April/May 2013.

Significant Developments in Pending Litigation
MWD Rate Cases:
Over the past month, the Water Authority and MWD have been litigating discovery issues. On April 23, 2013, the Court held a hearing on our motion to compel further discovery responses from MWD on our interrogatories and request for admission, which sought information about the relationship (if any) of MWD’s rates to its costs. In opposing our motion, MWD admitted that it does not make any effort retroactively to reconcile its revenues with its rates, and suggested that it has no information lining up its individual estimated or actual rate revenue with the costs of the services associated with each rate. MWD also denied having any cost-of-service limitation on its rate-setting powers, asserting that the only limitation on those powers is the MWD Act, which requires only uniform rates that recover revenue for MWD. In an April 25, 2013 order, the Court granted nearly all of our motion. MWD’s supplemental responses, served on May 10, 2013, admit that MWD does not perform an individual cost-of-service analysis for any of its individual rates, but contends that MWD has no obligation to do so.

Also on May 10, 2013, the Court heard MWD’s motion to compel further discovery responses from both the Water Authority and IID. MWD’s motion mostly sought documents beyond the scope of the case, such as documents related to SDCWA’s own rates or SDCWA’s QSA relationship with IID. In his ruling issued on May 14, the judge completely denied 23 of MWD’s discovery demands, and partially denied another four. Among the areas the judge ruled off limits to MWD’s discovery demands were requests focused on the Water Authority’s own rates and rate-setting practices. The judge noted that he denied these requests “…because the case targets Metropolitan’s rates, not those of San Diego.” Also denied, among others, were requests associated with the Carlsbad Seawater Desalination Project and other local water supply programs and projects. The judge granted portions of eight other MWD demands, finding that the Water Authority had reasonably agreed to provide a limited range of documents or that the demand as limited by the judge actually sought discoverable documents. The judge also completely denied 15 demands MWD made of the Imperial Irrigation District, denied one other in part, and granted five with similar limits as imposed on the discovery aimed at the Water Authority.

On May 9, 2013, the Water Authority filed a motion to compel and for sanctions against LADWP, whose document production in this case has consisted almost entirely of a dump of irrelevant documents that are not responsive to the Court’s discovery orders or related to any issue in the case. For example, Los Angeles produced documents such as photos of a baby being christened and a cat wearing headphones, and numerous “daily devotional” Bible verses and
home woodworking newsletters. This motion is set to be heard on June 7, 2013 at 9 am. We are also continuing to monitor the compliance of other Member Agencies, Malcolm Pirnie, and Cordoba with their discovery obligations and may need to file additional motions to compel against those parties.

Finally, with MWD having submitted its proposed administrative record for both the 2011-12 and the 2013-14 cases, we are reviewing those records and considering what additional material we will need to put before the Court, including potential expert testimony on rate setting and the Water Authority’s damages from the overcharges imposed by MWD.

LADWP Public Records Act Litigation:
After trying for more than 18 months to enforce compliance, the Water Authority filed a Petition for Writ of Mandate seeking an order of the Court that LADWP has not complied with the Public Records Act and for its attorneys' fees and costs. LADWP has filed an opposition and supporting declarations. The Water Authority's Reply was filed on May 14. The hearing is set for May 21 in Department 85 of the Los Angeles County Superior Court, before Judge James C. Chalfant.

Eastern MWD Public Records Act Litigation:
The case has recently been reassigned to Judge Joanne O’Donnell in Department 86 of the Los Angeles County Superior Court. A status conference is currently set for August 16, 2013.

QSA Litigation:
A decision of the trial court is expected to be issued on June 3, 2013.

Special Counsel Expenditures
Funds approved for payments to special counsel during April-May 2013 from the General Counsel’s Operating Budget totaled $366,659.66 for work related to the Metropolitan rate dispute, enforcement of requests for public records, and QSA matters. CIP expenditures during April-May 2013 were $203,820.85 for work related to the Olivenhain Lake Hodges Pump Storage Project, Traylor-Shea Joint Venture and SDG&E.

Prepared by: Daniel S. Hentschke

Attachment: Special Counsel Expenditure Report
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<th>Project</th>
<th>Total $ Expended FYs 10 &amp; 11 (Fees &amp; Costs)</th>
<th>OP Budget Invoices Approved for Payment this Period</th>
<th>CIP Budget Invoices Approved for Payment this Period</th>
<th>Total $ Expended FYs 10 &amp; 11 (Fees &amp; Costs)</th>
<th>Budget Allocation FYs 12 &amp; 13 for Legal Services $4,700,000.00 (§3.5 mil in additional funds was authorized in Nov. 2012)</th>
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<td>JAMS</td>
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<td>Keker &amp; Van Nest</td>
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<td>Personnel Issues Labor Negotiations</td>
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<td>$93,014.73 3 (OP)</td>
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1 Not included in totals, these legal expenses related to QSA are coming out of Colorado River Program budget, not GC budget
2 Not included in totals, legal expenses related to proposed desalination project are coming out of Water Resources budget, not GC budget
3 Not included in totals, legal expenses related to personnel issues/labor negotiations are coming out of Human Resources budget, not GC budget

* Concluded matters or assignments.
<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended FYs 10 &amp; 11 (Fees &amp; Costs)</th>
<th>OP Budget Invoices Approved for Payment this Period</th>
<th>CIP Budget Invoices Approved for Payment this Period</th>
<th>Total $ Expended FYs 12 &amp; 13 (Fees &amp; Costs)</th>
<th>Budget Remaining in FYs 12 &amp; 13 for Legal Services $4,700,000.00 ($3.5 mil in additional funds was authorized in Nov. 2012)</th>
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<td>McKenna Long &amp; Aldridge</td>
<td>TOV WTP *</td>
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<td>IRS Audit Matters *</td>
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<td>Traylor/Shea Joint Venture (TSJV)</td>
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<td>Townsend</td>
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</table>

* Concluded matters or assignments.

1 Not included in totals, legal expenses related to bond counsel services (desal) are coming out of the Finance budget, not GC budget
2 Not included in totals, legal expenses related to copyright matter are coming out of Conservation budget, not GC budget
3 Not included in totals, legal expenses related to personnel issue are coming out of Human Resources budget, not GC budget
4 Not included in totals, legal expenses related to personnel issue are coming out of Conservation budget, not GC budget
5 Not included in totals, legal expenses related to personnel issue are coming out of Human Resources budget, not GC budget