Members of the Board and staff place their ‘Golden Shovel’ in the dirt at the ceremonial groundbreaking for the Carlsbad Desalination Project on June 6.
NOTICE TO THE PUBLIC
BOARD OF DIRECTORS’ AND STANDING COMMITTEES’
REGULAR MEETING
JUNE 27, 2013
BOARD ROOM
WATER AUTHORITY HEADQUARTERS BUILDING
4677 OVERLAND AVENUE, SAN DIEGO, CALIFORNIA

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 June 27, 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 or at the Water Authority Headquarters.
### MEETING SCHEDULE

**JUNE 27, 2013**

<table>
<thead>
<tr>
<th>MORNING SESSION</th>
<th>9:00 a.m. to 12:00 p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering &amp; Operations</td>
<td>Estimated time: 50 minutes</td>
</tr>
<tr>
<td>Imported Water</td>
<td>Estimated time: 1 hour 30 minutes</td>
</tr>
<tr>
<td>Legislation, Conservation &amp; Outreach</td>
<td>Estimated time: 30 minutes</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>AFTERNOON SESSION</th>
<th>1:00 p.m. to 3:00 p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative &amp; Finance</td>
<td>Estimated time: 55 minutes</td>
</tr>
<tr>
<td>Water Planning</td>
<td>Estimated time: 55 minutes</td>
</tr>
</tbody>
</table>

| 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.

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. Notice of Completion for Pipeline 4 Relining SR52 to Lake Murray.  
   **Staff recommendation:** Authorize the General Manager to accept the Pipeline 4 Relining SR52 to Lake Murray project as complete, record the Notice of Completion, and release funds held in retention to L.H. Woods & Sons, Inc., following the expiration of the notice of completion period.  
   (Action)

II. ACTION/DISCUSSION

1. Items relating to the Carlsbad Desalination Project.  
   1-A Update of the Carlsbad Desalination Project.
1-B  Professional services contract with SAIC to provide Carlsbad Desalination Plant design and construction performance and compliance monitoring services.
Staff recommendation: Authorize the General Manager to award a professional services contract in the amount of $725,000 to SAIC Energy, Environment and Infrastructure, LLC to provide design and construction performance and compliance monitoring for the Carlsbad Desalination Project Water Purchase Agreement for a period of two and one-half years. (Action)

1-C  Design-Build contract with TC Construction Company, Inc. for the San Marcos Vent Desal Modifications project.
Staff recommendation: Authorize the General Manager to award a design-build contract to TC Construction Company, Inc. in the amount of $1,714,000 for the San Marcos Vent Desal Modifications project. (Action)

1-D  Professional services contract with Dudek to provide Carlsbad Desalination Project environmental construction monitoring and support services.
Staff recommendation: Award a professional services contract to Dudek to provide Carlsbad Desalination Project environmental construction monitoring and support services for a 24-month period in an amount not to exceed $365,000. (Action)

III. INFORMATION

1. Presentation on the San Vicente Dam Raise – Construction update.  Jerry Reed

2. Presentation on the Annual Aqueduct Operating Plan.  Nathan Faber

IV. CLOSED SESSION

V. ADJOURNMENT

Doria F. Lore
Clerk of the Board

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 (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.
June 19, 2013

Attention: Engineering and Operations Committee

Notice of Completion for Pipeline 4 Relining SR52 to Lake Murray. (Action)

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

Alternatives
Do not authorize the General Manager to accept the project as complete and provide direction to staff relative to issues requiring resolution.

Fiscal Impact
There is no fiscal impact. The project budget was approved in the Fiscal Year 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. Approximately 16,600 feet of the existing 72-inch diameter Pipeline 4, from State Route 52 to Lake Murray, and 2,400 feet of the existing 69-inch diameter Pipeline 3, from Lake Murray to Baltimore Drive, were relined using steel liners. These pipelines serve untreated water to Alvarado, Perdue, and Otay Water Treatment Plants. With the completion of this project, approximately 33 miles, or 41 percent, of the Water Authority’s prestressed concrete cylinder pipeline has been relined.

Previous Board actions: On June 28, 2012 the Board authorized the General Manager to award a construction contract to L.H. Woods & Sons, Inc. in the amount of $21,190,000 for the Pipeline 4 Relining SR52 to Lake Murray project, Specification 610.

Discussion
Change Orders 1 through 5 were executed under staff’s authority for $69,332. These items, summarized below and detailed in Table 1, include administrative revisions, errors, field modifications, design modifications, outside agency requests, and differing site conditions. Administrative: Staff executed eight administrative changes for a total credit of $490,918. The items included credits for in-plant inspection costs, modification and deletion of portals due to contractor means and methods, inclement weather days, and revised partnering and soil additive contract allowances reflecting actual costs.
Outside Agency Request: Staff executed one outside agency request for a total cost of $14,438. During construction, residents expressed safety concerns regarding the traffic control arrangement. Construction management staff worked with the cities of San Diego and La Mesa to modify the contractor’s traffic control permits for improved safety.

Project Adjustments: Staff executed seven changes for a total cost of $268,017 resulting from corrections. The items included installing an insulating gasket for isolating corrosion protection systems omitted from the contract, providing additional traffic control measures to construct multiple portals concurrently, and modifying cathodic protection test stations. These costs would have been included in the contractor’s bid if properly identified on the drawings. Staff has cataloged these lessons learned for incorporation into future in-house relining designs.

Field Modifications: Staff executed one field modification for a total cost of $529. The Water Authority is working with an independent inspection and testing firm to verify and validate a new testing technology, phased array ultrasonic weld testing, for large diameter water pipelines. One test location indicated a weld discontinuity. In order to ensure the highest quality weld, this weld was removed and replaced. Because this discontinuity was identified by a non-specified test method, the Water Authority was required to pay for the repair.

Design Modifications: Staff executed three design modifications for a total of $7,612. The contract requires that two steel liners for each plate thickness be hydrostatically tested in order to verify the liner design. Since the same weld design has been successfully used on prior relining projects, the test was not required. Rather than perform the test and discard the pipe, the pipes were shipped to the Water Authority as spares at our cost. Additionally, the contractor’s chosen grout plug size resulted in less work, resulting in a credit to the Water Authority.

Differing Site Conditions: Staff executed twelve differing site condition items for a total of $269,654. Items included removing groundwater encountered during construction not shown in the contract, removing an old concrete road found under the newer asphalt during portal construction, and removing and replacing unsuitable portal and road subgrade material.

As a result, the final construction contract price for the Pipeline 4 Relining SR52 to Lake Murray project, including change orders, is $21,259,332, an increase of less than 1 percent of the original contract value.

During construction, $1,062,966.60, or 5 percent of the total contract amount, was retained in accordance with the contract terms. The retained funds will be released after the General Manager’s acceptance, expiration of the 60-day period following recording of the Notice of Completion, and receipt of a signed Conditional Waiver and Release of Liens and Claims from the contractor. L.H. Woods & Sons, Inc. provided a bond for faithful performance at the time of
bidding, which will remain in full force and effect for the contract’s two-year post-construction warranty period.

The small business participation on this project was 31 percent. Minority and women owned business participation for this project was 1 percent. This information is provided for statistical purposes.

Prepared by: Brent J. Fountain, Engineer, P.E.
Reviewed by: William J. Rose, Director of Engineering
Approved by: Frank Belock Jr., Deputy General Manager

Attachments:
1. Figure 1 – Location Map
2. Table 1 – Summary of Construction Change Orders
<table>
<thead>
<tr>
<th>Change Order</th>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
<th>Time Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Design Modification - Delete Liner Mock Fit-up and Provide Standard Pipe</td>
<td>$14,312</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>Project Adjustment - Install Insulating Joint in Miramar Hill Interconnect Vault</td>
<td>$13,954</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>3</td>
<td>Project Adjustment - Relocate Fiber Optic Differing Site Condition - Replace Storm Drain at Portal 2A</td>
<td>$67,611</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>Administrative - Modify Portal 4; Delete Portals 6 and 9</td>
<td>$83,400</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>Design Modification - Modify Grout Coupling &amp; Plug Size</td>
<td>$6,700</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>6</td>
<td>Design Modification - Modify Liner Pad Weld</td>
<td>$-</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>7</td>
<td>Project Adjustment - Modify Girth Seam Weld</td>
<td>$-</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>Differing Site Condition - Remove and Replace Cement Mortar Lining on Pipeline 4 Bulkhead at the Former SR52 Interconnect</td>
<td>$1,110</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>Differing Site Condition - Remove 12-inch Gate Valve on Pipeline 3 Bulkhead at Station 4354+84</td>
<td>$3,271</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>Differing Site Condition - Remove Concrete Encasement Below 30-inch manway at Pipeline 4 Station 0+64</td>
<td>$2,020</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>Differing Site Condition - Remove and Dispose of Concrete at Portals 5 and 8</td>
<td>$3,798</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>Differing Site Condition - Remove Concrete Encasement at Elliot Vent No. 5</td>
<td>$3,044</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
<td>Differing Site Condition - Remove Stagnant Water in Pipeline 4 Manhole Station 4336+53</td>
<td>$1,910</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>7</td>
<td>Administrative - Additional Days due to Inclement Weather December 13 and 18, 2012</td>
<td>$-</td>
<td>1 days</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>Project Adjustment - Provide Additional Traffic Control</td>
<td>$170,868</td>
<td>4 days</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>Administrative - Reimburse In-plant Factory Inspection August 2012 – January 2013</td>
<td>$431,888</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
<td>Project Adjustment - Remove and Replace Cathodic Protection Test Station at Pipeline 4 Sta 262+54</td>
<td>$12,465</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>Administrative - Increase Soil Amendment Allowance to match final disturbed area</td>
<td>$40,000</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>Differing Site Condition - Remove and Replace Unsuitable Material at Portal 11</td>
<td>$7,246</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>Project Adjustment - Install Cathodic Protection Test Station at Pipeline 4 Station 4226+70</td>
<td>$2,352</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>6</td>
<td>Administrative - Additional Days due to Inclement Weather Jan. 25, 26, 28 and Feb. 8, 2013</td>
<td>$-</td>
<td>5 days</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>Differing Site Condition - Repair Cement Mortar Lining at Pipeline 4 Station 4231+99</td>
<td>$2,884</td>
<td>0 days</td>
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<tr>
<td>5</td>
<td>2</td>
<td>Differing Site Condition - Remove Groundwater at Pipeline 3 Access Shaft Station 4355+10</td>
<td>$20,031</td>
<td>0 days</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>Outside Agency Request - Modify Traffic Control at Portal 11</td>
<td>$14,438</td>
<td>0 days</td>
</tr>
<tr>
<td>5</td>
<td>4</td>
<td>Administrative - Project Penalties due to Right-of-Way gates left open and unlocked</td>
<td>$1,000</td>
<td>0 days</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>Project Adjustment - Remove and Replace Fiber Optic Conduit at Pipeline 4 Flow Balancing Structure</td>
<td>$767</td>
<td>0 days</td>
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<tr>
<td>5</td>
<td>6</td>
<td>Differing Site Condition - Remove and Dispose of Concrete at Portal 11</td>
<td>$1,658</td>
<td>0 days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Description</td>
<td>Amount</td>
<td>Days</td>
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<td>---</td>
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<td>-----------------------------------------------------------------------------</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td>5</td>
<td>7</td>
<td>Field Modification - Repair weld discontinuity identified with Phased Array Ultrasonic Testing</td>
<td>$529</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>8</td>
<td>Administrative - Revise Partering Bid Item Allowance to reflect actual costs</td>
<td>$(10,000)</td>
<td>0</td>
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<tr>
<td>5</td>
<td>9</td>
<td>Administrative - Revise Soil Amendment Bid Item Allowance to reflect actual costs</td>
<td>$(4,630)</td>
<td>0</td>
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<td>5</td>
<td>10</td>
<td>Differing Site Condition - Remove Groundwater at Portal 10</td>
<td>$217,757</td>
<td>0</td>
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<tr>
<td>5</td>
<td>11</td>
<td>Differing Site Condition - Remove and Replace Unsuitable Road Subgrade at Portal 11</td>
<td>$4,925</td>
<td>0</td>
</tr>
</tbody>
</table>

Total Change Order Amount: $69,332
Total Time Extension: 10 days
Original Board Authorized Contract Amount: $21,190,000
New Contract Amount: $21,259,332
June 19, 2013

Attention: Engineering and Operations Committee

Professional Services Contract with SAIC to provide Carlsbad Desalination Plant design and construction performance and compliance monitoring services. (Action)

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

Alternatives
Do not authorize the contract, and direct staff to solicit new proposals.

Fiscal Impact
There are sufficient funds to support this recommendation remaining in the approved Capital Improvement Program budget and the Recommended Fiscal Years 2014 and 2015 appropriation for implementation of the Carlsbad Desalination Project, which is contingent upon Board approval of the Fiscal Years 2014 and 2015 Recommended Budget.

Background
On November 29, 2012, the Board approved a 30-year Water Purchase Agreement (WPA) with Poseidon Resources for the purchase of between 48,000 and 56,000 acre feet of desalinated ocean water per year. The WPA outlines the commercial and financial terms for the design, construction, and operation of the Carlsbad Desalination Project (Project). Under the terms of the WPA, the Water Authority has no responsibility or liability for the design, permitting, financing, construction, construction cost overruns, or operation of the plant. However, the Water Authority does have contractual responsibilities to ensure the project is implemented in a manner consistent with the design and contract standards included in the WPA. These responsibilities include the following:

- Plant design review and comment
- Review and approval of supplemental design and construction requirements for the plant flow meter and the fiber optic information system that will allow Water Authority aqueduct operators to read plant performance data
- Plant construction monitoring
- Review and approval of certain construction and performance documents

At the time the WPA was approved by the Board in November, 2012, the Board also approved a contract amendment with SAIC to support the Water Authority’s immediate, short-term, contract administration and design and construction review requirements. It was always anticipated that staff would competitively procure long-term consultant services to assist the Water Authority in carrying out its contractual responsibilities over the course of the three-year design and
construction period for the Project. This procurement is the subject of the remainder of this memorandum.

Discussion
A Request for Proposals (RFP) for engineering services supporting the Water Authority’s compliance with the WPA was advertised and emailed directly to civil engineering consulting firms via the Water Authority’s online vendor database (The Network) on March 18, 2013. Fifteen firms attended the mandatory pre-proposal meeting held on March 25, 2013. However, SAIC is the only firm that submitted a proposal to perform the work.

SAIC is a multi-disciplinary engineering and technology firm with extensive experience in infrastructure, water treatment and transmission, and desalination projects. Key factors considered in the evaluation process were prior experience in developing the WPA, ongoing performance in supporting the initial WPA compliance activities, past performance on other Water Authority projects, experience and capability of the project team, and understanding of the key issues. SAIC’s project manager and key staff have a thorough understanding of the WPA terms and proven capabilities and technical expertise related to contract administration, design review, and construction management.

Based on the Water Authority’s review of the written proposal, familiarity with SAIC’s past performance working with the Water Authority on the Carlsbad Desalination Project, and their prior experience working on the Tampa Bay Water Desalination Facility, SAIC is recommended to perform the required work.

The recommendation to award an engineering services contract is based on an analysis of the labor requirements supporting WPA compliance activities within the context of our staff/consultant mix criteria. The contract will generally include the following work: WPA coordination and compliance, review of design and construction deliverables, on-site and construction monitoring, compliance with supplemental design requirements for the plant flow meter and the fiber optic information system that will allow Water Authority aqueduct operators to read “real-time” plant performance data, establishment of acceptable operations and maintenance protocol, and completion of construction phase closeout. Upon Board approval, the contract will be executed for a not-to-exceed amount of $725,000. Even though SAIC is the sole proposer, staff determined that the contract fee is reasonable, consistent with the cost of previously provided SAIC services and in-line with the project CIP budget.

The engineering services required for WPA compliance is a narrow task that provides for limited subcontracting opportunities. Although SCOOP outreach was not required, the team does include a small business subconsultant that will provide construction cost support services.

Prepared by: Steve Simon, Engineer P.E.
Reviewed by: Ken Weinberg, Director of Water Resources
Reviewed by: William J. Rose, Director of Engineering
Approved by: Frank Belock, Jr., Deputy General Manager
June 19, 2013

Attention: Engineering and Operations Committee

Design-Build contract with TC Construction Company, Inc. for the San Marcos Vent Desal Modifications project. (Action)

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

Alternative
Do not award the contract and direct staff to negotiate with another design-build team or solicit new proposals. This will delay the Pipeline 3 Desal Relining – San Marcos to Twin Oaks project by approximately nine to eleven months, which will result in missing commitments made in the Water Purchase Agreement.

Fiscal Impact
There are sufficient funds to support this recommendation remaining in the approved Capital Improvement Program budget and the recommended Fiscal Years 2014 and 2015 appropriation for implementation of the Carlsbad Desalination Project, which is contingent upon Board approval of the Fiscal Years 2014 and 2015 recommended budget.

Background
On November 29, 2012, the Water Authority Board approved the Water Purchase and Design-Build agreements for the Carlsbad Desalination suite of projects, including new facilities and improvements that combine to treat and deliver desalinated water. The desalinated water will be pumped from the Carlsbad Desalination Plant east, via the Water Conveyance Pipeline, to the Water Authority’s existing Pipeline 3, then north to the Twin Oaks Valley Water Treatment Plant for distribution to member agencies. See Figure 1 for the location of all the project components.

A shutdown of Pipeline 3 between the aqueduct connection point and Twin Oaks Valley Water Treatment Plant is required for the relining of approximately 27,000 linear feet of Pipeline 3, and to facilitate appurtenant connections. The San Marcos Vent Desal Modifications project will provide a treated water connection south of the aqueduct connection point while the northern reach of Pipeline 3 is being relined. This connection allows the Water Authority to maintain its treated water delivery levels to the agencies served by the Ramona Pipeline, which includes the City of San Diego, Olivenhain Municipal Water District, and Ramona Municipal Water District.
Previous Board actions: On January 24, 2013 the Board authorized the General Manager to approve the Design-Build Performance Specifications for the San Marcos Vent Desal Modifications project.

Discussion
On April 29, 2013, a Request for Proposals was advertised to provide design-build services for the San Marcos Vent Desal Modifications project. A pre-proposal meeting and site visit were conducted on May 6, 2013. A total of 30 people, including contractors, suppliers, and water industry professionals, attended the pre-proposal meeting. Three design-build teams submitted proposals: J.F. Shea Construction, Inc. with Tetra Tech Engineering; L.H. Woods & Sons, Inc. with Infrastructure Engineering Corp.; and TC Construction Company, Inc. with RBF Consulting Engineers.

The selection criteria required design-build teams to provide a baseline contract price, demonstrate their approach to the work, discuss their technical experience and qualifications, present their quality assurance processes for design-build work, and elaborate on past performance and their ability to meet the project schedule. Based on the evaluation of written proposals and interviews, three design-build teams were interviewed by a panel comprised of Water Authority staff from Engineering, Operations & Maintenance, and Public Outreach and Conservation departments.

Based on review of the proposals, the interview process, and reference checks, TC Construction Company, Inc. was selected as the team providing the best value to perform the required services in the amount of $1,714,000.

Project construction is anticipated to begin in August 2013 with completion in June 2014.

Due to limited subcontracting opportunities for this type of service, SCOOP outreach was not required.

Prepared by: Jeremy Crutchfield, Engineer P.E.
Reviewed by: William J. Rose, Director of Engineering
Approved by: Frank Belock Jr., Deputy General Manager

Attachments:
   Figure 1 – Carlsbad Desalination Projects
Carlsbad Desalination Projects

Carlsbad Desalination Projects

Pacific Ocean

Agua Hedionda Pipeline 5E1
Pipeline 3
Pipeline 4

CARLSBAD DESALINATION PLANT

TUNNEL ALTERNATIVE

DESALINATION PRODUCT WATER CONVEYANCE PIPELINE (10 MILES, 54-INCH PIPE)

TWIN OAKS VALLEY WATER TREATMENT PLANT DESALINATION MODIFICATIONS

PIPELINE 3 DESALINATION RELINING SAN MARCOS TO TWIN OAKS (27,100 FEET)

SAN MARCOS VENT DESALINATION MODIFICATIONS

LEGEND
Desalination Plant
Desalination Pipeline
Water Authority Pipeline
Pipeline 3 Relining

SCALE feet
0 2,000 4,100 8,200

Page 17 of 502
For San Diego
Water Authority
June 19, 2013

Attention: Engineering and Operations Committee

Professional services contract with Dudek to provide Carlsbad Desalination Project environmental construction monitoring and support services. (Action)

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

Alternatives
Do not authorize the contract, and direct staff to negotiate with other consultant(s) or solicit new proposals.

Fiscal Impact
There are sufficient funds to support this recommendation remaining in the approved Capital Improvement Program budget and the Recommended Fiscal Years 2014 and 2015 appropriation for implementation of the Carlsbad Desalination Project, which is contingent upon Board approval of the Fiscal Years 2014 and 2015 Recommended Budget.

Background
Two of the Water Authority’s construction projects related to the Carlsbad Desalination Project are Pipeline 3 Relining from San Marcos to Twin Oaks Valley Water Treatment Plant, and Pipeline 4 San Marcos Vent Structure Modifications. These Projects require environmental monitoring to ensure all mitigation measures are implemented pursuant to Board adopted Mitigation Monitoring and Reporting Programs, and conditions of approval of various federal, state, and local permits.

Discussion
A Request for Proposals for environmental construction monitoring support services was advertised and emailed directly to environmental consulting firms via the Water Authority’s online vendor database (The Network) on March 4, 2013. Twenty firms attended the pre-proposal meeting held on March 11, 2013. Nine firms submitted proposals: Burns & McDonnell, Cardno TEC, Chambers Group, Dudek, ECORP Consulting, Garcia & Associates, RECON Environmental, Rincon Consultants, and Tierra Data.

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, Dudek was selected as the best qualified to perform the required work at a fair and reasonable price.

Dudek is a consulting firm specializing in environmental compliance and resources studies, field monitoring on construction projects, and habitat restoration. Key factors considered in the
selection process were the level of experience and capability of the team, understanding of the key issues, past performance on projects of similar size and scope, and experience and working relationship with the regulatory agencies. Dudek’s project manager and key staff have proven capabilities related to environmental and permitting compliance, have demonstrated their experience and knowledge of the key issues related to this project, and provide a full range of environmental assessment services. Dudek’s strong capabilities were demonstrated by its previous environmental compliance and construction monitoring work, including the Pipeline 3 Relining from SR52 to Lake Murray and the Mission Trails Pipeline Tunnel projects.

The recommendation to award an environmental support contract is based on an analysis of the project tasks within the context of our staff/consultant mix criteria. The contract will include work to monitor all environmental impact mitigation and permit requirements during construction and to assist with federal, state, and local agency coordination. Environmental monitoring and support during construction requires specialized skill sets and services which the Dudek team provides. It also represents the most cost-effective approach. Upon Board approval, the contract will be executed for a not-to-exceed amount of $365,000 for a 24-month period.

Construction monitoring is a narrow, single purpose task that provides for limited subcontracting opportunities. SCOOP staff has verified Dudek’s good faith efforts to conduct outreach to qualified small businesses, including but not limited to, minority- and women-owned businesses. The Dudek team includes two subconsultants, one of which is a small business enterprise. This information is provided for statistical purposes.

Prepared by: Mark Tegio, Senior Water Resources Specialist
Reviewed by: Ken Weinberg, Director of Water Resources
Reviewed by: William J. Rose, Director of Engineering
Approved by: Frank Belock, Jr., Deputy General Manager
June 19, 2013

Attention: Engineering and Operations Committee

Annual Aqueduct Operating Plan. (Information)

Background
This is the eighth year that the annual Aqueduct Operating Plan has been published. It was developed in June 2006 to coordinate Water Authority and Member Agency regional operating activities, including the delivery of treated and untreated water, aqueduct and treatment plant shutdowns, energy production and consumption, reservoir storage summaries and storage opportunities. This plan covers July 1, 2013 to June 30, 2014.

Discussion
The Aqueduct Operating Plan is used as a planning document to optimize the delivery, treatment, and storage of water in the Water Authority’s service area by means of coordination and communication between the member agencies and Metropolitan Water District.

The Aqueduct Operating Plan includes a summary of the Water Authority’s scheduled shutdowns that impact the delivery of treated and untreated water to the region, Water Authority pump station operating schedules, member agency major maintenance information, and the production and consumption of energy for the Water Authority’s hydroelectric facilities, water treatment plant, and pump stations. The plan was developed based on information received from member agencies, historical delivery data, constraints in the aqueduct system, and scheduled shutdowns.

Based on historic demand trends, average flows for the high-demand months of June through October are anticipated to range between 27 percent and 34 percent of the treated water capacity and 62 percent and 87 percent of the untreated water capacity of the aqueduct system.

The plan shows that, with effective communication and coordination, there is sufficient capacity to meet the region’s water supply demands for fiscal year 2014.

Prepared by: David L. Dow, Ph.D., Water Resources Specialist
Reviewed by: Nathan D. Faber, Operations and Maintenance Manager
Reviewed by: Gary A. Eaton, Director of Operations and Maintenance

Attachment:
1. Aqueduct Operating Plan
On the Cover

- San Vicente Dam nearing completion
- System Operator
- San Diego 12 Flow Control Facility, Rehabilitated in FY13
- San Diego 18/21 Flow Control Facility Venturi Meter
- Internal Valve Inspection at San Vicente Pump Station
- Twin Oaks Water Treatment Plant Submerged Membrane Pumps
- External pipeline welding repair
# Table of Contents

Executive Summary ......................................................................................................................... 1  
Water Supply ................................................................................................................................... 3 
Untreated Water Distribution Priorities ......................................................................................... 5 
Water Authority Aqueduct Shutdowns .......................................................................................... 7 
Member Agency Shutdowns ......................................................................................................... 14 
Water Authority Aqueduct Energy Production/Consumption ..................................................... 16 
Reservoirs and Storage Opportunities .......................................................................................... 20 
Asset Management and Major Maintenance Activities ............................................................... 24 

## Figures

- Figure 1 - FY 2014 Projected Treated Water System Utilization ............................................... 3  
- Figure 2 - FY 2014 Projected Untreated Water System Utilization ........................................... 3  
- Figure 3 - FY 2013 AOP Treated Water Demand vs. Actual Deliveries ................................. 4  
- Figure 4 - FY 2013 AOP Untreated Water Demand vs. Actual Deliveries .............................. 4  
- Figure 5 - Untreated Water Delivery Priorities ...................................................................... 5  
- Figure 6 - Water Authority FY 2014 PipelineShutdowns and Outages ................................. 8  
- Figure 7 - Scheduled Member Agency Maintenance Coordination ..................................... 14  
- Figure 8 - Rancho Hydro Revenues vs. Projections FY 2013 ............................................... 18  
- Figure 9 - Annual revenue generated at Lake Hodges Pump Storage Facility .................... 19  
- Figure 10 - Location and Relative Capacities of San Diego County Reservoirs .................. 20  
- Figure 11 - Regional Reservoir Levels (% of Capacity) May 1, 2013. ................................. 22  
- Figure 12 - Newly Refurbished SD12 .................................................................................... 24  

## Tables

- Table 1 - Rancho Hydro Revenues vs. Projections FY 2013 ............................................... 18  
- Table 2 - Storage/Capacity in Member Agency and Water Authority Reservoirs (AF) .... 21
Executive Summary

The annual Aqueduct Operating Plan (AOP) reflects on-going efforts to optimize the delivery, treatment, and storage of water in the San Diego region through coordination between member agency Operating Heads, Water Authority Staff, and the Metropolitan Water District of Southern California (MWD). Staff has updated the Aqueduct Operating Plan for fiscal year 2014 (FY 2014) to reflect anticipated operational opportunities and constraints, and to evaluate our performance for fiscal year 2013 (FY 2013).

The AOP includes the Water Authority’s anticipated pump station operating schedules and water treatment plant outages. The AOP was developed based on information received from member agencies, historical delivery/production data, capacity constraints within the Water Authority’s aqueduct system, and scheduled shutdowns. Highlights for fiscal year 2014 include:

- System capacity will not be an issue in meeting the region’s anticipated treated and untreated water requests.
- Maximum treated water system utilization is anticipated to be approximately 34 percent of treated aqueduct capacity (monthly average).
- Maximum untreated water system utilization is anticipated to be approximately 87 percent of untreated aqueduct capacity (monthly average).
- There will be 7 treated water shutdowns*.
- There will be 6 untreated water shutdowns and 1 untreated water outage*.

*Shutdowns affect large portions of the system and affect deliveries to a significant number of metered connections; outages are more localized and have considerably smaller impact on aqueduct deliveries.
Water Supply

Based on average historical deliveries over the past three years plus an additional 2%, it is expected that demand for both treated and untreated water for FY 2014 will not exceed system capacity and overall will be lower than the historically high demand year of FY 2004 (see Figure 1 and Figure 2). These projections indicate that treated water deliveries for the high demand months of June through October 2013 should result in flows ranging from 27 percent to 34 percent of the 650 cfs treated water pipeline capacity (Figure 1). Likewise, untreated deliveries for the high demand months of June through October 2013 should result in flows between 62 percent and 87 percent of the 780 cfs untreated pipeline capacity (Figure 2). These untreated delivery projections include capacity used for the initial phases of refilling of the San Vicente Reservoir.

![Figure 1 - FY 2014 Projected Treated Water System Utilization](image1)

![Figure 2 - FY 2014 Projected Untreated Water System Utilization](image2)
FY 2013 Water Authority demands for treated and untreated water have generally followed projected trends. Volumes were lower than the historically high demand year of FY 2004 (see Figure 3 and Figure 4).

Figure 3 - FY 2013 AOP Treated Water Demand vs. Actual Deliveries

Figure 4 - FY 2013 AOP Untreated Water Demand vs. Actual Deliveries
Untreated Water Distribution Priorities

Through a series of discussions with member agency staff, key untreated operating concerns were identified and used to develop untreated water delivery priorities. These priorities are intended to provide a framework for Water Authority operators to deal with potential conflicts during untreated water high demand periods. The Board adopted interim untreated water delivery priorities at the September 8, 2005 Board meeting. This plan complies with the interim untreated water distribution priorities and is shown in Figure 5.

**Figure 5 - Untreated Water Delivery Priorities**

<table>
<thead>
<tr>
<th>June 1, 2013 - October 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summer Untreated Water Delivery Priority</td>
</tr>
<tr>
<td>1) Member Agency Treatment Plants</td>
</tr>
<tr>
<td>2) Water Authority Treatment Plants</td>
</tr>
<tr>
<td>3) Storage</td>
</tr>
</tbody>
</table>

**June 1, 2013** - **Nov-13**

<table>
<thead>
<tr>
<th>Winter Untreated Water Delivery Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Member Agency Treatment Plants</td>
</tr>
<tr>
<td>2) Storage</td>
</tr>
<tr>
<td>3) Water Authority Treatment Plants</td>
</tr>
</tbody>
</table>

November 1, 2013 - May 31, 2014
Water Authority Aqueduct Shutdowns

The Water Authority conducts scheduled shutdowns of sections of pipeline for internal inspection, maintenance, and Capital Improvement Project (CIP) connections on an annual basis. These pipeline shutdowns are coordinated with MWD, member agencies, and all Water Authority Departments. The schedule includes three years of shutdowns to allow for the proper planning of maintenance and CIP activities for both the Water Authority and its member agencies. This three-year schedule is updated each January to facilitate the compilation of the Annual Aqueduct Operating Plan. At that time, the next fiscal year’s (July to June) Aqueduct shutdown schedules are made available to member agency personnel for review and comment, prior to inclusion in the AOP.

For FY 2014, there are 7 treated water shutdowns, 6 untreated water shutdowns, and 1 untreated water outage scheduled between October 2013 and June 2014. While the O&M Department will be involved in additional maintenance activities that will maximize the benefits of the shutdowns planned for FY 2014, the primary reasons for these shutdowns are to support activities related to either the Carlsbad Desalination Project or the pipeline relining project between Sweetwater Reservoir and Lower Otay Reservoir. As noted in the Executive Summary, the difference between shutdowns and outages are a matter of “scale,” shutdowns affect large portions of the system and affect deliveries to a significant number of metered connections, while outages are more localized and have considerably smaller impact on aqueduct deliveries. A timeline and brief description of the shutdowns and outages are shown in Figure 6.

Water Authority staff are involved in the planning of 4 pipeline shutdowns associated with CALTRANS widening and realignment of Highway 76. It is currently possible that these shutdowns may be delayed by one year, however they are included in the 13 total shutdowns mentioned above.
Figure 6 - Water Authority FY 2014 Pipeline Shutdowns and Outages
### October 6 through October 26, 2013 - Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 21-day treated water shutdown of Pipeline 4 from the Diversion Structure to Paint Mountain. Pipeline 4 treated flow will be terminated at the Diversion Structure.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shutoffs</td>
<td>1. Contractor will perform internal steel pipe condition assessment of Pipeline 4 from Twin Oaks to Paint Mountain.</td>
</tr>
<tr>
<td>Affects on MWD</td>
<td>N/A. Flows south of the Diversion Structure will be limited to 220 cfs (P3 capacity).</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following treated water connections will be switched to Pipeline 3 and limited to 220 cfs during this shutdown: VID3, VAL9, CR1, VAL7, OLIV1, OLIV3, SDSF3, OLIV2, SD10; Tri Agencies Pipeline: VID8, VID9, VID10, CR3, CR4, OCS4; Ramona Pipeline: OLIV5, SD14, SD15, RAM3.</td>
</tr>
</tbody>
</table>

### Nov 3 through Nov 12, 2013 - Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 10-day untreated water shutdown of Pipeline 3, San Vicente Pipeline, and Moreno Lakeside Pipeline. Pipeline 3 untreated water flows will terminate at Lake Murray, the MLP will be isolated from flows on the first aqueduct and the San Vicente Pipeline.</th>
</tr>
</thead>
</table>
| Shutoffs    | 1. Reline contractor will install a bulkhead on Pipeline 3 near the Sweetwater Reservoir and will reline Pipeline 3 from Sweetwater Reservoir to Lower Otay Reservoir (The R0211/R0212 Relining project, through Jun 2014). Water Authority staff will modify AFO equipment near OTAY5.  
2. Contractor will perform cement mortar lining and valve repairs on the MLP. |
| Affects on MWD | Possible untreated flow reduction of up to 280 cfs.                                                                                                                                                                                                                   |
| Member Agency Connections Affected | The following untreated water connections will be out of service during this shutdown: HLX 6, HLX7, HLX8, NCSB1, NCSB2, NCSB3, SD7, SD20, SD6A/B, and SDCWA’s San Vicente Pump Station.  
SD7, SD20, and SD6A/B will remain out of service thru June 2014. |
### December 16, 2013 through January 5, 2014 - Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A treated water shutdown on Pipeline 3 from the Diversion Structure to San Marcos Vent. Pipeline 3 treated water flows will be terminated at the Diversion Structure. Water Authority staff will make changes to accommodate treated water deliveries only from Pipeline 4 (from Twin Oaks Diversion Structure to Black Mountain until March 28, 2014). Water Authority staff will switch the following Member Agency Connections to operate off of Pipeline 4: VID3, VAL9, CR1, VAL7, OLIV1, OLIV3, SDSF3, OLIV2, SD10; Tri Agencies Pipeline: VID8, VID9, VID10, CR3, CR4, OCS4; Ramona Pipeline: OLIV5, SD14, SD15, RAM3.</th>
</tr>
</thead>
</table>
| Shutdowns | 2. Contractor to install upstream and downstream isolation bulkheads on Pipeline 3 in San Marcos and begin reline project of Pipeline 3 from Diversion to Tri Agencies Pipeline.  
3. Contractor to begin construction of Pipeline 3 isolation valve vault at Twin Oaks WTP. |
| Affects on MWD | N/A. Pipeline 3 treated capacity of 220 cfs will be made up by utilizing Pipeline 4 capacity up to 450 cfs. |
| Member Agency Connections Affected | No expected impacts to Member Agency deliveries during Pipeline 4 switch over. |

### January 5 through January 24, 2014 - Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 20-day untreated water shutdown of Pipeline 5 between MWD point of delivery and the Rejection Tower at Twin Oaks. Pipeline 5 flows will be terminated at MWD point of delivery. The Twin Oaks WTP will also be offline during this shutdown.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shutdowns</td>
<td>3. Contractor to replace Pipeline 5 under new SR-76 alignment and install a bulkhead on Pipeline 5 (possible one year delay).</td>
</tr>
<tr>
<td>Affects on MWD</td>
<td>Reduction in flow of up to 500 cfs (Pipeline 5 capacity). Reduction of up to 155 cfs additional untreated demand due to Twin Oaks WTP being offline during this shutdown.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following untreated water connections will be out of service during this shutdown: OCS5 AND Twin Oaks WTP. All remaining untreated connections will be supplied up to 280 cfs (Pipeline 3 capacity). The Crossover Pipeline will be out of service during installation of the bulkhead at the beginning of the shutdown and during the removal of the bulkhead at the end of the shutdown, affecting: ESC3, ESC4, SD9, POW3, RAM1,POW1, POW4, HLX8, HLX1, SD1, SD2, and the SD Weir. Upon completion of the bulkhead installation, Crossover Pipeline flow will be limited to 120 cfs due to hydraulic constraints, affecting: ESC3, ESC4, SD9, POW3, RAM1, POW1, POW4,HLX8, HLX1, SD1, SD2, and the SD Weir.</td>
</tr>
</tbody>
</table>
### February 6 through Mar 7, 2014 - Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 30-day untreated water shutdown of Pipeline 3 from MWD point of delivery to Twin Oaks.</th>
</tr>
</thead>
</table>
| **Shut downs**                                                            | 4. Contractor will perform steel pipe condition assessment on Pipeline 3.  
|                                                                            | 5. Contractor to replace Pipeline 3 under new SR-76 alignment (possible one year delay). |
| **Affects on MWD**                                                        | Potential untreated water reduction of up to 280 cfs (Pipeline 3 capacity) with increased demand on Pipeline 5, up to its capacity of 500 cfs. |
| **Member Agency Connections Affected**                                   | The following untreated water connections will be out of service during this shutdown: OCS2. All remaining untreated demands will be supplied up to 500 cfs (Pipeline 5 capacity). |

### March 18 through March 28, 2014 – Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>An 11-day treated water shutdown of Pipeline 4 from MWD point of delivery to Paint Mountain. This will be a full 2nd Aqueduct treated water shutdown.</th>
</tr>
</thead>
</table>
| **Shut downs**                                                            | 4. Contractor will install a temporary interconnect and perform modifications at San Marcos Vents on Pipelines 3 and 4.  
|                                                                            | 5. Contractor to install new piping at Twin Oaks Treated Water Flow Control Facility.  
|                                                                            | 6. Contractor to install bulkheads near SR-76 (possible one year delay). |
| **Affects on MWD**                                                        | Treated flow reduction up to 450 cfs. |
| **Member Agency Connections Affected**                                   | The following treated water connections will be out of service during this shutdown: DLZ1, RB9, FB6, RB8, RB7, FB4, RB6, VC8, RB3, VC7, OCS3, RB11, NCDP1, VAL10, VID3, VAL9, VID8, VID9, VID10, CR3, CR4, OCS4, CR1, VAL7, OLIV1, OLIV3, SDSD3, OLIV2, OLIV5, SD15, RAM3, SD10. Through coordination with Miramar WTP, approximately 30 cfs will be available to the following connections: SD11, PD4, SD18, SD21, HLX5, NCSB4, OTAY10, OTAY12, OTAY13. Through coordination with Oceanside WTP, treated water will be available to the following connections: VAL8, VID11, and OCS6. |
April 17 through April 23, 2014 – Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 7-day treated water shutdown of Pipeline 4 from MWD point of delivery to the Diversion Structure. This will be a full 2nd Aqueduct treated water shutdown.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shutdowns</td>
<td>7. Contractor will remove bulkheads on Pipeline 4 near SR-76 (possible one year delay).</td>
</tr>
<tr>
<td>Affects on MWD</td>
<td>Treated flow reduction up to 450 cfs.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following treated water connections will be out of service during this shutdown: DLZ1, RB9, FB6, RB8, RB7, FB4, RB6, VC8, RB3, VC7, OCS3, RB11, NCDP1, VAL10, VID3, VAL9, VID8, VID9, VID10, CR3, CR4, OCS4, CR1, VAL7, OLIV1, OLIV3, SDD3, OLIV2, OLIV5, SD15, RAM3, SD10. Through coordination with Miramar WTP, approximately 30 cfs will be available to the following connections: SD11, PD4, SD18, SD21, HXX5, NCSB4, OTAY10, OTAY12, OTAY13. Through coordination with Oceanside WTP, treated water will be available to the following connections: VAL8, VID11, and OCS6.</td>
</tr>
</tbody>
</table>

June 22 through June 28, 2013 – Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 7-day untreated water shutdown on Pipeline 3. Pipeline 3 will be isolated at Lake Murray. All Pipeline 3 untreated flows south of this point will be terminated.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shutdowns</td>
<td>6. Contractor will remove Pipeline 3 bulkhead and reconfigure the pipeline for normal operation (R0211/R0212, relining project related).</td>
</tr>
<tr>
<td>Affects on MWD</td>
<td>Possible untreated flow reduction of up to 280 cfs.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following untreated water connections will be out of service during this shutdown: NCSB1, NCSB2, NCSB3, SD7, SD20, SD6A/B.</td>
</tr>
</tbody>
</table>

March 16 through March 25, 2014 – Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 10-day outage of Lake Hodges Hydroelectric Facility for warranty inspection.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outage</td>
<td>1. Lake Hodges Hydroelectric Facility Warranty Inspection.</td>
</tr>
<tr>
<td>Affects on MWD</td>
<td>None.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>None.</td>
</tr>
</tbody>
</table>
Member Agency Shutdowns

In order to optimize the delivery, treatment, and storage of water in San Diego County, a request was sent to the Member Agency Operating Heads to obtain schedules for member agency treatment plant expansions, CIP tie-ins, scheduled treatment plant maintenance, and shutdowns. The goal of this request is to facilitate the production of one schedule that the member agencies can use to schedule their work at times that will have the least impact on the region. Responses from member agencies confirmed upcoming maintenance activities including those shown in Figure 7. A number of other maintenance projects were also identified, but they either lacked firm schedules or did not have a significant operational impact to the region. These types of projects, as well as Treatment Plant Shutdown coordination, will be carried throughout the year as standing discussion items at the regularly scheduled Operating Head meetings.

Figure 7 - Scheduled Member Agency Maintenance Coordination
With the completion of the Lake Hodges Pumped Storage Facility (LHH), the Water Authority will have two power generation facilities operating during FY 2014. The Water Authority will continue operation of the Rancho Peñasquitos Hydroelectric Facility, with LHH operations contracted out to ProTrans USA. The Water Authority will be operating six pump stations and CH2M Hill/OMI will be operating the Twin Oaks Valley Water Treatment Plant in FY14. Following is a list of those facilities along with their anticipated operation schedules and costs:

- **Rancho Peñasquitos Pressure Control and Hydroelectric Facility**
  - Projected months of operation: July 2013 to June 2014
  - Power generating capacity: 4.5 megawatts.
  - Estimated Power: 16,800 megawatt (MW) hours
  - Estimated Revenue: $900,000 ($1,800,000 for FY14/15)
  - Projected power consumption cost per month: $1,560
  - Total power consumption cost per year: $18,680

- **Lake Hodges Pumped Storage Facility**
  - Projected months of operation: None (only planned to be operated for Pumped Storage)
  - Power generating capacity: 20 megawatts (single turbine operation), 40 megawatts (two turbine operation)
  - Estimated Power: On call, based on SDG&E demands
  - Estimated Revenue (for availability): $1,820,000 ($3,640,000 for FY14/15)
  - Projected auxiliary power consumption cost per month: $13,870
  - Projected pump cost per year: $30,200
  - Total power consumption cost per year: $166,400

- **Olivenhain Pump Station**
  - Projected months of operation: None (only planned to be operated for quarterly maintenance)
  - Pumps (three available): One pump operation
  - Projected power consumption cost per month: $3,120
  - Projected pump cost for the year: $0 (other pumping may be done for the City of San Diego)
  - Total power consumption cost per year: $37,440

- **Escondido Pump Station**
  - Projected months of operation: June 2013 through Aug 2013 and May 2014 to June 2014
  - Pumps: Two pump operation
  - Projected operational cost per month: $150
  - Projected pump cost for the year: $3,870
  - Total power consumption cost per year: $5,630
Pipeline 2A Pump Station
- Projected months of operation: July 2013 through June 2014
- Pumps: Two pump operation
- Projected operational cost per month: $200
- Projected pump cost per month: $250
- Projected pump cost for the year: $3,040
- Total power consumption cost per year: $5,360

Miramar Pump Station (paid by the City of San Diego)
- Projected months of operation: July 2013 through June 2014
- Pumps: One pump operation
- Projected operational cost per month: $0
- Projected Water Authority pump cost per month: $0
- Projected Water Authority pump cost for the year: $0
- Total operational power consumption cost per year: $0

San Vicente Pump Station
- Projected months of operation: None (only planned to be operated for quarterly maintenance)
- Pumps (three available): Three pump operation
- Projected operational cost per month: $2,300
- Projected pump cost per quarterly maintenance test: $1,430
- Projected quarterly pump test cost for FY 2014: $5,720
- Total operational power consumption cost per year: $33,320

Twin Oaks Valley Pump Station
- Projected months of operation: None (only operated for monthly maintenance)
- Projected operational cost per month: $0 (included in TOV Treatment Plant costs)
- Projected pump cost per month: $0 (runs on generators only)
- Projected pump cost for the year: $0
- Total power consumption cost per year: $0

Twin Oaks Valley Water Treatment Plant
- Projected months of operation: July 2013 to June 2014
- Projected operational cost per month (average): $98,830
- Total power consumption cost per year: $1,185,900

The total power cost to operate the LHH, Rancho Hydro facility, the six pump stations, and Twin Oaks Valley WTP are estimated to be $1,452,730 for FY 2014. The FY 2014 and FY 2015 revenue for all Water Authority hydroelectricity generation is estimated to be $5,440,000.
As of the end of June, the Water Authority is on track to meet its FY2013 operating goal of $900,000 (16,800 MW hours of energy production) at the Rancho Hydro Facility (see Figure 8 and Table 1).

Figure 8 - Rancho Hydro Revenues vs. Projections FY 2013

Table 1 - Rancho Hydro Revenues vs. Projections FY 2013

<table>
<thead>
<tr>
<th>Month</th>
<th>Monthly Goal</th>
<th>Monthly Revenue</th>
<th>YTD $</th>
<th>Goal %</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>$ 96,660</td>
<td>$ 93,239</td>
<td>$ 93,239</td>
<td>10 %</td>
<td>Shutdown Jul 22nd to Jul 28th</td>
</tr>
<tr>
<td>Aug</td>
<td>$ 118,140</td>
<td>$ 120,063</td>
<td>$ 213,302</td>
<td>24 %</td>
<td>Extended Shutdown and minor maintenance</td>
</tr>
<tr>
<td>Sept</td>
<td>$ 107,400</td>
<td>$ 156,314</td>
<td>$ 369,616</td>
<td>41 %</td>
<td>Shutdown Oct 21st to Nov 3rd</td>
</tr>
<tr>
<td>Oct</td>
<td>$ 80,550</td>
<td>$ 100,760</td>
<td>$ 470,376</td>
<td>52 %</td>
<td>Shutdown to Nov 3rd</td>
</tr>
<tr>
<td>Nov</td>
<td>$ 48,330</td>
<td>$ 53,216</td>
<td>$ 523,592</td>
<td>58 %</td>
<td>Low Flows</td>
</tr>
<tr>
<td>Dec</td>
<td>$ 32,220</td>
<td>$ 33,697</td>
<td>$ 557,289</td>
<td>62 %</td>
<td>Low Flows</td>
</tr>
<tr>
<td>Jan</td>
<td>$ 32,220</td>
<td>$ 18,259</td>
<td>$ 575,548</td>
<td>64 %</td>
<td>Shutdown May 4 to May 10</td>
</tr>
<tr>
<td>Feb</td>
<td>$ 32,220</td>
<td>$ 784</td>
<td>$ 576,332</td>
<td>64 %</td>
<td>Low Flows</td>
</tr>
<tr>
<td>Mar</td>
<td>$ 48,330</td>
<td>$ 68,694</td>
<td>$ 645,025</td>
<td>72 %</td>
<td>Low Flows</td>
</tr>
<tr>
<td>April</td>
<td>$ 80,550</td>
<td>$ 33,151</td>
<td>$ 678,176</td>
<td>75 %</td>
<td>Low Flows</td>
</tr>
<tr>
<td>May</td>
<td>$ 107,400</td>
<td>$ 94,467</td>
<td>$ 772,643</td>
<td>86 %</td>
<td>Low Flows</td>
</tr>
<tr>
<td>June</td>
<td>$ 118,140</td>
<td>$</td>
<td>$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Lake Hodges Pump Storage Facility declared commercial operation on August 27, 2012 and in FY 2013 has been operating toward its goal of $2,200,000 in revenue. Due to maintenance issues in March through June and a late start in August, it is projected that FY 2013 revenues will not meet the $2,200,000 goal, and will be approximately $1,700,000 for the year (Figure 9).

Figure 9 - Annual revenue generated at Lake Hodges Pump Storage Facility.

**Solar Generation**

In October of 2010, a Solar Power and Services Agreement was signed between the Water Authority and Borrego Solar Systems Incorporated (Borrego) which allowed Borrego to install solar systems at the Kearny Mesa Headquarters, Escondido Operations Center, and the Twin Oaks Valley Water Treatment Plant. The Water Authority purchases the power generated at these sites at rates lower than the projected utility rate. The systems are owned, financed, and maintained by Borrego so that there are no expenses to the Water Authority other than the staff time required to monitor the agreements. Following is a list of the three solar facilities along with their anticipated operation schedules, and estimated savings to the Water Authority based on Borrego’s contract.

- **Escondido Operations Center**
  - Projected Months of Operation: July 2013 to June 2014
  - Estimated Generation: 222,000 kWh
  - Estimated Savings: $9,000

- **Twin Oaks Valley Water Treatment Plant**
  - Projected Months of Operation: July 2013 to June 2014
  - Estimated Generation: 1,739,000 kWh
  - Estimated Savings: $70,000

- **Kearny Mesa Headquarters**
  - Projected Months of Operation: July 2013 to June 2014
  - Estimated Generation: 646,000 kWh
  - Estimated Savings: $26,000
Reservoirs and Storage Opportunities

Member agency and Water Authority reservoirs serve multiple functions including: surface water capture, seasonal shift water storage, carryover storage, and local sources of emergency water supplies. Member agency and Water Authority reservoirs function as system capacity buffers during peak demand periods and offer a level of security for short and long-term emergency situations. The size and location of each reservoir affects the extent to which it can perform the various functions, as does the individual agencies’ operational plan (Figure 10 and Figure 11, and Table 2).

Figure 10 - Location and Relative Capacities of San Diego County Reservoirs
# Table 2 - Storage/Capacity in Member Agency and Water Authority Reservoirs (AF)

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Total</th>
<th>Usable</th>
<th>Dead (unusable)</th>
<th>Member Agency Carryover</th>
<th>ESP</th>
<th>Water Authority Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Henshaw</td>
<td>51,774</td>
<td>51,768</td>
<td>6</td>
<td>6,688</td>
<td></td>
<td>6,688</td>
</tr>
<tr>
<td>Wohlford</td>
<td>6,506</td>
<td>6,156</td>
<td>350</td>
<td>2,054</td>
<td></td>
<td>2,054</td>
</tr>
<tr>
<td>Dixon</td>
<td>2,606</td>
<td>2,541</td>
<td>65</td>
<td>2,352</td>
<td></td>
<td>2,352</td>
</tr>
<tr>
<td>Sutherland</td>
<td>29,508</td>
<td>29,396</td>
<td>112</td>
<td>3,409</td>
<td></td>
<td>3,409</td>
</tr>
<tr>
<td>Hodges</td>
<td>30,251</td>
<td>28,422</td>
<td>1,829</td>
<td>6,634</td>
<td>4,556</td>
<td>11,190</td>
</tr>
<tr>
<td>San Diego</td>
<td>883</td>
<td>717</td>
<td>166</td>
<td>424</td>
<td></td>
<td>424</td>
</tr>
<tr>
<td>San Vicente (see Note 2 below)</td>
<td>90,200</td>
<td>38,680</td>
<td>341</td>
<td>36,512</td>
<td>1,882</td>
<td>38,394</td>
</tr>
<tr>
<td>El Capitan</td>
<td>112,807</td>
<td>109,992</td>
<td>2,815</td>
<td>62,639</td>
<td>4,556</td>
<td>67,195</td>
</tr>
<tr>
<td>Murray</td>
<td>4,684</td>
<td>4,292</td>
<td>392</td>
<td>3,884</td>
<td></td>
<td>3,884</td>
</tr>
<tr>
<td>Cuyamaca</td>
<td>8,195</td>
<td>8,195</td>
<td></td>
<td>833</td>
<td></td>
<td>833</td>
</tr>
<tr>
<td>Jennings</td>
<td>9,790</td>
<td>9,790</td>
<td></td>
<td>8,976</td>
<td></td>
<td>8,976</td>
</tr>
<tr>
<td>Loveland</td>
<td>25,400</td>
<td>25,225</td>
<td>175</td>
<td>9,100</td>
<td></td>
<td>9,100</td>
</tr>
<tr>
<td>Sweetwater</td>
<td>28,079</td>
<td>27,179</td>
<td>900</td>
<td>11,077</td>
<td></td>
<td>11,077</td>
</tr>
<tr>
<td>Morena</td>
<td>50,694</td>
<td>50,020</td>
<td>674</td>
<td>8,028</td>
<td></td>
<td>8,028</td>
</tr>
<tr>
<td>Barrett</td>
<td>34,806</td>
<td>34,207</td>
<td>599</td>
<td>18,719</td>
<td></td>
<td>18,719</td>
</tr>
<tr>
<td>Lower Otay</td>
<td>49,849</td>
<td>46,026</td>
<td>3,823</td>
<td>34,313</td>
<td>1,581</td>
<td>35,894</td>
</tr>
<tr>
<td>Miramar</td>
<td>6,682</td>
<td>5,774</td>
<td>908</td>
<td>5,370</td>
<td></td>
<td>5,370</td>
</tr>
<tr>
<td>Poway</td>
<td>3,330</td>
<td>2,560</td>
<td>770</td>
<td>2,934</td>
<td></td>
<td>2,934</td>
</tr>
<tr>
<td>Ramona</td>
<td>12,000</td>
<td>11,800</td>
<td>200</td>
<td>2,511</td>
<td></td>
<td>2,511</td>
</tr>
<tr>
<td>Turner</td>
<td>1,612</td>
<td>1,552</td>
<td>60</td>
<td>1,388</td>
<td></td>
<td>1,388</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>24,789</td>
<td>24,746</td>
<td>43</td>
<td>18,000</td>
<td>1,283</td>
<td>19,283</td>
</tr>
</tbody>
</table>

**Notes:**
2. San Vicente Reservoir’s usable storage capacity prior to the dam raise was 90,200 AF. It is drawn down to approx. 38,680 AF to facilitate the San Vicente dam raise portion of the Emergency Storage Project.

In addition to meeting local storage and operational demands, Olivenhain, San Vicente, Hodges reservoirs play a significant role in the Water Authority’s Emergency Storage Program (ESP), in response to regional emergency situations related to water supply availability. The San Vicente Reservoir will also be utilized as a regional carryover storage facility.
Figure 11- Regional Reservoir Levels (% of Capacity) as of May 1, 2013

(This Figure represents the Water Authority Carryover Storage and Regional ESP Storage)

Note: San Vicente Reservoir’s usable storage capacity prior to the dam raise was 90,200 AF. It is drawn down to approx. 38,680 AF to facilitate the San Vicente dam raise portion of the Emergency Storage Project.
In addition to ongoing corrective maintenance (CM) that is undertaken in response to specific needs or events, the O&M Department is also engaged in a rigorous program of preventative maintenance (PM) that ensures optimal performance of Water Authority assets throughout their life cycles. These PM activities can include inspection, rehabilitation/upkeep, lubrication, and/or replacement of assets where appropriate. In addition to routine CM and PM work, the O&M Department undertakes additional Asset Management projects and “major” projects that fall outside the scope of routine maintenance. Some of the activities undertaken during FY2013 included:

- Replacement of corroded piping in 36 blow offs on the treated and untreated portions of pipelines 1&2 (First Aqueduct).
- Demolition of San Diego 3 and Vallecitos 6 flow control facilities. These facilities were no longer in service and were not needed by our Member Agencies. O&M staff removed all Water Authority Equipment, installed blind flanges on pipeline connections, and removed the structures on Vallecitos 6.
- Replacement of control valves and venturi meters at FB 4 and RAM 1 flow control facilities.
- Replaced the 60-inch dissipater valve at the Olivenhain Dam.
- Refurbished and reconfigured the 40 year old SD 12 flow control facility (see Figure 12 below).

Figure 12 – Newly Refurbished SD 12
The Asset Management and major maintenance activities planned by the O&M Department for FY 2014 include:

- Replacement of valve at the Pipeline 4 to Valley Center Pipeline connection
- Demolition of Padre Dam 3, Otay 3, and Otay 9 Flow Control Facilities/Turnouts. These facilities are no longer in service and are not needed by the Member Agencies. O&M staff will remove all Water Authority Equipment, install blind flanges on the pipeline connections, demolish the structures, and backfill the vaults.
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. Agreement with Brownstein Hyatt Farber Schreck, LLP, for special counsel services for fiscal years 2014 and 2015. Staff recommendation: Authorize General Counsel to execute an agreement for legal and other professional services with Brownstein Hyatt Farber Schreck, LLP for fiscal years 2014 and 2015. (Action) Dan Hentschke

II. ACTION/DISCUSSION

1. Metropolitan Water District Issues and Activities update. MWD Delegates
   1-A Metropolitan Water District Delegates report. (Information) (supplemental materials) MWD Delegates
   1-B Financial review of MWD’s mid-term biennial budget. Amy Chen (Information)
2. **Colorado River Program.**
   2-A Colorado River Board representative’s report. (Information) (supplemental materials)  
   Michael T. Hogan

   2-B Authorize the General Manager to execute memoranda of agreement with California Department of Fish and Wildlife for canal lining projects’ environmental mitigation.  
   Staff recommendation: Authorize the General Manager to execute two memoranda of agreement with the California Department of Fish and Wildlife to establish endowments totaling $1,127,709 for the All American and Coachella canal lining projects’ environmental mitigation. (Action)  
   Halla Razak

### III. INFORMATION

1. Metropolitan Water District Program report.  
   Amy Chen

2. Bay Delta Quarterly update.  
   Amy Chen

### IV. CLOSED SESSION

1. 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)  
   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

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

V. ADJOURNMENT

Doria F. Lore
Clerk of the Board

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.
June 19, 2013

Attention: Imported Water Committee

Approve agreement with Brownstein Hyatt Farber Schreck, LLP, for special counsel services for fiscal years 2014 and 2015 (Action)

Purpose
To continue the special counsel services provided by Brownstein Hyatt Farber Schreck, LLP for the next two fiscal years.

Staff recommendation
Authorize General Counsel to execute an agreement for legal and other professional services with Brownstein Hyatt Farber Schreck, LLP for fiscal years 2014 and 2015.

Alternatives
1. Do not approve the agreement and terminate the services of Brownstein Hyatt Farber Schreck, LLP.
2. Direct negotiation of an agreement upon different terms.

Fiscal impact
Funds for services provided under the proposed agreement are included in the recommended FYs 14 and 15 budget contingent upon Board approval as follows: MWD Program -- $672,000; Colorado River Program -- $520,000; General Counsel Office -- $2,780,000.

Background
Brownstein Hyatt Farber Schreck, LLP provides special counsel for the Water Authority relating to the QSA and Colorado River, MWD programs and policies, and State Water Resource Control Board proceedings, including the QSA litigation, the MWD rate litigation, and the SWRCB permit proceedings for the QSA water transfers. Brownstein lawyers have assisted the Water Authority throughout the negotiation, drafting, and implementation of the IID/SDCWA Agreement for Transfer of Conserved Water and the QSA and its related agreements, with services first provided in 1996. Since 2007, Brownstein has also provided retainer services in support of the MWD Program.

Previous Board Action: In June 2011, the Board approved the agreement under which Brownstein is currently providing legal services.

Discussion
Brownstein provides legal services in two major water supply program areas: the QSA and Colorado River program, including representation of the Water Authority in the QSA litigation; the MWD Program including MWD rate litigation. Scott Slater has primary responsibility for QSA and Colorado River program matters with litigation services provided by Liz Rothman, Amy Steinfeld,
and Brad Herrema. Chris Frahm has primary responsibility for MWD Program matters, and is a member of the MWD rate litigation team. Ms. Frahm’s services in support of MWD Program matters are provided at a fixed monthly retainer of $26,350. All other services including all litigation are provided at an hourly rate. The proposed contract includes the following not-to-exceed amounts: Retainer Services - $672,000; MWD Rate litigation and related matters - $800,000; QSA appeal $850,000; and other QSA and Colorado River program matters $1,650,000. Adjustments in these amounts among categories may be approved by the General Manager and General Counsel, but any increase in the total amount must be approved by the Board. The contract includes an increase in the retainer amount of approximately two percent and an increase in hourly rates ranging from 2.5 percent to approximately nine percent. The hourly rates had not been increased for several years.

Brownstein also provides services to public agencies and private clients throughout California and the nation. As required by the rules of professional conduct for attorneys, Brownstein has provided a confidential letter disclosing potential conflicts of interest. The General Counsel transmitted the letter to the Board by separate communication. If the Board approves the agreement, it would be consenting to the concurrent representation as set forth in the confidential disclosure letter.

Prepared by: Daniel S. Hentschke, General Counsel
Reviewed by: Maureen A. Stapleton, General Manager

Attachment: Agreement for Legal and Other Professional Services
LEGAL SERVICES AGREEMENT  
BETWEEN SAN DIEGO COUNTY WATER AUTHORITY  
AND BROWNSTEIN HYATT FARBER SCHRECK, LLP  

This agreement is for continued provision of legal services to the San Diego County Water Authority ("Water Authority") by Brownstein Hyatt Farber Schreck, LLP ("Brownstein").

GENERAL SCOPE OF WORK

1. Brownstein will provide both Hourly and Retainer services with respect to the following matters:

   (a) Representation of the Water Authority in litigation (including trial or appeal), arbitration, or administrative proceedings relating to the Quantification Settlement Agreement or any of its referenced agreements;

   (b) Representation and advice relating to the administration and implementation of the Quantification Settlement Agreement and Colorado River water use and delivery;

   (c) Representation and advice relating to State Water Resources Control Board change petition and associated environmental review for QSA implementation;

   (d) Advice, counsel, and strategic litigation coordination with respect to matters affecting the rate litigation between the Water Authority and the Metropolitan Water District of Southern California ("MWD");

   (e) Advice and counsel with respect to Public Records Act requests involving MWD and/or any of its member agencies;

   (f) Advice and counsel with respect to other legal matters relating to the MWD and its member agencies; and

   (g) Other legal services as requested by the General Counsel provided Brownstein consents in writing, including electronic mail, to provide such services.

Because of the variability of time and complexity of the issues within the scope of services, Brownstein will consult regularly with the General Counsel and General Manager regarding the appropriate level of effort to accomplish the work.

2. In consideration of the scope and volume of services provided under this Agreement, Brownstein agrees to provide a favorable rate for Retainer Services, to be provided by Chris Frahm, based on an average monthly workload of approximately 62 hours, in exchange for a monthly fee of $26,350. In addition to these Retainer Services, Chris Frahm will provide up to 8 “full day” assignments at a discounted rate of $2,500/day, plus documented actual, necessary expenses of any travel and subsistence. “Full day” services are also provided at a
more favorable rate, without regard to the number of hours actually spent providing the services that day. Direction for “full day” service must be confirmed by the General Counsel and General Manager in writing or by email.

3. All Hourly and Retainer Services shall be provided as directed by the General Counsel and General Manager. Matters 1 (a), (b), and (c) will be coordinated through Scott Slater. Matters 1 (d), (e), and (f) will be coordinated through Chris Frahm. All other matters and general contract administration will be coordinated through Brownstein’s California Managing Partner. Specific attorneys providing service are subject to approval by the General Counsel and General Manager.

4. The Water Authority Standard Billing Guidelines for Legal Services attached hereto, are incorporated into this agreement by this reference, and shall apply to the provision of all Services.

5. The monthly retainer fee is due as of the fifteenth day of each calendar month. Invoices for Retainer Services will be submitted to the General Counsel, and include the retainer fee for the current month plus the amount of reimbursable expenses, if any, incurred during the prior month. All invoices for Hourly Services will be submitted to the General Counsel. Except for payment of the monthly retainer, which is due on the fifteenth day of each calendar month, the Water Authority generally will process and pay bills within 30 days from receipt. For purposes of administering billing questions, issues and payment the General Counsel will coordinate with Brownstein’s San Diego offices. Travel costs, including transportation and meals, will be reimbursed according to the Water Authority’s policy for reimbursement of travel and meal expenses for employees, not to exceed actual cost. Any travel with an estimated expense of $500 or more requires advance approval of the General Counsel or General Manager. Travel expenses incurred for services within the county of the home office of the Brownstein attorney or employee incurring the travel expense are not reimbursable.

6. Water Authority acknowledges that any oral or written estimate of fees for the engagement is only an estimate and the actual fees and costs of the engagement may vary materially from such estimate. Water Authority agrees to pay the actual fees and costs billed for the engagement. It is difficult to determine, at the beginning of a matter, the full extent of the appropriate and necessary legal services because much of Brownstein’s work may depend upon the responses of other parties or agencies, or upon facts not yet known. Brownstein’s services shall not be a fixed fee, but rather all work shall be billed on an hourly rate and the fees will be based on the time actually devoted to the matter including consultations, correspondences, meetings, telephone calls, negotiations, factual investigations and analysis, legal research and analysis, document preparation and revision, travel away from the office on the Water Authority’s behalf, and all work related to the matter.

The amounts paid under this agreement will not exceed the following: Retainer Services, including Matter 1 (f) - $672,000; Matters 1 (d) and (e) - $800,000; Matter 1 (a) - $850,000; Matters 1 (b), (c) and (g) - $1,650,000. Adjustments among these amounts may be approved by the General Manager and General Counsel. An increase in the total amount is subject to approval by the Water Authority’s board of directors. The rates for attorneys providing Hourly
Services will be according to the rate schedule on file with the General Counsel and approved by the General Manager and General Counsel.

Brownstein acknowledges that the Water Authority has retained its services to obtain the highest quality service at a reasonable price and that it has allowed for more favorable retainer rates in consideration of the scope and volume of services to be rendered under this Agreement. Brownstein will endeavor to provide all services as economically as reasonable, consistent with the provision of high caliber legal services and its professional responsibilities. Brownstein hereby undertakes to diligently perform legal services more particularly described above. Although Brownstein promises to perform its professional services to the best of its attorney’s abilities, it cannot make and has not made any guarantees regarding the outcome. Expressions about the outcome of the matter are professional estimates only, and are limited by the knowledge at the time those expressions are made. Brownstein will be compensated for the time and effort it devotes to a matter and not for any particular result.

7. Communications between Brownstein and the Water Authority are privileged. Brownstein will provide to the Water Authority upon request all information and material acquired and generated by Brownstein during the course of Brownstein’s engagement, including work product, identities and opinions of consultants and expert witnesses, and any other information pertaining to this matter. Brownstein agrees to protect confidential information and communications against disclosure, unless such disclosure is authorized in writing by the Water Authority General Manager or General Counsel or compelled by duly issued subpoena. Brownstein shall advise the Water Authority of any request for disclosure of information or of any actual or potential disclosure of information. Brownstein will protect such information using a reasonable degree of care as is used to protect its own confidential information of like nature. Brownstein agrees to protect confidential information disclosed under this agreement in both (a) a tangible form, clearly labeled confidential at the time of disclosure, and (b) in non-tangible form, such as oral communications. This agreement covers all confidential information Brownstein has obtained from the Water Authority before execution of the agreement and may obtain in the future. Brownstein’s obligations regarding confidential information shall survive the termination of this agreement. The provisions of this paragraph shall apply to all of Brownstein’s officers, employees and agents.

8. During the course of this engagement, communications may occur through sending, receiving or exchanging electronic versions of documents and e-mails using commercially available computer software and Internet access. Water Authority intends that these communications be and remain confidential unless disclosure is specifically and intentionally authorized by it. Also, Brownstein and the Water Authority acknowledge that the Internet is occasionally victimized by the creation and dissemination of so-called viruses, or similar destructive electronic programs. Brownstein and the Water Authority take issues raised by these viruses seriously and have invested in document and e-mail scanning software that identifies and rejects files containing known viruses. Brownstein agrees to update its system with the software vendor’s most current releases at regular intervals. Because of operation of the virus scanning software the respective computer systems of the parties may occasionally reject a communication. The parties acknowledge that this occurrence is to be expected as part of the ordinary course of business. Because the virus protection industry is generally one or two steps behind new viruses, neither party can guarantee that its respective
communications and documents will be virus free. Occasionally, a virus will escape and go undetected as it is passed from system to system. Although each party will use all reasonable efforts to assure that its communications are virus free, neither party warrants that its documents will be virus free. Each party agrees to advise the other if it discovers a virus in its respective system that may have been communicated to the other party.

9. To the fullest extent permitted by law, Brownstein shall (1) immediately defend, and (2) indemnify the Water Authority, and its directors, officers, and employees from and against all liabilities regardless of nature or type arising out of or resulting from the alleged negligent or wrongful act or omission of Brownstein or its officers, employees, agents, or subcontractors relating to or arising from performance of services under this agreement. Liabilities subject to the duties to defend and indemnify include, without limitation all claims, losses, damages, penalties, fines, and judgments; associated investigation and administrative expenses; defense costs, including but not limited to reasonable attorneys’ fees; court costs; and costs of alternative dispute resolution. Brownstein’s obligation to indemnify applies unless it is adjudicated that its liability was caused by the sole active negligence or sole willful misconduct of an indemnified party; provided, however, if it is finally adjudicated that liability is caused by the comparative active negligence or willful misconduct of an indemnified party, Brownstein’s indemnification obligation shall be reduced in proportion to the established comparative liability of the indemnified party.

The duty to defend is a separate and distinct obligation from the Brownstein’s duty to indemnify. Brownstein shall be obligated to defend, in all legal, equitable, administrative, or special proceedings, with counsel approved by the Water Authority, the Water Authority and its directors, officers, and employees, immediately upon tender to Brownstein of the claim in any form or at any stage of an action or proceeding, whether or not liability is established. An allegation or determination of comparative active negligence or willful misconduct by an indemnified party does not relieve Brownstein from its separate and distinct obligation to defend Water Authority. The obligation to defend extends through final judgment, including exhaustion of any appeals. The defense obligation includes an obligation to provide independent defense counsel if Brownstein asserts that liability is caused in whole or in part by the negligence or willful misconduct of the indemnified party. If it is finally adjudicated that liability was caused by the sole active negligence or sole willful misconduct of an indemnified party, Brownstein may submit a claim to the Water Authority for reimbursement of reasonable attorneys’ fees and defense costs.

The review; acceptance or approval of the Brownstein’s work or work product by any indemnified party shall not affect, relieve or reduce Brownstein’s indemnification or defense obligations. This Section survives completion of the services or the termination of this contract. The provisions of this Section are not limited by and do not affect the provisions of this contract relating to insurance.

10. Without limitation of the provisions of this agreement relating to indemnification and defense, Brownstein, at its expense, shall maintain in full force and effect during the period of performance of this agreement and for five years thereafter, professional malpractice insurance that covers the services provided pursuant to this agreement in the amount of not less

Page 4 of 11
Brownstein, at its expense, shall also maintain during the period of performance of this agreement and for three years thereafter, insurance as follows:

General liability: (with coverage at least as broad as ISO form CG 00 01 10 01) coverage in an amount not less than $2,000,000 general aggregate and $1,000,000 per occurrence for general liability, bodily injury, personal injury, and property damage.

Automobile liability: (with coverage at least as broad as ISO form CA 00 01 10 01, for “any auto”) coverage in an amount not less than $1,000,000 per accident for personal injury, including death, and property damage.

Workers' compensation and employer's liability: coverage shall comply with the laws of the State of California.

A deductible or retention may be utilized, subject to approval by the Water Authority.

The insurance policies shall be endorsed as follows:

For the commercial general liability insurance, the Water Authority (including its directors, officers, employees, and agents) shall be named as additional insured, and the policy shall be endorsed with a form equivalent to ISO form CG 20 10 10 93, that contain the provisions required by this contract.

Brownstein’s insurance is primary to any other insurance available to the Water Authority with respect to any claim arising out of this agreement. Any insurance maintained by the Water Authority shall be excess of the Brownstein’s insurance and shall not contribute with it. Brownstein’s endorsement of insurance shall include a waiver of any rights of subrogation against the Water Authority, and its directors, officers, employees and agents.

Brownstein’s insurance will not be canceled, limited, amended, reduced in coverage amount, or allowed to expire without renewal until after thirty (30) days’ written notice has been given to the Water Authority, or after ten (10) days’ written notice in the case of cancellation for non-payment of premium.

All insurance shall be provided by insurance companies authorized to do business in the State of California.

11. Brownstein acknowledges and agrees to abide by the following provision of the Water Authority Administrative Code Section 2.24.010 that states:

“(a) It is the policy of the Authority to protect and safeguard the right and opportunity of all persons to seek, obtain, and hold employment without discrimination or abridgment on account of race, color, ethnicity, national origin, ancestry, religion, creed,
veteran status, physical disability, mental disability, medical condition, marital status, sex, sexual orientation, age, gender, gender identity, gender expression, or other status protected from workplace discrimination by state or federal law. Authority officers, employees and Contractors shall not knowingly deny an Authority opportunity or benefit, discriminate against or harass, any Authority employee, applicant for employment, contractor, vendor, or recipient of Authority services on account of the person’s race, color, ethnicity, national origin, ancestry, religion, creed, veteran status, physical disability, mental disability, medical condition, marital status, sex, sexual orientation, age, gender, gender identity, gender expression, or other status protected from workplace discrimination by state or federal law. Authority officers, employees and Contractors shall not knowingly give preferential treatment to any applicant for employment, bidder, contractor, vendor, or recipient of Authority services on the basis of race, color, ethnicity, national origin, ancestry, religion, creed, physical disability, mental disability, medical condition, marital status, sex, or sexual orientation.

“(b) This section shall be interpreted in a manner that is consistent with the California and United States Constitutions and applicable state and federal statutes governing workplace discrimination. The terms used in this section shall have the same meaning as defined in state statutes governing the same subject matter.

“(c) Nothing in this section shall be interpreted as prohibiting bona fide occupational qualifications consistent with applicable state and federal law and reasonably necessary to the normal operation of Authority employment or contracting. Nothing in this section shall be interpreted as prohibiting regulations and policies to prevent nepotism or conflicts of interest.

“(d) Nothing in this section shall be interpreted as prohibiting action taken to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds to the Authority.”

Brownstein agrees to comply with Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, the Americans with Disabilities Act of 1990.

Brownstein and its officers, employees, agents and subcontractors shall comply with the Water Authority’s Discrimination/Harassment Prohibition Policy in performance of this contract.

To the fullest extent permitted by law and without limitation by the provisions relating to insurance, the Brownstein, shall also indemnify and defend, pursuant to Section 13, the Water Authority, and its directors, officers, employees and agents from and against all liability resulting from any claim of discrimination or harassment, including but not limited to sexual harassment, arising from the conduct of Brownstein or any of the Brownstein’s officers, employees, contractors, or agents.

12. Brownstein is an independent contractor. Neither it nor its officers, employees, subcontractors or agents are employees of the Water Authority for any purpose whatsoever. Brownstein and its officers, employees, subcontractors and agents have no right or authority to
assume or create any obligation or responsibility, express or implied, on behalf of the Water Authority, unless expressly authorized in a written document signed by the Authority’s General Manager or General Counsel.

13. Water Authority has determined, based on the scope of the services to be provided by Brownstein, except with respect to Retainer Services, that this agreement does not confer on any of Brownstein’s attorneys or other firm personnel status as a member, officer, employee or consultant of the Water Authority, a local governmental agency, for the purposes of the Authority’s Local Conflict of Interest Code and the California Political Reform Act. This agreement does not require or permit Brownstein, or any of its attorneys or other personnel to make a governmental decision as specified in 2 Cal. Code of Regs. § 18701, subdiv. (a)(2)(A), or serve in a staff capacity as specified in 2 Cal. Code of Regs. § 18701, subdiv. (a)(2)(B). Brownstein agrees that it will not make representations inconsistent with the provisions of this section. With respect to Retainer Services, the Water Authority has determined, based on the scope of the Retainer Services under this contract, that Christine Frahm has the status of a “Consultant” of the Water Authority for the purposes of the Water Authority’s Local Conflict of Interest Code and the California Political Reform Act. Contractor will be subject to the same disclosure and disqualification requirements that apply to the position of Assistant General Counsel, or similar position, under the Water Authority’s Local Conflict of Interest Code. The determination of “Consultant” status is made as of July 1, 2011, which is deemed the date of assuming office for purposes of filing an assuming office disclosure statement under the Water Authority’s Local Conflict of Interest Code.

14. Should the performance of any assigned services require lobbyist registration under the Political Reform Act or local ordinance of a city or county (none presently are or are contemplated), Brownstein shall be solely responsible for compliance with the Political Reform Act and other federal, state or local laws governing lobbying, including lobbyist registration and reporting requirements, necessary for the performance of Services pursuant to this agreement. Brownstein shall keep records and assist the Water Authority in meeting any filing requirements imposed upon the Water Authority under the Political Reform Act or any other federal, state or local laws governing lobbying, including, without limitation, records necessary or convenient to the permit the Water Authority to file reports under Government Code §§ 86115, 86116 or 86116.5. Brownstein agrees separately to account to the Water Authority each month for any Services that is direct communication, other than administrative testimony, with one or more qualifying officials for the purpose of influencing legislative or administrative action. The accounting will be based on the agreed hourly rate for assigned services. The provisions of 2 Cal. Code of Reg. § 18239 shall apply to interpretation of this paragraph.

15. The confidential letter regarding conflicts of interest provided by Brownstein dated June 18, 2013 and on file in the office of the General Counsel is acknowledged by the Authority. Brownstein represents and warrants that nothing in any contract, express or implied, with any of its current clients requires Brownstein to disclose any confidential information of the Water Authority. Except as otherwise stated in that letter, Brownstein is unaware of any facts, to the best of Brownstein’s actual knowledge, that would require Brownstein to believe it has or has had (a) any legal, business, financial, professional or personal relationship with any party, witness, person, or entity that would preclude Brownstein from fully performing this agreement,
16. Brownstein will not use confidential information gained from the Water Authority for the benefit of another client, absent express written consent in each instance.

17. Brownstein will provide to the General Counsel upon request all information and material acquired and generated by Brownstein in the course of this matter, including work product, identities and opinions of consultants and expert witnesses, and any other information pertaining to this matter, at no additional charge for copying.

18. Brownstein will provide copies of all papers, pleadings, memoranda of points and authorities and other documents filed in this action to the General Counsel at no additional charge for copying. Upon request of the General Counsel, the documents shall be provided in an electronic document formatted in either Microsoft Word or in a format that may be opened and read by Microsoft Word software.

19. The Water Authority reserves the right to discharge Brownstein at any time upon delivery of a written notice. If services are terminated under this paragraph, the remainder of this agreement shall continue to govern the rights and obligations of the parties, except for the obligations to provide and pay for services.

20. The laws of the State of California govern this agreement. Venue for all purposes is in the State or Federal Courts located in the County of San Diego, California.

21. This agreement constitutes the entire agreement between the Water Authority and Brownstein regarding the terms and conditions of this engagement. No other agreement or change or modification of this agreement will be enforceable unless it is in a writing signed by Brownstein and the General Counsel, or other duly authorized Water Authority officer or employee.

22. Brownstein shall not assign, delegate or subcontract this agreement, in whole or in part, without the express written consent of the General Counsel.

23. This agreement may be executed in counterparts, which together will constitute the entire agreement.
IN WITNESS WHEREOF, the parties have executed this agreement as of the date written below, to be operative commencing on July 1, 2013.

San Diego County Water Authority

By: ___________________________ Dated: ___________________________
    Daniel S. Hentschke
    General Counsel

Brownstein Hyatt Farber Schreck, LLP

By: ___________________________ Dated: ___________________________
    Robert Saperstein
    Managing Partner
STANDARD BILLING GUIDELINES FOR LEGAL SERVICES

1. Invoices shall be submitted monthly for services performed in the prior month. Except for representation provided in cases in which the General Counsel's Office is ethically disqualified, bills shall be submitted to the General Counsel. Except for cases where a disqualification exists, the General Counsel will review and approve, conditionally approve or disapprove all bills prior sending the bills to the Controller for payment. In the event of a disqualification of the General Counsel's Office, bills shall be submitted to the General Manager.

2. All billing shall be done in 0.10-hour increments.

3. Each bill shall include an invoice showing the amount of services rendered during the billing period, the fee for such services and the amount of reimbursable expenses. The invoice shall be accompanied by a separate invoice support statement that briefly describes each item of work performed, the identity of the person who performed the work and itemized reimbursable expenses. The invoice support statement shall be marked “Confidential -- Attorney-Client Privilege.” The invoice may be subject to disclosure pursuant to the California Public Records Act.

4. Each month's bill should include a total to date for attorneys' fees, other professional fees and costs. That total should provide, at a glance, the total fees and costs incurred to date for the case. This will facilitate our approach of cost-effective legal service management. If the totals cannot be produced by your computerized billing system, please provide the total-to-date information on the transmittal letter or other document submitted with the bill. If the totals to date are not provided, the bills will not be paid and they will be returned to you.

5. Special services such as mock appellate panels and other similar services shall be approved in advance by the General Counsel if the cost of such services is to be passed on to the Authority.

6. In-house photocopying charges are billable on a per-copy basis. The maximum charge is $0.15 per page for the copying of documents less than 25 pages and $0.10 per page for the copying of documents 25 pages or greater, including any time spent making the copies. We encourage you to use outside copying services, if the cost of doing so is less expensive to the Authority.

7. Long distance telephone, delivery service and postage charges are billable at actual cost. Charges associated with delivery of materials, service of subpoenas and other documents, and filing by messenger services may be billed at actual cost.

8. The Authority does not pay administrative charges, secretarial time or secretarial overtime, word processing charges, insurance costs and other similar charges. The Authority does not pay attorneys or paralegals for secretarial tasks or tasks that should be subsumed into overhead. For example, time spent faxing, mailing, arranging for messengers, file opening or file closing, and calendaring are not acceptable charges. Local, cellular phone, facsimile transmission expenses are considered administrative expenses.
9. Travel costs will be reimbursed at actual costs when approved in advance by the General Counsel. The policy for reimbursement of travel expenses of Authority executive level employees will apply to Brownstein.

10. Meals are not billable to the Authority, except for meals necessarily incurred in connection with approved travel. The Authority pays for meals according to a policy applicable to Authority officers and employees. The Authority does not pay for alcoholic beverages.

11. The Authority generally will process and pay bills within 30 days from receipt.

12. The bills should list the names of each attorney or paralegal working on the matter. Each entry should delineate provide complete, brief descriptions of tasks performed and identify who has done what work via initials or some other method.

13. The Authority's auditors may send a request for an auditor response letter annually. Please respond to these promptly. The response should not take longer than 2.5 hours per case, although usually not more than one hour is required. In complicated cases where more than 2.5 hours is required, please contact the General Counsel before drafting your response. The response is billable. The response should be limited to providing only the specific information requested in accordance with the protocol referenced in the letter. Please indicate in the response that the information provided is confidential and shall not be disclosed by the auditor to any person other than designated officials of the Authority or used by the auditor for purposes other than preparation of the audit.

14. If applicable to this assignment, Brownstein shall submit a cost budget to the General Counsel, within 5 days following receipt of a request by the General Counsel. The cost budget may be revised from time-to-time with the prior approval of the General Counsel. Expenditures should be consistent with the cost budget.
June 19, 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 90 percent since 2004, while its sales had declined by more than 35 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 from reserves, used funds budgeted for Pay-As-You-Go (PAYGo) – cash funds generated through water sales revenues that MWD uses to partially fund 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 CIP funding from cash to debt financing, thereby increasing the burden on future ratepayers.

As early as 2007, the Water Authority’s delegates had been urging MWD to update its long range finance plan (adopted in 2004). Initially the delegates did so because MWD’s rate increases were trending away from those forecasted in the 2004 long range finance plan (see Chart 1). The delegates advocated for an updated plan, again, when MWD’s sales significantly dropped due to MWD’s water supply shortage, and continued to decline as a result of the recent economic downturn. Additionally, the delegates thought it necessary to review the appropriateness of MWD’s cost of service allocation and that it would be fiscally prudent for MWD to update the plan to ensure
it has a long-term financing strategy in place with secure funding sources and defensible rates. Unfortunately, MWD went through a stop-and-go cycle of attempting to update its long range finance plan, addressing a limited number of issues through a piece-meal approach. In 2012, MWD abandoned its effort to update its long-range finance plan.

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 90 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, during the 2012 budget process 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 at MWD. 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 at MWD would have simply reflected the reality that MWD sales had declined significantly, and there was no demonstrated need for MWD 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 budgeted. 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 under budget. MWD also achieved cost savings of about $6.6 million on various O&M contracts.

In a recent board letter report, staff reported that MWD is tracking to add another $217 million (based on water sales, including exchanges, of 1.862 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 $75 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 $108 million of the anticipated $115.8 million of projected excess revenues. Higher power sales account for approximately another $5.5 million in excess revenues (based on April 2013’s forecast). The remaining over-collection of funds is attributed to higher-than-budgeted property tax revenues, interest income, rents, and miscellaneous revenues.

Expenditures are tracking below budget, which further increases MWD’s FY 2013 budget surplus. MWD is under budget on its expenses primarily due to lower costs on the SWP, which account for $91.9 million of the projected $137 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 $28 million of MWD’s SWP savings. This difference is primarily attributed to moving more water into Central Valley storage rather than into the MWD service area, therefore reducing variable energy costs. 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 2012 ($17.5 million). SWP costs were further reduced by lower operating costs at Reid Gardner 4 power plant (savings of $9.6 million). Additionally, 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 than budgeted related to its debt service, conservation programs, and O&M expenses.

The over-collections from FY 2012, combined with those anticipated this fiscal year, will result in MWD closing FY 2013 with a projected reserve balance of $549 million, $75 million above the Board-approved maximum reserve level of $474 million. If sales continue to track higher than projected for June, 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.” 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.
MWD is beginning FY 2014 with a very different financial standing from when the budget was passed, with at least $314 million more in reserves and water sales trending to exceed the water sales budget of 1.7 MAF. Despite these changed circumstances, rather than proposing a reconsideration of the 5 percent rate increase for CY 2014 that was approved in April 2012, staff is recommending to spend FY 2013’s excess reserves down to the maximum target level and leave the adopted CY 2014 rate increases in place. MWD staff stated that water sales budgets of 1.7 MAF for FY 2014 and of 1.75 for FY 2015, and beyond, are “reasonable,” given MWD’s water sales volatility (MWD staff reported that demands can vary by 30 percent between years). Although MWD staff estimated that lowering its reserves by a modest $28 million would reduce the planned rate increase from 5 percent to 3 percent for CY 2014, staff did not recommend this option.

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. Furthermore, MWD staff recently presented an updated five-year financial forecast for fiscal years 2013-2017, which projected that reserves will continue to surpass the maximum levels in each of these fiscal years – a dramatic change from the five-year forecast that was presented during the 2012 budget process. These levels are achieved with assumed average rate increases of 3 percent in fiscal years 2015-2017, not the 3 to 5 percent average rate increases assumed during the 2012 budget process. 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 (see Attachment 1) and opposed actions that would further result in the over-collection of revenues (see Attachments 2 and 3). In April, 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 (see Attachment 2) 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.

Additionally, the delegates have 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 to ensure 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 revenue 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.

The delegates have consistently urged MWD to update its long range finance plan 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. With several large investments on the horizon, including funding the replacement of its aging infrastructure and paying for its share of a Bay-Delta fix, MWD must have a plan in place to fund these obligations. Furthermore, 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 as its member agencies increase local supply development and improve water use efficiency. MWD also has growing unfunded pension and Other Post-Employment Benefits (OPEB) liabilities that must be addressed (most recently valued at approximately $545 million). Left unchecked, MWD’s growing pension and OPEB unfunded liabilities will pose a challenge to MWD’s long-term fiscal sustainability.¹

Rather than develop a long-term financial plan, MWD’s currently makes financial decisions on an ad-hoc basis and ones that often contradict each other. Actions taken at this month’s committee and board meetings highlight MWD’s extemporaneous approach to managing its finances. During this month’s board meeting, MWD held a public hearing to consider suspending Section 124.5 of the MWD Act to maintain the ad valorem tax rate at current levels. Following the public hearing the Board voted to suspend Section 124.5, which will result in the collection of approximately $4.4 million in additional tax revenues in FY 2014.² 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 financing of a future Bay-Delta fix. Unless MWD lowers other already approved rates and charges in 2014, this action will add approximately another $4.4 million to MWD’s reserves. During the same board meeting in which the MWD Board voted to maintain the ad valorem tax rates at current levels to ensure MWD’s “fiscal integrity,” the Board also approved staff’s recommendation to spend the reserves that are over the maximum target level on unbudgeted expenditures. The $75 million of excess reserves will be evenly divided and monies transferred to MWD’s PAYGo fund, OPEB trust, and Water

¹ A review of MWD’s unfunded retiree benefits was presented in April, 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 OPEB liabilities reflect actuarial value, which is the same as the market value because there are no assets to be valued.

² The MWD Act limits property tax collections to the amount equal to MWD’s General Obligation bonds and debt service on the state’s General Obligation bonds under the Burns Porter Act, which are used to finance the construction of the SSP.
Transfer Fund. This action offers a momentary relief to MWD’s long-term financial obligations, but fails to offer a long-term vision on how to sustainably manage MWD’s financial commitments. The delegates could not support either action as they both continue to promote MWD’s ad hoc management of its finances, which fails to offer a long-term path to financing MWD’s many obligations through rates and charges that align with the services MWD provides.

The need to address MWD’s growing liabilities is masked by its recently improved financial situation. 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. For these reasons, the Water Authority delegates this month did not support the actions to suspend tax rate limitation nor the spending down of excess reserves on unbudgeted items. Instead, the delegates asked MWD to refund the excess reserves back to the ratepayers, to reduce the rate increase for CY 2014 from 5 percent to 3 percent, and to establish a Fiscal Sustainability Task Force to help guide staff in updating its long range finance plan.

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

Attachment 2: Recommendation Letter to Table the Adoption of Resolutions to Impose Readiness-to-Serve and Capacity charges for 2014, dated April 8, 2013
Attachment 3: Recommendation Letter to Refund Excess Reserves and Not to Suspend the Ad Valorem Tax Rate Limitation, dated June 5, 2013
May 14, 2013

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

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

Dear Chairman Foley and Members of the Board,

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

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

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

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

Sincerely,

Keith Lewinger
Director

Vincent Mudd
Director

Fern Steiner
Director

Doug Wilson
Director

cc: Jeff Kightlinger, MWD General Manager
San Diego County Water Authority Board of Directors and Member Agencies
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
June 5, 2013

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

June 5, 2013

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

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

Dear Chairman Foley and Board Members:

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

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

Many of the cities we serve are struggling with their own budgets to make ends meet and pay for critical infrastructure. Many of the ratepayers we serve are also struggling to make ends meet during a period of lower incomes and escalating costs. We owe it to our cities and ratepayers to be better stewards of the precious dollars water ratepayers entrust to us when they pay their water bills. We once again call on this Board to establish a Fiscal Sustainability Task Force to develop a long-range finance plan and accounting, budget, and rate-setting protocols to ensure that every dollar MWD collects is used for its intended purpose, and, that MWD does not collect more money than it really needs.
Chairman Foley and Members of the Board  
June 5, 2013  
Page 2

In the meantime, we call on the board to **REFUND the $75 million in excess reserves**, rather than shift this money to unplanned, unbudgeted expenditures. Attachment 1 to this letter shows approximately\(^1\) how much MWD could refund to each of its member agencies. We also once again call on the Board to act now to **REDUCE the planned water rate increase for 2014 from 5% to 3%**. Reliance on budget estimates proven to be materially incorrect is unwarranted in the face of the actual facts.

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

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

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

Sincerely,

Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

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

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

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

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

### Fiscal Year 2013*

<table>
<thead>
<tr>
<th>MWD Member Agency</th>
<th>Total Contribution Rates and Charges (07/12 - 06/13) $</th>
<th>Total Contribution (in %) $</th>
<th>75,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anaheim</td>
<td>$14,178,498.33</td>
<td>1.13%</td>
<td>$847,769</td>
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<tr>
<td>Beverly Hills</td>
<td>$9,133,714.68</td>
<td>0.73%</td>
<td>$546,129</td>
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<td>Burbank</td>
<td>$9,864,635.91</td>
<td>0.79%</td>
<td>$589,832</td>
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<td>Calleguas</td>
<td>$87,186,626.45</td>
<td>6.95%</td>
<td>$5,213,115</td>
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<tr>
<td>Central Basin</td>
<td>$28,231,187.87</td>
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<td>$1,688,016</td>
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<tr>
<td>Compton</td>
<td>$1,364,481.90</td>
<td>0.11%</td>
<td>$81,586</td>
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<tr>
<td>Eastern</td>
<td>$71,031,751.96</td>
<td>5.66%</td>
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<tr>
<td>Foothill</td>
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<tr>
<td>Fullerton</td>
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<tr>
<td>Glendale</td>
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<tr>
<td>Inland Empire</td>
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<td>Las Virgenes</td>
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<td>Los Angeles</td>
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<tr>
<td>MWDOC</td>
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<td>$8,924,009</td>
</tr>
<tr>
<td>Pasadena</td>
<td>$14,646,995.66</td>
<td>1.17%</td>
<td>$875,782</td>
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<tr>
<td>San Diego</td>
<td>$273,850,600.54</td>
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<td>San Fernando</td>
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<td>San Marino</td>
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<td>Santa Ana</td>
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<td>Santa Monica</td>
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<td>Three Valleys</td>
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<td>Torrance</td>
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<td>West Basin</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1,254,335,822.76</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>$75,000,000</strong></td>
</tr>
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</table>

Note: Totals may not foot due to rounding

*Based on 11 months (July 2012 through May 2013) of member agencies’ payment of rates and charges (data source: MWD WINS, June 5, 2013)
### Unfunded Pension and OPEB Liability

<table>
<thead>
<tr>
<th>Valuation Year ($ in market value)</th>
<th>MWD Pension</th>
<th>Water Authority Pension</th>
<th>MWD OPEB</th>
<th>Water Authority OPEB</th>
</tr>
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<tr>
<td><strong>2007</strong></td>
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<tr>
<td>1. Pension Unfunded Liability*</td>
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<td>$15,079,837</td>
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<td>2. OPEB Unfunded Liability*</td>
<td>$393,476,000</td>
<td>$2,136,000</td>
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<td></td>
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<tr>
<td>3. Total Unfunded Liability (UAAL)*</td>
<td>$306,210,980</td>
<td>$17,215,837</td>
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<tr>
<td>4. Unrestricted Net Assets (UNA)**</td>
<td>$541,711,000</td>
<td>$158,540,013</td>
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<td></td>
</tr>
<tr>
<td>5. Pension Unfunded Liability to Net Asset [(1)/(4)]</td>
<td>-16.1%</td>
<td>9.5%</td>
<td>107.0%</td>
<td>40.1%</td>
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<tr>
<td>6. OPEB Unfunded Liability to Net Asset [(2)/(4)]</td>
<td>72.6%</td>
<td>1.3%</td>
<td>80.3%</td>
<td>1.8%</td>
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<tr>
<td>7. Total Unfunded Liability to Net Asset [(3)/(4)]</td>
<td>56.5%</td>
<td>10.9%</td>
<td>187.3%</td>
<td>41.9%</td>
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<tr>
<td><strong>2009</strong></td>
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<tr>
<td>1. Pension Unfunded Liability*</td>
<td>$538,313,226</td>
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<tr>
<td>2. OPEB Unfunded Liability*</td>
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<td>$2,997,000</td>
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<td>3. Total Unfunded Liability (UAAL)*</td>
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<td>4. Unrestricted Net Assets (UNA)**</td>
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<td>5. Pension Unfunded Liability to Net Asset [(1)/(4)]</td>
<td>9.5%</td>
<td>107.0%</td>
<td>40.1%</td>
<td>89.4%</td>
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<tr>
<td>6. OPEB Unfunded Liability to Net Asset [(2)/(4)]</td>
<td>1.3%</td>
<td>80.3%</td>
<td>1.8%</td>
<td>116.9%</td>
</tr>
<tr>
<td>7. Total Unfunded Liability to Net Asset [(3)/(4)]</td>
<td>10.9%</td>
<td>187.3%</td>
<td>41.9%</td>
<td>206.2%</td>
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<td>1. Pension Unfunded Liability*</td>
<td>$65,253,955</td>
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<td>2. OPEB Unfunded Liability*</td>
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<td>$3,933,126</td>
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<tr>
<td>3. Total Unfunded Liability (UAAL)*</td>
<td>$545,476,000</td>
<td>$3,933,126</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Unrestricted Net Assets (UNA)**</td>
<td>$545,476,000</td>
<td>$3,933,126</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Pension Unfunded Liability to Net Asset [(1)/(4)]</td>
<td>107.0%</td>
<td>40.1%</td>
<td>89.4%</td>
<td>26.2%</td>
</tr>
<tr>
<td>6. OPEB Unfunded Liability to Net Asset [(2)/(4)]</td>
<td>1.8%</td>
<td>116.9%</td>
<td>2.0%</td>
<td>116.9%</td>
</tr>
<tr>
<td>7. Total Unfunded Liability to Net Asset [(3)/(4)]</td>
<td>41.9%</td>
<td>206.2%</td>
<td>28.2%</td>
<td>28.2%</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.
June 19, 2013

Attention: Imported Water Committee

Authorize the General Manager to execute memoranda of agreement with California Department of Fish and Wildlife for canal lining projects’ environmental mitigation. (Action)

Staff recommendation
Authorize the General Manager to execute two memoranda of agreement with the California Department of Fish and Wildlife to establish endowments totaling $1,127,709 for the All American and Coachella canal lining projects’ environmental mitigation.

Alternatives
Do not authorize the General Manager to execute the memoranda of agreement. This would require the Water Authority to renegotiate mitigation requirements with the California Department of Fish and Wildlife and the United States Fish and Wildlife Service.

Fiscal impact
The $1,127,709 total cost of the two endowments is included in the Recommended Fiscal Years 2014 and 2015 CIP appropriation which is contingent upon Board approval of the Fiscal Years 2014 and 2015 Recommended Budget. This action relates to the Supply rate category.

Background
In 2003 the Water Authority assumed responsibility for funding a portion of the All American Canal Lining Project and Coachella Canal Lining Project (AACLP and CCLP, respectively) to receive 83% of the water conserved by both projects. Although construction for both canal lining projects is complete and the San Diego region receives about 80,000 acre-feet annually from these projects, mitigation measures and projects required by the Environmental Impact Report / Environmental Impact Statements (EIR/EIS) continue to be implemented. One of the remaining mitigation measures involves the construction of a publically accessible sport fishery pond that will replace sport fishery resources lost when the canals were lined. This fishing pond will be managed by the California Department of Fish and Wildlife (DFW).

This memo provides information on the fishery mitigation project as well as a status update on the overall post-construction environmental compliance for AACLP and CCLP.

Discussion
The sport fishery pond will be located on DFW property at its Imperial Wildlife Area--Wister Unit near Niland at the eastern shore of the Salton Sea. Figure 1 shows the Location Map of the project site. The proposed 50-acres pond will receive its water supply of up to 500 acre-feet per year from a connection to a nearby Imperial Irrigation District (IID) canal. The two memoranda of agreement (MOA) with DFW will require the DFW to assume all responsibility for operating and maintaining the pond and obtaining water supply in accordance with the relevant project environmental documents and permits and ensure the successful long-term operation of the facility. Each of the MOA is generally described below:
Operations and Maintenance MOA
This agreement provides an endowment for the perpetual operation and maintenance of the pond. The $668,019 one-time endowment would pay for habitat maintenance, weed control, general site maintenance, and fish stocking. The Water Authority would direct endowment funds to the National Fish and Wildlife Foundation (NFWF) trust account for DFW for the exclusive purpose of operating and maintaining the pond in perpetuity. Once the MOA is executed and the pond constructed, the Water Authority will have no further responsibility for these activities.

Water Supply MOA
This agreement provides an endowment to ensure perpetual water supply for the pond. The pond is estimated to require up to 500 acre-feet per year, including some flow-through water to maintain adequate water quality. The Water Authority would provide a $459,690 one-time endowment to NFWF trust account for DFW for the exclusive purpose of annual purchase of water. Once this MOA is executed, the Water Authority would have no further responsibility for providing water to the pond.

Upon execution of the MOAs, Water Authority will proceed with advertisement for construction of the proposed pond. The main components of the project include a 50-acre fishing pond, an adjacent 5-acre sediment settling basin, 1,400 linear feet of pipe to supply IID canal water to the pond, and initial fish stocking. The project’s estimated construction cost is approximately $3,858,000. Project construction activities are anticipated to begin in late 2013. To generate contractor interest, the project will be listed on the “Opportunities” section of the Water Authority website and advertised in contractor trade association publications.

The following is a description of the status of other Canal Lining post-construction environmental mitigation requirements stated in the AACLP/CCLP EIR/EIS and Mitigation, Monitoring, and Reporting Program (MMRP):

**CCLP Mitigation Project Status**

- **Dos Palmas Water Supply System:** This project fulfills the requirements to develop a replacement water source to maintain the existing core marsh/aquatic habitat including various ponds, oases and springs, as well as newly created desert riparian and marsh habitat within the Dos Palmas Area northwest of the Salton Sea. Sufficient water to maintain the mean historical annual average flow of 623 acre feet through the Salt Creek gauge is required. Construction of this water supply system, which consisted of several pipelines, valves, monitoring wells, and percolation ponds, was completed in 2010. Operation began in January 2011 which commenced a five year measurement, monitoring, and adaptive management of this system. Thus far, the water supply is sufficient to meet the needs of downstream habitat.

- **Mature Tree Planting Project:** This mitigation measure requires replacing mature desert trees (Palo Verde, Ironwood, or Mesquite) impacted during CCLP construction at a 2:1 ratio. All trees’ establishment should be monitored for 5 years to fulfill this mitigation obligation. Since 2008, over 4,000 tree seedlings have been planted at two identified
sites in Dos Palmas. Additional trees may need to be planted to successfully meet the mitigation requirement.

- **17-Acre Created Marsh:** Construction of this Marsh area in Dos Palmas was completed and marsh vegetation planted in 2010. Marsh must be “suitable Yuma Clapper Rail and Black Rail habitat” in order to be deemed successful. Recent marsh surveys have demonstrated the presence of Yuma Clapper Rails. Annual monitoring is required for five years and if the marsh is successful, the project could be turned over to a third party for long-term management.

- **Desert Riparian Restoration Project:** The environmental documents require the establishment of 352.5 acres of desert riparian habitat within Dos Palmas to replace habitat removed during CCLP construction. This project is being implemented in partnership with the Bureau of Land Management (BLM) through a 10-year agreement. A combination of passive and active approaches is used to conduct planting at identified restoration sites to generate desert riparian species recruitment. Once vegetation is established, monitoring will be required monthly during the first and second year growing season, twice annually during years 3-5, and annually for years 6-10. The site will be monitored in post-planting years 15, 20, and 25.

- **105-Acre Core Marsh/Aquatic Habitat:** This mitigation measure requires maintaining the existing Dos Palmas core marsh/aquatic habitat at 105 acres. Monitoring program of core marsh also includes conducting Yuma Clapper Rail/Black Rail surveys on site. Annual monitoring is required until the project is turned over to a third party for long-term management.

- **Desert Pupfish:** Maintaining sufficient water supply in the aquatic habitat areas that support desert pupfish within Dos Palmas (S-Pond, Barn Pond and Upper Salt Creek pools) is a requirement of the projects. DFW monitors pupfish sites several times a year; all sites have maintained stable/increasing population numbers with sufficient water supply at each location. Annual monitoring is required until the project is turned over to a third party for long-term management.

**AACLP Mitigation Project Status**

- **Chanan Remington Memorial Wetland Enhancement:** An existing 1,422 acres wetlands complex, located on the north side of the All American Canal, was enhanced to mitigate wetlands impacts for the AACLP. The restored marsh and riparian habitat is currently being monitored to determine the progress of the restoration efforts. By the end of 2014, wetlands complex will be turned over to a third party for long-term management.

- **Groundwater Monitoring:** This measure requires periodic monitoring of groundwater to document any significant elevation decreases. Quarterly groundwater monitoring has
been conducted since 2005 and will continue through 2013. A report will be prepared in 2014 outlining the findings and recommendation which will be shared with the resource agencies to seek mitigation fulfillment. Additional monitoring may be required.

- **Dune Restoration**: Creating, restoring, and maintaining 30 acres of sand dune habitat will satisfy this mitigation measure. A 45-acre portion of the abandoned alignment of the All American Canal was identified for this purpose. The area will be monitored for passive sand accumulation and vegetation recruitment for up to 5 years post construction through 2014. Report of findings will be shared with resource agencies. Native seed has also been collected and stored should a more active approach to restoration be required.

- **Post Construction Monitoring Plan**: This measure requires monitoring of large mammals (deer and big horn sheep) use of the All American lined canal through 2014. Final report will be shared with resource agencies to seek mitigation fulfillment.

**Completed mitigation projects for AACL and CCLP**

- Construction of 80 acres of backwater habitat at Imperial Ponds, and 265 acres of cottonwood willow and mesquite habitat at Cibola Valley Conservation Area and Palo Verde Ecological Reserve: Fulfilled.

- Monitoring Southwestern Willow Flycatcher Habitat along the Lower Colorado River: Fulfilled.

- Large mammal entry and escape for the CCLP: Fulfilled.

- Desert habitat purchase of 884 acres for State Park: Fulfilled.

Prepared by: Mojgan Poursadighi, Engineer P.E.
Reviewed by: Halla Razak, Colorado River Program Director
Approved by: Maureen A. Stapleton, General Manager

Attachment: Figure 1 – Location Map
Figure 1 – Location Map
June 19, 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 June 10 and 11 meetings of the MWD Board of Directors. The next committee and board meetings will take place July 8 and 9, 2013.

Received a Review of the Biennial Budget and Authorized the Use of Reserves Over the Maximum Target Level.
During a mid-term review of MWD’s biennial budget, MWD staff reported that MWD is anticipated to close FY 2013 by adding $217 million to reserves, pushing the unrestrictive reserves to $549 million, about $75 million over the board-approved maximum target level. This anticipated addition to reserves was attributed to revenues trending above budgeted amounts combined with expenditures tracking under budget. Staff also provided an outlook for FY 2014. For more information on MWD’s Mid-cycle Biennial Budget Review see this month’s board memo “Financial review of MWD’s mid-term biennial budget.”

The board authorized the use of reserves over the maximum target, approximately $75 million, on un_budgeted expenditures to finance MWD’s Other Post-Employment Benefits liability (valued at $545 million as of June 30, 2011), Pay-As-You-Go fund (provides funding for capital costs from operating revenues), and Water Transfer Fund (provides financing for future water transfers and purchases of water for storage). Staff’s recommendation was to evenly divide the expected $75 million among those three unbudgeted expenditures. Since MWD adopted its calendar years 2013 and 2014 rates in April 2012, MWD has collected $314 million more than it projected. Rather than spending down the over-collected revenues on an ad-hoc basis, the delegates urged MWD to return the excess revenues back to MWD’s ratepayers, reduce CY 2014’s rate increase from 5 percent to 3 percent, and establish a Fiscal Sustainability Task Force to produce a long range finance plan.

Held a Public Hearing and Suspended the Ad Valorem Tax Rate Limitation.
The board held a public hearing to consider suspending the tax rate limitation in Section 124.5 of the Metropolitan Water District Act (MWD Act) to not decrease the ad valorem tax rate, as required by the MWD Act, for Fiscal Year 2013/14 (FY 2014). The MWD Act allows MWD to collect property taxes to cover its expenses from its general obligation bonds as well as its portion of the general obligation bonds (Burns Porter bonds) that financed the construction of the State Water Project (SWP). These expenses decline over time as they are repaid, causing the tax rate to also decrease. Under Section 124.5, the MWD board may modify this tax rate if it finds the revenues generated from modifying the tax rate are “essential to the fiscal integrity” of MWD. Before taking action to suspend the tax rate limitation, the board must hold a public hearing. During the public hearing,
public officials, leaders, and member agency managers from the Water Authority’s service area voiced their apprehension with maintaining the Ad Valorem tax rate at its current level, believing it to be an unnecessary “hardship on ratepayers.” They expressed concern over MWD’s “ad-hoc” financial decision-making process and called for the development of a “sound long-term financial plan.” Frustration with recommending a tax freeze to generate more revenues while also debating how to spend FY 2013’s excess reserves funds was a common theme among the speakers.

Following the hearing, the board approved staff’s recommendation to suspend the ad valorem tax rate limitation for FY 2014 and hold the tax rate at the current level, which is expected to generate an additional $4.4 million in revenue. Staff reported that this action was necessary to help finance MWD’s State Water Contractor (SWC) obligations, which are anticipated to increase as the State repairs and replaces the SWP’s aging infrastructure and implements both the Delta Habitat Conservation and Conveyance Program and Bay Delta Conservation Plan. Since the adopted Calendar Year 2014 (CY 2014) rates and charges were based on a lower tax rate, the suspension of tax rate limitation for FY 2014 will result in the collection of even more revenues in excess of board approved budget.

The delegates did not support increasing the ad valorem tax for FY 2014 as it unnecessary and continues MWD’s current practice of making ad hoc financial decisions, rather than developing a long term fiscal sustainability plan. As in the past, the delegates advocated that MWD produce a long-range finance plan to identify its long-term liabilities and investment needs, and develop a prudent finance and rate plan to fund these needs. Furthermore, the delegates could not have supported this action, which claimed that an additional $4.4 million in revenues was necessary to maintain MWD’s “fiscal integrity,” while MWD is projecting to add $217 million to reserves at the close of Fiscal Year 2012/13 (FY 2013) and took action that approved the spending down of excess reserve funds for unbudgeted expenditures.

**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 E. Staff anticipates that this action will help streamline the administrative requirements for the bonds, saving about $50,000 annually.

Even though the Water Authority delegates are proponents of managing MWD’s debts to reduce costs, they did not support this item. MWD’s Official Statement continues to lack disclosure of multiple financial risks, including MWD’s rate structure’s heavy dependence on variable water sales; its reliance on obsolete and inaccurate planning documents to project future water sales and financial conditions; and the financial ramifications of these deficiencies. Furthermore, switching from fixed rate bonds to variable rate bonds will increase MWD’s exposure to market volatility.

**Authorized a two-year Agreement with the California Department of Water Resources of the Multi-Year Water Pool Demonstration Program.**

The Board authorized a two-year agreement with the California Department of Water Resources (DWR) to participate in a Multi-Year Water Pool Demonstration Program. This action allows State Water Project Contractors to sell SWP water to each other and is separate from existing SWP’s Turnback Pool and Carryover programs. The board approved paying up to $15.18 million, equivalent
to 60 thousand acre-feet, over the two years to purchase additional SWP water. These funds are available in the fiscal year 2012/13 and 2013/14 budgets. Participating in this program will reduce MWD’s need to pull more water from storage, improving MWD’s dry-year supply.

**Supported and Sought Amendments to AB 803 (Gomez, D – Los Angeles) – Water Recycling Act of 2013.**

The board took a support position, and sought amendments, to AB 803 (Gomez, D – Los Angeles) – Water Recycling Act of 2013. Sponsored by the WaterReuse Association, this bill would align the Health and Safety Code and Water Code requirements for reporting recycled water spills and allow the use of existing raw water pipelines to transport advanced treated purified water (ATPW) before mixing with raw water or other water sources. Staff’s recommended amendments included removal of the vague term “other water sources” and the addition of language to give public agencies the right to consent to the introduction of ATPW into water conveyance and treatment facilities that they own. The delegates supported this item; the Water Authority Board adopted a support position for AB 803 in March 2013.

**The MWD Committees and Board also:**

- Approved up to $1.161 million to purchase insurance coverage for MWD’s Property and Casualty Insurance Program;
- Granted conditional approval for Annexation No. 97 to Calleguas Municipal Water District and to MWD, and adopted resolution for imposition of water standby charges;
- Adopted final resolutions for annexation and imposed water standby charge for the 103rd Fringe Area to Eastern Municipal Water District and MWD;
- Appropriated $1.63 million, and authorized construction for replacement of flow meters at the Colorado River Aqueduct pumping plants (Approp. 15438);
- Appropriated $270,000, and authorized final design to relocate the Intake Pumping Plant 2.4 kV power line (Approp. 15438);
- Heard a report on MWD’s Prestressed Concrete Cylinder Pipe Rehabilitation Program;
- Heard a Capital Investment Plan Quarterly Report for the period ending March 2013;
- Approved MWD’s Statement of Investment Policy and delegation of authority to the Treasurer to make investments on behalf of Metropolitan;
- Authorized payments of up to $3.5 million for participation in the State Water Contractors, Inc. and the State Water Project Contractors Authority for fiscal year 2013/14;
- Authorized the General Counsel to file or participate in litigation challenging the adequacy of the Program Environmental Impact Report for the Delta Plan as well as the validity of the Delta Plan;
- Heard a report on John Del Toro v. Metropolitan Water District of Southern California, Los Angeles Superior Court Case No. BC482264, and authorized an increase in the maximum amount payable under contract with Atkinson, Andelson, Loya, Ruud & Romo for legal services by $25,000 to an amount not to exceed $125,000;
- 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 existing litigation, In re QSA Cases, Sacramento County Superior Court JCCP Proceeding No. 4353; 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).

On May 16, the SWC held its Annual Membership Meeting and elected the following officers to the Board of Directors for Fiscal Year 2013/14: David Okita (Solano County Water Agency) as President, Dan Flory (Antelope Valley-East Kern Water Agency) as Vice President, and Ray Stokes (Central Coast Water Authority) as Secretary-Treasurer. Additionally, SWC received a report on its accomplishments for Fiscal Year 2012/13 and its proposed objectives for Fiscal Year 2013/14. High priority infrastructure items for the upcoming year include operational availability of the Hyatt Thermalito, and Dos Amigos Plants. SWC staff anticipates continued focus on its contract amendment/extension, which includes developing a 30-year or longer bonding and cost repayment period for SWP capital charges and funding and financing options for a new conveyance facility. In addition, SWC General Manager Terry Erlewine will continue to work with state and federal agencies on completing the public draft of the Bay Delta Conservation Plan to provide Environmental Species Act assurances for continued operation of the State Water Project.

The Department of Water Resources (DWR) Chief of State Water Project Operations John Leahigh provided an overview of the current water supply and water operations conditions (as of May 16). Oroville Reservoir storage was 2.94 million acre-feet (MAF), or about 83 percent of its capacity. The SWP share of San Luis Reservoir storage was 0.38 MAF, the federal share was about 0.62 MAF, and combined about 49 percent of its capacity. While precipitation conditions continued to be dry and have caused increased water needs in the Sacramento Valley, DWR does not anticipate further reduction of the current Table A allocation of 35%. Subsequent to the meeting, on June 1, the final Table A allocation was set at 35 percent. Leahigh also reported that in early-May, Delta smelt salvaging was significant; however, the U.S. Fish and Wildlife Service (who consults with the California Department of Fish and Wildlife) recommended no change in operations given the Delta smelt present distribution and Delta conditions.

The next SWC meeting is scheduled for June 20.

Prepared by: Liz Mendelson, Assistant Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
Attachment: SWC Board Actions, May 16, 2013
STATE WATER CONTRACTORS
BOARD OF DIRECTORS
BOARD ACTIONS
MAY 16, 2013

The following actions were taken at the State Water Contractors (SWC) Board of Directors May 16, 2013 meeting upon motions duly made, seconded and unanimously passed.

1. Approved the Consent Calendar, including Draft Board Minutes for April 18, 2013, the Financial Report, and April 2013 Consultant Reports.

2. Upon the recommendation of the Nominating Committee, elected the following officers for the Board of Directors for Fiscal Year 2013-14:
   - David Okita, President
   - Dan Flory, Vice President
   - Ray Stokes, Secretary-Treasurer

3. Authorized the SWC General Manager to contract with Cramer Fish Sciences to provide interim funding to proceed with Phases 1 and 2 of development of a new Individual Based Delta Passage Model. The costs for this work will be shared 50%-50% with San Luis&Delta-Mendota Water Authority for total cost of up to $56,000 ($28,000 SWC Share.) Department of Water Resources (DWR) has contracted with Cramer Fish Sciences for similar work and is anticipated to continue this effort when the FY 2013-2014 begins in July 2013.

4. Directed the General Manager to send a letter to the Department of Water Resources (DWR) supporting billing up to $4 million for an experimental 2013 flow augmentation program on the San Joaquin River as a separate line item on the Transportation Minimum Cost Component in the 2014 Statement of Charges. Director Stokes and SWC General Manager to revise the letter to ensure clarity prior to distribution.

5. Directed the General Manager to send a letter to the Department of Water Resources (DWR) to confirm our understanding of the implementation of the Davis-Dolwig solution. Director Stokes and SWC Staff to revise the letter. The revised letter will be circulated to the Board and DWR prior to finalization.

Other Actions:

1. Requested that the General Manager coordinate with SWP contractor representatives and buyers to resolved technical concerns related to depletion impacts from a proposed Garden Highway Mutual Water Company transfer. If a satisfactory outcome is not obtained, the General Manager was directed to schedule a special call of the SWC Board of Directors to consider support for a letter of protest to the State Water Resources Control Board related to the proposed transfer.

2. Authorized the General Manager to have the State Water Contractors participate in the U.S. Bureau of Reclamation Sacramento-San Joaquin Watershed Management Study.
June 19, 2013

Attention: Imported Water Committee

Bay-Delta Quarterly Update. (Information)

Background
The Sacramento-San Joaquin Bay-Delta (Delta) is an important water supply source for Southern California. Typically, more than 20 percent of the Water Authority’s annual water supply comes from the Delta. As such, the Water Authority has been, and continues to be, a strong advocate for a sustainable Delta solution – one that is “right-sized” and supported by a broad range of stakeholders in order to reduce challenges to implementation. This quarterly update is intended to inform the board on events related to the Delta.

Discussion

Bay-Delta Conservation Plan
The California Natural Resources Agency (Resources Agency) released the Administrative Draft Bay Delta Conservation Plan (BDCP) to the public in three parts to provide an advance copy of the BDCP before it is formally available for public comment on October 1, 2013. In addition, the Consultant Administrative Draft Environmental Impact Report and Environmental Impact Statement (EIR/EIS) was also released. The BDCP and the EIR/EIS are intended to be the basis for issuance of endangered species incidental take permits for facility and operational changes to the State Water Project (SWP).

On March 14, the Resources Agency released the first four of 12 draft chapters of the BDCP, and held a public meeting on March 20 to review and discuss the chapters. The chapters detailed the BDCP’s conservation strategy, which includes more than 200 biological goals and objectives, and the conservation measures to be implemented to achieve the biological objectives. This set of documents also described the preferred alternative for construction of a new water delivery system via a tunnel from the new north Delta intake points to the existing export facilities of the SWP and Central Valley Project.

On March 27, the Resources Agency released the second set of BDCP draft chapters. Chapters 5-7 detailed the ecological effects resulting from the conservation measures and the proposed governance structure of the BDCP. A public meeting was held on April 4, where the Resources Agency and Dr. Gerald Meral, Deputy Resources Secretary of the Resources Agency provided a progress update on the draft chapters and gave a formal presentation on the BDCP process. Concurrent with the public meeting, a workshop forum was held to provide project staff an opportunity to respond to specific questions made by the public.

On May 10, the Administrative Draft EIR/EIS was made available for public review. This followed the May 8 announcement from the State of California and the Obama administrations committing to release the draft BDCP and accompanying environmental documents on October 1, 2013, which will mark the start of the formal public review and comment period. On May 29,
the remaining chapters of the Administrative Draft BDCP were released to the public. The last chapters addressed the implementation costs and funding sources, alternative ways to avoid harm to endangered species, and integration of independent science into the BDCP’s preparation. A public meeting to review these chapters is scheduled for July 17, 2013.

On May 23, Dr. Meral addressed the Water Authority board on elements of the BDCP. He also described a myriad of additional processes before the BDCP could be implemented, including the following:

- BDCP’s Record of Decision and obtaining permits from state and federal fish agencies (expected to be completed in 2014);
- Approval of the BDCP as part of the Delta Stewardship Council’s (DSC) Delta Plan (which includes its own set of hearings);
- Approval from the State Water Resources Control Board on the new points of diversion (another set of hearings);
- Issuance of 404 and 408 permits from the Army Corp of Engineers. The 404 permit allows the discharge of dredged or fill material into waters of the United States and the 408 permit grants permission to alter an existing flood control structure.

Dr. Meral indicated that the planned construction phase will begin in 2015 (latest in 2016) and would likely take 10 years to complete.

**Delta Stewardship Council**

On May 16, the DSC adopted its final Delta Plan, certified the final Programmatic Environmental Impact Report (PEIR), and adopted regulations that will implement the policies of the Delta Plan. The Delta Plan is to lay the foundation for projects and programs that will meet the state’s co-equal goals of improving statewide water supply reliability while providing a healthy ecosystem; it is anticipated that the Delta Plan will include the BDCP, once the BDCP is fully permitted.

Shortly after the adoption of the Delta Plan and corresponding environmental documents, San Luis Delta Mendota Water Authority and Westlands Water District filed a lawsuit in the Sacramento County Superior Court against the DSC for adopting the Delta Plan and certifying the PEIR. The complaint stated that the Delta Plan would hinder achieving the state’s coequal goals formulated in the Delta Reform Act and failed to prepare and certify a legally adequate PEIR for the Delta Plan. More particularly, the plaintiffs believe that the Delta Plan exceeds the statutory authority granted to the DSC by the passage of the Delta Reform Act. The Delta Reform Act established four noteworthy roles for the DSC: 1) coordinating numerous state agencies around the Delta to ensure consistency; 2) managing the development of a new Delta Science Plan; 3) prioritizing levee investments in the Delta; and 4) providing a forum for appeals to assess consistency with the Delta Plan. The plaintiffs believe instead, the Delta Plan undermines the coequal goals of water supply reliability by “limiting” the water available for export.

On June 5, the State Water Contractors (SWC) board of directors unanimously voted to authorize
its General Manager to file litigation challenging the adequacy of CEQA compliance of the Delta Plan on behalf of the SWC and individual SWP agencies that ask to be included. More recently, on June 11, the Metropolitan Water District board approved entering into litigation against the DSC for the same motives as the SWC.

The DSC also included in the Delta Plan regulations that could impact oversight and management of the SWP and submitted them to the Office of Administrative Law (OAL). However, the OAL has not completed its review of the regulations. It is anticipated that more lawsuits may be filed after the OAL adopts the regulations.

**Next Steps**

Water Authority staff will continue to monitor Bay Delta issues and report back to the board. In the upcoming months, staff anticipates providing a series of reports assessing the BDCP and DSC’s Delta Plan. Staff expects to provide comments on the BDCP with the board’s guidance during the formal public comment and review period, which is planned to begin this October.

Prepared by: Debbie S. Discar-Espe, Senior Water Resources Specialist
Reviewed by: Amy Chen, Director of the MWD Program
June 19, 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 June 27, 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
June 19, 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 June 27, 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
June 19, 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 June 27, 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
June 19, 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 June 27, 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. Chair’s report –
   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 a position of Support, if amended on SB 750 (Wolk).  
   Staff recommendation: Adopt a position of Support, if amended on SB 750 (Wolk). (Action)  
   1-C Adopt policy principles for Water Resources Development Act legislation.  
   Staff recommendation: Adopt policy principles for Water Resources Development Act legislation. (Action)
III. INFORMATION

1. Small Contractor Outreach and Opportunities Program Quarterly report. Emily Yanushka

2. Quarterly report on Public Outreach and Conservation activities. Jason Foster


4. 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.
June 19, 2013

**Attention: Legislation, Conservation and Outreach Committee**

**Adopt a position of Support, if amended on SB 750 (Wolk). (Action)**

**Staff recommendation**
Adopt a position of Support, if amended on SB 750 (Wolk)

**Alternatives**
1. Do not adopt the recommended position.
2. Modify the position.

**Fiscal Impact**
No direct fiscal impact.

**Background**
Staff recommends that the Board adopt a position of Support, if amended on SB 750 (Wolk)
Building Standards: water meters.

**Discussion**

*SB 750 (Wolk) Building Standards: water meters*

Under existing law, every water purveyor is required, as a condition of new water service, to install a water meter to measure water service. Existing law also requires urban water suppliers to charge water users based on the actual volume of deliveries, as measured by those water meters.

SB 750, as amended on May 24, 2013, would require 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 after January 1, 2014, to require the installation of a water meter or submeter, to measure water supplied to each individual dwelling unit. SB 750 would also require the owner of the structure to ensure that a water submeter installed for measurement purposes complies with the laws and regulations governing installation, approval of meter type, maintenance, reading, billing, and testing of submeters. In addition, SB 750 would prohibit a landlord from charging tenants separately for water service in a property, unless submeters have been installed and the landlord has executed a rental agreement with the tenant, disclosing that the tenant will be billed for water separately from the rent and that the tenant will also be billed for a portion of any recurring fixed charge billed to the property by the water purveyor. SB 750 would authorize landlords to charge tenants a monthly administrative fee for the actual costs of reading the submeters and providing billing services up to a maximum of $4.00 per submetered tenant per month. Finally, SB 750 would exempt several types of structures from the requirements of the bill, including: low income housing, student dormitories, long-term healthcare facilities, time-share properties, residential care facilities, and structures greater than four stories in height where the plumbing configuration renders the installation of submeters infeasible.

Historically, renters have not been responsible for individual utility costs, such as those costs for water, sewer, electricity, and natural gas. Renters have typically been responsible for paying rent, and a portion of that rent payment would be utilized by the landlord to pay for utilities.
However, when the United States faced a severe energy crisis in the late 1970s and early 1980s, efforts to conserve energy led to changes from this historical rental arrangement, including the individual metering of gas and electricity for multifamily housing residents. Once renters began receiving individual bills for gas and electricity, they tended to have more motivation to conserve those utilities in order to keep their gas and electricity bills low. When there was only one gas meter and one electric meter serving multifamily housing, the renters did not have pricing motivation to conserve.

This same theory is the genesis for SB 750: that once consumers receive individual bills for water service, there will be a greater tendency toward conservation of the resource because of the direct pricing motivation that doesn’t necessarily exist today when there is only a single water meter serving a multifamily residential dwelling or when water costs are simply allocated and billed based on the square footage of the apartment residence or on the number of occupants. The submeter would provide a direct pricing signal to the consumer, and would allow that consumer to take action to conserve water and, in turn, lower their individual residence water bill.

Even though SB 750 would move submetering requirements in a very positive direction to improve water use efficiency, there are two issues within the text of SB 750 that still require further attention and appear to warrant pursuit of amendments to address.

- The City of San Diego has been successfully implementing its own submetering ordinance since 2010 that is as comprehensive, if not more comprehensive, than the requirements proposed in SB 750. Amendments should be proposed that would “grandfather” the City’s submetering ordinance and not impose additional or different obligations upon the City. The author has indicated a willingness to “grandfather” the City of San Diego’s ordinance, but those amendments have not yet been incorporated into the measure.

- The California Building Industry Association (CBIA) has raised concerns that the measure may inadvertently allow water purveyors to “double-charge” a customer for connection charges or capacity fees when a customer is submetered. Water Authority staff have been working with the CBIA to develop a compromise approach that would help to address the CBIA’s issue without overreaching into a water purveyor’s rate authority. The following proposed compromise amendment language appears to appropriately address the potential “double-charging” issue adequately: “A water purveyor shall not impose an additional capacity or connection fee or charge for a submeter that is installed by the owner or his or her agent.”

The Water Authority has long been a statewide leader in improving water use efficiency. SB 750 would make important advancements in this area by taking a significant step toward providing direct pricing signals to water consumers, even those residing within multifamily residential dwellings. The Water Authority’s legislative policy guidelines state that the Water Authority shall support legislation that:

- Furthers the statewide goal of a 20 percent reduction in per capita water use by 2020 as set forth in SBX7-7, enacted in November 2009.

- Requires submetering connections to be built in new construction of multiple commercial or residential buildings.

Staff recommends the Board adopt a position of Support, if amended on SB 750. Suggested amendments include:

- Amend SB 750 to “grandfather” the City of San Diego’s submetering ordinance and not impose any additional or different obligations upon the City beyond those embodied in the existing ordinance.
- Amend SB 750 to alleviate concerns over the potential for inadvertent “double-charging” by a water purveyor of connection fees and capacity charges upon a submetered customer.

Prepared by: Glenn A. Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager
Attachments: SB 750
An act to add Chapter 2.5 (commencing with Section 1954.201) to Title 5 of Part 4 of Division 3 of the Civil Code, and to add Chapter 8.5 (commencing with Section 537) to Division 1 of the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST


(1) The Water Measurement Law requires every water purveyor to require, as a condition of new water service on and after January 1, 1992, the installation of a water meter to measure water service. That law also requires urban water suppliers to install water meters on specified service connections, and to charge water users based on the actual volume of deliveries as measured by those water meters in accordance with a certain timetable.

This bill would require 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 after January 1, 2014, to require the installation of either a water meter, as defined, or a submeter, as defined, to measure water supplied to each individual dwelling unit.
The bill would require the owner of the structure to ensure that a water submeter installed for these purposes complies with laws and regulations governing installation, approval of meter type, maintenance, reading, billing, and testing of water submeters, including, but not limited to, the California Plumbing Code. The bill would exempt certain buildings from these requirements.

(2) Existing law generally regulates the hiring of dwelling units and, among other things, imposes certain requirements on landlords and tenants. Among these requirements, existing law requires landlords to provide tenants with certain notices or disclosures pertaining to, among other things, pest control and gas meters.

This bill would, if a water purveyor requires the installation of a meter or submeter, as specified, or a submeter has been installed, impose further requirements on landlords, relating to submetered water service to individual dwelling units. The bill would prohibit a landlord from charging tenants separately for water service in a property with submeters unless the submetering system is installed, operated, and maintained as specified. The bill would require a landlord to make certain disclosures to the tenant prior to the execution of the rental agreement, including, among other things, that the tenant will be billed for water separately from the rent and that the tenant will also be billed for a portion of any recurring fixed charge billed to the property by the water purveyor, as specified. The bill would specify that a landlord may only bill a tenant for volumetric water usage, as specified, and a portion of any recurring fixed charge billed to the property by the water purveyor, as specified. The bill would specify that the landlord’s billing cycle for water service must match that of the water purveyor and that each bill must include certain information. The bill would prohibit a landlord from charging additional fees related to water service, except as provided. The bill would require a landlord to maintain and make available installation, maintenance, and testing records to a tenant upon request, as specified. The bill would require a landlord to make certain repairs on the water system in a dwelling, as specified. The bill would permit the assessment of administrative fees and late fees, as specified.

In addition to actual damages, this bill would permit a tenant to recover from the landlord certain damages, costs, and fees for a violation of these provisions. The bill would authorize a city, county, a city and county, or district to enforce these provisions.

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

SECTION 1. Chapter 2.5 (commencing with Section 1954.201) is added to Title 5 of Part 4 of Division 3 of the Civil Code, to read:

Chapter 2.5. Water Service

1954.201. It is the intent of the Legislature in enacting this chapter to do both of the following:
(a) To encourage the conservation of water in multifamily residential rental buildings through means either within the landlord’s or the tenant’s control.
(b) To ensure that the practices involving the submetering of dwelling units for water service are just and reasonable, and include appropriate safeguards for both tenants and landlords.

1954.202. As used in this chapter:
(a) “Billing agent” means a person or entity who contracts to provide submetering services to a landlord, including billing.
(b) “Landlord” includes all agents of the landlord, billing agents, and successors in interest to the real property interests of the landlord. “Landlord” does not include a tenant who rents all or a portion of a dwelling unit to subtenants. “Landlord” does not include a common interest development, as defined in Section 4100 of the Civil Code.
(c) “Property” means real property containing two or more dwelling units that is served by a single meter.
(d) “Rental agreement” includes a fixed-term lease.
(e) “Renting” includes leasing, whether on a periodic or fixed-term basis.
(f) “Submeter” means a device that measures water consumption of an individual rental unit within a multiunit residential structure or mixed-use residential and commercial structure, and which is owned and operated by the landlord. “Submeter” includes submeters, if more than one submeter is being used to measure water usage in a particular dwelling unit.
(g) “Water service” includes any charges for other services, including sewage or storm water services, that are based in whole or in part on the volume of water usage recorded by a water meter.
(h) “Water purveyor” means a water purveyor as defined in Section 512 of the Water Code.

1954.203. A landlord shall not charge tenants separately for water service in a property with submeters unless the submetering system is installed, operated, and maintained as follows:

(a) The submeter is certified for commercial purposes pursuant to law, including, but not limited to, Section 12500.5 of the Business and Professions Code.

(b) The installation conforms to all laws, including, but not limited to, regulations established pursuant to Section 12107 of the Business and Professions Code.

(c) The installation was performed by a licensed service provider registered service agency as defined in Section 12531 of the Business and Professions Code.

(d) The submeter is operated in compliance with regulations established pursuant to Section 12107 of the Business and Professions Code.

(e) The submeter for a dwelling unit measures only water that is supplied for the exclusive use of the particular dwelling unit and only to an area within the exclusive possession and control of the tenant of the dwelling unit.

(f) The primary submeter indicator or remote reader may be easily accessed and read by the tenant of the dwelling unit, and read by the owner landlord without entering the dwelling unit.

(g) Each submeter is reinspected and recalibrated within the time limits specified in law or regulation.

(h) All plumbing fixtures and fittings within each dwelling unit conform to all laws regarding habitability of dwellings and water conservation.

(i) This section shall not be construed to require a water purveyor to assume responsibility for ensuring compliance with any law or regulation governing installation, certification, maintenance, and testing of water submeters and associated onsite plumbing.

1954.204. Prior to executing a rental agreement, a landlord that intends to charge a tenant separately for water service shall clearly disclose the following information to the tenant, in writing, in at least 10-point type, which may be incorporated into the rental agreement:
(a) That the tenant will be billed for water service separately from the rent.

(b) The average bill for water service for units at the property over the most recent calendar year or, if the building is less than one year old, a portion of that calendar year.

(c) The frequency of submeter readings.

(d) The due dates and payment procedures for bills for water service.

(e) If a billing agent is used, the name, address, email address, normal hours of operation, and toll-free telephone number of the agent.

(f) The date the submeter was last tested and calibrated, and the date by which it must be retested and recalibrated under law.

(g) A statement in substantially the following form:

The landlord (or name of landlord) shall charge you (or name of tenant, or term used in the rental agreement for the tenant) for water use at the same rate that the (water purveyor) bills its customers for residential use. To find out what the rate charged by (water purveyor) is, contact (water purveyor) at (address), (telephone number).

(h) A statement that the tenant shall be charged for water service at the exact rate or rates charged by the water purveyor serving the property.

(i) A statement that the tenant shall also be charged for a portion of any recurring fixed charge billed to the property by the water purveyor and that the tenant’s portion of the recurring fixed charge shall be proportional to the amount of water the tenant uses in relation to the usage for the entire property.

(j) The current amount of the recurring fixed charge referred to in subdivision (i).

(k) A statement that no other administrative, connection, disconnection, billing, or other periodic fee or charge, except for an administrative fee, a late fee, or a submeter testing fee, may be assessed. If the landlord reserves the right to charge an administrative fee or the late fee, the amount and terms of the administrative fee or the late fee shall also be disclosed.

(l) The location of the submeter, and directions on how to read the submeter.
1954.205. (a) As part of a water service bill, a landlord shall only bill a tenant for volumetric usage of water service pursuant to subdivision (b), and a portion of any recurring fixed charge for water service billed to the property by the water purveyor pursuant to subdivision (f). The landlord shall not impose any periodic, connection, termination, or other fee, however denominated, except for administrative fees, late fees, or testing fees as provided in this chapter.

(b) The amount of the volumetric portion of the bill shall be calculated by multiplying the volume of water used, as determined by the submeter for the billing period in question, by the rate or rates for volumetric usage established by the purveyor of water service for residential use.

(c) If the rates established by the water purveyor change, the bill shall be prorated to reflect the time each rate was in effect. The landlord may assess charges for the entire billing period based on the lower rate.

(d) If a submeter reading for the beginning or end of a billing period is, in good faith, not available, the landlord may bill the tenant 75 percent of the amount originally disclosed to the tenant pursuant to subdivision (b) of Section 1954.204.

(e) No charges shall be imposed under this chapter if readings have been unavailable for more than three months.

(f) The amount of the recurring fixed charge for water service billed to the property by the water purveyor to be charged to the tenant shall be based on the proportion of the tenant’s volumetric water use, as shown on the submeter, in relation to the water use of the entire property, as shown on the property’s water meter.

1954.206. (a) The billing cycle for a water service bill pursuant to this chapter shall match that of the water purveyor.

(b) Submeters shall be read within three days of the same point in each billing cycle.

(c) Bills shall be due at the same point in each billing cycle. However, bills shall be due no earlier than 10 days after mailing, if mailed, or 5 days after personal delivery.

(d) Bills shall include the following information:

(1) The submeter readings for the beginning and end of the billing cycle, the dates read, and the indicated consumption.

(2) The unit of measure for the readings and usage.

(3) The rate or rates charged per unit of measure.
(4) The amount of the current charges for volumetric use.
(5) The amount of any recurring fixed charge for water service billed to the property by the water purveyor.
(6) The total water consumption for the property, as indicated by the property’s water meter.
(7) The percentage of the total water consumption of the property that was consumed by the tenant.
(8) The amount of current charges assessed to the tenant for the tenant’s share of any recurring fixed charges for water service billed to the property by the water purveyor.
(9) A separate entry showing past due amounts, if any.
(10) A separate entry showing any previously imposed late charges.
(11) The total amount due.
(12) The due date for the bill.
(13) A statement of the amount of any new late charges, if any, and when the late charges would apply. Late charges shall be imposed pursuant to Section 1954.214, 1954.212.
(14) The name, mailing address, email address, telephone number, and the regular business hours of the person or persons the tenant may call with questions or concerns regarding the bill, and who is authorized to make any necessary adjustments to the bill. If a billing agent is used, the name of the entity shall also be disclosed and the telephone number of the billing agent shall be toll free.

1954.207. A submeter shall be read within three days of the beginning or end of a tenancy to determine the amount of the first or last bill for water service. Tenancies that begin or end within three days of a normal reading may be billed as usual.

1954.208. (a) A landlord shall not charge or recover, or allow to be charged or recovered, any of the following:
(1) Any additional servicing, administrative, establishment, maintenance, meter reading, meter testing, billing, or submetering fees, or any other fee, including those charged by a billing agent, except as provided in Section 1954.210.
(2) Any fees billed to the landlord by the water purveyor, billing agent, or any other person for any deposit, disconnection, reconnection, late payment, or any other water service related purpose.
This section does not prohibit a landlord from recovering any costs listed in subdivision (a) that are incorporated into the rent for a dwelling unit, if the rent is a fixed amount per rental period, the charges are not listed separately, and the rental charges are otherwise lawful.

1954.209. The landlord shall maintain and make available in writing, at the tenant’s request, within seven days after the request, the following:

(a) All installation and maintenance records of the submeter in the tenant’s dwelling unit, including the name, license number, and contact information of the service provider who registered service agency that installed or serviced the submeter.

(b) The most recent test results of the submeter in the tenant’s dwelling unit.

(c) The method and sources used to determine the rate at which the tenant is charged for water.

1954.210. (a) If the water system in a dwelling unit does not function properly, including leaks, fixtures allowing unnecessary water consumption, or a malfunctioning submeter, the tenant may request that the landlord repair the problem. The landlord shall make the repairs within seven days.

(b) A tenant may request that a landlord have a submeter tested for accuracy. The landlord shall respond to the request within seven days, and the test shall be carried out as soon as reasonably practicable. The test shall be performed by a service provider registered service agency or other person authorized by law to perform the test. If the test shows that the submeter is inaccurate beyond the tolerances established by law, the landlord shall repair or replace the submeter. If the test shows the submeter was indicating more usage than the actual amount used and beyond established tolerances, the landlord shall refund the estimated overcharge to the tenant within 30 days of receipt of the results.

(c) The landlord shall pay for the cost of the test if either:

(1) The tenant requests the test because the submeter has indicated that water usage has increased more than 25 percent for two consecutive billing periods over the previous three billing periods.

(2) The submeter is found to be inaccurate beyond the tolerances established by law.
(d) The tenant shall pay for the test in all other cases, up to a maximum of seventy-five dollars ($75).

(e) The landlord is not required to test a submeter under subdivision (b) if the submeter was tested and found accurate within two years prior to the tenant’s request and the landlord provides the written results of that test to the tenant. However, the landlord shall have the submeter tested if the tenant pays in advance for the entire cost of the test.

1954.211. (a) A landlord may charge an administrative fee for the actual costs of reading submeters and providing billing services, up to a maximum of four dollars ($4) per submetered tenant per month for water service bills totaling ten dollars ($10) or more. If a water service bill totals nine dollars and ninety-nine cents ($9.99) or under, a landlord may charge an administrative fee for the actual costs of reading submeters and providing billing services up to 40 percent of the water service bill per submetered tenant per month.

(b) Beginning January 1, 2017, an administrative fee imposed pursuant to this section may be adjusted annually by the landlord commensurate with an increase in the Consumer Price Index.

1954.212. (a) A landlord may impose a late fee of up to 5 percent for any water service bill not paid within 20 days of its due date. If the 20th day falls on a Saturday, Sunday, or holiday, the late fee shall not be imposed until the day after the first business day following the 20th day.

(b) (1) Notwithstanding Section 1950.5, if a water service bill remains unpaid after the time described in subdivision (a) expires, the landlord may, in lieu of a late fee, deduct the amount due from the tenant’s security deposit. The landlord may require an additional deposit of security following a deduction, if the deposit would be otherwise lawful under Sections 827 and 1950.5.

(2) The landlord may also deduct an unpaid water service bill from the security deposit upon the ending of a tenancy, provided that the last water service bill showing the amount due is attached to the documentation required by Section 1950.5, and all the other requirements of that section are met.

(c) If a water service bill remains unpaid for 30 days after its due date, the nonpayment shall constitute a curable breach of a
material lease obligation. The landlord may commence an action
to remedy the breach, as provided by law.

(d) Water service charges under this chapter shall not constitute
rent.

(e) A landlord shall not shut off the water or otherwise interfere
with the provision of water service to a dwelling unit for any
reason, including nonpayment of a bill assessed pursuant to this
chapter.

1954.212.

1954.213. In addition to actual damages sustained by a tenant
for a violation of this chapter, the tenant may recover from the
landlord three times the amount of actual damages, a civil penalty
equal to one month’s rent, reasonable attorney’s fees, and court
costs. A landlord shall not be liable for a civil penalty if the
landlord proves that the violation was a good faith, unintentional
mistake.

1954.213.

1954.214. A city, county, city and county, or district may
enforce this chapter.

1954.214.

1954.215. The rights or obligations established under this
chapter shall not be waived. Any purported waiver is void.

1954.215.

1954.216. This chapter applies only to property where
submeters have been installed or where a meter and submeters are
installed pursuant to Chapter 8.5 (commencing with Section 537)
of Division 1 of the Water Code.

SEC. 2. Chapter 8.5 (commencing with Section 537) is added
to Division 1 of the Water Code, to read:

Chapter 8.5. Multiunit Structures

537. (a) The following definitions govern the construction of
this chapter:

(1) “Meter” has the same meaning as “water meter” in Section
516.

(2) “Submeter” means a device that measures water consumption
of an individual unit within a multiunit residential structure or
mixed-use residential and commercial structure, and is read by the
owner of the structure or the owner’s agent.
(b) Structures in all of the following categories shall be exempt from this chapter:

(1) Low-income housing. For purposes of this paragraph, “low-income housing” means a residential building financed with low-income housing tax credits, tax-exempt mortgage revenue bonds, general obligation bonds, or local, state, or federal loans or grants, for which the rents of the occupants in lower income households, as defined in Section 50079.5 of the Health and Safety Code, do not exceed rents prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance, and for which not less than 25 percent of the dwelling units within the building are designated for occupancy by lower income households, as defined in Section 50079.5 of the Health and Safety Code.

(2) Student dormitories.

(3) Long-term health care facilities, as defined in Section 1418 of the Health and Safety Code.

(4) Time-share property, as defined in subdivision (aa) of Section 11212 of the Business and Professions Code.

(5) Residential care facilities, as defined in subdivision (k) of Section 1569.2 of the Health and Safety Code.

(c) This chapter does not apply to a structure that is greater than four stories in height above grade if the owner, or his or her agent, demonstrates to the satisfaction of the water purveyor that the structure’s plumbing configuration incorporates multiple points of entry in each dwelling unit and renders the installation of submeters infeasible.

(d) A submeter used to measure water supplied to an individual residential unit that is required to be installed by a water purveyor pursuant to this chapter, shall be of a type approved pursuant to Section 12500.5 of the Business and Professions Code, and shall be installed and operated in compliance with regulations established pursuant to Section 12107 of the Business and Professions Code.

538. (a) Each water purveyor that sells, leases, rents, furnishes, or delivers water service to a newly constructed multiunit residential structure or newly constructed mixed-use residential and commercial structure for which an application for a water connection, or more than one connection, is submitted after January 1, 2014, shall require the installation of a water meter or submeter
to measure the water supplied to each individual dwelling unit as a condition of new water service.

(b) (1) If the water purveyor requires installation of submeters pursuant to subdivision (a), the owner of the structure shall ensure that each submeter installed complies with all laws and regulations governing installation, approval of meter type, maintenance, reading, billing, and testing of water submeters, including, but not limited to, the California Plumbing Code.

(2) This subdivision does not require a water purveyor to fund or assume responsibility for ensuring compliance with any law or regulation governing installation, approval of submeter type, maintenance, reading, billing, and testing of water submeters and associated onsite plumbing.

539. It is the intent of the Legislature that this chapter should not be construed to impose costs on any local government agency, except to the extent that the local government agency is a water purveyor.
June 19, 2013

Attention: Legislation, Conservation and Outreach Committee

Adopt policy principles for Water Resources Development Act (WRDA) legislation. (Action)

Staff recommendation
Adopt policy principles for Water Resources Development Act legislation.

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

Fiscal Impact
None.

Background
The Water Resources Development Act (WRDA) is the vehicle used to authorize U.S. Army Corps of Engineers Civil Works (Army Corps) programs and policies. These programs include maritime navigation (dredging), water resource management of Corps-operated facilities, flood control, and environmental protection and mitigation of impact on waters subject to the Clean Water Act. Congress last reauthorized WRDA in 2007.

Senate Environment & Public Works Committee Chairwoman Barbara Boxer and Ranking Member David Vitter (R-LA) introduced the Water Resources Development Act of 2013 (S. 601). It passed the Senate on May 15 by a vote of 83-14 after unanimous approval in committee. In addition to programs traditionally included in previous WRDA legislation, the Senate-passed bill also includes a new five-year program authorizing the Army Corps and the U.S. Environmental Protection Agency (EPA) to provide loans or loan guarantees to state and local governments and specified nongovernmental organizations for project construction.

Companion legislation to S. 601 has not been introduced in the House of Representatives. Transportation & Infrastructure Committee Chairman Bill Shuster (R-PA) has said that he hopes to introduce and move a similar bill later this summer, although action after the August recess is more likely.

Discussion
Among its many responsibilities, the Army Corps manages water supply facilities and serves as the primary regulator of aquatic ecosystems. These roles vest the Army Corps with a direct role in the Water Authority’s efforts to expand water resources while reducing the degradation of existing supplies. The Army Corps is currently authorized to assist in the planning and construction of water treatment facilities that further these goals. WRDA 2013 offers an opportunity to clarify that the authority extends to seawater and brackish water desalination facilities and networks.
The Senate-passed bill would create new authority for the Army Corps and the EPA to provide assistance through innovative financing pilot projects modeled on proposed Water Infrastructure Financing and Innovation Act (WIFIA) legislation. This five-year, $100 million per year program would evenly divide funding authority between the Army Corps and EPA and divide the types of projects each agency would service. The Senate-passed bill would task EPA with funding desalination projects, among others.

Many supporters of WRDA reauthorization in both the Senate and House hope to further reduce bureaucratic delays and lengthy environmental reviews common to Army Corps projects. Senator Boxer has been criticized by many environmental organizations for the streamlining provision contained in S. 601. The White House also expressed its concern with these reforms, although the President did not issue a veto-threat. A House bill will likely take these reforms further.

While water projects authorized by WRDA bills frequently involve the intertwined regulatory authority of both the Army Corps and EPA, a recent ruling has added a new level of uncertainty to the Corps’ permitting authority. The Senate defeated an amendment by Senator Joe Manchin (D-WV), that if adopted, would have reversed an April ruling by the U.S. Court of Appeals in Washington, D.C., that EPA has the authority to overturn existing Section 404 Clean Water Act permits, even if the EPA had not objected or even approved a permit earlier. This issue will very likely be addressed in a House bill.

Whether through drought or other conditions, military installations are facing challenges similar to civilian localities. The Army Corps is in a unique position to accomplish several of its existing missions while also assisting the various branches of the U.S. military through its water management functions. Camp Pendleton is but one example of a facility that could benefit from assistance that could be made available from a WRDA authorization. WRDA 2013 offers an opportunity to clarify a collaborative role between the Army Corps and other military branches.

Finally, there is a lengthy list of authorized, but unfunded, projects carried by the Army Corps. Some projects have not received funding due to lack of local support or significant regulatory hurdles, but others have simply not been able to secure funds due to federal fiscal restraints. The Senate bill would require the Army Corps to notify Congress as to exactly how many projects are on this list. Deauthorizing projects is nearly always controversial, but also needed, and should be accomplished using a collaborative decision making process.

**Proposed policy principles for WRDA legislation**

Staff is recommending that the Board establish policy principles for WRDA legislation to provide staff and the Water Authority’s legislative advocates with guidance to communicate support of, or opposition to WRDA legislation and amendments.
Recommended policy principles for WRDA legislation:

1. Encourage and extend funding eligibility for the development of seawater and brackish water desalination facilities, including fresh water distribution networks originating from these facilities.

2. Clarify that Army Corps’ authority to participate in the planning and construction of water treatment facilities extends to those utilizing desalination technology and the distribution of treated water from these facilities.

3. Direct the Army Corps to work with other branches of the U.S. military in the planning and construction of mission-sustaining water facilities where water resources are constrained due to population or environmental factors outside the base. This collaboration should include the uniformed managers of military bases and public/private entities working to secure reliable water resources for our military services.

4. Funding to the Army Corps for developing military base water resources shall include the authority to support planning, construction, and maintenance of desalination facilities.

5. Encourage efforts to complement existing funding with innovative financing options for planning, construction, operation, and mitigation of water infrastructure facilities. Eligibility for funding should include desalination projects. However, this eligibility for innovative financing should not come at the exclusion of other Army Corps assistance. Furthermore, tax-exempt borrowing authority by local sponsors for projects should not be excluded as a financing option.

6. Ensure that the project deauthorization process includes local sponsors in any decision and allow for modification of project authorizations as an alternative to deauthorization. Projects should not be deauthorized solely through Army Corps or other Executive Branch actions; congressional and local sponsor input must be preserved.

7. Clarify that Section 404 permits issued by the Army Corps may not be revoked by the EPA at a future date if the terms of permit have not been violated.

Staff recommends the Board adopt these proposed policy principles for WRDA legislation.

Prepared by: Alexi Schnell, Management Analyst
Reviewed by: Glenn A. Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager
June 19, 2013

Attention: Legislation, Conservation and Outreach Committee

Small Contractor Outreach and Opportunities Program (SCOOP) Quarterly Report (Information)

Background
The purpose of SCOOP is to maximize small-business participation on the San Diego County Water Authority’s contracts and procurements. SCOOP provides small businesses with resources and information through training, networking, and technical assistance. This report provides a summary of SCOOP program metrics and activities from July 1, 2012 through March 31, 2013.

Discussion

Outreach Activities
Water Authority representatives participated in 31 events with 24 various organizations and other government agencies. Major outreach events included the Caltrans Procurement Fair, the MiraCosta College Business and Entrepreneurship Center’s Meet the Buyers event in Carlsbad, and the Asian Business Association’s Lunar New Year.

A highlight of the third quarter was the Construction Management Association of America’s (CMAA’s) Owners’ Night. Attended by more than 200 design, engineering, and construction business professionals, the event is one of the industry’s premier networking opportunities. The exhibit hall format provided construction service providers with the opportunity to meet with local public and private owners and learn about their capital improvement projects.

SCOOP Training
One hundred and fifty-seven attendees, representing 89 unique firms, completed at least one SCOOP Training course during the third quarter of fiscal year 2013. Cumulatively through the third quarter, 436 attendees, representing 169 unique firms, have participated in SCOOP training.

Classroom workshops and events included the Water Authority Meet and Greet and the Delivering High-Impact Presentations/Interviews workshop. SCOOP now offers four online courses: Doing Business with San Diego County Water Authority, Bidding and Estimating, Introduction to Surety Bonds, and Registering on The Network. The Network is the Water Authority’s e-procurement system, vendor registration, and small-business certification system.

Online modules participation represented 33 percent of SCOOP Training attendance this quarter.

Ten companies indicated receiving contracts or subcontracts with the Water Authority on their course evaluations, amounting to $1,800,000; however, not all of the companies reported the exact number of contracts or specific dollar amounts awarded.
SCOOP Enhancements
Staff continues to work on implementing SCOOP program enhancements, including a Sheltered Market Program and a Clearinghouse system for small-business registration.

The Sheltered Market Program will limit competition on certain solicitations valued at $10,000 to $150,000 to small businesses only. Staff is working with the system administrator on modifications to The Network, our e-procurement system. These modifications will improve functionality and accommodate the Sheltered Market process.

The Clearinghouse will seek to evaluate the interest and feasibility of sharing one small-business registration system among multiple Southern California water agencies. Staff has evaluated registration systems used by other agencies, including the City of Los Angeles system, known as the Los Angeles Business Assistance Virtual Network (LABAVN).

Program Measurements
The Water Authority’s cumulative contract and purchase order awards through the third quarter of fiscal year 2013 was approximately $34 million. Small businesses received approximately $11.7 million, or 34 percent, of total dollars awarded, exceeding the overall program goal of 20 percent. Small businesses received awards in each procurement sector, with $7.9 million awarded in construction, $3.2 million awarded for professional services, and $600,000 awarded for purchase orders. Minority- and women-owned businesses received $2.4 million.

The number of companies receiving contract or purchase order awards during the quarter was 331. Of those, 145, or 44 percent, were small businesses. Fifteen percent, or 49, were minority- and women-owned businesses.

Further details of SCOOP statistics are given in Exhibit A (SCOOP Measurements Summary). Information on minority-owned and women-owned businesses is made available to the Board for statistical purposes only.

Prepared by: Emily Yanushka, SCOOP Manager
Reviewed by: Jason Foster, Director of Public Outreach and Conservation

Attachment
1. Exhibit A – SCOOP Program Measurements Summary
### EXHIBIT A

**SCOOP Measurements Summary**

July 1, 2012 – March 31, 2013

#### A-1. Small Business Measurements for
July 1, 2012 – March 31, 2013

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<tr>
<td>1. Number of qualified small businesses capable of bidding on Water Authority projects</td>
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<td>2. Number of bidders submitting bids and proposals for contracts</td>
<td>307</td>
<td>145</td>
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<tr>
<td>3. Number of businesses participating on Water Authority procurements (contracts and purchase orders)</td>
<td>331</td>
<td>145</td>
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<td>4. Number of contracting opportunities</td>
<td>55</td>
<td>21</td>
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<td>5. Amount committed to small businesses</td>
<td>$33,951,942</td>
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#### A-2. Minority/Women-Owned Business Measurements for
July 1, 2012 – March 31, 2013

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<td></td>
<td>Total</td>
<td>M/W</td>
</tr>
<tr>
<td></td>
<td>% M/W</td>
<td>% M/W</td>
</tr>
<tr>
<td>1. Number of qualified M/W businesses capable of bidding on Water Authority projects</td>
<td>5,287</td>
<td>1,481</td>
</tr>
<tr>
<td>2. Number of bidders submitting bids and proposals for contracts</td>
<td>307</td>
<td>45</td>
</tr>
<tr>
<td>3. Number of businesses participating on Water Authority procurements (contracts and purchase orders)</td>
<td>331</td>
<td>49</td>
</tr>
<tr>
<td>4. Number of contracting opportunities</td>
<td>55</td>
<td>12</td>
</tr>
<tr>
<td>5. Amount committed to minority and women-owned businesses</td>
<td>$33,951,942</td>
<td>$2,408,043</td>
</tr>
</tbody>
</table>
June 19, 2013

Attention: Legislation, Conservation and Outreach Committee

Quarterly report on Public Outreach and Conservation activities (Information)

Background
From March 2013 through May 2013, the Public Outreach and Conservation Department supported Water Authority conservation and outreach programs and projects, assisted member agencies, worked with communities directly affected by Water Authority construction projects, conducted media relations activities, worked on education programs, and supplied information through various means, including publications and online communications.

Discussion
During the quarter, Public Outreach and Conservation staff worked on a variety of projects. They included developing and launching a new online residential water-use calculator to help homeowners learn their potential for making water-saving improvements, providing member agencies with materials to help their customers better understand how their bills support investments in water supply reliability, and conducting community outreach related to several capital improvement projects. Highlights of department activities are listed below.

Media Relations

During the quarter, the Water Authority distributed 14 news releases. The subjects were:

- Carlsbad Desalination Project Wins ‘North American Water Deal of the Year’
- Water Authority General Manager Responds to Release of Draft Bay Delta Conservation Plan
- Water Authority’s Diversification Strategy Lauded in ‘New Visions, Smart Choices’ Report
- Judge Rules Prop. 26 Does Not Apply to 2010 Lawsuit Challenging MWD’s Rates
- Water Authority Launches Water Calculator for Homeowners
- Judge Orders MWD to Produce Evidence in Rate Case
- Water Authority Develops Road Map to a Secure Water Future
- Free WaterSmart Landscape Makeover Workshop Series Begins in May
- Dry Conditions Highlight the Value of Water as Summer Nears
- Judge Limits MWD’s Discovery Demands in Litigation Challenging its Rates
- Water Authority Proposes Smallest Rate Increase Since 2004
- Grand Jury Finds Water Authority Made ‘Substantial Progress’ Diversifying Supplies
- Judge Orders LADWP to Produce Public Records
- Water Authority Recommends $1.5 Billion Budget for Fiscal Years 2014 and 2015

In addition, staff worked to respond to many media requests throughout the quarter, including many related to the Carlsbad Desalination Project. News coverage related to the project included a story in The New York Times on March 1.
**Water Use Efficiency Programs**

**WaterSmart Online Water-Use Calculator**
In April, the Water Authority launched a new online residential water-use calculator to help residents estimate how much water they use in their homes and provide practical tips to conserve the region’s most precious natural resource. The calculator guides users through a series of questions about their homes and indoor and outdoor water use. Based on house-specific data, the calculator quickly estimates water use by major appliances or fixtures and identifies specific ways to improve overall household water-use efficiency. The calculator is a collaborative project between the Water Authority and the Alliance for Water Efficiency and was made possible by a grant from the Hans and Margaret Doe Charitable Trust. The calculator can be found at: [www.watersmartsd.org/water-calculator](http://www.watersmartsd.org/water-calculator).

**WaterSmart Landscape Makeover Workshop Series**
The program concluded its third workshop series, and in May began the fourth and final series for the pilot period. The final workshop series has 24 residential customers representing 12 member agencies, and the series will conclude by June. The workshops provide hands-on technical assistance to supplement the design guidelines contained in “A Homeowner’s Guide to a WaterSmart Landscape.”

**WaterSmart Turf Replacement Program**
The Water Authority continues to administer this program to eligible residential and commercial customers within its service area. The program offers an incentive of $1.50 per square foot to replace turf with water-efficient landscaping and is funded by California Department of Water Resources and federal Bureau of Reclamation grants. During this quarter the number of rebate reservation applications increased 141 percent compared to the program’s first quarter. Overall, since the program’s implementation in December 2012 it has received 142 rebate reservation applications for approximately 182,000 square feet with an incentive value of approximately $273,000.

**MWD Programs and Funding**
During this reporting period, the SoCal WaterSmart program issued rebates for the installation of more than 18,000 water-efficient devices in the Water Authority’s service area. That’s an increase of approximately 27 percent from the previous quarter. In addition, three customers submitted applications for incentives through the Water Savings Incentive Program. The program offers incentives to customers who improve their water-use efficiency through qualified process improvement projects.

**SDG&E Partnership Agreement**
In January 2013, the Board approved a partnership agreement with SDG&E for three new water- and energy-efficiency programs. The three new programs will increase landscape water-use efficiency, identify retail water distribution system leaks, and retrofit a detention facility with water-efficient devices. During this reporting period, the Water Authority worked with San Diego Gas & Electric to develop scopes of work, develop project implementation metrics, and coordinate program mobilization. Implementation of the three programs is planned for summer.
A Growing Passion Program Sponsorship

The Water Authority entered into a sponsorship agreement with “A Growing Passion,” a new gardening show on KPBS-TV that had its series premiere in May. The program looks at regional gardening and landscaping issues from a variety of perspectives and the role of water and water use efficiency are key elements incorporated into the show’s episodes. “A Growing Passion” provides the Water Authority with a high-profile opportunity to promote water efficiency resources such as the new WaterSmart website, www.watersmartsd.org. A new episode is released each Thursday at 8:30 p.m. and repeated on Saturday at 4 p.m. Once the entire series has aired, the sequence will repeat and then continue as reruns. Previously aired episodes can be accessed at http://video.kpbs.org.

WaterSmart Field Services Program

During this fiscal year, 886 sites have received field services to help customers identify opportunities to improve their water-use efficiency. The suite of field services includes residential evaluations, large landscape audits, commercial irrigation checkups, and follow-up audits.

San Diego County Garden Friendly Plant Fairs

The Water Authority, participating member agencies and The Home Depot hosted seven water-efficient plant fairs in March and April at selected store locations. More than 1,400 people attended the events that provide a cost-effective method to promote water conservation and landscape market transformation. These events concluded the series of spring plant fairs. Staff is continuing to explore additional public-private partnership opportunities to promote outdoor market transformation.

Value of Water Communications

Staff worked in coordination with member agency public information staff to develop a bilingual bill stuffer that quickly explains how water costs per gallon are relatively low despite tremendous investments needed to import water and develop new local supplies. Twelve member agencies ordered the bill stuffer, with circulation beginning in May.

The Water Authority also developed and distributed several template articles related to the value of water and public water service for member agencies to use in their customer newsletters and other communication vehicles, and began working on a short video for member agency use.

In addition, the Water Authority is partnering with the California Urban Water Agencies to develop a customizable fact sheet focused on the value of investing in a reliable water supply. CUWA expects the fact sheet will be available for its member agencies’ use this summer.

Publications and Online Communications

The Water Authority finished conducting its “Love Your Water” smartphone photo contest and announced the winners on World Water Day, March 22. The Water Authority received 37 photo submittals and increased the number of “likes,” or subscriptions, to its Facebook page by approximately 10 percent during the campaign.

The Water Authority posted regular updates to its @sdcwa Twitter feed and Facebook page throughout the reporting period. Staff also distributed editions of WaterSource and the 20-Gallon
Challenge e-newsletters. The department also produced eight Channel H2O videos during this period. These videos are posted to the Water Authority’s website and to YouTube.

Staff also continued to work on developing enhancements to improve the organization and navigation of the Water Authority’s primary website, www.sdcwa.org. Staff expects to implement the enhancements this summer.

Community Relations

Water Authority Board and staff attended a variety of community events including the Chicano Federation Annual Unity Luncheon, Union of Pan Asian Community Gala, San Diego Regional Chamber of Commerce Annual Congressional Luncheon, Cesar Chavez Community Breakfast and the San Diego Regional Economic Development Corporation Annual Dinner.

The Water Authority staffed booths at the Water Conservation Garden’s Spring Festival, UCSD’s Earth Day and Mission Trails Day to promote water conservation programs and projects, along with general Water Authority information.

Staff provided presentations to business and community groups on a variety of topics, including general Water Authority information and seawater desalination. Groups that received a presentation included the Southern California Yachting Association, San Diego Green Building Council, Construction Managers Association, Lakeside School District Career Day, Building Industry Association, Society of Certified Appraisers, Southwest Membrane Operators Association, City of Santee Annual Tree Day, Albondigas Political Society South County and SDGE Food Professionals.

School Education

During the quarter, the Water Authority’s education programs and materials reached 47 schools, 922 teachers and 23,308 students. The Public Outreach and Conservation Department also issued a request for proposals for proposers to conduct water-related assembly programs for the next two school years, and it now is in negotiations with the leading proposer. The department is in the process of producing the third update of the regional water history book *To Quench a Thirst*. The project will be completed this summer and will be available online and distributed to local libraries, educators, business and community leaders and public officials.

Joint Public Information Council/Conservation Coordinators

The Water Authority hosts joint meetings for member agency public information staff and water conservation program coordinators every other month to provide a forum for sharing program information and discussing issues. At the April 2 meeting, member agency staff received updates on a variety of communication and conservation projects, including value of water communications, WaterSmart Landscape Makeover Workshops, and the development of the WaterSmart website. Josh Robinson of the San Diego Sustainable Living Institute also presented an update on the use of graywater.
CIP Projects

Mission Trails to Lake Murray Pipelines 3 & 4 Relining Project
In March, staff mailed a postcard to 2,500 project neighbors notifying them that construction was ending ahead of schedule.

Sweetwater to Lower Otay Pipeline 3 Relining Project
In April, staff provided project information during a presentation to Albondigas Political Society South County.

Nob Hill Improvements Project
In late March, staff mailed a postcard to 1,867 project neighbors and wrote an article for the Scripps Ranch Civic Association newsletter, notifying the public about opportunities to learn more about the project at public meetings. In early April, staff provided introductory project presentations to the Miramar Ranch North Planning Committee and the Scripps Ranch Planning Group at their monthly meetings. In April, staff held the public scoping meeting at the Scripps Ranch Library to gather questions and comments to be addressed in the project’s Draft Environmental Impact Report.

Seawater Desalination Projects

Plant and Pipeline
Staff continued to coordinate with Poseidon Resources and its consultant on public outreach in the cities of San Marcos, Vista and Carlsbad. Poseidon’s outreach program encompasses multiple communication platforms and strategies. Activities during this quarter included open houses in San Marcos and Vista; a community picnic for residents of 9th Street and a community meeting for residents of Las Flores Drive, both in San Marcos; letters, door hangers and email updates; door-to-door canvassing; electronic street signage; and in-depth interviews with business owners. Poseidon hosted a media event in San Marcos where the future pipeline will connect to the Water Authority’s aqueduct, attracting several print and broadcast media outlets.

San Marcos Vents
The project team met with Community Services staff of the city of San Marcos to discuss the project’s potential impact on trails near the project site. Staff also established contact with the chair of the San Marcos Trails Committee to offer project information.

Pipeline 3 Relining
Staff conducted door-to-door outreach to businesses closest to portals in the city of San Marcos, and responded to phone calls from concerned owners. The project team met with Community Services staff of the city of San Marcos to discuss the project’s potential impact on nearby trails north of the city.

San Vicente Dam Raise
The project team conducted a community tour for the East County Leadership Group, and technical tours for the American Public Works Association national conference on sustainability, the American Society of Civil Engineering GeoCongress meeting, and an international RCC Study Tour hosted by the U.S. Department of the Interior - Bureau of Reclamation. Staff also
coordinated with the *U-T San Diego* for a photo shoot of the project. Staff continues to respond to public inquiries about the project and the schedule for reopening the reservoir to recreation.

Prepared by: Denise Vedder, Public Affairs Manager
  Jeff Stephenson, Principal Water Resources Specialist
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
June 19, 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**
The 2013 State Legislative Session reached its half-way point at the end of May, as each House faced a May 31 deadline for legislation to pass out of its house of origin. The Legislature promptly resumed policy committee hearings at the beginning of June, and will continue to work through policy committees until the Legislature recesses for the Summer (July 3 – August 5 for the Assembly, and July 12 – August 12 for the Senate).

A number of notable activities have occurred in the Legislature recently:

- Newly-elected Assemblymember Lorena Gonzalez was sworn into office on May 28, replacing former Assemblymember Ben Hueso, who was elected to a vacant state Senate seat. Importantly, Assemblymember Gonzalez was appointed to the Assembly Water, Parks, and Wildlife Committee, in addition to the Education, Insurance, and Rules Committees.

- SB 322 (Hueso), the Water Authority’s sponsored legislation that would require the Department of Public Health, in consultation with the State Water Resources Control Board, to investigate the feasibility of developing uniform water recycling criteria for potable reuse and provide a final report on that investigation to the Legislature by December 31, 2016, passed the State Senate on May 29 on a 39-0 vote. The measure has been moved to the Assembly, and is currently pending policy committee assignment.

- AB 145 (Perea), a measure on which the Board of Directors has adopted an Oppose unless amended position, passed off the Assembly Floor on a 45-24 vote. AB 145 has been double-referred to two policy committees – the Senate Environmental Quality Committee (where it will be considered on June 12) and the Senate Health Committee. AB 145 is the measure that would move the entirety of California’s drinking water program from the Department of Public Health to the State Water Resources Control Board.
In a separate memo, staff is recommending a position on SB 750 (Wolk), relating to water submetering.

**Budget**

The Assembly-Senate Budget Conference Committee has been working in earnest over the past several weeks to address a number of outstanding budget issues. The Budget Conference Committee acted on two items of interest for the Water Authority related to the Salton Sea. The Conference Committee approved a $2 million feasibility study as called for in AB 71 by Assemblymember Perez (the Authority Board adopted a support position on May 23, 2013). The Conference Committee also approved $3 million for a local assistance program in the form of additional grants for locally sponsored restoration projects. It remains to be seen if the Governor will allow the inclusion of the $3 million local assistance program. The Governor's Department of Finance representative voiced opposition to the inclusion of this funding in the budget, and the Governor has the power to strike funding amounts within the budget when it comes to him for signature.

Recent reports indicate that the legislative leadership and the Governor have reached a tentative agreement on the State Budget, and, at this time, it is anticipated that the State Budget will be passed by the June 15th deadline. There may be outstanding “trailer bills” – legislation intended to implement some provisions of the budget – that will need to be resolved and voted upon before the end of the month in order to complete the full budget action.

**Water Bond**

At this time, all indications suggest that action related to the rewrite of the water bond is not expected until conclusion of the budget process. It isn’t clear whether that means stakeholder discussions on the water bond will begin in July, August, or over the interim while the Legislature is out of session. The only recent activity of note in terms of the water bond is the State Assembly’s formation of a nine-member working group in order to begin a meaningful and deliberate process of educating the many members of the Assembly who are likely unfamiliar with the details of the water bond and the 2009 comprehensive package; the action on the water bond pre-dated many legislators’ tenure within the Legislature. Assemblymember Toni Atkins has been appointed to that nine-member working group in the Assembly, and the Water Authority staff will be working closely with her in order to advance the Water Authority’s interests within the context of the Assembly working group.

The Water Authority’s legislative advocates continue to participate in discussions at ACWA and in any other venue within which water bond discussions are occurring, on how the water bond should be restructured to advance the Water Authority’s priorities.

**Bay-Delta**

On May 29, 2013, the Natural Resources Agency released draft chapters 8-12 of the Bay Delta Conservation plan, and so has now released all draft chapters. In addition, the Resources Agency announced that the final draft environmental impact report/environmental impact statement (EIR/EIS) is expected to be released for public review by October 1, 2013, and a decision on the EIR/EIS is planned for April 2014.
Information released by the Natural Resources Agency on May 29 identified the total estimated cost of implementing the BDCP over the 50-year permit term at $24.54 billion, with capital costs alone of approximately $20 billion. Staff is currently in the process of closely reviewing the newly-released information in order to develop an appropriate recommendation for a course of action to be considered by the Board of Directors later this year.

**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 May:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Conferred with the Assembly Speaker and the Senate President pro temp regarding the Water Authority’s interests.
- Met with key legislative staff in the Assembly and Senate to discuss the recent and emerging MWD issues relative to BDCP financing.

John White’s activities in May included:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Participated in interviews, conference calls, and strategy meetings with respect to litigation/MWD.
- Coordinated with Bob Giroux and Jonathan Clay on various legislative issues of importance to the Water Authority, including outreach to key legislators on the MWD rate increase issue and the need to study and analyze the Portfolio Alternative within the context of the Bay Delta Conservation Plan options.
- Met and discussed several Water Authority issues of interest with key environmental groups, including the Natural Resources Defense Council, the Planning and Conservation League, and the California League of Conservation Voters.

**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: Glenn A. Farrel, Government Relations Manager
Reviewed by: Dennis A. Cushman, Assistant General Manager
June 19, 2013

Attention: Legislation Conservation and Outreach Committee

Status Report on Legislation and Legislative Positions. (Information)

Background
Water Authority staff is currently reviewing and monitoring 165 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 the Assembly and Senate to pass legislation out of their respective houses of origin was May 31.

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 June 7, 2013, the Board is sponsoring one bill in the Legislature, and has taken a position of Support on seven bills, a position of Oppose on four bills, and a position of Oppose unless amended on four 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 June 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: Glenn A. Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager

Attachments: 1. Matrix summarizing the Water Authority’s current positions on 2013-2014 legislation as of June 7, 2013
2. List of legislation under review by Water Authority staff as of June 7, 2013
<table>
<thead>
<tr>
<th>Bill Number</th>
<th>Author</th>
<th>Bill Title, Summary &amp; Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB 115</td>
<td>Perea</td>
<td><strong>Safe Drinking Water State Revolving Fund</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>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 (CHHSA) and often does not get the attention or resources needed to fulfill its mission. 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. **Status:**Senate Committee on Environmental Quality</td>
</tr>
<tr>
<td>AB 71</td>
<td>V. Manuel Pérez</td>
<td><strong>Salton Sea Restoration</strong></td>
</tr>
<tr>
<td></td>
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<td>AB 71 would establish a governance process to guide activities related to restoration of the Salton Sea, and is intended to increase local participation in the development of a restoration program. The bill would require the Natural Resources Agency to be the lead agency for Salton Sea restoration efforts, but in consultation and coordination with the Salton Sea Authority, a local Joint Powers Authority. This would ensure that local stakeholders are included in restoration decision making. In addition, the bill calls for the formation of a technical advisory group to assist the Resources Agency by managing feasibility and financial planning studies. **Status:**Senate Committee on Natural Resources and Water</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Support</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(28-Mar-13)</td>
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<tr>
<td></td>
<td></td>
<td><strong>Support</strong></td>
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<tr>
<td></td>
<td></td>
<td>(23-May-13)</td>
</tr>
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### San Diego County Water Authority
**Summary of Current Positions on 2013-2014 Legislation as of June 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 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 administrating 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 (CHHSA) 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.&lt;br&gt;&lt;br&gt;<strong>Status:</strong>&lt;br&gt;Senate</td>
<td>Oppose unless amended (28-Mar-13)</td>
</tr>
<tr>
<td>AB 147</td>
<td>V. Manuel Pérez</td>
<td><strong>Environment: Salton Sea: Dust Mitigation</strong>&lt;br&gt;AB 147 would establish a Dust Mitigation Project Account within the Salton Sea Restoration Fund. The California Air Resources Board (CARB) would be required to evaluate and determine if the air quality planning completed by the Quantification Settlement Agreement Joint Powers Authority (QSA-JPA) is sufficient to mitigate the air quality impacts of the QSA.&lt;br&gt;Associated costs would likely be either reimbursed or paid out of the Salton Sea Restoration Fund, potentially diverting funding that is designated for the State's Salton Sea Species Conservation Habitat Program.&lt;br&gt;Amendments sought by the Water Authority would amend the bill to address protection of the Salton Sea Restoration Fund, and to include stronger language to protect QSA Joint Powers Authority mitigation funds that have already been designated for important projects.&lt;br&gt;&lt;br&gt;<strong>Status:</strong>&lt;br&gt;Senate Committee on Rules</td>
<td>Oppose unless amended (23-May-13)</td>
</tr>
<tr>
<td>Bill Number</td>
<td>Author</td>
<td>Bill Title, Summary &amp; Status</td>
<td>SDCWA Position (Date of Board Action)</td>
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<tr>
<td>AB 380</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;<strong>Status:</strong>&lt;br&gt;Senate</td>
<td>Oppose unless amended (25-Apr-13)</td>
</tr>
<tr>
<td>AB 543</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;<strong>Status:</strong>&lt;br&gt;Senate Rules Committee</td>
<td>Oppose (25-Apr-13)</td>
</tr>
</tbody>
</table>
San Diego County Water Authority  
Summary of Current Positions on 2013-2014 Legislation  
as of June 7, 2013

<table>
<thead>
<tr>
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</tr>
</thead>
</table>
| AB 762      | Patterson | **Renewable Energy Resources: Hydroelectric Generation**  
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.  
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.  
**Status:**  
Assembly Committee on Utilities and Commerce | Support (28-Mar-13) |
| AB 763      | Buchanan | **Aquatic Invasive Plants: Control and Eradication**  
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.  
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.  
**Status:**  
Senate | Support (28-Mar-13) |
## Bill Title, Summary & Status

### Recycled Water

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 to address:

1. **Alignment of Health and Safety Code and Water Code requirements for reporting spills**
   
   Existing law has inconsistent requirements for reporting spills of unauthorized discharge of recycled water.

2. **Point of Compliance for Advanced Treated Purified Water**

   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.

**Status:**

- Senate

### Environment: California Farmland Protection Act

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.

**Status:**

- Assembly Committee on Agriculture
## 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 Inactive File

## Vehicles: Specialized License Plates: Salton Sea

AB 1096 would authorize the Department of Fish and Wildlife to apply to the Department of Motor Vehicles to sponsor a specialized license plate commemorating the Salton Sea. Funds generated through the sale of the plates would be placed into a Salton Sea restoration account to fund restoration projects.

**Status:**
Senate Committee on Rules
<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 1258</td>
<td>Skinner</td>
<td><strong>Electricity: Hydroelectric Facilities</strong></td>
<td>Watch (28-Mar-13)</td>
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<td></td>
<td></td>
<td>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. <strong>Status:</strong> Assembly Appropriations Committee</td>
<td></td>
</tr>
<tr>
<td>AB 1349</td>
<td>Gatto</td>
<td><strong>CalConserve Water Use Efficiency</strong></td>
<td>Support (28-Mar-13)</td>
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<td></td>
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<td>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. <strong>Status:</strong> Assembly Appropriations Committee</td>
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<td>Bill Number</td>
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<td>Bill Title, Summary &amp; Status</td>
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<tr>
<td>SB 425</td>
<td>DeSaulnier</td>
<td><strong>Public Works Peer Review Act of 2013</strong>&lt;br&gt;SB 425, when introduced, and when the Water Authority Board elected to watch this legislation, would have required 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 bill in its original form would have prohibited a PRG taking action until a charter was created and agreed upon by the project agency and the relevant legislative body, which could have lead to possible project delays.&lt;br&gt;&lt;br&gt;As amended May 7, 2013, SB 425 would allow, rather than require, a public agency to establish a specified peer review group and would require the administering agency, if a PRG is established, to draft a charter, published on the agency's Internet Web site, related to the duties of the PRG.&lt;br&gt;&lt;br&gt;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>
<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;&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.</td>
<td>Oppose unless amended (25-Apr-13)</td>
</tr>
</tbody>
</table>
### San Diego County Water Authority

**Summary of Current Positions on 2013-2014 Legislation**  
**as of June 7, 2013**

<table>
<thead>
<tr>
<th>Bill Number</th>
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<th>Bill Title, Summary &amp; Status</th>
<th>SDCWA Position (Date of Board Action)</th>
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</thead>
</table>
| SB 617      | Evans  | **Environmental Quality: Public Notice**  
Existing law defines “environment” and “significant effect on the environment” for the purpose of factual analysis.  

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.  

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.  

**Status:**  
Senate Inactive File |
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<tbody>
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<td></td>
<td></td>
<td></td>
<td>Oppose (25-Apr-13)</td>
</tr>
</tbody>
</table>


Legislation Under Review by the Water Authority as of June 7, 2013

CA AB 1

| AUTHOR: | Alejo [D] |
| TITLE: | Water Quality: Integrated Plan: Salinas Valley |
| FISCAL COMMITTEE: | yes |
| URGENCY CLAUSE: | yes |
| INTRODUCED: | 12/03/2012 |
| LAST AMEND: | 04/03/2013 |
| DISPOSITION: | Pending |
| LOCATION: | Assembly Appropriations Committee |
| SUMMARY: | Appropriates funds for use by the Greater Monterey County Regional Water Management Group, referred to as the management group, to develop the integrated plan to address the drinking water and wastewater needs of disadvantaged communities in the Salinas Valley whose waters have been affected by waste discharges. |

CA AB 7

| AUTHOR: | Wieckowski [D] |
| TITLE: | Oil and Gas: Hydraulic Fracturing |
| FISCAL COMMITTEE: | yes |
| URGENCY CLAUSE: | no |
| INTRODUCED: | 12/03/2012 |
| LAST AMEND: | 05/31/2013 |
| DISPOSITION: | Pending |
| LOCATION: | Assembly Natural Resources Committee |
| SUMMARY: | Requires the owner or operator of a well to file an application specifying additional information before commencing drilling and to provide to the State Oil and Gas Supervisor specific information relating to hydraulic fracturing as part of the well's drilling history. Prohibits drilling until approval or denial of the application. Defines hydraulic fracturing and related fluids. Provides the procedures to be taken in determining that such information is a trade secret. Requires landowner notification. |

CA AB 21

| AUTHOR: | Alejo [D] |
| TITLE: | Safe Drinking Water Small Community Grant Fund |
| FISCAL COMMITTEE: | yes |
| URGENCY CLAUSE: | no |
| INTRODUCED: | 12/03/2012 |
| LAST AMEND: | 02/14/2013 |
| DISPOSITION: | Pending |
| LOCATION: | SENATE |
| SUMMARY: | Authorizes the assessment of a specified annual charge in lieu of interest on loans for water projects made pursuant to the Safe Drinking Water State Revolving Fund, and the deposit of that money into the Safe Drinking Water |
State Small Community Emergency Grant Fund. Authorizes the expending of the money in the fund for grants for specified water projects that serve disadvantaged and severely disadvantaged communities.

**STATUS:**
05/28/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (77-0)

**CA AB 26**

**AUTHOR:** Bonilla [D]

**TITLE:** Greenhouse Gas Reduction Fund

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 12/03/2012

**LAST AMEND:** 05/28/2013

**DISPOSITION:** Pending

**LOCATION:** SENATE

**SUMMARY:** 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 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 paying training wages.

**STATUS:**
05/30/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (51-25)

**CA AB 30**

**AUTHOR:** Perea [D]

**TITLE:** Water Quality

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 12/03/2012

**LAST AMEND:** 05/24/2013

**DISPOSITION:** Pending

**LOCATION:** Senate Second Reading File

**SUMMARY:** 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 the board makes a prescribed determination, at which time the board would replace the charge with an identical interest rate. Relates to deposits into the State Water Pollution Control Revolving Fund Small Community Grant Fund and expansion of grants from the fund.

**STATUS:**
06/03/2013 In SENATE. Ordered to second reading.

**CA AB 37**

**AUTHOR:** Perea [D]

**TITLE:** Environmental Quality Act: Record of Proceedings

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 12/03/2012

**LAST AMEND:** 03/18/2013

**DISPOSITION:** Pending
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:
05/28/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (78-0)

CA AB 39

AUTHOR: Skinner [D]
TITLE: Proposition 39: Implementation
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 12/03/2012
LAST AMEND: 05/24/2013
DISPOSITION: Pending
LOCATION: SENATE
SUMMARY:
Requires that of the revenues deposited into the Clean Energy Job Creation Fund, a percentage of those revenues be provided to eligible institutions for grants for eligible projects; requires the State Department of Education to administer a percentage of those revenues for local educational agencies for the purposes of eligible projects; provides moneys for job training, workforce development and public-private partnerships to be available from the Clean Energy Job Creation Fund.

STATUS:
05/29/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (76-2)

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
COMMITTEE: Senate Governmental Organization Committee
HEARING: 06/11/2013 9:30 am
SUMMARY:
Amends the Subletting and Subcontracting Fair Practices Act that requires the entity taking bids for the construction of any public work or improvement to specify certain information regarding each subcontractor who will perform work or labor or render service to the prime contractor in or about the work or improvement. Requires that the state contractor license number of each subcontractor also be provided.

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: 05/30/2013
DISPOSITION: Pending
LOCATION: Assembly Natural Resources 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:
05/30/2013 In ASSEMBLY. Assembly Rule 69 suspended.
05/30/2013 In ASSEMBLY. Read third time and amended. To third reading.
05/30/2013 Re-referred to ASSEMBLY Committee on NATURAL RESOURCES.

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
COMMITTEE: Senate Natural Resources and Water Committee
HEARING: 06/11/2013 9:30 am
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:**
05/09/2013 To SENATE Committee on NATURAL RESOURCES AND WATER.
NOTES: SDCWA Position: Support (5-23-13)

**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:** To Governor
**LOCATION:** To Governor

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:**
06/05/2013 *****To GOVERNOR.

**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
**COMMITTEE:** Senate Environmental Quality Committee
**HEARING:** 06/12/2013 9:30 am

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.
**NOTES:** 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:** SENATE

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
water system for at least 20 years.

**STATUS:**

05/28/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY.  
*****To SENATE. (78-0)

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**CA AB 119**

**AUTHOR:** Env Safety & Toxic Material Cmt  
**TITLE:** Water Treatment Devices  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 01/14/2013  
**LAST AMEND:** 04/16/2013  
**DISPOSITION:** Pending  
**COMMITTEE:** Senate Environmental Quality Committee  
**HEARING:** 06/12/2013 9:30 am  
**SUMMARY:**

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.  

**STATUS:**

05/30/2013 Re-referred to SENATE Committees on ENVIRONMENTAL QUALITY AND HEALTH.

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**CA AB 142**

**AUTHOR:** Water, Parks and Wildlife Cmt  
**TITLE:** Water Resources: Infrastructure  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 01/17/2013  
**LAST AMEND:** 05/06/2013  
**DISPOSITION:** Pending  
**LOCATION:** Assembly Appropriations Committee  
**SUMMARY:**

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.  

**STATUS:**

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

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**CA AB 145**

**AUTHOR:** Perea [D]  
**TITLE:** State Water Resources Control Board: Drinking Water  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 01/18/2013  
**LAST AMEND:** 04/24/2013  
**DISPOSITION:** Pending  
**LOCATION:** SENATE  
**SUMMARY:**

 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:** 05/24/2013
**DISPOSITION:** Pending
**LOCATION:** SENATE

**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.

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.

CA AB 160

**AUTHOR:** Alejo [D]
**TITLE:** Public Employees' Pension Reform Act: Exceptions
**FISCAL COMMITTEE:** yes
**URGENCY CLAUSE:** yes
**INTRODUCED:** 01/22/2013
**LAST AMEND:** 05/28/2013
**DISPOSITION:** Pending
**LOCATION:** Assembly Appropriations Committee

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.

CA AB 162

**AUTHOR:** Holden [D]
**TITLE:** Telecommunications: 911 Emergency Assistance
**FISCAL COMMITTEE:** yes
**URGENCY CLAUSE:** no
**INTRODUCED:** 01/23/2013
**LAST AMEND:** 05/09/2013
**DISPOSITION:** Pending
**LOCATION:** Assembly Local Government Committee

Makes legislative findings and declaration relating to the criticalness of maintaining signal strength and call reliability for 911 calls from cellular telephones. States the intent of the Legislature to subsequently amend this legislation to include provisions that would increase network capacity on existing wireless structures in order to serve the needs of safety personnel and the public of the state.

CA AB 164

**AUTHOR:** Wieckowski [D]
**TITLE:** Infrastructure Financing
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.

CA AB 185

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.

CA AB 194

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.

STATUS:
02/07/2013 To ASSEMBLY Committee on LOCAL GOVERNMENT.

CA AB 218

AUTHOR: Dickinson [D]
TITLE: Employment Applications: Criminal History
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/04/2013
LAST AMEND: 05/24/2013
DISPOSITION: Pending
LOCATION: SENATE
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:
05/30/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY.

*****To SENATE. (48-29)

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
LOCATION: Senate Second 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:
06/05/2013 From SENATE Committee on GOVERNANCE AND FINANCE: Do pass as amended to Committee on APPROPRIATIONS. (6-1)

CA AB 240

AUTHOR: Rendon [D]
TITLE: Mutual Water Companies
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/05/2013
LAST AMEND: 06/05/2013
DISPOSITION: Pending
COMMITTEE: Senate Governance and Finance Committee
HEARING: 06/12/2013 9:30 am
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:
06/05/2013 From SENATE Committee on GOVERNANCE AND FINANCE with author's amendments.
06/05/2013 In SENATE. Read second time and amended. Re-referred to Committee on GOVERNANCE AND FINANCE.

CA AB 246

AUTHOR: Bradford [D]
TITLE: Local Government: Open Meetings
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/06/2013
DISPOSITION: To Governor
LOCATION: Enrolled
SUMMARY: Makes technical, nonsubstantive changes to the Ralph M. Brown Act, that authorizes the legislative body of a local agency to hold closed sessions with the Governor. Makes legislative findings regarding Constitutional provisions requiring that a statute that limits the rights to access to the meetings of public bodies or the writing of public officials and agencies be adopted with findings demonstrating the interest provided by the limitation and the need for protecting that interest.

STATUS:
06/05/2013 Enrolled.

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. (38-12)
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. (38-12)

CA AB 279
AUTHOR: Dickinson [D]
TITLE: Financial Affairs
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/11/2013
LAST AMEND: 05/29/2013
DISPOSITION: Pending
LOCATION: Senate Second Reading File
SUMMARY:
Amends existing law that prescribes the instruments in and criteria by which a local agency may invest and deposit its funds, including its surplus funds and authorizes such agency to invest in specified certificates of deposit. Removes the term certificates of deposit and instead authorizes such agency to invest in specified deposits.

STATUS:
06/05/2013 From SENATE Committee on GOVERNANCE AND FINANCE: Do pass as amended to Committee on BANKING & FINANCIAL INSTITUTIONS. (7-0)

CA AB 288
AUTHOR: Levine [D]
TITLE: Oil and Gas: Hydraulic Fracturing
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/11/2013
LAST AMEND: 05/28/2013
DISPOSITION: Pending
FILE: A-14
LOCATION: Assembly Inactive File
SUMMARY:
Deletes the limitation to waters suitable for irrigation or domestic purposes. Requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells to permit the owners and operators to utilize all safe methods and practices, and to allow owners and operators to utilize all methods and practices to increase the ultimate recovery of underground hydrocarbons under certain conditions.

STATUS:
06/03/2013 In ASSEMBLY. Reconsideration granted.
06/03/2013 In ASSEMBLY. To Inactive File.
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:** California Environmental Quality Act: Notice  
**URGENCY CLAUSE:** yes  
**INTRODUCED:** 02/14/2013  
**LAST AMEND:** 05/24/2013  
**DISPOSITION:** Pending  
**LOCATION:** SENATE  

**SUMMARY:**
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 the clerk for public review. Provides notice requirements for projects that are determined to be exempted from the Act.
CA AB 407

**AUTHOR:** Perez V [D]
**TITLE:** New River Watershed Water Quality: River Parkway

**STATUS:**
05/29/2013  In ASSEMBLY.  Read third time.  Passed ASSEMBLY.

**NOTES:**
*****To SENATE. (53-23)
SDCWA Position: Oppose unless amended (4-25-13)

**SUMMARY:**
Requires a state agency awarding or granting funds for projects associated with the New River to ensure that the grants, loans, or other forms of financial support are expended in a manner consistent with the New River Improvement Project Strategic Plan.

CA AB 416

**AUTHOR:** Gordon [D]
**TITLE:** Local Emission Reduction Program

**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

**AUTHOR:** Salas [D]
**TITLE:** Water Transfers: Water Rights Decrees

**SUMMARY:**
Amends existing law that provides that any water right determined under a court decree issued after a specified date, is transferable. Eliminates the
requirement that a court decree be issued after a specified date.

**STATUS:**

05/23/2013  In ASSEMBLY.  Read third time.  Passed ASSEMBLY.  

*****To SENATE. (51-23)

CA AB 467

**AUTHOR:** Stone [D]

**TITLE:** Freshwater Protection Act

**FISCAL COMMITTEE:** yes  

**URGENCY CLAUSE:** no  

**INTRODUCED:** 02/19/2013

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

**DISPOSITION:** Pending

**LOCATION:** SENATE  

**SUMMARY:** 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:**

05/28/2013  In ASSEMBLY.  Read third time.  Passed ASSEMBLY.  

*****To SENATE. (75-1)

CA AB 504

**AUTHOR:** Chesbro [D]

**TITLE:** Fish and Game Commission: Salmon and Groundfish

**FISCAL COMMITTEE:** yes  

**URGENCY CLAUSE:** no  

**INTRODUCED:** 02/20/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Water, Parks and Wildlife Committee

**SUMMARY:** Reduces the number of regular meetings per year for the Fish and Game Commission. Deletes a requirement regarding meeting notices. Revises 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 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
**LOCATION:** SENATE

Amends existing law that exempts the Western Climate Initiative, Incorporated, and its appointees from the Bagley-Keene Open Meetings Act when performing their duties. Repeals that exemption.

**STATUS:**
05/30/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. 
*****To SENATE. (76-0)

**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-Milias-Brown Act: Impasse Procedures
**FISCAL COMMITTEE:** yes
**URGENCY CLAUSE:** no
**INTRODUCED:** 02/20/2013
**LAST AMEND:** 04/17/2013
**DISPOSITION:** Pending
**LOCATION:** SENATE

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:**

05/30/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. 

*****To SENATE. (54-24)

**CA AB 543**

**AUTHOR:** Campos [D]  
**TITLE:** California Environmental Quality Act: Translation  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 02/20/2013  
**LAST AMEND:** 05/24/2013  
**DISPOSITION:** Pending  
**LOCATION:** Senate Rules Committee  

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 a group of non-English-speaking people comprises at minimum percentage of the population within the lead agency’s jurisdiction and the proposed project is to be located at or near an area where the group of non-English-speaking people comprises that same percentage of residents of the area.

**STATUS:**

06/03/2013 To SENATE Committee on RULES.  

**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  

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:**

05/24/2013 In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.

**CA AB 562**

**AUTHOR:** Williams [D]  
**TITLE:** Economic Development Subsidies: Local Agency Review
**CA AB 613**

**Author:** Hueso [D]

**Title:** Water Reclamation

**Fiscal Committee:** no

**Urgency Clause:** no

**Introduced:** 02/20/2013

**Last Amended:** 05/20/2013

**Disposition:** Pending

**Location:** ASSEMBLY

**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 at specified intervals.

**Status:**
05/23/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (49-19)

**Notes:**
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 Amended:** 04/25/2013

**Disposition:** Pending

**Location:** SENATE

**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:**
05/28/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (53-25)

**CA AB 621**

**Author:** Wagner [R]

**Title:** Local Government: Bonds
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 that provides or will provide bond campaign services to the bond campaign. Defines certain terms for those purposes.

CA AB 649

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 within a specified distance of a home, public building, school, surface waters, underground source of drinking water, or any sensitive human or environmental resource 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

Requires the Director of the Department of General Services to operate the Natural Gas Services Program and to 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. Requires the use of the program for nocore gas purchases.

**STATUS:**

06/04/2013  From SENATE Committee on GOVERNMENTAL ORGANIZATION with author’s amendments.

06/04/2013  In SENATE.  Read second time and amended. Re-referred to Committee on GOVERNMENTAL ORGANIZATION.

**CA AB 669**

**AUTHOR:** Stone [D]

**TITLE:** Oil and Gas: Drilling

**FISCAL COMMITTEE:** no

**URGENCY CLAUSE:** yes

**INTRODUCED:** 02/21/2013

**LAST AMEND:** 05/24/2013

**DISPOSITION:** Pending

**FILE:** 1

**LOCATION:** Assembly Unfinished Business - Reconsideration

**SUMMARY:** Requires an oil or gas well operator prior to drilling to submit proof that the Regional Water Quality Control Board has approved the 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 well casing failures. Requires well operators to provide a copy of the hydraulic fracturing treatment permit to surface property owners.

**STATUS:**

05/30/2013  In ASSEMBLY.  Read third time.  Failed to pass ASSEMBLY.  (32-32)

05/30/2013  In ASSEMBLY.  Motion to reconsider.

**CA AB 687**

**AUTHOR:** Hernandez R [D]

**TITLE:** Electricity

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/21/2013

**LAST AMEND:** 05/24/2013

**DISPOSITION:** Pending

**LOCATION:** SENATE

**SUMMARY:** Requires the Public Utilities Commission, when authorizing additional direct transactions for retail nonresidential end-use customers, to provide the highest priority to acquire electric services from other providers to entities treating and remediating groundwater that is identified as contaminated on a site listed as a Superfund site or a public drinking water system of a disadvantaged community. Requires those entities to use moneys saved as a result of treatment and remediation of groundwater.

**STATUS:**

05/29/2013  In ASSEMBLY.  Read third time.  Passed ASSEMBLY.  *****To SENATE. (51-22)

**CA AB 690**

**AUTHOR:** Campos [D]

**TITLE:** Jobs and Infrastructure Financing Districts
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.

**CA AB 696**

**AUTHOR:** Mansoorn [R]

**TITLE:** Public Employment: Pensions

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/21/2013

**LAST AMEND:** 04/09/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Local Government Committee

**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.

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 701**

**AUTHOR:** Perez J [D]

**TITLE:** California Infrastructure and Economic Development Bank

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/21/2013

**LAST AMEND:** 06/03/2013

**DISPOSITION:** Pending

**COMMITTEE:** Senate Governance and Finance Committee

**HEARING:** 06/12/2013 9:30 am

**SUMMARY:**

Relates to the Infrastructure and Economic Development Bank and board of directors. Adds a Member of the Assembly, or a designee of the member, and a Member of the Senate, or designee of the member, 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.

**STATUS:**

06/03/2013 From SENATE Committee on GOVERNANCE AND FINANCE
06/03/2013
In SENATE.  Read second time and amended. Re-referred to Committee on GOVERNANCE AND FINANCE.

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 729

AUTHOR: Hernandez R [D]
TITLE: Evidentiary Privileges: Union Agent-Represented Worker
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 05/23/2013
DISPOSITION: Pending
LOCATION: SENATE
SUMMARY: Provides that a union agent and a represented employee or represented former employee have a privilege to refuse to disclose any confidential communication between the employee or former employee and the agent while the agent was acting in his or her representative capacity. Provides an exception. Provides that the represented employee and the represented former employee also has a privilege to prevent another person from disclosing a privileged communication. Provides the privilege may be waived.
STATUS: 05/28/2013 In ASSEMBLY.  Read third time.  Passed ASSEMBLY.  *****To SENATE. (48-27)

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
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.

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.

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.

04/22/2013 In ASSEMBLY Committee on UTILITIES AND COMMERCE: Reconsideration granted.
NOTES: SDCWA Position: Support (3-28-2013)

CA AB 763

AUTHOR: Buchanan [D]
TITLE: Aquatic Invasive/Pest Plants: Control and Eradication
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 05/29/2013
DISPOSITION: Pending
LOCATION: SENATE
SUMMARY:
Designates the Department of Boating and Waterways as the lead agency of the state for the purpose of cooperating with other state, local, and federal agencies in identifying, detecting, controlling, and administering programs to manage invasive aquatic plants in the Sacramento-San Joaquin Delta, its tributaries, and the Suisun Marsh. Provides required actions by specified agencies regarding invasive plants and pests.

STATUS:
05/30/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY.
NOTES:
SDCWA Position: Support (3-28-2013)

CA AB 792
AUTHOR: Mullin [D]
TITLE: Local Government: Open Meetings
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 05/06/2013
DISPOSITION: Pending
LOCATION: Senate Governance and Finance Committee
SUMMARY:
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 specify that the agency may conduct the meeting as long as the legislative body meets specified requirements, including posting the agenda or notice immediately upon resolution of the technological problems. Provides the delay in posting would not preclude the conduction of the meeting.

STATUS:
05/23/2013 To SENATE Committee on GOVERNANCE AND FINANCE.

CA AB 793
AUTHOR: Gray [D]
TITLE: Renewable Energy: Public Utilities: Hydroelectric
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/21/2013
LAST AMEND: 05/13/2013
DISPOSITION: Pending
LOCATION: SENATE
SUMMARY:
Provides that a local publicly owned electric utility is not required to procure additional eligible renewable energy resources in excess of specified levels, if it receives 50% or greater of its annual retail sales from its own hydroelectric generation meeting specified requirements.

STATUS:
05/23/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY.

CA AB 796
AUTHOR: Muratsuchi [D]
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:
05/23/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (54-20)

CA AB 803

Gomez [D]

Water Recycling Act of 2013

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:
05/29/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (77-0)

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

CA AB 823

Eggman [D]

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.
CA AB 834

**STATUS:**
04/29/2013

From ASSEMBLY Committee on NATURAL RESOURCES: Do pass to Committee on AGRICULTURE. (6-3)

**NOTES:**
SDCWA Position: Oppose (4-25-13)

**AUTHOR:** Williams [D]

**TITLE:** Energy Efficiency Standards: Administrative Enforcement

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/21/2013

**LAST AMEND:** 04/22/2013

**DISPOSITION:** Pending

**LOCATION:** SENATE

**SUMMARY:**
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.

**STATUS:**
05/24/2013

In ASSEMBLY. Read third time. Passed ASSEMBLY. ******To SENATE. (42-24)

CA AB 850

**AUTHOR:** Nazarian [D]

**TITLE:** Public Capital Facilities: Water Quality

**FISCAL COMMITTEE:** no

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/21/2013

**LAST AMEND:** 04/15/2013

**DISPOSITION:** Pending

**LOCATION:** Senate Governance and Finance Committee

**SUMMARY:**
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:**
05/23/2013

To SENATE Committee on GOVERNANCE AND FINANCE.

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: Senate Governance and Finance Committee
COMMITTEE: Pending
HEARING: 06/12/2013 9:30 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:
05/30/2013 To SENATE Committee on GOVERNANCE AND FINANCE.

CA AB 941
AUTHOR: Rendon [D]
TITLE: Controller: Reports
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 04/23/2013
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee
SUMMARY: 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.

STATUS:
05/24/2013 In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.

CA AB 953
AUTHOR: Ammiano [D]
California Environmental Quality Act

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.

STATUS:
05/31/2013 In ASSEMBLY. To Inactive File.

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

CA AB 982

Oil and Gas: Hydraulic Fracturing

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 appropriate regional water quality control board, which would contain specific information relating to groundwater, water quality, and the monitoring of wells and water quality. Requires any notice of intent to provide information regarding the amount and source of the water used during such operations.

STATUS:
05/24/2013 In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.

CA AB 1035

Local Agencies: Financial Reports

Raises the amount forfeited for failure to submit financial reports to all local agencies. 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 or more consecutive years. Requires the Controller to conduct an independent audit report of an agency that issues conduit revenue bonds. Specifies the agency that has a forfeiture or payment still must file the
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:** SENATE

**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:**
05/29/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. ******To SENATE. (78-0)

CA AB 1060

**AUTHOR:** Fox [D]

**TITLE:** Environmental Quality: Filing Fees: Exemptions

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**DISPOSITION:** Pending

**COMMITTEE:** Senate Environmental Quality Committee

**HEARING:** 06/19/2013 9:30 am

**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:**
05/23/2013 To SENATE Committees on ENVIRONMENTAL QUALITY and NATURAL RESOURCES AND WATER.

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: SENATE
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:
05/29/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (77-0)
NOTES: SDCWA Position: Support (5-23-13)

CA AB 1140

AUTHOR: Daly [D]
TITLE: Public Works: Prevailing Wages
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 05/24/2013
DISPOSITION: Pending
LOCATION: SENATE
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.

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<tr>
<td>CA AB 1149</td>
<td><strong>To SENATE. (54-24)</strong></td>
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| AUTHOR | Campos [D] |
| TITLE | Identity Theft: Local Agencies |
| FISCAL COMMITTEE | yes |
| URGENCY CLAUSE | no |
| INTRODUCED | 02/22/2013 |
| DISPOSITION | Pending |
| LOCATION | SENATE |
| 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. |

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<td>CA AB 1156</td>
<td><strong>To SENATE. (78-0)</strong></td>
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</table>

| AUTHOR | Perez V [D] |
| TITLE | Palo Verde Irrigation District Act |
| FISCAL COMMITTEE | yes |
| URGENCY CLAUSE | no |
| INTRODUCED | 02/22/2013 |
| LAST AMEND | 05/29/2013 |
| DISPOSITION | Pending |
| LOCATION | SENATE |
| SUMMARY | Entitles a person, firm, or corporation that owns land to vote at the specified elections relating to the Palo Verde Irrigation District. Entitles each property owner to one vote for every one acre of land owned. Requires the district to hold a public hearing regarding these changed to the weighted voted system. |

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<th>STATUS</th>
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<td>CA AB 1158</td>
<td><strong>To SENATE. (66-8)</strong></td>
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</table>

| 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.

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: SENATE

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:
05/24/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (52-19)

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
LOCATION: SENATE

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:
05/29/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (69-3)

CA AB 1200

AUTHOR: Levine [D]
TITLE: Recycled Water: Agricultural Irrigation Impoundments
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 05/22/2013
DISPOSITION: Pending
LOCATION: SENATE

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:
05/24/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY.

******To SENATE. (72-0)

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

LAST AMEND: 05/24/2013

DISPOSITION: Pending

LOCATION: SENATE

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. Provides that this applies to charter cities, charter counties, and charter cities and counties.

STATUS:
05/30/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY.

******To SENATE. (56-19)

CA AB 1248

AUTHOR: Cooley [D]

TITLE: Local Agencies: Internal Control Guidelines

FISCAL COMMITTEE: yes

URGENCY CLAUSE: no

INTRODUCED: 02/22/2013

LAST AMEND: 05/24/2013

DISPOSITION: Pending

LOCATION: SENATE

SUMMARY:
Requires the Controller to develop internal control guidelines applicable to a
local agency to prevent and detect financial errors and fraud. Requires the Controller to post the completed guidelines on the Controller's Internet Web site and update them.

**STATUS:**
05/30/2013 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (78-0)

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**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.

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**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
**LOCATION:** Assembly Appropriations Committee

**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:**
05/24/2013 In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.

**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 Natural Resources and Water Committee

**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:
05/16/2013 To SENATE Committees on NATURAL RESOURCES AND
WATER and GOVERNANCE AND FINANCE.

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:
05/24/2013 In ASSEMBLY Committee on APPROPRIATIONS: Held in
committee.

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
SUMMARY:

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
COMMITTEE: Senate Governmental Organization Committee
HEARING: 06/11/2013 9:30 am
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<th>AUTHOR</th>
<th>TITLE</th>
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<th>URGENCY CLAUSE</th>
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<tr>
<td>AB 1323</td>
<td>Mitchell [D]</td>
<td>Oil and Gas: Hydraulic Fracturing</td>
<td>yes</td>
<td>no</td>
<td>02/22/2013</td>
<td>05/28/2013</td>
<td>Failed</td>
<td>Assembly Third Reading File</td>
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<tr>
<td>AB 1330</td>
<td>Perez J [D]</td>
<td>Environmental Justice</td>
<td>yes</td>
<td>no</td>
<td>02/22/2013</td>
<td>04/09/2013</td>
<td>Pending</td>
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<td>AB 1331</td>
<td>Water, Parks and Wildlife Cmt</td>
<td>Water Resources: Assessments of Public Funding</td>
<td>yes</td>
<td>no</td>
<td>02/22/2013</td>
<td>05/21/2013</td>
<td>Pending</td>
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**CA AB 1323**

**SUMMARY:**
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:**
05/09/2013 To SENATE Committee on GOVERNMENTAL ORGANIZATION.

**CA AB 1330**

**SUMMARY:**
Defines hydraulic fracturing in oil and gas operations and prohibits such fracturing until the date that regulations adopted by the Division of Oil, Gas, and Geothermal Resources regulating such fracturing take effect.

**STATUS:**
05/30/2013 In ASSEMBLY. Read third time. Failed to pass ASSEMBLY. (24-37)

**CA AB 1331**

**SUMMARY:**
Requires the Department of Water Resources to provide an analysis that assesses currently available public funding and estimates the additional public...
investment needed to ensure the state meets priority needs related to infrastructure, integrated water management, water supply reliability, water recycling, flood management, and watershed and aquatic ecosystem conservations and protection and for access to safe drinking water. Requires an assessment of needed funds to implement the Delta Plan.

**CA AB 1336**

**AUTHOR:**
Frazier [D]

**TITLE:**
Prevailing Wages: Payroll Records

**URGENCY CLAUSE:**
yes

**INTRODUCED:**
02/22/2013

**LAST AMEND:**
04/17/2013

**LOCATION:**
SENATE

**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:**
05/24/2013
In ASSEMBLY.  Read third time.  Passed ASSEMBLY.

*****To SENATE. (49-21)

**CA AB 1349**

**AUTHOR:**
Gatto [D]

**TITLE:**
CalConserve Water Use Efficiency Revolving Fund

**URGENCY CLAUSE:**
yes

**INTRODUCED:**
02/22/2013

**LOCATION:**
Assembly Appropriations Committee

**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:**
05/24/2013
In ASSEMBLY Committee on APPROPRIATIONS:  Held in committee.

SDCWA Position: Support (3-28-2013)

**CA AB 1365**

**AUTHOR:**
Perez J [D]

**TITLE:**
State and Local Agency Reports: Legislative Counsel

**URGENCY CLAUSE:**
yes

**INTRODUCED:**
02/22/2013

**LAST AMEND:**
04/24/2013

**DISPOSITION:**
Pending
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:**

05/24/2013  In ASSEMBLY.  Read third time.  Passed ASSEMBLY.  

05/30/2013  To SENATE Committee on GOVERNANCE AND FINANCE.

CA AB 1427

**AUTHOR:** Local Government Cmt

**TITLE:** Cortese-Knox-Hertzberg Local Government Reorganization

**FISCAL COMMITTEE:** no

**URGENCY CLAUSE:** no

**INTRODUCED:** 04/01/2013

**LAST AMEND:** 04/30/2013

**DISPOSITION:** Pending

**COMMITTEE:** Senate Governance and Finance Committee

**HEARING:** 06/12/2013 9:30 am

**SUMMARY:**

Amends the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 that defines an independent district or independent special district. Provides the definition excludes districts with specified membership. Relates to district members residing within the county of the district. Regards district annexation or reorganization to any city in Santa Clara County. Revises provisions regarding district merger elections. Relates to district formation protest hearings.

**STATUS:**

05/30/2013  To SENATE Committee on GOVERNANCE AND FINANCE.

CA ACA 8

**AUTHOR:** Blumenfield [D]

**TITLE:** Local Government Financing: Voter Approval

**FISCAL COMMITTEE:** no

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/13/2013

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

**DISPOSITION:** Pending

**LOCATION:** Assembly Local Government Committee

**SUMMARY:**

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.

**STATUS:**

04/04/2013  To ASSEMBLY Committees on LOCAL GOVERNMENT and APPROPRIATIONS.

04/04/2013  From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.
04/04/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on LOCAL GOVERNMENT.

CA AJR 4

**AUTHOR:** Hueso [D]  
**TITLE:** The United States-Mexico Border  
**INTRODUCED:** 01/14/2013  
**ENACTED:** 05/01/2013  
**DISPOSITION:** Adopted  
**LOCATION:** Chaptered  
**CHAPTER:** 24  
**SUMMARY:**  
Urges the federal government, including the Department of Homeland Security and the General Services Administration, to fund necessary improvements at the San Ysidro, Calexico, and Otay Mesa Ports of Entry.  
**STATUS:**  
05/01/2013 Chaptered by Secretary of State.  
05/01/2013 Resolution Chapter No. 24

CA SB 4

**AUTHOR:** Pavley [D]  
**TITLE:** Oil and Gas: Hydraulic Fracturing  
**FISCAL COMMITTEE:** yes  
**URGENCY CLAUSE:** no  
**INTRODUCED:** 12/03/2012  
**LAST AMEND:** 05/24/2013  
**DISPOSITION:** Pending  
**LOCATION:** ASSEMBLY  
**SUMMARY:**  
Requires an independent scientific study on hydraulic fracturing treatments by the Natural Resources Agency. Requires a well operator to record and include all data on such treatments, and to apply for a permit prior to performing such treatments. Requires the fracturing to be completed within one year of the permit date. Requires prior notification of the fracturing. Requires disclosure of the treatment fluids by an operator. Requires public notice. Provides civil penalties for violations.  
**STATUS:**  
05/29/2013 In SENATE. Read third time. Passed SENATE. ****To ASSEMBLY. (28-11)

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:** ASSEMBLY  
**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
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 Public Employees, Retirement and Social Security Committee

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 or 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:
05/16/2013 To ASSEMBLY Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY.

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
URGENCY CLAUSE: yes
INTRODUCED: 12/03/2012
LAST AMEND: 03/06/2013
DISPOSITION: Pending
COMMITTEE: Assembly Local Government Committee
HEARING: 06/12/2013 1:30 pm
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:
05/16/2013 To ASSEMBLY Committee on LOCAL GOVERNMENT.

CA SB 36

AUTHOR: Hueso [D]
TITLE: Internet: Workers' Compensation Insurers: Data
URGENCY CLAUSE: yes
INTRODUCED: 12/04/2012
LAST AMEND: 04/30/2013
DISPOSITION: Pending
LOCATION: Assembly Insurance Committee
SUMMARY:
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:
05/28/2013 To ASSEMBLY Committee on INSURANCE.

CA SB 40

AUTHOR: Pavley [D]
TITLE: Safe, Clean, and Reliable Drinking Water Supply Act
URGENCY CLAUSE: no
INTRODUCED: 12/10/2012
LAST AMEND: 01/17/2013
DISPOSITION: Pending
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 refo

01/31/2013 Re-referred to SENATE Committees on NATURAL RESOURCES AND WATER and RULES.


01/10/2013 To SENATE Committee on NATURAL RESOURCES AND WATER.

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.

05/23/2013 In SENATE Committee on APPROPRIATIONS: Held in committee.

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.

05/23/2013 In SENATE Committee on APPROPRIATIONS: Held in committee.
SUMMARY:
Requires the Office of Emergency Services to develop a comprehensive statewide earthquake warning system in California and would require the system to include certain features, including the installation of field sensors.

STATUS:
05/28/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (39-0)

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: Assembly Local Government Committee
HEARING: 06/12/2013 1:30 pm
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:
05/28/2013 To ASSEMBLY Committee on LOCAL GOVERNMENT.

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 Local Government Committee
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
CA SB 215

AUTHOR: Beall [D]
TITLE: Public Employees Retirement
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/11/2013
LAST AMEND: 05/30/2013
DISPOSITION: Pending
LOCATION: Assembly Public Employees, Retirement and Social Security

SUMMARY: Amends the Public Employees' Retirement System. Relates to reimbursing employing agency for paying employee board member that is attending PERS board meeting. Repeals provisions regarding investments. Authorizes specified benefit payment reporting processes. Relates to the PERS approval process for a contracting agency to obtain a health benefit plan.

STATUS: 05/30/2013 From ASSEMBLY Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY with author’s amendments.
05/30/2013 In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY.

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
COMMITTEE: Assembly Local Government Committee
HEARING: 06/12/2013 1:30 pm

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:**

05/16/2013 To ASSEMBLY Committee on LOCAL GOVERNMENT.

**CA SB 322**

**AUTHOR:** Hueso [D]

**TITLE:** Water Recycling

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/19/2013

**LAST AMEND:** 05/28/2013

**DISPOSITION:** Pending

**LOCATION:** ASSEMBLY

**SUMMARY:**

Relates to water recycling. Requires the State Department of Public Health to investigate the feasibility of developing uniform water recycling criteria for direct potable reuse. Requires the department to convene and administer an expert panel to establish uniform regulatory criteria for direct potable water reuse. Provides for a task force and funding. Authorizes contracting with a University of California, California State University, or other research institution. Authorizes nonstate funds acceptance.

**STATUS:**

05/29/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (39-0)

**NOTES:**

SDCWA Position: Sponsor (started in the Assembly as AB 613)

**CA SB 359**

**AUTHOR:** Corbett [D]

**TITLE:** Environment: CEQA Exemption: Housing Projects

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/20/2013

**LAST AMEND:** 04/01/2013

**DISPOSITION:** Pending

**LOCATION:** Assembly Natural Resources Committee

**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:**

05/28/2013 To ASSEMBLY Committees on NATURAL RESOURCES and HOUSING AND COMMUNITY DEVELOPMENT.

**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 Environmental Protection Agency.
STATUS: 04/17/2013 In SENATE Committee on ENVIRONMENTAL QUALITY: Not heard.

CA SB 395
AUTHOR: Jackson [D]
TITLE: Hazardous Waste: Wells
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/20/2013
LAST AMEND: 05/28/2013
DISPOSITION: Pending
FILE: A-5
LOCATION: Senate Inactive 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. Requires testing of the waste. Specifies that oil field waste does not include hazardous waste.
STATUS: 05/30/2013 In SENATE. From third reading. To Inactive File.

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
LOCATION: ASSEMBLY
SUMMARY: Allows a public agency, principally tasked with administering, planning, developing, and operating a public works project, to establish a specified peer review group. Requires the administering agency, if a peer group is established, to draft a charter, published on the agency's Internet Web site, related to the duties of the peer review group.
STATUS: 05/24/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (35-0)
NOTES: SDCWA Position: Watch (3-28-2013)

CA SB 429
AUTHOR: Hernandez E [D]
San Gabriel Basin Water Quality Authority Act

**Fiscal Committee:** Yes

**Urgency Clause:** No

**Introduced:** 02/21/2013

**Disposition:** Pending

**Location:** Assembly Environmental Safety and Toxic Materials Committee

**Summary:**
Relates to repeal of the San Gabriel Basin Water Quality Authority Act. Extends the date of repeal of the Act.

**Status:**
05/16/2013 To ASSEMBLY Committee on ENVIRONMENTAL SAFETY AND TOXIC MATERIALS.

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**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

**Location:** ASSEMBLY

**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 require that the notice be given to a list of specified parties including the State Clearinghouse and project applicants.

**Status:**
05/28/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (28-10)

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

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**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

**Location:** Senate Appropriations Committee

**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:**
05/23/2013 In SENATE Committee on APPROPRIATIONS: Held in committee.

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**CA SB 474**

**Author:** Nielsen [R]
TITLE: Appropriation of Water: Sewerage Commission Oroville
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
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
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
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
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. Requires specific procedures for agency proposals to impose or increase fees and election procedures. Provides for public hearings.
STATUS:
05/29/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (39-0)
CA SB 556

AUTHOR: Corbett [D]
TITLE: Agency: Ostensible
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 05/29/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY: Relates to third person contracts and ostensible agencies. Makes a public agency that contracts for labor or services with a contractor is jointly and severally liable for any damages caused during or in connection with the performance of work under the contract if, at the time of the damage or injury, certain circumstances existed that would cause a member of the public to believe that the contractor or the contractor's employee was an agent of the public agency. Excludes state agencies.

STATUS:
05/30/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (24-13)

CA SB 591

AUTHOR: Cannella [R]
TITLE: Renewable Energy: Utilities: Hydroelectric Enforcement
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 05/28/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY: Amends the state Renewables Portfolio Standard Program. Provides that a local publicly owned electric utility is not required to procure additional eligible renewable energy resources in excess of specified levels, if it receives 50% or greater of its annual retail sales from its own hydroelectric generation meeting specified requirements.

STATUS:
05/29/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (39-0)

CA SB 608

AUTHOR: Wright [D]
TITLE: Adverse Possession: Public Entity Properties
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Senate Judiciary 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

**AUTHOR:** Wolk [D]

**TITLE:** Irrigation Districts: Directors

**FISCAL COMMITTEE:** no

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 06/04/2013

**DISPOSITION:** Pending

**COMMITTEE:** Assembly Local Government Committee

**HEARING:** 06/12/2013 1:30 pm

**SUMMARY:**
Amends the Irrigation District Law. Eliminates the circumstances in which a director of the board of an irrigation district may be exempt from the landownership requirement.

**STATUS:**
06/04/2013 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.

06/04/2013 In ASSEMBLY.  Read second time and amended.  Re-referred to Committee on LOCAL GOVERNMENT.

CA SB 617

**AUTHOR:** Evans [D]

**TITLE:** California Environmental Quality Act

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 05/28/2013

**DISPOSITION:** Pending

**FILE:** A-10

**LOCATION:** Senate Inactive File

**SUMMARY:**
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.

**STATUS:**
05/30/2013 In SENATE.  From third reading.  To Inactive File.

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

CA SB 620

**AUTHOR:** Wright [D]

**TITLE:** Water Replenishment Districts

**FISCAL COMMITTEE:** no

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

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

**DISPOSITION:** Pending

**LOCATION:** ASSEMBLY

**SUMMARY:**
Amends the Water Replenishment District Act. Eliminates a requirement that a specified percentage of a district reserve fund be expended for water purchases. Provides that an operator of a water-producing facility is liable to the district for a specified financial penalty for failing to be registered with the district or to
make specified reports. Provides the conditions for the delay in an increase in the penalty. Relates to the awarding of attorney’s fees in related civil actions.

STATUS:
05/29/2013  In SENATE.  Read third time.  Passed SENATE.  *****To ASSEMBLY. (31-4)

CA SB 633

AUTHOR: Pavley [D]
TITLE: CEQA
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
LAST AMEND: 05/06/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY: 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.

STATUS:
05/30/2013  In SENATE.  Read third time.  Passed SENATE.  *****To ASSEMBLY. (39-0)

CA SB 636

AUTHOR: Hill [D]
TITLE: Redevelopment Property Tax Trust
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
DISPOSITION: Pending
LOCATION: Senate Appropriations Committee
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:
05/23/2013  In SENATE Committee on APPROPRIATIONS:  Held in committee.

CA SB 658

AUTHOR: Correa [D]
TITLE: Orange County Water District Act
FISCAL COMMITTEE: no
URGENCY CLAUSE: yes
INTRODUCED: 02/22/2013
LAST AMEND: 05/15/2013
DISPOSITION: Pending
FILE: A-3
LOCATION: Senate Inactive 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: 05/24/2013 In SENATE. From third reading. To Inactive File.

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 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: 05/24/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
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. Prohibits the State Board from entering into any contract or revising any contract with the Initiative 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: 05/29/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (39-0)

CA SB 731
AUTHOR: Steinberg [D]
TITLE: Environment: California Environmental Quality Act
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
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:
05/29/2013  In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (39-0)

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: 05/24/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Amends existing law that establishes the Delta Stewardship Council to create a Delta management plan. Authorizes prescribed local entities to enter into a memorandum of understanding or other written agreement with the council and the Department of Fish and Wildlife regarding multispecies conservation plans that describes how the parties would ensure that multispecies conservation plans that have been adopted or are under development are consistent with the Delta Plan.

STATUS:
05/29/2013  In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (26-12)

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 750

AUTHOR: Wolk [D]
TITLE: Building Standards
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 02/22/2013
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.

Amends the Ralph M. Brown Act that requires all meetings of the legislative body of a local agency to be open and public and prohibits that body from taking action by secret ballot, whether preliminary of final. Requires that the legislative body of a local agency to publicly report any action taken and the vote or abstention of that action of every member present.

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

**AUTHOR:** Block [D]

**TITLE:** Public Employees: Collective Bargaining

**FISCAL COMMITTEE:** no

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**LAST AMEND:** 05/13/2013

**DISPOSITION:** Pending

**LOCATION:** ASSEMBLY

**SUMMARY:**
Permits a public school supervisory peace officer employee to join or participate in an employee organization and negotiating unit that is composed of nonsupervisory peace officers if the representation has been agreed to by the supervisory employee representative, the nonsupervisory peace officer representative, and the employer of the Public Employment Relations Board is so notified.

**STATUS:**
05/28/2013  In SENATE.  Read third time.  Passed SENATE.  *****To ASSEMBLY. (35-4)

CA SB 772

**AUTHOR:** Emmerson [R]

**TITLE:** Drinking Water

**FISCAL COMMITTEE:** yes

**URGENCY CLAUSE:** no

**INTRODUCED:** 02/22/2013

**DISPOSITION:** Pending

**LOCATION:** Senate Governance and Finance Committee

**SUMMARY:**
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.

**STATUS:**
03/11/2013  To SENATE Committees on GOVERNANCE AND FINANCE and RULES.

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

**COMMITTEE:** Assembly Labor and Employment Committee

**HEARING:** 06/12/2013 1:30 pm

**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:**
CA SB 783  
05/20/2013  
To ASSEMBLY Committee on LABOR AND EMPLOYMENT.  
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: yes  
URGENCY CLAUSE: no  
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
CA SB 805

AUTHOR: De Leon [D]
TITLE: Water Corporations: Low-Income Rate Relief Program
FISCAL COMMITTEE: no
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: yes
URGENCY CLAUSE: no
INTRODUCED: 03/20/2013
DISPOSITION: Pending
LOCATION: ASSEMBLY

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: 05/16/2013 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (37-0)

CA SCA 4

AUTHOR: Liu [D]
TITLE: Local Government Transportation Project: Voter Approval
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
INTRODUCED: 12/03/2012
LAST AMEND: 05/21/2013
DISPOSITION: Pending
LOCATION: Senate Transportation and Housing Committee

SUMMARY: Proposes an amendment to the Constitution to provide the imposition, extension, or increase of a special tax by a local government for the purpose of providing funding for local transportation projects requires the approval of a related proposition that includes certain requirements. 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:
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<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/29/2013</td>
<td>Re-referred to SENATE Committee on TRANSPORTATION AND HOUSING.</td>
</tr>
</tbody>
</table>

**CA SCA 11**

- **Author:** Hancock [D]
- **Title:** Local Government: Special Taxes: Voter Approval
- **Fiscal Committee:** no
- **Urgency Clause:** no
- **Introduced:** 01/25/2013
- **Last Amend:** 05/21/2013
- **Disposition:** Pending
- **Location:** Senate Elections and Constitutional Amendments Committee

**Summary:**
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, if the proposition proposing the tax contains specified requirements.

**Status:**
05/21/2013 In SENATE. Read second time and amended. Re-referred to Committee on ELECTIONS AND CONSTITUTIONAL AMENDMENTS.
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

1. Treasurer’s report.
   - Staff recommendation: Note and file the monthly Treasurer’s report.
   - (Action) Tracy McCraner

2. Purchase Water Authority Business Insurance – Property and Liability.
   - Staff recommendation: Authorize the General Manager to purchase property and liability insurance from the Special District Risk Management Authority in the amount of $655,380 for coverage for the period of July 1, 2013 through June 30, 2014. (Action) Robert Homer
3. **General Manager’s Recommended Budget for Fiscal Years 2014 and 2015**

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

II. **ACTION/DISCUSSION**

1. **PUBLIC HEARING:**

Accept Carollo Engineers’ San Diego County Water Authority Calendar Year 2014 Rates and Charges Cost of Service Study, and San Diego County Water Authority Cost of Service Study Capacity Charge Report dated May 2013 included as Attachment A of this report.

b. Adopt Ordinance No. 2013-___ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services;

c. Adopt Ordinance No. 2013-___ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the amounts and requirements of the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;

d. Adopt Ordinance No. 2013-___ an ordinance of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge for successive years at the same rate;
e. Find the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption. (Action)

2. Fiscal Sustainability Task Force.
   2-A Report on Fiscal Sustainability Task Force. Mark Weston

   2-B Professional services contract with A&N Technical Services, Inc. to provide support services related to the work of the Fiscal Sustainability Task Force and facilitation of the Cost of Service Study- Phase II. David Shank
   Staff recommendation: Authorize the General Manager to award a professional services contract to A&N Technical Services, Inc. for an amount not-to-exceed $177,400 for consulting services, contingent upon Board approval of Fiscal Years 2014 and 2015 Recommended Budget. (Action)

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 (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.
June 19, 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 May 31, 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 77 percent currently invested in AAA rated or AAA/AA+ split-rated securities. The Water Authority’s overall portfolio yield decreased from 0.52 percent to 0.50 in May 2013 and continues to exceed the investment benchmark of 0.16 percent in May 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>13.68%</td>
<td>$49,434,667</td>
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<tr>
<td>Banker's Acceptances</td>
<td>20%</td>
<td>0.00%</td>
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<tr>
<td>Treasury Securities</td>
<td>15% - Minimum</td>
<td>16.29%</td>
<td>58,842,113</td>
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<tr>
<td>Agency Securities</td>
<td>85%</td>
<td>55.28%</td>
<td>199,733,294</td>
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<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>
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<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>9.53%</td>
<td>34,450,251</td>
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<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
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<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>5.08%</td>
<td>18,338,861</td>
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<tr>
<td>Money Market Funds</td>
<td>15%</td>
<td>0.14%</td>
<td>503,245</td>
</tr>
</tbody>
</table>

100.00%                                    | $361,302,431              |

Accrued Interest (unavailable for investing) | -                          |
Checking/Petty Cash/Available Funds (unavailable for investing) | 1,062,949       |

**Subtotal for Pooled Funds:**  
362,434,657

**Bond/CP Fund Excluded from Portfolio Percentages:**

- Treasury Securities
- Agency Securities 57,480,547
- Certificates of Deposit (CDARS) -
- Commercial Paper 6,291,024
- Local Agency Investment Fund (LAIF) 122,443,537
- JPA Pools (CAMP) 20,770,926
- Money Market Funds and Cash 4

$206,986,038

**Subtotal for Bond/CP Fund (available for CIP expenditures):**  
$206,986,038

**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**  
586,139,943

## 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>
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<tbody>
<tr>
<td></td>
<td>0.35%</td>
<td>0.46%</td>
<td>4.12%</td>
<td>0.50%</td>
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<tr>
<td>Average Term</td>
<td>682</td>
<td>280</td>
<td>150</td>
<td>524</td>
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<tr>
<td>Average Days to Maturity (730 Days Maximum)</td>
<td>489</td>
<td>77</td>
<td>122</td>
<td>333</td>
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</tbody>
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* "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 May 1st, the FOMC maintained the target for the federal funds rate at a range of 0-25 basis points. The next meeting is June 19th.
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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 YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Managed Pool Accounts</td>
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Subtotal and Average | | | 42,485,654.84 | 40,743,526.77 | 40,743,526.77 | 40,741,274.81 | 0.233 | 113 |
SDCWA - Fiscal Year 2013
Portfolio Management

Page 2

Portfolio Details - Investments
May 31, 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
03/29/2011
03/31/2011
04/06/2011
10/13/2011
10/13/2011
04/26/2012
04/26/2012
06/25/2012
06/25/2012
07/12/2012
08/09/2012
08/16/2012
12/17/2012
05/15/2013
02/15/2013
03/29/2011
04/28/2011
05/12/2011
05/12/2011

1,260,000.00
5,000,000.00
8,000,000.00
5,000,000.00
10,000,000.00
5,000,000.00
5,000,000.00
5,000,000.00
10,000,000.00
5,000,000.00
5,000,000.00
6,605,000.00
8,000,000.00
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
3,000,000.00
5,000,000.00
5,000,000.00
10,000,000.00
8,000,000.00
5,000,000.00
3,400,000.00
8,000,000.00
4,414,000.00
4,000,000.00
2,000,000.00
5,100,000.00
4,700,000.00

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8,165,520.00
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10,009,000.00
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6,741,657.45
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4,715,087.00

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252,820,000.00

259,221,263.64

261,739,731.21

Stated
Rate

S&P

YTM Days to
365 Maturity

Maturity
Date

Federal Agency - Coupon
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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
31398A4M1
3135G0DW0
31359MUT8
31359MZC0
3135G0BY8
31398AXJ6
31359MUT8
31398A4N9
31398A6D9

4076
4078
10041
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10056
10060
10061
10075
10090
214
4041
4056
4059
4060

FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
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FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
Subtotal and Average

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2.500
0.375
0.500
0.500
0.500
0.500
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5.250
2.500
2.500
0.375
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5.250
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5.000
4.500
1.000
0.750
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0.625
1.625
2.375
0.625
1.625
0.625
4.125
4.375
0.875
2.500
4.125
1.000
0.800

AA+
AA+
AA+
AA+
AA+
AA+
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AA+
AA+

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0.873
0.878

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685
685
685
1,052
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685
1,052
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877
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318
136
170

0.549

550

09/12/2014
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
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04/17/2015
04/17/2015
04/18/2016
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04/11/2016
10/30/2014
10/26/2015
10/30/2014
04/15/2014
10/15/2015
08/28/2014
05/15/2014
04/15/2014
10/15/2013
11/18/2013

Portfolio CWA2
CC
Run Date: 06/04/2013 - 09:24

Page 206 of 502

PM (PRF_PM2) 7.3.0


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<th>Purchase Date</th>
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<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM 365</th>
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<th>Maturity Date</th>
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Subtotal and Average 56,593,751.19 57,500,000.00 58,478,365.43 58,843,810.68 0.428 782

Total and Average 592,602,511.25 574,872,173.00 562,195,328.84 585,076,989.70 0.498 333
### SDCWA - Fiscal Year 2013
#### Portfolio Management
#### Portfolio Details - Cash
#### May 31, 2013

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<th>Investment #</th>
<th>Issuer</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>
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<td>PETTY CASH</td>
<td>07/01/2012</td>
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<td>2,500.00</td>
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<td>0.498</td>
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<tr>
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<td>1,067,477.98</td>
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<tr>
<td>CASH03</td>
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<td>-7,028.54</td>
<td>-7,028.54</td>
<td>0.000</td>
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<td>0.498</td>
<td>333</td>
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<tr>
<td>CASH38</td>
<td>3000</td>
<td>WELLS FARGO - 2010A BONDS</td>
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<tr>
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**Passbook/Checking Accounts**

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<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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<td>333</td>
</tr>
<tr>
<td>CASH02</td>
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<td>WELLS FARGO - OPERATING/POOLED</td>
<td>07/01/2012</td>
<td>1,067,477.98</td>
<td>1,067,477.98</td>
<td>1,067,477.98</td>
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<tr>
<td>CASH03</td>
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<td>WELLS FARGO - PAYROLL ZBA</td>
<td>07/01/2012</td>
<td>-7,028.54</td>
<td>-7,028.54</td>
<td>-7,028.54</td>
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<tr>
<td>CASH38</td>
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<td>WELLS FARGO - 2010A BONDS</td>
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<td>1</td>
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**Total Cash and Investments**

- **Average Balance**: 0.00
- **Days to Maturity**: 1
- **Total Cash and Investments**: 592,602,511.25
- **Par Value**: 575,935,126.29
- **Market Value**: 583,258,282.13
- **Book Value**: 586,139,942.99
- **YTM**: 0.498
- **Days to Maturity**: 333
## SDCWA - Fiscal Year 2013
### Portfolio Management
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<th>360 Equivalent</th>
<th>365 Equivalent</th>
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<th>Number of Investments Purchased</th>
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<td>702,706,753.85</td>
<td>0.696</td>
<td>0.706</td>
<td>1.026</td>
<td>2</td>
<td>4</td>
<td>493</td>
<td>277</td>
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<tr>
<td>October</td>
<td>2012</td>
<td>86</td>
<td>675,177,367.19</td>
<td>0.689</td>
<td>0.699</td>
<td>0.951</td>
<td>4</td>
<td>8</td>
<td>481</td>
<td>302</td>
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<tr>
<td>November</td>
<td>2012</td>
<td>86</td>
<td>684,038,193.85</td>
<td>0.679</td>
<td>0.689</td>
<td>0.936</td>
<td>3</td>
<td>3</td>
<td>480</td>
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<td>December</td>
<td>2012</td>
<td>85</td>
<td>669,538,328.81</td>
<td>0.682</td>
<td>0.692</td>
<td>0.971</td>
<td>2</td>
<td>3</td>
<td>488</td>
<td>283</td>
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<tr>
<td>January</td>
<td>2013</td>
<td>85</td>
<td>676,824,316.25</td>
<td>0.665</td>
<td>0.674</td>
<td>0.942</td>
<td>2</td>
<td>2</td>
<td>489</td>
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<tr>
<td>February</td>
<td>2013</td>
<td>83</td>
<td>664,438,655.87</td>
<td>0.504</td>
<td>0.511</td>
<td>0.463</td>
<td>3</td>
<td>5</td>
<td>483</td>
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<tr>
<td>March</td>
<td>2013</td>
<td>85</td>
<td>631,709,077.79</td>
<td>0.523</td>
<td>0.530</td>
<td>0.526</td>
<td>3</td>
<td>1</td>
<td>514</td>
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<tr>
<td>April</td>
<td>2013</td>
<td>79</td>
<td>571,406,552.22</td>
<td>0.510</td>
<td>0.517</td>
<td>0.515</td>
<td>4</td>
<td>10</td>
<td>508</td>
<td>319</td>
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<tr>
<td>May</td>
<td>2013</td>
<td>80</td>
<td>585,076,989.70</td>
<td>0.491</td>
<td>0.498</td>
<td>0.504</td>
<td>6</td>
<td>5</td>
<td>524</td>
<td>333</td>
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Average: 87 | 665,083,101.46 | 0.634% | 0.643% | 0.837 | 3 | 4 | 481 | 277
June 19, 2013

Attention: Administrative and Finance Committee

Purchase Water Authority Business Insurance – Property and Liability (Action)

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

Alternative
1) Increase the deductibles for both property and liability insurance from $25,000 and $50,000 respectively to $100,000 each, resulting in a reduction in premium of $48,318 or 7.4%. The new premium would be $607,062.
2) Increase the deductibles for both property and liability insurance from $25,000 and $50,000 respectively to $200,000 each, resulting in a reduction in premium of $83,339 or 12.7%. The new premium would be $572,041.

Fiscal impact
Funds for the purchase of the property and liability insurance are included in the recommended Fiscal Year 2014 and 2015 Budget, which is contingent upon Board approval.

Background
The Water Authority’s property and liability insurance will expire on June 30, 2013. SDRMA, our current provider, has offered to renew the insurance for fiscal year 2014 with no increase in rates. Staff asked several brokers including Marsh USA, Alliant, and Cavignac & Associates, for an evaluation of the renewal rates based on the current insurance market. All three brokerage firms provided an insurance market trend analysis for the upcoming year that indicated rates for property and liability insurance could increase up to 10 percent for public entities with average to good risk ratings. The Water Authority is considered a good risk. This information confirmed that the renewal rates offered by SDRMA are competitive and below industry predictions.

Discussion
The property and liability insurance from SDRMA provides for limits of $1 billion per occurrence and aggregate for property, and $45 million per occurrence and aggregate for liability. The combined premium for these two lines of coverage in fiscal year 2012 was $680,403. The new premium for fiscal year 2014 is $655,380. The decrease is due a one-time purchase of a three year fiduciary policy valid through June 2015.

The Water Authority’s current deductible levels are $25,000 for property and $50,000 for liability, per occurrence. Because these are higher than SDRMA’s standard deductibles of $1,000 for property and $0 for liability, we receive a substantial discount on premiums. For fiscal year 2014,
the property discount is $57,733 and the liability discount is $65,836, for a total discount of $123,569. We contracted for these higher deductibles because of our historic low loss record – only $75,000 over the last three years, and no losses over the past year. While a further increase in deductibles would result in additional premium savings as stated in the two alternatives above, staff recommends maintaining our current deductible levels as an appropriate level of risk. The premium savings that would be achieved by raising the deductible levels could easily be negated by a single loss.

Prepared by: Robert J. Homer, Risk Manager
Reviewed by: Marilyn L. Young, Director of Administrative Services
Approved by: Sandra L. Kerl, Deputy General Manager
June 19, 2013

Attention: Administrative and Finance Committee

General Manager’s Recommended Budget for Fiscal Years 2014 and 2015. (Action)

Recommendation
Formally adopt the General Manager’s Recommended Budget for Fiscal Years 2014 and 2015, confirming preliminary committee approval after public workshops on June 11 and June 13, 2013.

Approve adoption of Resolution No. 2013-______, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager’s Recommended Budget for Fiscal Years 2014 and 2015, for operations and capital improvements and appropriating $1.495 billion consistent with the approved budget.

Alternative
The Committee and the Board may modify the Recommended Budget prior to adoption of the Budget Resolution.

Fiscal impact
Distributed to the Board on May 23, 2013, the General Manager’s Recommended Budget for Fiscal Years 2014 and 2015 includes an appropriation of $1,495 billion. This is allocated amongst the following categories: Water Purchases and Treatment, $786.2 million; Stored Water Purchases, $30.1 million; Capital Improvement Program (CIP), $259.6 million; Debt Service, $281.5 million; QSA Mitigation, $16.4 million; Operating Departments, $92.6 million; Hodges Pumped Storage, $4.1 million; Equipment Replacement, $3.1 million; and Other Expenditures, $20.9 million.

With the proposed increase in rates and charges being considered at the Public Hearing on June 27th, adequate revenues and funding sources are anticipated to be available to meet the budgetary needs for Fiscal Years 2014 and 2015.

Background
The General Manager delivered to the Board and introduced the Recommended Budget to the Administrative and Finance Committee on May 23, 2013. The presentation provided the context in which the budget was developed, an overview of the budget, and the format for upcoming budget workshops.

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 were 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.

**Discussion**

On June 11 and 13, 2013, the Administrative and Finance Committee considered and discussed the Fiscal Years 2014 and 2015 Recommended Budget. On the first day of the budget hearings, a presentation on key assumptions utilized to develop the budget was provided on the Water Authority’s cost of water and the capital improvement program and its funding (debt service). In addition, presentations on the Operations and Maintenance and Administrative Services operating departments were provided.

Directors asked a variety of clarifying questions on assumptions for water sales estimates and requested additional information on a comparison of revenue and expenditures for hydroelectric facilities and Twin Oaks Valley Water Treatment Plant; and explanations on variances between the projected expenses for the current budget period and the recommended budget.

At the beginning of the second day, staff provided responses to these questions. In addition, presentations were provided on the remaining operating departments. At the end of the workshops, the committee expressed by unanimous vote of those present a motion for preliminary approval of the Recommended Budget at its June 27th meeting.

Following approval of the budget at the June Board meeting, staff will distribute a final document to the Board by the end of September 2013.

Prepared by: Lisa Celaya, Financial Resources Manager  
Reviewed by: Sandy L. Kerl, Deputy General Manager  
Approved by: Maureen A. Stapleton, General Manager

Attachment: Resolution No. 2013-___ Resolution of the Board of Directors of the San Diego County Water Authority Approving the General Manager’s Recommended Budget for Fiscal Years 2014 and 2015 for Operations and Capital Improvements and Appropriating $1.495 billion consistent with the Approved Budget.
RESOLUTION NO. 2013-_____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY APPROVING THE GENERAL MANAGER’S RECOMMENDED BUDGET FOR FISCAL YEARS 2014 AND 2015 FOR OPERATIONS AND CAPITAL IMPROVEMENTS AND APPROPRIATING $1.495 BILLION CONSISTENT WITH THE APPROVED BUDGET

WHEREAS, in accordance with section 2.04.050 of the Administrative Code, the General Manager has prepared, presented, and submitted the General Manager’s Recommended Multi-Year Budget for Fiscal Years 2014 and 2015, a copy of which is on file in the Office of the Clerk of the Board (“Recommended Budget”);

WHEREAS, the Administrative and Finance Committee reviewed and considered the Recommended Budget during publicly noticed meetings on May 23, June 11, 13, and 27, 2013; and

WHEREAS, based on its review of the recommended budget and the presentations and discussions at its meetings the Administrative and Finance Committee has recommended approval of the Recommended Budget, including recommended operational program additions and modifications, new and revised project budgets within the Capital Improvement Program, and implementation of previously approved compensation plans and employment agreements; and

WHEREAS, the Administrative and Finance Committee also recommended appropriating $1.495 billion consistent with the approved budget; and

WHEREAS, on June 27, 2013 the Board of Directors considered the General Manager’s Recommended Budget for Fiscal Years 2014 and 2015 and the report and recommendation of the Administrative and Finance Committee;

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves as follows:

1. The Recommended Budget is approved as the bi-annual budget for Fiscal Years 2014 and 2015.

2. The total amount of $1.495 billion is hereby appropriated for the purposes and in the amounts specified in Exhibit A. Expenditures of appropriated funds shall be consistent with the Recommended Budget. Except as provided in this Resolution, no increases or decreases to the budget shall occur except upon prior approval by the Board of Directors.

3. The General Manager has the authority within the Operating Fund balance to make adjustments to employee salaries and benefits consistent with Resolution No. 2012-08, this resolution, and existing or future employment agreements and salary and compensation plans.
approved by the board for represented or unrepresented employees. The 2014-2015 Classification and Salary Schedule (Appendix E of the Recommended Budget), including further modifications as may be required to implement employment agreements and salary and compensation plans approved by the board for represented or unrepresented employees, is approved. The Executive/Senior Management Salary Table July 2013-June 2015 approved by Resolution No. 2012-08 is amended to change the maximum hourly and monthly salary rates for salary range D from $86.725 and $15,032.33, respectively, to $86.402 and $14,976.32 respectively. The General Manager may make and implement further amendments to the Classification and Salary Schedule in accordance with the Administrative Code and other rules and regulations governing the personnel system, provided such adjustments are consistent with the budget controls contained in paragraph 4.

4. The following controls are hereby placed on the use and transfers of the appropriated and budgeted funds:

a. The General Manager is responsible for keeping expenditures within the approved appropriations and budgeted allocations for positions, salaries and benefits, and operational expenditures and may adopt budget policies as necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board or General Manager as described herein.

b. Subject to paragraph d, the General Manager may exercise discretion in administration of the Operating Budget to respond to changed circumstances, provided that any modification in excess of $150,000 requires approval by the Board.

c. Subject to paragraph d, the General Manager may exercise discretion in administration of the Capital Budget to respond to changed circumstances, provided that total expenditures for all CIP projects, in the two fiscal years do not exceed the total appropriations for the Capital Improvement Program in the budget approved in paragraph 1. Addition or deletion of a project or increase in excess of $150,000 to a project budget within the Capital Improvement Program requires approval by the Board. Inclusion of a project in the Capital Improvement Program Budget for planning and environmental review purposes shall not be construed as an irrevocable commitment to the project or implementation. A project shall be subject to revision or deletion from the Capital Improvement Program as necessary to comply with the California Environmental Quality Act. No appropriation under this resolution for a capital project that provides new or expanded service shall be spent for activities other than exempt planning, feasibility, environmental review and other similar purposes until the Board certifies or approves the environmental review document for the project.

d. Increases in the appropriation amount of $1.495 billion shall not be effective unless approved by the Board. Addition of personnel positions above the level identified in the budget as approved in paragraph 1 shall not be effective unless approved by the Board. The General Manager may authorize the hiring of temporary or part-time staff as necessary, within the limits imposed by the available expenditure amounts designated in the budget as approved in paragraph 1. This paragraph shall not be construed as a limitation on reclassification or reassignment of positions or other administration of the personnel system consistent with paragraph 3.
e. The General Manager is authorized, subject only to the total appropriation, to exceed the expenditure amount designated for water purchases in the budget as approved in paragraph 1 in order to meet the water demands of the Water Authority.

PASSED, APPROVED AND ADOPTED, this 27th day of June 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. 2013- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Doria F. Lore
Clerk of the Board
### Revenues & Other Income

<table>
<thead>
<tr>
<th>Source</th>
<th>FYs 14 &amp; 15</th>
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<tbody>
<tr>
<td>Water Sales</td>
<td>1,106,664</td>
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<tr>
<td>Infrastructure Access Charges</td>
<td>59,054</td>
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<tr>
<td>Property Taxes and In-Lieu Charges</td>
<td>22,320</td>
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<td>Investment Income</td>
<td>12,715</td>
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<tr>
<td>Hydroelectric Revenue</td>
<td>5,440</td>
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<tr>
<td>Other Income (1)</td>
<td>43,506</td>
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</tbody>
</table>

#### Capital Contributions:
- Capacity Charges: 29,784
- Water Standby Availability Charges: 22,549
- Contributions in Aid of CIP: 15,860

**Subtotal Revenue**: 1,317,892

#### Net Fund Withdraws: 176,703

**Total Revenues & Other Income**: 1,494,595

### Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>FYs 14 &amp; 15</th>
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<tr>
<td>Water Purchases &amp; Treatment</td>
<td>786,249</td>
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<tr>
<td>Stored Water Purchases</td>
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<tr>
<td>Capital Improvement Program (CIP)</td>
<td>259,602</td>
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<tr>
<td>Debt Service</td>
<td>281,531</td>
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<td>QSA Mitigation (2)</td>
<td>16,417</td>
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</table>

#### Operating Departments
- Administrative Services: 14,430
- Colorado River Program: 2,823
- Engineering: 7,784
- Finance: 4,803
- General Counsel: 9,077
- General Manager & Board of Directors: 5,191
- MWD Program: 2,939
- Operations & Maintenance: 30,458
- Public Outreach and Conservation: 7,707
- Water Resources: 7,358

**Operating Departments Total**: 92,570

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<thead>
<tr>
<th>Category</th>
<th>FYs 14 &amp; 15</th>
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<tr>
<td>Hodges Pumped Storage</td>
<td>4,133</td>
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<tr>
<td>Equipment Replacement</td>
<td>3,103</td>
</tr>
<tr>
<td>Other Expenditures (3)</td>
<td>20,900</td>
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</table>

**Total Uses of Funds**: 1,494,595

(1) Other Income includes the BABs subsidy, grants revenues and other miscellaneous revenues

(2) QSA Mitigation includes QSA JPA Contributions for environmental mitigation, and payments for Socioeconomic Mitigation Settlement

(3) Other Expenditures include grants and other expenses

*Totals may not foot due to rounding*
June 19, 2013

Attention: Administrative and Finance Committee

Adopt the Water Authority’s rates and charges for calendar year 2014, amend and restate the amounts and requirements of the System Capacity Charge and Water Treatment Capacity Charge, and continue to impose at the same rate the Standby Availability Charge successive years. (Action)

Purpose
To establish rates and charges sufficient to meet the Water Authority’s revenue requirements in conformance with state law and board policies.

Staff recommendations
a. Accept Carollo Engineers’ San Diego County Water Authority Calendar Year 2014 Rates and Charges Cost of Service Rate Study, and San Diego County Water Authority Cost of Service Study Capacity Charge Report dated May 2013 included as Attachment A of this report.

b. Adopt Ordinance No. 2013-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services;

c. Adopt Ordinance No. 2013-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the amounts and requirements of the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;

d. Adopt Ordinance No. 2013-__ an ordinance of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge for successive years at the same rate;

e. Find the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption.

Alternative
Do not set the rates and charges at the recommended increased amounts or set the rates and charges at some lesser amount than recommended. Setting rates and charges at lower than the recommended amount may result in larger rate increases in future years.

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.
Background

Current Rate and Charge Governing Board Policy
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 IAC 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 (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 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 a target for fixed revenues of at least 25% of fixed costs. The IAC methodology is designed to be a stable charge that ensures the minimum level of 25% fixed cost coverage is achieved. Twenty-five percent 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 water sales projections, wet weather can result in lower than projected water sales revenue that is necessary to meet debt service and/or bond covenants. Additionally, at that time, the Water Authority had implemented a significant Capital Improvement Program (CIP) that included the Emergency Storage Project (ESP). Because the debt associated with financing the CIP would magnify the revenue volatility during wet weather, it became a question as to whether revenue volatility could be managed solely by draws from the Rate Stabilization Fund (RSF). As a commitment to the prudent financial management of the Water Authority, the Board implemented the IAC policy to provide a stable funding source that would mitigate spikes in water rates during periodic weather related reductions in water demand and during periods of supply restrictions. 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) by increasing the 25% by a 10% safety margin. The 10% increase provides assurances that the actual fixed revenues will be at least 25% of actual fixed costs since these costs and revenues can vary from the budget during the year.

Prudent Financial Management and Long-Range Planning
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 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 and provided the authority to establish separate funds for known, specific future expenses such as dam fills.

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.

Ongoing long-range financial planning includes periodically updating the Water Authority’s Long-Range Financing Plan and tracking current financial goals and objectives in the Water Authority’s Business plan.

**Capacity Charges**

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 and authorization has been provided for automatic annual adjustments to the charges based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles (ENR - CCI LA). The ENR - CCI LA tracks and records the increases in the cost of labor and benefits, fabricated standard structural steel, bulk Portland cement and lumber. The index is updated on a monthly basis.

In May 2005, the Board adopted Ordinance 2005-03 approving a change in the method of calculating and setting the System Capacity Charge and establishing a Water Treatment Capacity Charge. A description of this method of calculating the System and Water Treatment Capacity Charges can be found in Attachment A of this report. In November 2006, an adjustment based on the ENR - CCI LA to the System Capacity Charge was made increasing the charge to its current rate of $4,326 per meter less than one inch. The Water Treatment Capacity Charge is currently $166 per meter less than one inch.

**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.

**Metropolitan Water Rate Increase**

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).

**May 23, 2013 Board Meeting**

The Water Authority’s Board of Directors, on May 23, 2013, adopted a resolution setting 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.

At the May Board Meeting, the Water Authority staff gave a presentation on the proposed rates and charges for CY 2014 and Carollo presented on their findings as well as provided reports on the Calendar Year 2014 Rates and Charges Cost of Service Rate Study and Cost of Service Study Capacity Charges. For ease of reference, the Carollo reports are provided as Attachment A. The Water Authority’s May Board presentation highlighted the drivers of the CY 2014 rate and charge increases. The highlighted drivers are summarized below:

- **Increasing MWD treatment costs** – With MWD’s treatment rate increasing by 16.9%, the Water Authority’s treatment costs are expected to increase by approximately 6.5% in CY 2014.

- **IID transfer cost increase** – Consistent with the ramp-up schedule in the Water Authority-Imperial Irrigation District water transfer, the annual transfer amount will remain at 100,000 acre-feet in CY 2014. The cost of the IID water increases in CY 2014 a scheduled 10%.

- **Securing a prudent financial position and advancing towards Board policy targets** – The RSF is currently below the established funding level that provides 2.5 years of protection against wet weather. The Water Authority is targeting a RSF deposit of $5 million in CY 2014 which will bring the RSF to approximately 85% of its established funding level.

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. These increases are within the high/low guidance previously provided by staff to support member agency financial planning efforts. The proposed rates and charges balance the increased costs discussed above against the financial policies adopted by the Water Authority’s Board of Directors and prudent financial management to minimize the rate increases and mitigate near term rate and charge volatility.

*Previous Board Action: On May 23, 2013, the Board adopted Resolution 2013-12 setting the time and place for the public hearing on June 27, 2013 to receive comments on the proposed rates and charges.*

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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 S/AF estimate. The actual average cost will vary for each member agency depending on their Customer Service and Storage charge allocations.
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 that was presented to the A&F Committee on May 23, 2013.

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 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.

Independent Cost of Service Review
Consistent with best management practices, the Water Authority retained 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.
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 1 – Summary of Water Authority Rates and Charges

<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>$732</td>
</tr>
<tr>
<td>Melded M&amp;I Treatment Rate ($/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/ME²</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 greater¹</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 2 – Summary of Water Authority Pass Through Rates and Charges

<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>$557</td>
<td>NA³</td>
<td>NA³</td>
</tr>
<tr>
<td>Interim Agricultural Water Program Treated ($/AF)</td>
<td>$765</td>
<td>NA³</td>
<td>NA³</td>
</tr>
<tr>
<td>Replenishment Water Rate Untreated ($/AF)</td>
<td>$442</td>
<td>NA³</td>
<td>NA³</td>
</tr>
<tr>
<td>Replenishment Water Rate Treated ($/AF)</td>
<td>$651</td>
<td>NA³</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

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>CY 2014</th>
<th>Acre-Foot Sales (A/F) (000's)*</th>
<th>MWD</th>
<th>Water Authority</th>
<th>Helix</th>
<th>Olivenhain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>104.7</td>
<td>65.8</td>
<td>25.6</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>TOTAL A/F SALES</strong></td>
<td></td>
<td><strong>199.9</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost (in Millions)</th>
<th>MWD</th>
<th>Water Authority</th>
<th>Helix</th>
<th>Olivenhain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL TREATMENT COSTS</strong></td>
<td>$31.1</td>
<td>18.1</td>
<td>4.0</td>
<td>1.5</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 IAC 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 Project and the Carryover Storage Project. 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 $63.2M.

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 Capacity Charge Report 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. The Water Treatment Capacity Charge is set to decrease from its current level of $166 to $119 for each new meter equivalent connected to the treated water system. This decrease is due in part from the asset-related adjustments (deduction of outstanding debt principal) to the total value of capital assets of the treatment infrastructure.

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 (ME)</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.

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, Desalination 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.

For the MWD Capacity Charge, the daily flow measured between May 1 and September 30 for purposes of billing the Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers,

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2 The Water Authority has opposed MWD’s cost of service methodology associated with these charges.
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 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).

**Water Authority Challenges to MWD Rates and Charges**

On June 11, 2010, the Water Authority filed suit challenging MWD’s 2011 and 2012 rates and charges. This suit is currently pending in the San Francisco Superior Court (*San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* Case No. CPF-10-510830). On June 8, 2012, the Water Authority filed a new suit challenging MWD’s 2013 and 2014 rates and charges. The suit was filed in Los Angeles Superior Court, but will be transferred to another county, and may ultimately be sent to San Francisco as well (*San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* Case No. BS137830). If the Water Authority is successful in these suits, it may receive a return of amounts it has been overcharged. At its meeting in February 2012, the Water Authority Board of Directors adopted a policy approving the allocation and distribution to the member agencies of any net refund proceeds (less legal expenses incurred by the Water Authority) resulting from the outcome of the MWD rate litigation, with the funds being distributed to each member agency based upon its proportional share of M&I Melded Supply deliveries for each year of the litigation. This policy was based upon the challenges asserted in the 2010 lawsuit. The 2012 lawsuit includes additional challenges that affect other MWD rate components, including the RTS charge. Staff will return to the Board at a future date with recommendations to amend the refund distribution policy to address any issues raised by the new litigation. The current Water Authority rate setting action is based upon the MWD rates and charges as adopted.

**Proposed Rates in Compliance with 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 service or product. The General Counsel has opined that the Water Authority’s proposed rate and charges comply with the requirements of Proposition 26. Also, the requirements for Proposition 26 compliance are discussed in the San Diego County Water Authority Calendar Year 2014 Rates and Charges Cost of Service Rate Study prepared by Carollo which is included in Attachment A to this memorandum.

Public Hearing
As mentioned previously, this meeting of the Administrative and Finance Committee has been scheduled as the time, date, and place to receive public comments regarding proposed rates and charges, including the information presented in connection with the May 23, 2013 meeting and the additional information provided in this memorandum, and any other matters pertinent to the Board’s setting of rates and charges.

Summary
The Water Authority has complied with the procedural requirements for continuing the Standby Availability Charge and increasing its rates and charges for water and other services. After consideration of public comments at the Public Hearing on June 27, 2013, the staff recommends that the Board adopt the ordinance setting the water rates and charges, System Capacity, and Water Treatment Capacity Charges for calendar year 2014 and the ordinance continuing the existing Standby Availability Charge.
Ordinance No. 2013-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services.

Ordinance No. 2013-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the amounts and requirements of the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act.

Ordinance No. 2013-__ an ordinance of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge for successive years at the same rate.
# Table of Contents

1.0 EXECUTIVE SUMMARY ........................................................................................................ 1
   1.1 Rate and Charges ........................................................................................................... 1
   1.2 Water Authority Rate Setting Process .......................................................................... 3
   1.3 Carollo Independent Review Process ........................................................................... 3
   1.4 Summary of Findings ...................................................................................................... 4

2.0 INTRODUCTION .................................................................................................................. 5
   2.1 Background on Existing Rates and Charges ............................................................... 6
   2.2 Criteria for Findings and Recommendations ............................................................... 7
   2.3 Key Governing Board Policies .................................................................................... 7
      2.3.1 Infrastructure Access Charge ............................................................................. 7
      2.3.2 Ordinance No. 2002-03 .................................................................................. 8
      2.3.3 Financial Management Amendment (2006) ......................................................... 8
   2.4 Overview of Legal Cost-of-Service Requirements ....................................................... 8
   2.5 Overview of Generally Accepted Rate-Setting Standards .......................................... 10

3.0 REVENUE REQUIREMENTS ............................................................................................. 10
   3.1 Operating Costs ............................................................................................................. 12
   3.2 Miscellaneous Cost Recovery ...................................................................................... 13
   3.3 Capital Costs .................................................................................................................. 14
      3.3.1 Annual Debt Service .......................................................................................... 14
      3.3.2 Non-Debt Capital Expenditures ......................................................................... 14
      3.3.3 Depreciation ...................................................................................................... 15
   3.4 Offsetting Revenues to Reduce Revenue Requirements ............................................. 15
   3.5 Infrastructure Access Charge ..................................................................................... 16
   3.6 Revenue Sufficiency ................................................................................................... 18
   3.7 Financial Policies .......................................................................................................... 19

4.0 ALLOCATION OF REVENUE REQUIREMENTS TO FUNCTIONAL CATEGORIES ........ 20
   4.1 Allocation Categories ................................................................................................. 21
      4.1.1 Customer Service ............................................................................................... 21
      4.1.2 Storage .............................................................................................................. 21
      4.1.3 Supply .............................................................................................................. 21
      4.1.4 Transportation .................................................................................................... 21
      4.1.5 Treatment ......................................................................................................... 22
      4.1.6 General & Administrative .................................................................................. 22
   4.2 Allocation Summary ..................................................................................................... 22
      4.2.1 Allocation of Operating Costs ............................................................................. 23
      4.2.2 Allocation of Debt Service ................................................................................... 25
      4.2.3 Allocation of Offset Revenues ........................................................................... 26
      4.2.4 Miscellaneous Cost Recovery ............................................................................ 27
      4.2.5 Coverage Driven Requirements ......................................................................... 28
      4.2.6 Summary of Allocation ...................................................................................... 28

5.0 COST OF SERVICE WATER RATES AND CHARGES .................................................. 29
5.1 Commodity Based Fixed Charges .................................................................................. 29
  5.1.1 Customer Service Charge ...................................................................................... 29
  5.1.2 Storage .................................................................................................................. 30
5.2 Commodity Based Variable Rates ............................................................................. 31
  5.2.1 Supply (Melded M&I Supply Rate) ....................................................................... 31
  5.2.2 Treatment (Melded M&I Treatment Rate) .............................................................. 32
  5.2.3 Transportation ...................................................................................................... 34
5.3 Special Agricultural Water Rate Program .................................................................. 35

6.0 FINDINGS .......................................................................................................................... 35

APPENDIX A Infrastructure Access Charge Resolution
APPENDIX B Ordinance No. 2002-03
APPENDIX C Financial Management Policy
APPENDIX D General Resolution 89-91 (w/Amendments)
APPENDIX E CY2014 Member Agency Fixed Charge Allocations

LIST OF TABLES

Table 1 Summary of Proposed CY 2014 Water Rates and Charges ..................................... 4
Table 2 Revenue Requirements Summary ......................................................................... 11
Table 3 Determination of Operating Cost .......................................................................... 12
Table 4 Offsetting Revenues ............................................................................................... 15
Table 5 Infrastructure Access Charge Calculation ............................................................. 17
Table 6 Functional Allocation of Fiscal Year 2014 & 2015 Operating Costs .................... 24
Table 7 Allocation of Calendar Year 2014 Operating Costs ............................................. 25
Table 8 Debt Service Allocation Summary ........................................................................ 26
Table 9 Offsetting Revenues ............................................................................................... 27
Table 10 Miscellaneous Cost Recovery ............................................................................... 28
Table 11 Remaining Coverage & Reserve Allocation Summary ........................................ 29
Table 12 Revenue Requirements Summary ........................................................................ 30
Table 13 Calendar Year 2014 Customer Service Revenue Requirement ......................... 30
Table 14 Calendar Year 2014 Storage Revenue Requirement ........................................... 30
Table 15 Calendar Year 2014 Melded Supply Revenue Requirement ................................ 31
Table 16 Proposed Calendar Year 2014 Melded Supply Rate ........................................... 32
Table 17 Calendar Year 2014 Melded Treatment Revenue Requirement .......................... 32
Table 18 Proposed Calendar Year 2014 Melded Treatment Rate ...................................... 33
Table 19 Proposed Calendar Year 2014 Transportation Rate ........................................... 34
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.\(^1\)

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

\(^1\) Customer Service Charge allocation excludes member agency wheeled water.
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>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service Charge</td>
<td>$26,400,000</td>
</tr>
<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>
</tr>
</tbody>
</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
designed to be independent of commodity sales and the new business development cycle and generate a minimum 25 percent ratio of fixed revenues to fixed expenditures. Resolution No. 98-26 is included as Appendix A.

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(^\text{(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></td>
</tr>
<tr>
<td>Misc. Cost Recovery</td>
<td>$20.73</td>
<td>Miscellaneous Cost Recovery includes seepage and evaporation, recovery of working capital for the San Vicente dam raise, local supply development, Twin Oaks Valley WTP reimbursement, and Twin Oaks operating contract.</td>
<td>3.2</td>
</tr>
<tr>
<td>Rev Req Before Coverage</td>
<td>$119.42</td>
<td>Revenue requirements including miscellaneous cost recovery.</td>
<td></td>
</tr>
<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>3.7</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$</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>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standby Availability Charge</td>
<td>$11.28</td>
<td>This fixed charge, which is in the nature of a special assessment, is limited by statute and funds some of the capital costs associated with maintaining the system and is $10 per acre per year, or $10 for a parcel less than one acre per year. The charge was first established prior to the adoption of Proposition 218, and has been continuously levied pursuant to law at pre-Proposition 218 levels.</td>
</tr>
<tr>
<td>PAYGO Earnings</td>
<td>$1.49</td>
<td>Interest earnings on the Water Authority’s PAYGO Fund.</td>
</tr>
<tr>
<td>Operating Offsets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$11.16</td>
<td>The Water Authority receives a portion of the 1% property tax pursuant to the Revenue and Taxation Code.</td>
</tr>
<tr>
<td>IAC</td>
<td>$29.40</td>
<td>The IAC is annual service charge that is imposed on each member agency an apportioned according to the retail water meters within the member agency. The IAC maintains a minimum ratio of projected fixed revenues to projected fixed expenditures of 25% in any future fiscal year, excluding fixed water rate revenues.</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$3.17</td>
<td>Interest earnings on operating funds.</td>
</tr>
<tr>
<td>Twin Oak Reimbursement</td>
<td>$1.02</td>
<td>Cost reflects a 25-year payback to customer service for the upfront investment in the implementation of the Twin Oaks Valley Water Treatment Plant.</td>
</tr>
<tr>
<td>Misc. Revenue</td>
<td>$4.43</td>
<td>Misc. Revenues primarily consists, hydroelectric revenues from the Water Authority’s long-term agreements to sell the power generating from both locations to San Diego Gas and Electric (SDG&amp;E). In addition, reimbursements for operating grants and other nominal revenues.</td>
</tr>
<tr>
<td><strong>Total Offsets</strong></td>
<td><strong>$76.84</strong></td>
<td></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>4-Year Average$^{(1)}$</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>Description</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

<sup>(1)</sup> 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\(^3\). 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  Functional Allocation of Fiscal Year 2014 & 2015 Operating Costs

<table>
<thead>
<tr>
<th>Department</th>
<th>FYs 2014 &amp; 2015 Operating Costs&lt;br&gt;(1)</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>0%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Engineering&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>7.78</td>
<td>6%</td>
<td>4%</td>
<td>40%</td>
<td>8%</td>
<td>0%</td>
<td>41%</td>
</tr>
<tr>
<td>Finance</td>
<td>4.80</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</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>0%</td>
<td>75%</td>
<td>0%</td>
<td>10%</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>0%</td>
<td>70%</td>
<td>0%</td>
<td>0%</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>0%</td>
<td>6%</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>
<tr>
<td><strong>Operating Costs&lt;sup&gt;(4)&lt;/sup&gt;</strong></td>
<td><strong>$96.70</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**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.
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.

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>CY 2014 Total</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Transportation</th>
<th>Supply</th>
<th>Treatment</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>
<td></td>
</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>
</tr>
<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>Total 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>
</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>
<thead>
<tr>
<th>Table 9 Offset Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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### Table 9  Offsetting Revenues

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<th></th>
<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>
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<tr>
<td>Total Offsets</td>
<td>$76.84</td>
<td>$12.27</td>
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<td>$23.36</td>
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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

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<tr>
<th></th>
<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>
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<td>Local Water Supply Development</td>
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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 11 Remaining Coverage & Reserve Allocation Summary

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>CV2014 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(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>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</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>
<tr>
<td>Driven Needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales Rev Req</td>
<td>$169.34</td>
<td>$26.40</td>
<td>$63.20</td>
<td>$43.48</td>
<td>$18.20</td>
<td>$18.07</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 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>
<thead>
<tr>
<th>Table 13</th>
<th>Calendar Year 2014 Customer Service Revenue Requirement</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><strong>Total Revenue Requirement</strong></td>
<td><strong>$26.40</strong></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>
<thead>
<tr>
<th>Table 14</th>
<th>Calendar Year 2014 Storage Revenue Requirement</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

<table>
<thead>
<tr>
<th>Less: Offsetting Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<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><strong>$63.20</strong></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

| Debt Service                     | $10.68   |
| Operating Cost + Miscellaneous Cost Recovery | 10.25 |
| Gross Revenue Requirements      | $20.94   |
| Less: Offsetting Revenues       |         |
| Capital Offsets                 | $(2.44)  |
| Operating Offsets               | (5.51)   |
| Revenue Requirement before Coverage | $12.98 |
| Coverage & Reserve Driven Needs | 5.22     |
| **Total Revenue Requirement**   | **$18.20** |

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</th>
<th>Proposed Calendar Year 2014 Melded Supply Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projected Acre-Foot Sales (A/F) (000’s)</strong></td>
<td></td>
</tr>
<tr>
<td>MWD Tier I</td>
<td>258.30</td>
</tr>
<tr>
<td>IID</td>
<td>100.00</td>
</tr>
<tr>
<td>Canal Water Delivery Costs</td>
<td>80.20</td>
</tr>
<tr>
<td>Total A/F Sales</td>
<td>438.50</td>
</tr>
<tr>
<td><strong>Water Purchase Costs ($ Millions)</strong></td>
<td></td>
</tr>
<tr>
<td>MWD Tier 1 Water</td>
<td>$153.17</td>
</tr>
<tr>
<td>QSA Exchange with MWD Costs</td>
<td>80.19</td>
</tr>
<tr>
<td>IID Water</td>
<td>59.40</td>
</tr>
<tr>
<td>Canal Water</td>
<td>0.80</td>
</tr>
<tr>
<td>Subtotal Water Purchase Costs</td>
<td>$293.56</td>
</tr>
<tr>
<td><strong>Additional Costs ($ Millions)</strong></td>
<td></td>
</tr>
<tr>
<td>Supply Revenue Requirement (Table 15)</td>
<td>$18.20</td>
</tr>
<tr>
<td>IID Socioeconomic</td>
<td>3.20</td>
</tr>
<tr>
<td>QSA Environmental</td>
<td>5.30</td>
</tr>
<tr>
<td>Groundwater Storage</td>
<td>0.50</td>
</tr>
<tr>
<td>Subtotal Other Costs</td>
<td>27.20</td>
</tr>
<tr>
<td><strong>Total Supply Cost</strong></td>
<td>$320.76</td>
</tr>
<tr>
<td>Proposed A/F Rate (Total Supply Cost /Total A/F Sales)</td>
<td>$732</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>Projected Treatment Demands - (AF 000's)</th>
<th></th>
</tr>
</thead>
<tbody>
<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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projected Treatment Costs ($ Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<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>
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>
<thead>
<tr>
<th>Table 19</th>
<th>Proposed Calendar Year 2014 Transportation Rate</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>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>448,210</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.<sup>5</sup>

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<sup>4</sup> 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.

<sup>5</sup> 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 XIIIIC and XIXID 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:

<table>
<thead>
<tr>
<th>Water District</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad Municipal Water District</td>
<td>$ 25,385</td>
</tr>
<tr>
<td>City of Del Mar</td>
<td>$ 2,442</td>
</tr>
<tr>
<td>City of Escondido</td>
<td>$ 30,744</td>
</tr>
<tr>
<td>Fallbrook Public Utilities District</td>
<td>$ 10,261</td>
</tr>
<tr>
<td>Helix Water District</td>
<td>$ 62,433</td>
</tr>
<tr>
<td>City of National City</td>
<td>(See Sweetwater Authority)</td>
</tr>
<tr>
<td>City of Oceanside</td>
<td>$ 49,222</td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>$17,125</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>$37,988</td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>$24,678</td>
</tr>
<tr>
<td>City of Poway</td>
<td>$14,829</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>$-0-</td>
</tr>
<tr>
<td>Rainbow Municipal Water District</td>
<td>$11,157</td>
</tr>
<tr>
<td>Ramona Municipal Water District</td>
<td>$ 9,967</td>
</tr>
<tr>
<td>Rincon del Diablo Municipal Water District</td>
<td>$ 8,938</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>$354,539</td>
</tr>
<tr>
<td>San Dieguito Water District</td>
<td>$14,591</td>
</tr>
<tr>
<td>Santa Fe Irrigation District</td>
<td>$ 10,269</td>
</tr>
</tbody>
</table>
South Bay Irrigation District (See Sweetwater Authority)
Sweetwater Authority $ 43,373
Vallecitos Water District $ 17,194
Valley Center Municipal Water District $ 12,889
Vista Irrigation District $ 31,946
Yuima Municipal Water District $ 564

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

Chris Frahm, Chair  
Board of Directors

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

I:\IACRES.DOC
### SDCWA Active Retail Meters Equivalent to 3/4" or Smaller (as of 12/31/97)

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Attachment 2 to Resolution No. ______

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: Groucher, Haddad, Irvin, Jacob, Lopez, Tu

James F. Turner, Chairman
Board of Directors

ATTEST:

James Bond, Secretary

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.

Vernice R. Hartman
Clerk of the Board
<table>
<thead>
<tr>
<th>Agency</th>
<th>Per Meters</th>
<th>Per Meter</th>
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<th>Monthly Charge</th>
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Grand Totals: 846,566 $10,158,792 $846,566
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| Total          | 552,408                   | $13,753,401                  | $1,146,117     |

Note: Values in table contain greater precision than displayed.
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**TOTALS**                  | 470,189                                       | **$13,375,295**                   | **$1,114,608** |

Note: Values in table contain greater precision than displayed.
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Note: Values in table contain greater precision than displayed.
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<th>New MWD Allocation Method</th>
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<th>Net Stand-by Charge*</th>
<th>Net Fiscal Year 2002-2003 RTS Charge</th>
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**TOTALS** $10,774,798 $10,141,374 $20,918,172 (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.
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 (Otay); 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% exceedance 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

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 sets a target funding level for the 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.*
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
TABLE OF CONTENTS

RECITALS ........................................................................................................ 1

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions ........................................................................... 1

ARTICLE II
WATER REVENUES

SECTION 2.01. Establishment of Funds ...................................................... 11
SECTION 2.02. Allocation of Water Revenues ............................................ 11
SECTION 2.03. Rate Stabilization Fund ..................................................... 12
SECTION 2.04. Installment Payment Fund .................................................. 13
SECTION 2.05. Subordinate Obligation Payment Fund ............................... 13
SECTION 2.06. General Reserve Fund ........................................................ 13

ARTICLE III
BONDS AND CONTRACTS; OBLIGATIONS

SECTION 3.01. 1989 Installment Sale Agreement; 1989 Contract of Indebtedness 13
SECTION 3.02. Additional Bonds and Contracts ......................................... 13
SECTION 3.03. Obligations ........................................................................... 15

ARTICLE IV
COVENANTS OF THE AUTHORITY

SECTION 4.01. Against Encumbrances ....................................................... 15
SECTION 4.02. Against Sale or Other Disposition of Property ................. 16
SECTION 4.03. Maintenance and Operation of the Water System; Budgets 16
SECTION 4.04. Compliance with Contracts .............................................. 16
SECTION 4.05. No Superior Liens ............................................................... 16
SECTION 4.06. Insurance ............................................................................ 17
SECTION 4.07. Accounting Records and Financial Statements ............... 17
SECTION 4.08. Payment of Taxes and Compliance with Governmental Regulations 18
SECTION 4.09. Amount of Rates, Fees and Charges .................................. 18
SECTION 4.10. Collection of Rates, Fees and Charges .............................. 18
SECTION 4.11. Eminent Domain and Insurance Proceeds ......................... 19
ARTICLE V
MISCELLANEOUS

SECTION 5.01. Benefits of Resolution Limited to Parties .................................................. 19
SECTION 5.02. Successor Is Deemed Included in all References to Predecessor ...................... 19
SECTION 5.03. Article and Section Headings, Gender and References .................................. 19
SECTION 5.04. Partial Invalidity ......................................................................................... 20
SECTION 5.05. Funds ......................................................................................................... 20
SECTION 5.06. Investments ............................................................................................... 20
SECTION 5.07. Repeal of Inconsistent Resolutions ............................................................. 20
SECTION 5.08. Effective Date ............................................................................................ 20

EXECUTION ..................................................................................................................... 21
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 such 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 heretof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect herof, 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 heretof; 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 heretof.
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 her eof. The Authority hereby declares that it would have adopted this Resolution, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase heretoof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases heretoof 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:

Chairman of the Board of Directors
of the San Diego County Water
Authority

Attest:

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, Galst, 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

njs
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.
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, 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 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
<table>
<thead>
<tr>
<th>Member Agency</th>
<th>IAC Equivalent Meters (ME) as of 12/31/12</th>
<th>Monthly Rate ($/ME)</th>
<th>CY14 Annual Charge</th>
<th>Monthly Charge</th>
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</table>

\(^1\)Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.
### Proposed - Customer Service Charge Allocation

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<tr>
<th>Member Agency</th>
<th>3-Year Average Deliveries (AF)¹</th>
<th>CY14 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
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<td>60,002</td>
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<td>116,687</td>
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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.
<table>
<thead>
<tr>
<th>Member Agency</th>
<th>3-Year Average Deliveries (AF)(^1)</th>
<th>CY14 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
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<td>(205)</td>
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\(^1\)Three-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.
TABLE OF CONTENTS

1.0 BACKGROUND ......................................................................................................... 1
2.0 INTRODUCTION ....................................................................................................... 1
3.0 STATUTORY REQUIREMENTS ............................................................................... 2
4.0 CAPACITY CHARGE OVERVIEW ............................................................................ 3
  4.1 Buy-In Cost Basis ............................................................................................ 4
  4.2 Future Cost Basis ............................................................................................ 5
  4.3 Existing and Future Customer Base ................................................................. 5
5.0 SYSTEM CAPACITY CHARGE CALCULATION ....................................................... 7
  5.1 Existing System Cost Basis ............................................................................. 7
    5.1.1 Value of Infrastructure in Service ...................................................... 7
    5.1.2 Adjustments to Value of Water Infrastructure in Service ............... 7
    5.1.3 Liability and Asset Related Adjustments ....................................... 8
  5.2 Future System Cost Basis ............................................................................... 8
  5.3 Existing and Future Customer Base ................................................................. 8
  5.4 System Capacity Charge Calculation ............................................................ 9
6.0 TREATMENT CAPACITY CHARGE .......................................................................... 9
  6.1 Existing System Cost Basis ............................................................................. 9
    6.1.1 Liability and Asset Related Adjustments ....................................... 9
  6.2 Future System Cost Basis ............................................................................... 10
  6.3 Meter Equivalents ......................................................................................... 10
  6.4 Treatment Capacity Charge Calculation ..................................................... 10
7.0 FINDINGS AND RECOMMENDATIONS .................................................................. 11

APPENDIX A Capacity Charge Calculations
APPENDIX B Ordinance No. 2000-3
APPENDIX C Ordinance No. 2005-03

LIST OF TABLES

Table 1  Projection of Added Equivalent Meters............................................................... 6
Table 2  Equivalent Meter Calculation........................................................................ 6
Table 3  System Capacity Charge Summary............................................................... 9
Table 4  Treatment Capacity Charge Summary......................................................... 10

LIST OF FIGURES

Figure 1: Overview of Capacity Charge Calculation..................................................... 4
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. 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.

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 1  Projection of Added Equivalent Meters

<table>
<thead>
<tr>
<th>SANDAG Population (2012-2035)</th>
<th>632,730</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons Per Meter (2003-2012)</td>
<td>5.18</td>
</tr>
<tr>
<td>New Meters</td>
<td>122,149</td>
</tr>
<tr>
<td>Weighted Meter Factor (2003-2012)</td>
<td>1.45</td>
</tr>
<tr>
<td>Projected Meter Equivalents</td>
<td>177,094</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 2  Equivalent Meter Calculation

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Purchased Meters (2003-2012)</th>
<th>Ratio Purchased Meters</th>
<th>Meter Equivalent Ratio</th>
<th>Weighted Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1&quot;</td>
<td>35,945</td>
<td>73.78%</td>
<td>1.0</td>
<td>0.74</td>
</tr>
<tr>
<td>1</td>
<td>8,472</td>
<td>17.39%</td>
<td>1.6</td>
<td>0.28</td>
</tr>
<tr>
<td>1.5</td>
<td>2,048</td>
<td>4.20%</td>
<td>3.0</td>
<td>0.13</td>
</tr>
<tr>
<td>2</td>
<td>1,874</td>
<td>3.85%</td>
<td>5.2</td>
<td>0.20</td>
</tr>
<tr>
<td>3</td>
<td>233</td>
<td>0.48%</td>
<td>9.6</td>
<td>0.05</td>
</tr>
<tr>
<td>4</td>
<td>111</td>
<td>0.23%</td>
<td>16.4</td>
<td>0.04</td>
</tr>
<tr>
<td>6</td>
<td>38</td>
<td>0.08%</td>
<td>30.0</td>
<td>0.02</td>
</tr>
<tr>
<td>8</td>
<td>1</td>
<td>0.00%</td>
<td>52.0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>48,722</td>
<td>100%</td>
<td>1.45</td>
<td></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 of 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>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System Capacity Charge</strong></td>
<td>2014</td>
</tr>
<tr>
<td>RCNLD of Water Infrastructure in Service</td>
<td>$3,830,190,053</td>
</tr>
<tr>
<td>Sub-Total of Adjustments</td>
<td>662,123,133</td>
</tr>
<tr>
<td><strong>Total Value of Capital Assets</strong></td>
<td>4,492,313,185</td>
</tr>
<tr>
<td>Total Liability and Asset-Related Adjustments</td>
<td>(1,172,045,792)</td>
</tr>
<tr>
<td><strong>Total Value of Existing Assets Net of Liabilities</strong></td>
<td>3,320,267,393</td>
</tr>
<tr>
<td>Infrastructure Related Future CIP Costs</td>
<td>1,778,831,999</td>
</tr>
<tr>
<td><strong>Total Value of Existing and Future Assets</strong></td>
<td>$5,099,099,392</td>
</tr>
<tr>
<td>Total Number of Meter Equivalents</td>
<td>1,089,415</td>
</tr>
<tr>
<td>Proposed System Capacity Charge (Per ME)</td>
<td>$4,681</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 Treatment Capacity Charge Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment Capacity Charge</td>
</tr>
<tr>
<td>Total Existing Cost Basis</td>
</tr>
<tr>
<td>Sub-Total of Adjustments</td>
</tr>
<tr>
<td><strong>Total Value of Capital Assets</strong></td>
</tr>
<tr>
<td>Total Liability and Asset-Related Adjustments</td>
</tr>
<tr>
<td><strong>Total Value of Existing Assets Net of Liabilities</strong></td>
</tr>
<tr>
<td>Total Future Cost Basis</td>
</tr>
<tr>
<td><strong>Total Value of Existing and Future Assets</strong></td>
</tr>
<tr>
<td>Total Number of Meter Equivalents</td>
</tr>
<tr>
<td>Proposed System Capacity Charge (per ME)</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

**System Capacity Charge**

#### Existing Cost Basis

<table>
<thead>
<tr>
<th>Description</th>
<th>Value of Water Infrastructure in Service</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Total Replacement Cost of Existing System (Through 2008)</td>
<td>$4,519,304,195</td>
<td>Based on Asset Valuation Calculator, FNR updated to 2012</td>
</tr>
<tr>
<td>2 Total Replacement Costs - Asset Updates to RCNL (2008-2013)</td>
<td>$1,230,845,819</td>
<td>2008-2012 Capitalized Project List</td>
</tr>
<tr>
<td>3 Less Treatment Related Assets (Through 2008)</td>
<td>$68,876,518</td>
<td>Based on Asset Valuation Calculator</td>
</tr>
<tr>
<td>4 Less Treatment Related Costs - Updates to RCNL (2008-2013)</td>
<td>$229,324,868</td>
<td>2008-2012 Capitalized Project List (Treatment related Projects)</td>
</tr>
<tr>
<td>5 Less Accumulated Depreciation on Existing Assets</td>
<td>$(1,634,252,874)</td>
<td>Based on Asset Valuation Calculator</td>
</tr>
<tr>
<td>7 Plus Accumulated Depreciation on Treatment Assets (Through 2008)</td>
<td>$22,162,096</td>
<td>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</td>
<td>2008-2012 Capitalized Project List</td>
</tr>
<tr>
<td>9 RCNL of Water infrastructure in Service (sum of 1 to 8)</td>
<td>$3,830,190,053</td>
<td></td>
</tr>
</tbody>
</table>

**Adjustments to Value of Water Infrastructure in Service**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value of Water Infrastructure in Service (sum of 1 to 8)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Treatment Related Construction work in Progress</td>
<td>-</td>
<td>Treatment Plant is completed, no WTP WIP</td>
</tr>
<tr>
<td>13 Contributed Capital</td>
<td>$(4,548,860)</td>
<td>Contributed Assets, not paid for by existing or future users</td>
</tr>
<tr>
<td>14 Carlsbad Desalination Plant</td>
<td>-</td>
<td>Allocation between system, treatment, and supply</td>
</tr>
<tr>
<td>15 Sub-Total of Adjustments (sum of 10 to 14)</td>
<td>$682,123,133</td>
<td></td>
</tr>
<tr>
<td>16 Total Value of Capital Assets (9+15)</td>
<td>$4,492,313,185</td>
<td></td>
</tr>
</tbody>
</table>

**Liability and Asset Related Adjustments**

<table>
<thead>
<tr>
<th>Description</th>
<th>Total Liability and Asset Related Adjustments (sum of 17 to 29)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17 Outstanding Debt for Infrastructure</td>
<td>$(2,015,530,000)</td>
<td>Total Debt Principal</td>
</tr>
<tr>
<td>18 Construction Fund (Proceeds still available)</td>
<td>$303,396,599</td>
<td>Based on 2012 CAFR</td>
</tr>
<tr>
<td>19 Adj for Treatment Asset Related Debt</td>
<td>$172,744,630</td>
<td>Principal related to WTP Assets</td>
</tr>
<tr>
<td>20 Tax-Exempt Commercial Paper (TECP)</td>
<td>$(360,000,000)</td>
<td>Based on 2012 CAFR</td>
</tr>
<tr>
<td>21 Equipment &amp; Computer System</td>
<td>$37,302,395</td>
<td>Based on 2012 CAFR</td>
</tr>
<tr>
<td>22 Less Accumulated Depreciation (Equip &amp; Computers)</td>
<td>$(58,775,198)</td>
<td>Based on 2012 CAFR</td>
</tr>
<tr>
<td>23 Participation and Capacity Rights</td>
<td>$457,529,713</td>
<td>Total Participation and Capacity Rights, net of Amortization</td>
</tr>
<tr>
<td>24 Adj Levy Treatment Plant Capacity Rights</td>
<td>$(11,278,866)</td>
<td>Treatment related Participation and Capacity Rights, net of Amortization</td>
</tr>
<tr>
<td>25 Debt Service Reserve Fund</td>
<td>$60,958,652</td>
<td>Based on 2012 CAFR, Page 107</td>
</tr>
<tr>
<td>26 PAYGO Fund</td>
<td>$87,039,198</td>
<td>$133,126,631 Total Based on 2012 CAFR - $58,039,198 Allocation to SCC related to facility-relationship portion of fund</td>
</tr>
<tr>
<td>27 Operating Fund (Facilities Portion)</td>
<td>$20,714,528</td>
<td>Based on 2012 CAFR balance of $67,733,957 - Allocation is $5MM related to emergency set-aside and 45365 of FY12 Total DS Payment [$127.5M * 45/365]</td>
</tr>
<tr>
<td>28 Rate Stabilization Fund</td>
<td>$5,003,353</td>
<td>Based on 2012 CAFR</td>
</tr>
<tr>
<td>29 Stored Water</td>
<td>$57,818,196</td>
<td>Based on 2012 CAFR</td>
</tr>
<tr>
<td>30 Total Liability and Asset Related Adjustments (sum of 17 to 29)</td>
<td>$(1,172,045,792)</td>
<td></td>
</tr>
<tr>
<td>31 Total Value of Existing Assets Net of Liabilities (16+30)</td>
<td>$3,320,267,393</td>
<td></td>
</tr>
</tbody>
</table>

**Future Cost Basis**

<table>
<thead>
<tr>
<th>Description</th>
<th>Future CIP (sum of 32 to 36)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>32 Total Value of Future CIP</td>
<td>$1,699,630,686</td>
<td>Based on 2012 Data. Includes &quot;Budgeted&quot; and &quot;open&quot; projects from 2014 to 2030. Includes both planning and construction projects.</td>
</tr>
<tr>
<td>33 Twin Oaks - Pipeline</td>
<td>$80,000,000</td>
<td></td>
</tr>
<tr>
<td>34 Less Water Treatment CIP</td>
<td>$(798,687)</td>
<td>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>
<td></td>
</tr>
<tr>
<td>36 Total Value of Existing and Future Assets (31+35)</td>
<td>$5,099,099,392</td>
<td></td>
</tr>
</tbody>
</table>

**Existing and Future Customer Base**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Meter Equivalents (37+38)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>37 Total Existing Meter Equivalents</td>
<td>912,321</td>
<td>IAC Equivalent Meters (ME) as of 12/31/11</td>
</tr>
<tr>
<td>38 Number of Future Meter Equivalents</td>
<td>177,094</td>
<td>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>
<td></td>
</tr>
</tbody>
</table>

**System Capacity Charge Results**

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated CY System Capacity Charge (36/39)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>40 Estimated CY System Capacity Charge (36/39)</td>
<td>$4,681</td>
<td>Based on 2035 – 5.18 people per meter (10 yr SANDAG average)</td>
</tr>
</tbody>
</table>
## SDCWA - Capacity Charge Calculations

**March 2013**

### Treatment Capacity Charge

#### Value of Treatment Infrastructure

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>43</td>
<td>SDCWA WTP Existing Capital (Through 2008)</td>
<td>$ 64,836,518</td>
</tr>
<tr>
<td>44</td>
<td>Total Replacement Costs - Asset Updates to RCNLD (2008-2013)</td>
<td>$ 229,524,868</td>
</tr>
<tr>
<td>45</td>
<td>Less SDCWA Treatment Capital Depreciation (Through 2008)</td>
<td>($22,162,096)</td>
</tr>
<tr>
<td>46</td>
<td>Less SDCWA Treatment Capital Depreciation - Updates to RCNLD (2008-2013)</td>
<td>($13,354,796)</td>
</tr>
<tr>
<td>47</td>
<td>Total Existing Cost Basis (sum of 43 to 45)</td>
<td>$ 258,844,494</td>
</tr>
</tbody>
</table>

#### Adjustments to Value of Treatment Infrastructure in Service

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>48</td>
<td>Treatment Related Construction work in Progress</td>
<td>$ -</td>
</tr>
<tr>
<td>49</td>
<td>Carlsbad Desalination Plant</td>
<td>$ -</td>
</tr>
<tr>
<td>50</td>
<td>Sub-Total of Adjustments (48 + 49)</td>
<td>$ -</td>
</tr>
<tr>
<td>51</td>
<td>Total Value of Capital Assets (47+50)</td>
<td>$ 258,844,494</td>
</tr>
</tbody>
</table>

#### Liability and Asset Related Adjustments

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>52</td>
<td>Outstanding Debt for Treatment</td>
<td>$ (172,784,630)</td>
</tr>
<tr>
<td>53</td>
<td>Levy Treatment Plant Capacity Rights</td>
<td>$ -</td>
</tr>
<tr>
<td>54</td>
<td>Helix Related Debt</td>
<td>$ 26,150,579</td>
</tr>
<tr>
<td>55</td>
<td>Debt Service Reserve Fund (Treatment)</td>
<td>$ 8,505,600</td>
</tr>
<tr>
<td>56</td>
<td>PAPGD Fund (Treatment Portion)</td>
<td>$ 799,744</td>
</tr>
<tr>
<td>57</td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td>58</td>
<td>Total Liability and Asset-Related Adjustments (sum of 52 to 57)</td>
<td>($137,328,706)</td>
</tr>
<tr>
<td>59</td>
<td>Total Value of Existing Assets Net of Liabilities (47+58)</td>
<td>$ 121,515,787</td>
</tr>
</tbody>
</table>

#### Future Cost Basis

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>SDCWA WTP &amp; Member Agency WTP Expansion Capital Cost</td>
<td>$ -</td>
</tr>
<tr>
<td>61</td>
<td>SDCWA CP Treatment Costs</td>
<td>$ 798,687</td>
</tr>
<tr>
<td>62</td>
<td>Total Future Cost Basis (60+61)</td>
<td>$ 798,687</td>
</tr>
<tr>
<td>63</td>
<td>Total Value of Existing and Future Assets (59+62)</td>
<td>$ 122,314,474</td>
</tr>
</tbody>
</table>

#### Meters Equivalents

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>64</td>
<td>Total Number of Meter Equivalents</td>
<td>1,089,415</td>
</tr>
<tr>
<td>65</td>
<td>Existing MEs not connect to treated water system</td>
<td>1,026,624</td>
</tr>
<tr>
<td>66</td>
<td>Projected new MEs not connected to treated system</td>
<td>$ 8,166</td>
</tr>
<tr>
<td>67</td>
<td>Total Existing and Future MEs connected to treated system</td>
<td>$ 1,026,624</td>
</tr>
</tbody>
</table>

#### Treatment Capacity Charge Results

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>68</td>
<td>Water Treatment Capacity Charge (63/67)</td>
<td>$ 119</td>
</tr>
</tbody>
</table>

---

*Notes/Source:* Prior to Twin Oaks, Levy was listed as CS. With Twin created additional rate category as additional burdened.
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, Macigan, 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>
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<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, Cmoucher (p), Haddad, Irvin, Jaeschke, Lewanski (p), Lewis (p), Loveland and Rep. Water 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
ORDINANCE NO. 2013-____

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES, AND PROVISION OF SERVICES

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, 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 (j) of Section 7 of the County Water Authority Act provides in part, that the Authority’s Board of Directors, “as far as practicable, shall fix such rate or rates for water as will result in revenues which will pay the operating expenses of the Authority, provide for required maintenance, and provide for the payment of the interest and principal of the bonded debt;” 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 standby availability 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 system capacity charge, water treatment capacity charge, an infrastructure access charge, a readiness-to-serve charge and water rates and charges; and

WHEREAS, the Board of Directors, upon recommendation of the Rate Study Subcommittee and the Fiscal Policy Committee, enacted Ordinance 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”, which established a new structure for water rates and charges; and

WHEREAS, on May 21, 2002, the Authority filed a Notice of Exemption pursuant to the California Environmental Quality Act (CEQA) for the project described as "Establishment of water supply and delivery rates and charges including: Customer Service Charge, Emergency Storage Program Charge, Transportation Rate, 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 adoption of this ordinance is exempt from CEQA for the same reason; and

WHEREAS, the Finance Department has presented a report dated May 15, 2013 to the Administrative and Finance Committee (the "Report") along with a Cost of Service Rate Study Report dated May 2013 by Carollo Engineers (the "Cost-of-Service Study") describing the proposed rates and charges to be collected from the member agencies; and

WHEREAS, at its May 23, June 11, June 13, and June 27, 2013 meetings the Administrative and Finance Committee also heard, considered, deliberated, and ultimately recommended adoption of the General Manager’s Recommended Multi-Year Budget Fiscal Years 2014 and 2015; and

WHEREAS, on June 27, 2013 a duly noticed public hearing was held by the Administrative and Finance Committee which thereafter recommended the adjustments to the Water Authority’s rates and charges as set forth in this ordinance;; and

WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed: and

WHEREAS, the Board of Directors has considered the information contained in the Report, the Cost-of-Service Study, the testimony and other evidence presented during the public hearing, the recommendations of the Administrative and Finance Committee; 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, if any, to the rates and charges as proposed and recommended in the Reports are overruled;
4. The Report and Cost-of-Service Study are approved;
5. The rates and charges as proposed and recommended in the Report and Cost-of-Service Study are reasonably expected to generate revenues that meet, but do not exceed, the Authority's revenue requirements to fund its capital, operation, maintenance, and other costs, and the allocation of those costs to the member agencies and others through the rates and charges are reasonable, fair, and proper.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

-2-
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 of the County Water Authority Act; an infrastructure access charge levied pursuant to Section 5.00.050 (c) of the Administrative Code; a system capacity charge and a water treatment capacity charge levied pursuant to Section 5.9 of the County Water Authority Act and Ordinance No. 2013-__; and water rates and charges having the following components as described in this ordinance: customer service, storage, transportation, treatment and supply.

2. Ad valorem taxes, the standby availability charge and the system and water treatment capacity charges are not affected by this ordinance. All other water rates and charges shall continue to be paid pursuant to existing authority until increased or adjusted as provided in this ordinance.

3. Commencing January 1, 2014, the amount of the Infrastructure Access Charge to be paid monthly by each member agency of the Authority, shall be $2.68 per equivalent meter within the territory of the member agency and determined according to Table 1 attached hereto and made a part hereof.

<table>
<thead>
<tr>
<th>Table 1 - Infrastructure Access Charge Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Agency</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
</tr>
<tr>
<td>Del Mar, City of</td>
</tr>
<tr>
<td>Escondido, City of</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
</tr>
<tr>
<td>Helix W.D.</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
</tr>
<tr>
<td>Oceanside, City of</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
</tr>
<tr>
<td>Otay W.D.</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
</tr>
<tr>
<td>Poway, City of</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
</tr>
<tr>
<td>San Diego, City of</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
</tr>
<tr>
<td>Vista I.D.</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

1Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.
4. Effective January 1, 2014, the Customer Service Charge is fixed at $26,400,000. Commencing January 1, 2014 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.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>3-Year Average Deliveries (AF)</th>
<th>CY14 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>16,344</td>
<td>$955,121</td>
<td>$79,593</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>1,100</td>
<td>64,282</td>
<td>5,357</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>16,284</td>
<td>951,615</td>
<td>79,301</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>12,321</td>
<td>720,022</td>
<td>60,002</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>23,961</td>
<td>1,400,248</td>
<td>116,687</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>3,319</td>
<td>193,958</td>
<td>16,163</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>23,296</td>
<td>1,361,386</td>
<td>113,449</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>19,246</td>
<td>1,124,710</td>
<td>93,726</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>30,526</td>
<td>1,783,898</td>
<td>148,658</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>11,789</td>
<td>688,933</td>
<td>57,411</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>58</td>
<td>3,389</td>
<td>282</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>10,648</td>
<td>622,254</td>
<td>51,855</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>20,574</td>
<td>1,202,316</td>
<td>100,193</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>6,364</td>
<td>371,903</td>
<td>30,992</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>6,000</td>
<td>350,632</td>
<td>29,219</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>174,511</td>
<td>10,198,184</td>
<td>849,848</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>2,240</td>
<td>130,903</td>
<td>10,909</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,137</td>
<td>300,199</td>
<td>25,017</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>9,045</td>
<td>528,577</td>
<td>44,048</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>15,972</td>
<td>933,382</td>
<td>77,782</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>27,640</td>
<td>1,615,244</td>
<td>134,604</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>12,836</td>
<td>750,118</td>
<td>62,510</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>1,779</td>
<td>103,962</td>
<td>8,664</td>
</tr>
<tr>
<td>Contract Water</td>
<td>766</td>
<td>44,764</td>
<td>3,730</td>
</tr>
<tr>
<td>Totals</td>
<td>451,756</td>
<td>$26,400,000</td>
<td>$2,200,000</td>
</tr>
</tbody>
</table>

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.
5. Effective January 1, 2014, the Storage Charge is fixed at $63,200,000. Commencing January 1, 2014 the amount of the monthly Storage Charge to be paid by each member agency to the Authority for Storage as set forth in Table 3 attached hereto and made a part hereof.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>3-Year Average Deliveries (AF)</th>
<th>CY14 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>16,384</td>
<td>$2,513,737</td>
<td>$209,478</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>1,100</td>
<td>168,769</td>
<td>14,064</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>13,819</td>
<td>2,120,199</td>
<td>176,683</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>8,206</td>
<td>1,259,017</td>
<td>104,918</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>23,961</td>
<td>3,676,249</td>
<td>306,354</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>3,319</td>
<td>509,222</td>
<td>42,435</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>22,787</td>
<td>3,496,126</td>
<td>291,344</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>19,056</td>
<td>2,923,693</td>
<td>243,641</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>30,517</td>
<td>4,682,112</td>
<td>390,176</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>11,172</td>
<td>1,714,079</td>
<td>142,840</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>58</td>
<td>8,899</td>
<td>742</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>10,608</td>
<td>1,627,547</td>
<td>135,629</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>12,693</td>
<td>1,947,441</td>
<td>162,287</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>4,707</td>
<td>722,178</td>
<td>60,182</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,745</td>
<td>881,434</td>
<td>73,453</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>174,402</td>
<td>26,757,865</td>
<td>2,229,822</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>2,240</td>
<td>343,675</td>
<td>28,640</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,106</td>
<td>783,395</td>
<td>65,283</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>9,045</td>
<td>1,387,741</td>
<td>115,645</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>15,009</td>
<td>2,302,776</td>
<td>191,898</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>9,222</td>
<td>1,414,898</td>
<td>117,908</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>12,784</td>
<td>1,961,403</td>
<td>163,450</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>(16) (2,455)</td>
<td>(205)</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>411,924</strong></td>
<td><strong>$63,200,000</strong></td>
<td><strong>$5,266,667</strong></td>
</tr>
</tbody>
</table>

1 Three-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.

6. Effective January 1, 2014, the Transportation Rate is fixed at $97 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate for deliveries of Water Authority supplies in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate. Payment of the Transportation Rate in connection with the wheeling of third-party water (non-Water Authority supplies) will be determined by an agreement approved by the Board of Directors. Wheeling of third-party water is also subject to a separate administration fee.
7. Effective January 1, 2014, the Melded Municipal and Industrial Treatment Rate is fixed at $274 per acre-foot.

8. (a) 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, the Imperial Irrigation District, or other sources of supply that may become available to the Authority. It is the intent of the Authority to charge the melded rate for supply representing the cost of water to the Authority for the appropriate class of service. Effective January 1, 2014, the Melded Untreated Municipal and Industrial Supply Rate is $732 per acre-foot to reflect the cost of the supply of untreated municipal and industrial water to the Water Authority.

(b) Effective January 1, 2014 as part of the Supply Charge, each member agency shall pay to the Authority a MWD Capacity Charge determined according to the method as set forth in Table 4 attached hereto and made a part hereof.

Table 4 - Calendar Year 2014 MWD Capacity Charge Allocation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>527.3</td>
<td>429.3</td>
<td>351.9</td>
<td>410.4</td>
<td>451.6</td>
<td>3.2980%</td>
<td>$272,708</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>28.0</td>
<td>34.1</td>
<td>34.9</td>
<td>25.2</td>
<td>32.2</td>
<td>0.2346%</td>
<td>19,399</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>454.5</td>
<td>668.7</td>
<td>397.9</td>
<td>424.3</td>
<td>532.3</td>
<td>3.7648%</td>
<td>311,308</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>333.9</td>
<td>450.8</td>
<td>382.5</td>
<td>415.6</td>
<td>226.9</td>
<td>2.7498%</td>
<td>227,376</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>789.6</td>
<td>861.7</td>
<td>146.4</td>
<td>425.3</td>
<td>851.4</td>
<td>4.6715%</td>
<td>386,282</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>66.3</td>
<td>96.1</td>
<td>90.4</td>
<td>83.9</td>
<td>88.4</td>
<td>0.6459%</td>
<td>53,409</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>780.1</td>
<td>648.1</td>
<td>576.3</td>
<td>739.0</td>
<td>608.5</td>
<td>5.0933%</td>
<td>421,160</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>606.5</td>
<td>553.1</td>
<td>550.3</td>
<td>518.4</td>
<td>604.2</td>
<td>4.3039%</td>
<td>355,885</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>1,016.7</td>
<td>871.0</td>
<td>839.2</td>
<td>944.1</td>
<td>1,088.4</td>
<td>7.2318%</td>
<td>597,990</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>499.8</td>
<td>545.8</td>
<td>449.7</td>
<td>454.7</td>
<td>454.8</td>
<td>3.6541%</td>
<td>302,154</td>
</tr>
<tr>
<td>Pendleton M.R.</td>
<td>2.7</td>
<td>1.4</td>
<td>1.9</td>
<td>2.1</td>
<td>0.7</td>
<td>0.0134%</td>
<td>1,108</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>365.5</td>
<td>220.3</td>
<td>333.8</td>
<td>238.6</td>
<td>287.0</td>
<td>2.1960%</td>
<td>181,585</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>616.3</td>
<td>865.7</td>
<td>667.8</td>
<td>657.2</td>
<td>708.1</td>
<td>5.3411%</td>
<td>441,650</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>254.5</td>
<td>156.9</td>
<td>146.0</td>
<td>170.1</td>
<td>204.7</td>
<td>1.4165%</td>
<td>117,129</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>204.1</td>
<td>204.1</td>
<td>178.8</td>
<td>156.6</td>
<td>170.0</td>
<td>1.3882%</td>
<td>114,789</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>5,523.8</td>
<td>4,932.0</td>
<td>5,178.0</td>
<td>4,556.2</td>
<td>4,673.9</td>
<td>37.7803%</td>
<td>3,124,015</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>136.2</td>
<td>67.6</td>
<td>39.5</td>
<td>109.4</td>
<td>32.1</td>
<td>0.5847%</td>
<td>48,348</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>335.3</td>
<td>187.9</td>
<td>145.2</td>
<td>249.0</td>
<td>136.1</td>
<td>1.6008%</td>
<td>132,369</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>-</td>
<td>443.3</td>
<td>-</td>
<td>29.1</td>
<td>-</td>
<td>0.7178%</td>
<td>59,354</td>
</tr>
<tr>
<td>Valelecitos W.D.</td>
<td>526.4</td>
<td>520.3</td>
<td>465.9</td>
<td>466.9</td>
<td>419.5</td>
<td>3.6301%</td>
<td>300,169</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>941.7</td>
<td>1,130.4</td>
<td>994.7</td>
<td>851.8</td>
<td>791.4</td>
<td>7.1588%</td>
<td>591,789</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>273.7</td>
<td>300.2</td>
<td>172.9</td>
<td>206.8</td>
<td>348.8</td>
<td>1.9790%</td>
<td>163,642</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>81.2</td>
<td>29.5</td>
<td>121.9</td>
<td>80.3</td>
<td>47.5</td>
<td>0.5476%</td>
<td>45,280</td>
</tr>
<tr>
<td>Totals</td>
<td>14,364.1</td>
<td>14,218.3</td>
<td>12,255.9</td>
<td>12,215.0</td>
<td>12,758.5</td>
<td>100.0000%</td>
<td>$8,268,900</td>
</tr>
</tbody>
</table>

1 Charge is allocated based on five-year rolling average of member agency deliveries during regional peak weeks. Annual charges and totals may not foot due to rounding.

2 Percentages shown are rounded. Totals may not foot.
(c) Effective July 1, 2013 as part of the Supply Charge, each member agency shall pay a MWD Readiness-to-Serve Charge determined according to Table 5 attached hereto and made a part hereof.

(d) This section shall be administered in accordance with the Report approved by this ordinance.

9. 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.

10. 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.
11. 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 adjusted as provided in this ordinance.

12. 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).

13. 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.

PASSED, APPROVED AND ADOPTED, this 27th day of June, 2013 by the following vote:

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 Ordinance 2013- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

____________________________
Doria F. Lore
Clerk of the Board
ORDINANCE NO. 2013-____

AN ORDINANCE OF SAN DIEGO COUNTY WATER AUTHORITY
AMENDING AND RESTATING THE AMOUNTS AND
REQUIREMENTS OF THE SYSTEM CAPACITY AND WATER
TREATMENT CAPACITY CHARGES IMPOSED BY THE WATER
AUTHORITY PURSUANT TO SECTION 5.9 OF THE COUNTY
WATER AUTHORITY ACT

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 initially adopted a capacity charge in 1990 and thereafter has continuously imposed a capacity charge through the adoption and amendment of various ordinances; and

WHEREAS, the Water Authority’s capacity charges are nondiscriminatory and imposed in accordance with applicable law as demonstrated by the various studies, reports, budgets, and apportionment methodologies upon which they are and have been based; and

WHEREAS, the Water Authority Board of Directors has previously adopted Ordinances No. 97-1, 99-2, 2000-1, 2000-3, 2001-03, 2002-05, 2005-03, and 2008-01, the operative requirements of which, subject to adjustments in the amount of the capacity charges imposed, are amended and restated in this ordinance; and

WHEREAS, at its meeting of May 23, 2013 the Water Authority Board of Directors received a Cost of Service Rate Study Capacity Charge Report dated May 2013 by Carollo Engineers and adopted Resolution No. 2013-12 setting the time and place for a public hearing to consider, among other things, the continued imposition of the Water Authority’s System Capacity Charge and Water Treatment Capacity Charge subject to certain adjustments in amount; 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.

WHEREAS, pursuant to Resolution No. 2013-12 a duly noticed public hearing was held by the Administrative and Finance Committee which thereafter recommended the adjustments to the System Capacity Charge and Water Treatment Capacity Charge as set forth in this ordinance; and

WHEREAS, at its May 23, June 11, June 13, and June 27, 2013 meetings the Administrative and Finance Committee also heard, considered, deliberated, and ultimately recommended adoption of the General Manager’s Multi-Year Budget Fiscal Years 2014 and 2015; and

WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed: and

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

Section 1. Capacity charges imposed on ultimate users of water.

(a) A System Capacity Charge in the amount specified in section 2 is imposed on each person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority for the installation of a water meter, except as provided in subdivision (d).

(b) A Water Treatment Capacity Charge in the amount specified in section 3 is imposed on each person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority for the installation a water meter within a member agency having an existing or planned connection to the Water Authority’s treated water system, except as provided in subdivision (d).

(c) “Installation of a water meter” includes the establishment of a new metered connection and the increase in capacity of an existing metered connection.

(d) The following are exempt from the capacity charges imposed by this section:

(1) Sub-meters receiving service through a water meter for which a capacity charge is or has been imposed;

(2) Water meters permanently connected to a reclaimed water system and measuring reclaimed water only;
(3) Water meters used to measure water provided solely through a separately metered fire suppression system;

(4) Water meters obtained for temporary service in connection with construction, preliminary land development, landscape installation and interim maintenance in connection with land development or habitat restoration, or similar temporary activities, and the member agency does not impose a capacity or connection charge for the temporary service meter in accordance with its standard practices and procedures;

(5) Reinstallation or unlocking of a water meter for which a capacity charge was previously paid or that was installed before October 1, 1990, where the reinstallation or unlocking is required to restore service following a temporary disconnection or disruption of service;

(6) Replacement of a meter with one of the same or smaller size, provided, however, that no refund or credit for any capacity charge previously paid will be made for the installation of a smaller meter.

Section 2. Amount of System Capacity Charge.

(a) Effective January 1, 2014 amount of the System Capacity Charge will be determined according to the following schedule:

<table>
<thead>
<tr>
<th>Meter size</th>
<th>Factor</th>
<th>Amount of charge ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 inch</td>
<td>1.0</td>
<td>4,681</td>
</tr>
<tr>
<td>1 inch</td>
<td>1.6</td>
<td>7,490</td>
</tr>
<tr>
<td>1.5 inches</td>
<td>3.0</td>
<td>14,043</td>
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<tr>
<td>2 inches</td>
<td>5.2</td>
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<tr>
<td>3 inches</td>
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<tr>
<td>4 inches</td>
<td>16.4</td>
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</tr>
<tr>
<td>6 inches</td>
<td>30.0</td>
<td>140,430</td>
</tr>
<tr>
<td>8 inches</td>
<td>52.0</td>
<td>243,412</td>
</tr>
<tr>
<td>10 inches</td>
<td>78.0</td>
<td>365,118</td>
</tr>
<tr>
<td>12 inches</td>
<td>132.0</td>
<td>617,892</td>
</tr>
</tbody>
</table>

(b) The Director of Finance may adjust the schedule established by this section as of January 1, 2014, and as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles, California (ENR-CCI LA) for the calendar year immediately preceding the adjustment.

Section 3. Amount of Water Treatment Capacity Charge.

(a) Effective January 1, 2014 the amount of the Water Treatment Capacity Charge will be determined according to the following schedule:
<table>
<thead>
<tr>
<th>Meter size</th>
<th>Factor</th>
<th>Amount of charge ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 inch</td>
<td>1.0</td>
<td>119</td>
</tr>
<tr>
<td>1 inch</td>
<td>1.6</td>
<td>190</td>
</tr>
<tr>
<td>1.5 inches</td>
<td>3.0</td>
<td>357</td>
</tr>
<tr>
<td>2 inches</td>
<td>5.2</td>
<td>619</td>
</tr>
<tr>
<td>3 inches</td>
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<td>4 inches</td>
<td>16.4</td>
<td>1,952</td>
</tr>
<tr>
<td>6 inches</td>
<td>30.0</td>
<td>3,570</td>
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<tr>
<td>8 inches</td>
<td>52.0</td>
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<tr>
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<tr>
<td>12 inches</td>
<td>132.0</td>
<td>15,708</td>
</tr>
</tbody>
</table>

(b) The Director of Finance may adjust the schedule established by this section as of January 1, 2014, and as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles, California (ENR-CCI LA) for the calendar year immediately preceding the adjustment.

Section 4. Collection of Charges.

(a) Each Water Authority member agency is required to collect on behalf of the Water Authority the capacity charges imposed by Section 1, in the amounts determined according to Sections 2 and 3, and to pay to Water Authority, at least quarterly, on or before the 30th day of the months of January, April, July, and October of each year, the total amount of the capacity charges collected during the prior three calendar months. At the time of each payment, the member agency must report to the Water Authority the number and size of all meters supplied to water users within the territory of the member agency during the prior three calendar months, including meters for which a capacity charge is imposed and meters exempt from a capacity charge. A member agency is liable to the Water Authority for the full amount of any capacity charge for which the member agency provides a water meter to an ultimate user without having collected a required capacity charge.

(b) Water will be provided to an ultimate user of water within the territory of the Water Authority only through a metered connection. A Water Authority member agency shall not provide a water meter to an ultimate user of water within the territory of the Water Authority unless the user has paid the capacity charges imposed by the Water Authority.

(c) The size of the meter necessary or appropriate to serve an ultimate user of water will be determined by the member agency.

(d) When a water meter for a single-family residential property is required to provide standby capacity for a fire sprinkler system, the capacity charge may be determined according to the size of the meter necessary to meet the water use requirements for the property, as determined according to the rules of the member agency providing the meter, without consideration of additional size necessary to provide the standby capacity. Standby capacity for a fire sprinkler system is required when (1) the fire sprinkler system is required by law, including any requirement imposed by statute, ordinance, or as a condition of
development, permit, or occupancy, and (2) the fire chief, fire marshal, or building official of the city, county, or special district responsible for fire protection service to the property has provided a written statement verifying the requirement for additional meter size. The determination under this subdivision will be made at the time of installation of the meter, including installation to replace a meter with one of greater size because of the later installation of a fire protection system. This subdivision does not apply to any meters greater than one inch in size.

(e) If a single meter is exchanged for more than one smaller meter to serve property that has been subdivided or otherwise developed, the capacity charges shall be determined based on the difference between the cumulative capacity charges for all the smaller meters according to the schedules set forth in sections 2 and 3 and the capacity charges for the exchanged single meter according to sections 2 and 3, regardless of the capacity charge, if any, in effect when the exchanged meter was first obtained; provided, however, that no credit or refund will be made if the cumulative capacity charges for the small meters is less than the capacity charges for the exchanged meter.

(f) No capacity charge will be collected for installation of a new water meter on a previously unmetered service connection for a parcel within the territory of the Water Authority if the member agency determines all of the following to exist: the parcel is receiving water from the member agency through a lawful connection; the new meter will not result in a material change in land use; the new meter will not result in a material increase in water use; and the member agency will not impose for its own account a capacity or connection charge for the new meter.

(g) Any interest earned by a member agency on capacity charges collected and held before payment to the Water Authority pursuant to subdivision (a) may be retained by the member agency as reimbursement for any costs incurred in collecting and remitting capacity charges for the Water Authority.

(h) In lieu of retaining interest, a member agency may apply for reimbursement of costs it reasonably incurs in collecting the Water Authority’s capacity charges. If a member agency intends to apply for reimbursement, it must remit the interest earned on capacity charges collected and held on behalf of the Water Authority at the time it makes its quarterly payments. The application for reimbursement shall be filed annually on or before September 1. The application may be in the form established by the Finance Director and must itemize the costs incurred and shall include supporting documentation and explanation to reasonably verify the amounts sought. The Finance Director may request supplemental information. After review and approval of the application and any supplemental information, the Finance Director is authorized to reimburse a member agency in the amount of the reasonable costs incurred as determined by the Finance Director.

(i) Any member agency that wholesales or otherwise supplies water obtained from the Water Authority to another public agency, private water company, or mutual water company (each referred to as a “sub-agency”) shall, as a condition of service, require the sub-agency to collect from each ultimate water user within the sub-agency a capacity charge
pursuant to this ordinance. The sub-agency, at its option, may remit the charges at least quarterly, on or before the 10th day of the months of January, April, July, and October of each year, or it may remit the charges to its supplying member agency, which shall then remit the charges to the Water Authority as provided in subdivision (a). At the time of each payment to either the Water Authority or the supplying member agency, the sub-agency must report the number and size of all meters supplied to water users within the territory of the member agency during the period for which the payment is made, including meters for which a capacity charge is imposed and meters exempt from a capacity charge. Any interest earned by a sub-agency on capacity charges collected and held before payment to the Water Authority pursuant may be retained by the sub-agency as reimbursement for any costs incurred in collecting and remitting capacity charges for the Water Authority. In lieu of retaining interest, a sub-agency may apply for reimbursement of costs it reasonably incurs in collecting the Water Authority’s capacity charges. If a sub-agency intends to apply for reimbursement, it must remit the interest earned on capacity charges collected and held on behalf of the Water Authority at the time it makes its quarterly payments. The application for reimbursement shall be filed annually on or before September 1. The application may be in the form established by the Finance Director and must itemize the costs incurred and shall include supporting documentation and explanation to reasonably verify the amounts sought. The Finance Director may request supplemental information. After review and approval of the application and any supplemental information, the Finance Director is authorized to reimburse a sub-agency in the amount of the reasonable costs incurred as determined by the Finance Director. If a sub-agency remits capacity charges through its supplying member agency, the sub-agency shall pay any administrative costs imposed by the member agency without reimbursement by the Water Authority. A member agency is liable to the Water Authority for an amount equal to any capacity charges for which its sub-agency fails to collect or pay under this subdivision.

(j) Notwithstanding anything in this section to the contrary, the Water Authority may, pursuant to a written agreement with a member agency or a member agency’s sub-agency, collect capacity charges directly from each ultimate user of water for the installation of a water meter. The written agreement must provide that the member agency or sub-agency will not provide or authorize the installation of a water meter within the territory of the Water Authority until the Water Authority provides written documentation of compliance with the requirements of this ordinance.

Section 5. Application of Government Code Section 54999.3.

The imposition of the Water Authority capacity charges on any school district, county office of education, community college district, the California State University, the University of California, or state agency is subject to the provisions of Government Code section 54999.3. Payment by any of these entities of a Water Authority capacity charge for the installation of a meter shall be deemed to be an agreement with the Water Authority regarding that charge. No water meter will be provided or approved for installation to any of these agencies without an agreement regarding that charge. If any of these entities refuses to pay a Water Authority capacity charge, the Water Authority will enter into negotiations for an agreement regarding the charge.
Section 6.  Protests.

Any person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority may protest the application of this ordinance to the installation of a meter by filing of a written protest with the member agency and the Water Authority Director of Finance before payment of the charge, in which case the member agency will not provide or authorize the installation of a meter, or by payment of the charge and filing a written protest with the member agency and the Water Authority Finance Director not later than 10 days after payment of the charge. The protest will be reviewed by the Finance Director who will provide a written response within twenty days from the date of the protest. If the protester is not satisfied with the response by the Finance Director, a written appeal to the Water Authority General Manager may be filed within fifteen days of the date of the Finance Director’s response. The appeal shall provide a detailed explanation of the grounds for disagreement with the Finance Director’s response. The General Manager may determine the matter based on the written appeal and the Finance Director’s response. The final determination of the appeal will be provided by the General Manager in writing within thirty days of the date the appeal is filed. If the General Manager fails to provide a written determination within thirty days, the appeal is deemed denied on the grounds stated in the Finance Director’s response.

Section 7.  Refunds for Conversion to Reclaimed Water Systems.

If a water user converts a water meter to permanently measure reclaimed water only, the capacity charges previously collected for the meter will be refunded, without interest, upon written request by the water user and written verification by the member agency of compliance with this subdivision. The request must be filed within 180 days of the connection of the meter to the reclaimed water system.

Section 8.  Credit for Annexation Charge Paid

This section applies to property annexed to the territory of the Water Authority after November 17, 2005. Any person, corporation, partnership, public agency, entity, or other ultimate user of water that paid an annexation charge with respect to a parcel, or that is a successor-in-interest to the parcel for which an annexation charge was paid, may apply for a credit toward the System Capacity Charge imposed for that parcel or a subdivided portion of that parcel. The amount of the credit will be determined by the Water Authority before the capacity charge is paid and the meter provided. No credit will be provided for the charge imposed to reimburse the Water Authority for the cost of processing the application for annexation. No refund will be made for any charge previously paid.

Section 9.  Use of Funds

All funds received from the System Capacity Charge, and interest attributable to those funds, will be separately accounted and expended only for capital expenses of existing or new Water Authority system facilities as authorized by law. All funds from the Water Authority
Treatment Capacity Charge, and interest attributable to those funds, will be separately accounted and expended only for capital expenses of existing or new Water Authority treatment facilities as authorized by law.

**Section 10. Indemnification**

The Water Authority will defend and indemnify member agencies, and their officers, employees, and agents against and from all claims, expenses, and costs, including costs of defense and reasonable attorneys’ fees, arising from implementation or application of this ordinance, except a claim, expense, or cost caused solely the failure of a member agency, or its officers, employees, and agents to comply with the requirements of this ordinance.

PASSED, APPROVED AND ADOPTED, this 27th day of June, 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 Ordinance 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
ORDINANCE NO. 2013-____

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY CONTINUING THE WATER STANDBY AVAILABILITY CHARGE FOR SUCCESSIVE YEARS AT THE SAME RATE

Whereas, the Water Authority first imposed a water standby availability charge in accordance with the procedures set forth at that time in section 5.2 of the County Water Authority Act and the Uniform Standby Charge Procedures Act [Cal. Gov’t Code Title 5, Div. 2, Ch. 12.4]; and

Whereas, the Water Authority has continued each year to impose a water standby availability charge in accordance with the applicable procedures; and

Whereas, subdivision (c) of section 5.2 of the County Water Authority Act and section 54984.7 of the Government Code authorize the Water Authority to continue a charge in successive years at the same rate; and

Therefore, the Board of Directors of the San Diego County Water Authority does ordain as follows:

1. The water standby availability charge of ten dollars per acre per year for each acre of land within the Water Authority or ten dollars per year per parcel less than an acre shall continue to be levied for fiscal year 2013-2014 and each successive fiscal year thereafter.

2. The water standby availability charge shall be imposed, collected, and administered as provided in Ordinance No. 2008-04.
PASSED, APPROVED AND ADOPTED, this 27th day of June, 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 Ordinance 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
June 19, 2013

Attention: Administrative and Finance Committee

Professional Services Contract with A&N Technical Services, Inc. to provide support services related to the work of the Fiscal Sustainability Task Force and facilitation of the Cost of Service Study-Phase II. (Action)

Staff recommendation
Authorize the General Manager to award a professional services contract to A&N Technical Services, Inc. for an amount not-to-exceed $177,400 for consulting services, contingent upon Board approval of Fiscal Years 2014 and 2015 Recommended Budget.

Alternatives
Do not approve recommended contract.

Fiscal impact
The contract amount of $177,400 is included in the Fiscal Year 2014 and 2015 budget and is contingent upon Board adoption. This project impacts the Customer Service rate category.

Background
As the Water Purchase Agreement was being negotiated with Poseidon from the end of calendar year 2011 through to the Fall of 2012, staff presented a total of 9 times at special meetings of the Water Planning Committee or Board the impact of the cost of the Carlsbad Desalination Project (the Project) on the Water Authority’s rates and a variety of methods by which those costs could be recovered through a set of alternative rate structures. The overarching concept concerning the financial impacts of the Project was that approval of an agreement to move forward with the Project was a long-term fixed financial commitment of the Water Authority and monies to ensure the payment of those costs must be secured in concert with Project approval. There were nine alternatives developed by staff and member agencies throughout the discussion process prior to the approval of the Water Purchase Agreement between the Water Authority and Poseidon Water. To ensure adequate time and available resources for a thorough and collaborative discussion, and evaluation of all the cost recovery alternatives, the Cost of Service-Phase II process was scheduled for FY 2014.

On May 29, 2013 the Board’s Fiscal Sustainability Task Force (the Task Force) held their first meeting. The Task Force is focused on identifying enhancement and or additions to the Board’s existing rate and charges policies that improve the long-term fiscal sustainability of the Water Authority. They will review opportunities to address the economic challenges of the future to ensure the Water Authority’s financial health. The Task Force will provide input into the Cost of Service Study-Phase II to ensure that the key metrics of financial prudence are adhered to in the Member Agency Work Group as they consider alternative rate structures for incorporating the cost of the Project into the Water Authority’s rates and charges. Additionally, should the Task Force come up with any other rate and charge changes to enhance the Water Authority’s long-term financial stability; the Member Agency Working Group will vet those changes and provide
technical recommendations back to the Task Force. The Task Forces’ recommendations will be presented to the Board through the A&F Committee for action. Any policy changes will be incorporated into future rate and charge decisions. The work of the Task Force is anticipated to be complete by January 2014.

Previous Board Action: On November 29, 2012, the Board approved the Water Purchase Agreement for the Carlsbad Desalination Project and awarded the Cost of Service Study contract to Carollo Engineers, Inc.

Discussion

A&N Technical Services is recommended to provide information to the Task Force on a variety of rate and charge concepts to facilitate the work of the Task Force. They will also be available as the Task Force deliberates on their potential recommendations to provide context and perspective on potential changes within a rate setting context.

The Cost of Service Study Phase II is focused on integrating the Project and any recommended policy changes approved by the Board, as a result of the Task Force’s work, into the Water Authority’s rates and charges. It includes a comprehensive cost of service analysis which will review and consider all rate structure alternatives. This phase also includes the determination of the Supply Capacity Charge.

To ensure that Phase II of the cost of service analysis is both comprehensive and complete; staff is recommending that the discussions be facilitated by A&N Technical Services (A&N). The inclusion of A&N in the process will help ensure that each alternative considered is objectively evaluated based upon Board policy goals and objectives, achieve a high level of rate payer equity and meet legal requirements. A&N will be the day-to-day project lead and consultant support for the project while Carollo will independently review final recommendation for cost of service principles, legal requirements and that the resulting allocations provide a clear, reasonable and defensible nexus between the cost of service and rates charged.

The Member Agency Workgroup (the Workgroup) is being tasked with the Phase II activities, which includes developing a recommended cost recovery approach for the Project. A&N and staff will facilitate this process by hosting workshops and providing reports as needed by the Workgroup to reach consensus. Participation in the Workgroup will be limited to a maximum of two participants from each member agency to keep the size of the Workgroup manageable. In addition, participants are asked to make a commitment to the process to ensure a high level of participant continuity is achieved so that the broad range of topics can be efficiently addressed. The Workgroup is expected to begin meeting in September, 2013.

A&N is being recommended for this contract on a sole source basis due to their long history of supporting the Water Authority’s rate and charge initiatives. Having served as the consultant for the unbundling of rates and charges in 2003 and for the 2000 rate and charge study, A&N possesses a unique understanding of not only the Water Authority’s rate and charge structure but also the historical context in which these past decisions were made. Also, A&N attended all
Board meetings for the project on contract by the Water Authority and took extensive notes on all discussed alternatives. Staff has carefully considered the proposed scope of services and believes that the pricing for these services is competitive.

Once a recommended alternative for the Project cost recovery and any other changes to the rate and charge structure are identified, Carollo Engineers, under their existing contract, will conduct a final detailed independent review. Based upon their review of the cost recovery approach, a cost allocation methodology will be finalized that ensures future cost recovery is aligned with the recommended approach.

Prepared by: David Shank, Financial Planning Manager
Reviewed by: Tracy McCraner, Director of Finance/Treasurer
Approved by: Sandra L. Kerl, Deputy General Manager
June 19, 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-two month period of July 1, 2011 through April 30, 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-two month period are presented on a straight-line basis, except for water sales and purchases which are based on monthly projected acre-feet. In addition, the period-to-date budgeted amounts are adjusted for periodic items which include property taxes and in-lieu charges, capacity charges, water standby availability charges, debt service, and QSA mitigation.

Net Water Sales Revenue¹
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-two months ended April 30, 2013 was $256.7 million, and the period-to-date budgeted amount was $247.1 million, a difference of $9.6 million or 4% more than budgeted (Attachment D). Detailed information relating 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 814,476 AF for the twenty-two months ended April 30, 2013, and actual water sales volume was 828,337 AF, a difference of 13,861 AF or 2% more than budgeted (Attachment A). Total Water Sales revenue for the twenty-two months ended April 30, 2013 was $860.4 million, $15.9 million or 2% more than the budgeted amount of $844.5 million

¹ All information regarding water sales volumes, revenues and costs are based on the adopted fiscal years 2012 and 2013 multi-year budget.
(Attachment B). Water sales volume and revenue are trending slightly higher than budgeted as shown on Attachments A and B.

Total Water Purchases and Treatment cost was budgeted to be $597.4 million for the twenty-two months ended April 30, 2013 and the actual cost was $603.7 million, $6.3 million or 1% more than budgeted (Attachment C). The variance was attributed to purchasing more volume of both treated and untreated water. This category included $75.5 million for the 163,334 AF of water purchased from IID, as well as $118.2 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 $172.6 million for the twenty-two months ended April 30, 2013. Actual revenues were $165.1 million, a difference of $7.5 million or 4% lower than budgeted. The variance is explained in detail below.

Actual revenues that were below the period-to-date budgeted amounts for the twenty-two months ended April 30, 2013 included Investment Income and Other Income. Investment Income was $4.0 million below budget, the result of continuing historically low interest rates. The timing of receipts in Integrated Regional Water Management (IRWM) grants and miscellaneous reimbursements led to a negative variance of $12.4 million in Other Income.

Actual revenues that exceeded the period-to-date budgeted amounts for the twenty-two months ended April 30, 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. Lake Hodges Pumped Storage Facility (Hodges Hydro) began earning revenues in September 2011, generating hydroelectric power sales of $0.9 million. As a result, actual Hydroelectric Revenue is trending higher than budgeted. Capacity Charges are trending higher than budgeted by approximately $4.4 million due to an increase in the number of permits issued. Contributions in Aid of CIP were 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 $375.6 million for the twenty-two months ended April 30, 2013. Actual expenditures were $309.6 million, a difference of $66.0 million or 18% lower than budgeted. The variance is explained in detail below.

Consistent with the mid-term budget update, Operating Departments are expected to expend between 93-96% of their budget, totaling $82 million. This projection does not anticipate spending any of the $500,000 contingency set aside in the General Managers’ office budget. Actual expenditures were $71.7 million, $10.3 million below budget resulting from the timing of expenditures.

Hodges Pumped Storage expenditures are trending lower than budgeted by approximately $2.9 million during the twenty-two 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. No stored water for Hodges Hydro were purchased during the twenty-two month period. 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 during the current two-year budget period.

Debt Service expenditures totaled $220 million for the twenty-two month period, $20.4 million lower than the budgeted amount of $240.4 million. The favorable variance was mainly attributed to the low interest rate environment on the Commercial Paper (CP) program and restructuring of the CP program. In addition, cash flow savings were realized from Water Revenue Refunding Bonds, Series 2011A, Series 2011B and Series 2013A.

Total actual Other Expenditures were $6.1 million, $12.7 million below the budgeted amount of $18.8 million. The variance resulted primarily from the timing of expenditures in pass-through Integrated Regional Water Management (IRWM) grants.

**CIP Expenditures**
Attachment D shows that CIP Expenditures were budgeted to be $298.4 million for the twenty-two months ended April 30, 2013. Actual expenditures were lower at $218.6 million, a difference of $79.8 million or 27% lower than budgeted primarily attributed to the timing of expenditures. In addition, the largest current individual project, ESP-San Vicente Dam Raise, is experiencing a seven-month delay, which will postpone some expenditures beyond the current budget period. Actual CIP expenditures funded by Pay As You Go Fund and CIP/Bond Construction Funds for the twenty-two months ended April 30, 2013 were $17.3 million and $201.3 million, respectively.

**Cash and Investments**
As of April 30, 2013 and March 31, 2013, the overall balance in the Water Authority’s cash and investments was $641.6 million and $630.9 million, respectively (Attachment F). Approximately 42% of funds were unrestricted with the remaining 58% 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 April 30, 2013, the Rate Stabilization Fund was funded at $51.2 million, 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>
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<tr>
<th>Months</th>
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<th>Aug-11</th>
<th>Sep-11</th>
<th>Oct-11</th>
<th>Nov-11</th>
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<th>Jan-12</th>
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<td>297,029</td>
<td>322,188</td>
<td>354,292</td>
<td>390,867</td>
<td>434,786</td>
</tr>
<tr>
<td>Actual</td>
<td>49,751</td>
<td>100,056</td>
<td>147,861</td>
<td>189,470</td>
<td>217,831</td>
<td>243,191</td>
<td>269,731</td>
<td>295,877</td>
<td>322,519</td>
<td>352,519</td>
<td>394,311</td>
<td>442,641</td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>(1,255)</td>
<td>(1,961)</td>
<td>(410)</td>
<td>(1,990)</td>
<td>(5,742)</td>
<td>(5,354)</td>
<td>(1,152)</td>
<td>(1,325)</td>
<td>311</td>
<td>3,444</td>
<td>7,855</td>
<td></td>
</tr>
<tr>
<td>Cum. Actual AF % Difference (b/a)</td>
<td>-2%</td>
<td>-2%</td>
<td>0%</td>
<td>1%</td>
<td>-1%</td>
<td>-2%</td>
<td>-2%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

### Fiscal Year 2013 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>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>54,662</td>
<td>109,330</td>
<td>158,900</td>
<td>201,791</td>
<td>235,850</td>
<td>266,779</td>
<td>294,805</td>
<td>318,322</td>
<td>345,285</td>
<td>379,690</td>
<td>418,887</td>
<td>465,954</td>
</tr>
<tr>
<td>Actual</td>
<td>46,422</td>
<td>98,688</td>
<td>150,276</td>
<td>193,246</td>
<td>232,542</td>
<td>269,991</td>
<td>286,494</td>
<td>312,413</td>
<td>345,144</td>
<td>385,696</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>(8,240)</td>
<td>(10,642)</td>
<td>(8,624)</td>
<td>(8,545)</td>
<td>(3,038)</td>
<td>(6,788)</td>
<td>(8,321)</td>
<td>(5,909)</td>
<td>(141)</td>
<td>6,006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cum. Actual AF % Difference (b/a)</td>
<td>-15%</td>
<td>-10%</td>
<td>-5%</td>
<td>-4%</td>
<td>-1%</td>
<td>-3%</td>
<td>-3%</td>
<td>-2%</td>
<td>0%</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### FY12 for Fiscal Year 2012

- Budget: 434,786
- Actual: 442,641
- Difference: 7,855

### FY13 through Apr-13

- Budget: 379,690
- Actual: 385,696
- Difference: 6,006

### Total

- Budget: 814,476
- Actual: 828,337
- Difference: 13,861

% Difference: 2%
*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 22 Months Ended April 30, 2013

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>
<th>Feb-12</th>
<th>Mar-12</th>
<th>Apr-12</th>
<th>May-12</th>
<th>Jun-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>45.5</td>
<td>91.0</td>
<td>133.2</td>
<td>171.2</td>
<td>203.3</td>
<td>233.4</td>
<td>263.0</td>
<td>289.6</td>
<td>318.9</td>
<td>353.3</td>
<td>391.4</td>
<td>434.7</td>
</tr>
<tr>
<td>Actual</td>
<td>43.6</td>
<td>90.7</td>
<td>132.1</td>
<td>170.8</td>
<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>
</tr>
<tr>
<td>Difference (b)</td>
<td>(1.9)</td>
<td>(0.3)</td>
<td>(1.1)</td>
<td>(0.4)</td>
<td>(3.8)</td>
<td>(6.3)</td>
<td>(4.7)</td>
<td>(1.0)</td>
<td>(0.3)</td>
<td>(0.5)</td>
<td>3.9</td>
<td>8.6</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-4%</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td>-2%</td>
<td>-3%</td>
<td>-2%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Fiscal Year 2013 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>
<th>Feb-12</th>
<th>Mar-12</th>
<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>
<td>334.1</td>
<td>368.5</td>
<td>409.8</td>
<td>456.0</td>
<td>509.1</td>
</tr>
<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>417.1</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>(4.9)</td>
<td>(2.6)</td>
<td>(2.6)</td>
<td>(2.3)</td>
<td>(7.3)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</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>
<td>2%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Fiscal Year 2013 through Apr 13

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>434.7</td>
<td>409.8</td>
<td>844.5</td>
</tr>
<tr>
<td>Actual</td>
<td>443.3</td>
<td>417.1</td>
<td>860.4</td>
</tr>
<tr>
<td>Difference</td>
<td>8.6</td>
<td>7.3</td>
<td>15.9</td>
</tr>
<tr>
<td>% Difference</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>
*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>
<th>Jan-13</th>
<th>Feb-13</th>
<th>Mar-13</th>
<th>Apr-13</th>
<th>May-13</th>
<th>Jun-13</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget (a)</td>
<td>33.8</td>
<td>67.6</td>
<td>98.5</td>
<td>125.7</td>
<td>147.9</td>
<td>168.4</td>
<td>188.4</td>
<td>205.6</td>
<td>225.3</td>
<td>249.3</td>
<td>276.5</td>
<td>308.2</td>
<td>308.2</td>
</tr>
<tr>
<td>Actual</td>
<td>31.7</td>
<td>63.4</td>
<td>91.0</td>
<td>120.5</td>
<td>141.3</td>
<td>161.0</td>
<td>180.8</td>
<td>199.4</td>
<td>221.1</td>
<td>242.7</td>
<td>272.7</td>
<td>312.4</td>
<td>312.4</td>
</tr>
<tr>
<td>Difference</td>
<td>(2.1)</td>
<td>(4.2)</td>
<td>(7.5)</td>
<td>(5.2)</td>
<td>(6.6)</td>
<td>(7.4)</td>
<td>(7.6)</td>
<td>(6.2)</td>
<td>(4.2)</td>
<td>(6.6)</td>
<td>(3.8)</td>
<td>(4.2)</td>
<td></td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-6%</td>
<td>-6%</td>
<td>-8%</td>
<td>-4%</td>
<td>-4%</td>
<td>-4%</td>
<td>-3%</td>
<td>-2%</td>
<td>-3%</td>
<td>1%</td>
<td>-1%</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

Fiscal Year 2013 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>
<th>Jan-13</th>
<th>Feb-13</th>
<th>Mar-13</th>
<th>Apr-13</th>
<th>May-13</th>
<th>Jun-13</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget (a)</td>
<td>39.0</td>
<td>77.9</td>
<td>113.6</td>
<td>144.9</td>
<td>170.4</td>
<td>193.8</td>
<td>217.4</td>
<td>237.7</td>
<td>260.8</td>
<td>289.2</td>
<td>231.2</td>
<td>-</td>
<td>358.6</td>
</tr>
<tr>
<td>Actual</td>
<td>31.8</td>
<td>68.4</td>
<td>105.2</td>
<td>136.1</td>
<td>166.0</td>
<td>187.3</td>
<td>209.3</td>
<td>232.2</td>
<td>258.7</td>
<td>291.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference</td>
<td>(7.2)</td>
<td>(9.5)</td>
<td>(8.4)</td>
<td>(8.8)</td>
<td>(4.4)</td>
<td>(6.5)</td>
<td>(8.1)</td>
<td>(5.5)</td>
<td>(2.1)</td>
<td>2.1</td>
<td>-</td>
<td>-</td>
<td>2.1</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-18%</td>
<td>-12%</td>
<td>-7%</td>
<td>-6%</td>
<td>-3%</td>
<td>-4%</td>
<td>-2%</td>
<td>-1%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13 through Apr-13</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>308.2</td>
<td>289.2</td>
<td>597.4</td>
</tr>
<tr>
<td>Actual</td>
<td>312.4</td>
<td>291.3</td>
<td>603.7</td>
</tr>
<tr>
<td>Difference</td>
<td>4.2</td>
<td>2.1</td>
<td>6.3</td>
</tr>
<tr>
<td>% Difference</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>
San Diego County Water Authority  
Fiscal Years 2012 and 2013 Budget Status Report  
For the 22 Months Ended April 30, 2013

\[
[A] \times 92% = [B] \quad [C] = [B - C] 
\]

<table>
<thead>
<tr>
<th>Revenues = ( [B + C] )</th>
<th>Expenditures = ( [B - C] )</th>
</tr>
</thead>
<tbody>
<tr>
<td>[A] \times 92% \times [C]</td>
<td>[A] \times 92% \times [C]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 12 &amp; 13 Amended Budget</th>
<th>FY 12 &amp; 13 22 Months (92%)</th>
<th>FY 12 &amp; 13 Actual</th>
<th>Variance with</th>
<th>Actual/ Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Water Sales Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>943,801,989</td>
<td>844,496,259</td>
<td>860,382,113</td>
<td>15,885,854 91%</td>
</tr>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>666,886,062</td>
<td>597,394,932</td>
<td>603,658,251</td>
<td>(6,263,319) 91%</td>
</tr>
<tr>
<td>Total Net Water Sales Revenue</td>
<td>276,933,927</td>
<td>247,101,327</td>
<td>256,723,862</td>
<td>9,622,535 93%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenues and Other Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Access Charges</td>
</tr>
<tr>
<td>Property Taxes and In-Lieu Charges</td>
</tr>
<tr>
<td>Investment Income</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
</tr>
<tr>
<td>Other Income</td>
</tr>
<tr>
<td>Capital Contributions:</td>
</tr>
<tr>
<td>Capacity Charges</td>
</tr>
<tr>
<td>Water Standby Availability Charges</td>
</tr>
<tr>
<td>Contributions in Aid of CIP</td>
</tr>
<tr>
<td>Total Revenues and Other Income</td>
</tr>
</tbody>
</table>

| Net Water Sales Revenue and Revenues and Other Income, net | 465,218,857 |

<table>
<thead>
<tr>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stored Water Purchases</td>
</tr>
<tr>
<td>Debt Service</td>
</tr>
<tr>
<td>QSA Mitigation</td>
</tr>
<tr>
<td>Hodges Pumped Storage</td>
</tr>
<tr>
<td>Equipment Replacement</td>
</tr>
<tr>
<td>Other Expenditures</td>
</tr>
<tr>
<td>Total Expenditures</td>
</tr>
</tbody>
</table>

| Net Revenues Before Capital Improvement Program (CIP) | 35,782,219 |

| CIP Expenditures | 324,322,904 (n) |

<table>
<thead>
<tr>
<th>CIP Expenditures by Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Go Fund</td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
</tr>
<tr>
<td>Total CIP Expenditures by Funding Source</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Departments Detail (see Attachment E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
</tr>
<tr>
<td>Colorado River Program</td>
</tr>
<tr>
<td>Engineering</td>
</tr>
<tr>
<td>Finance</td>
</tr>
<tr>
<td>General Counsel</td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
</tr>
<tr>
<td>Human Resources</td>
</tr>
<tr>
<td>MWD Program</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
</tr>
<tr>
<td>Public Outreach and Conservation</td>
</tr>
<tr>
<td>Water Resources</td>
</tr>
<tr>
<td>Total Operating Departments</td>
</tr>
</tbody>
</table>

Page 383 of 502
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 22/24ths (92%) 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, and deferred loss on refunding 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 Amended Budget and Period-to-Date Amended Budget (92% Overall)
to Actual Operating Expenditures by Departments
For the 22 Months Ended April 30, 2013

Actual Operating Expenditures to Amended Budget in Percentages (%)

- Two-Year Amended Budget $89.2 Million
- Period-To-Date Amended Budget $82.0 Million
- Period-to-Date Actual Operating Expenditures $71.7 Million
## San Diego County Water Authority
### Schedule of Cash and Investments
#### As of April 30, and March 31, 2013

<table>
<thead>
<tr>
<th>Fund</th>
<th>April</th>
<th>March</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$151,518,129</td>
<td>$136,118,633</td>
<td>$67,000,000</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td>58,024,673</td>
<td>57,916,545</td>
<td></td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>7,942,861</td>
<td>7,924,144</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>51,204,892</td>
<td>51,099,350</td>
<td>55,100,000</td>
</tr>
<tr>
<td><strong>Total Unrestricted Funds</strong></td>
<td><strong>42% 268,690,555</strong></td>
<td><strong>253,058,672</strong></td>
<td></td>
</tr>
<tr>
<td>Pay As You Go Fund (1)</td>
<td>148,905,458</td>
<td>144,800,102</td>
<td></td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
<td>207,263,069</td>
<td>216,350,130</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Funds</td>
<td>16,714,839</td>
<td>16,714,795</td>
<td></td>
</tr>
<tr>
<td><strong>Total Restricted Funds</strong></td>
<td><strong>58% 372,883,366</strong></td>
<td><strong>377,865,027</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>$ 641,573,921</strong></td>
<td><strong>$ 630,923,699</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.
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.

SEPTEMBER  2013
• 3    SCOOP – 9:30 a.m.
• 4    MWD Delegates – 11:00 a.m.
• 12   Special meeting of the Administrative & Finance Committee, Fiscal Sustainability – 1:30 p.m.
• 26   Committees begin at 9:00 a.m.
       Formal Board meeting begins at 3:00 p.m.
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. Request Metropolitan Water District set formal terms and conditions for Valley Center Municipal Water District’s proposed Meadowood annexation.
   Staff recommendation: Adopt Resolution No. 2013-__ requesting Metropolitan Water District set formal terms and conditions for Valley Center Municipal Water District’s proposed Meadowood annexation.
   (Action)
2. Resolution requesting from the Metropolitan Water District of Southern California a one-year extension of time for completion of the Otay Water District’s Peaceful Valley Ranch Annexation.

Staff recommendation: Adopt Resolution 2013-__ to:

1. extend the time to file all necessary documents to effectuate the annexation to on or before December 31, 2013;
2. request MWD extend the time for completion of Otay Water District’s Peaceful Valley Ranch Annexation in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code, and
3. reaffirm all other terms and conditions as set forth in Water Authority Resolution 2012-01 and in MWD’s Resolution 9133. (Action)

II. ACTION/DISCUSSION

1. Regional Water Facilities Optimization and Master Plan update.

1-A Presentation on the May 16, 2013 Water Planning Committee workshop developments of a draft Water Facilities Optimization and Master Plan. (Information)

1-B Amendment to Professional Services Contract for the 2013 Regional Water Facilities Optimization and Master Plan update.

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


III. INFORMATION

1. Presentation on Rosarito Desalination project. (Information)

IV. CLOSED SESSION

V. ADJOURNMENT

Doria F. Lore
Clerk of the Board

NOTE: This meeting is called as a 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.
June 19, 2013

Attention: Water Planning Committee

Request Metropolitan Water District set formal terms and conditions for Valley Center Municipal Water District’s proposed Meadowood Annexation. (Action)

Staff recommendation
Adopt Resolution No. 2013–___ requesting Metropolitan Water District (MWD) set formal terms and conditions for Valley Center Municipal Water District’s (Valley Center) proposed Meadowood annexation.

Alternatives
Do not request MWD set formal terms and conditions, which would terminate the approval process for the concurrent annexation of the property to Valley Center, the Water Authority, and MWD.

Fiscal Impact
The Water Authority received a $3,000 administrative fee to cover costs associated with processing the annexation. Upon final approval of the annexation, the Water Authority will receive a per acre annexation fee based on the applicable annexation rate at the time of approval, which is currently $2,929 per acre, for an additional estimated $782,043.

Background
Valley Center adopted Resolution No. 2012-06 on April 16, 2012, requesting concurrent annexation of the Meadowood Subdivision Project (Meadowood) to the Water Authority and MWD (Attachment 2). On October 25, 2012, the Board adopted Resolution No. 2012-14, establishing preliminary informal terms and conditions for the proposed Meadowood annexation. As part of this action, the Board also requested MWD grant conditional approval and give notice of intent to impose standby charges, consistent with MWD’s annexation procedures.

On May 14, 2013, the MWD Board granted conditional approval for the Meadowood annexation and adopted a resolution of intention to impose standby charges. In accordance with MWD’s two-step annexation approval process, staff is now recommending the Board request MWD Board set formal terms and conditions, which is the purpose of this memo.

With approval of the staff recommendation and following notification from MWD that they have approved the annexation and set formal terms and conditions, staff will return to the Board and request final action on the Meadowood annexation. The table on the next page summarizes the steps that have been taken and those that are still required in order to annex the Meadowood property. The process will stop if, at any step, the Water Authority or MWD denies approval, but the agencies may reinstate the process upon later application.
Major Steps for Concurrent Annexation to Water Authority and MWD

<table>
<thead>
<tr>
<th>Step</th>
<th>Meadowood Annexation Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Authority received resolution from member agency requesting</td>
<td>Completed</td>
</tr>
<tr>
<td>concurrent annexation to the Water Authority and MWD.</td>
<td></td>
</tr>
<tr>
<td>Water Authority Board established preliminary informal terms and</td>
<td>Completed</td>
</tr>
<tr>
<td>conditions, and requested MWD grant conditional approval and give</td>
<td></td>
</tr>
<tr>
<td>notice of intent to impose water standby charges</td>
<td></td>
</tr>
<tr>
<td>MWD Board adopted resolution granting conditional approval and intent</td>
<td>Completed</td>
</tr>
<tr>
<td>to levy standby charges.</td>
<td></td>
</tr>
<tr>
<td>Water Authority Board adopts resolution requesting MWD set formal</td>
<td>Recommended action of this Board</td>
</tr>
<tr>
<td>terms and conditions.</td>
<td>memo</td>
</tr>
<tr>
<td>MWD Board adopts resolution, providing consent for the concurrent</td>
<td>Future proposed action</td>
</tr>
<tr>
<td>annexation, and fixing terms and conditions. MWD Board also adopts a</td>
<td></td>
</tr>
<tr>
<td>resolution levying standby charge.</td>
<td></td>
</tr>
<tr>
<td>Water Authority Board adopts resolution approving, conditionally</td>
<td>Future proposed action</td>
</tr>
<tr>
<td>approving or denying the annexation and accepting MWD’s terms and</td>
<td></td>
</tr>
<tr>
<td>conditions for any type of approval.</td>
<td></td>
</tr>
<tr>
<td>San Diego Local Agency Formation Commission (SDLAFCO) files notice</td>
<td>Future proposed action</td>
</tr>
<tr>
<td>of completion after the terms and conditions of MWD, Water Authority,</td>
<td></td>
</tr>
<tr>
<td>and member agency are satisfied.</td>
<td></td>
</tr>
</tbody>
</table>

Discussion

The Meadowood development project is approximately 390 acres located on the northern side of State Highway 76, just east of Interstate 15. The project would be phased in over several years, and consist of single-family and multi-family housing along with common area landscaping and agricultural lands. It also includes the permanent preservation of 123 acres of sensitive biological habitat that the project applicant will grant to the County of San Diego as an open space easement. Valley Center is requesting concurrent annexation of approximately 267 acres of the project, excluding the open space lands to be granted to the County. Valley Center estimates that the average water demand on the Water Authority from the proposed annexation would be approximately 329 acre-feet per year. Projected demands associated with the proposed annexation are included in the Water Authority’s 2010 Urban Water Management Plan.

In October 2012, the Board established preliminary terms and conditions for the Meadowood annexation, based on the Water Authority’s Annexation Policies and Procedures. All but one of the policies has been satisfied, which is final payment of the annexation fee. Final payment would be made after the Water Authority Board approves the proposed annexation and prior to SDLAFCO approval.

Staff is recommending Board approval of Resolution 2013-____ (Attachment 1) requesting MWD set formal terms and conditions for the proposed Meadowood annexation. Following MWD’s final approval of the annexation, staff will return to the Board and request final action on the Meadowood annexation.

Prepared by: Lesley Dobalian, Water Resources Specialist
Reviewed by: Ken Weinberg, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

Attachment 1: Proposed Water Authority Resolution 2013-____
Attachment 2: Valley Center MWD Resolution No. 2012-06 (CWA)
RESOLUTION NO. 2013-

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY REQUESTING FORMAL TERMS AND CONDITIONS FROM THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FOR THE CONCURRENT ANNEXATION OF TERRITORY TO SAID AGENCIES (MEADOWOOD ANNEXATION)

WHEREAS, pursuant to Section 10(d) of the County Water Authority Act, the Board of Directors of the Valley Center Municipal Water District adopted Resolution No. 2012-06 (CWA), requesting formal terms and conditions from the San Diego County Water Authority and Metropolitan Water District for the concurrent annexation of the lands described in Resolution No. 2012-06, and known as the MEADOWOOD ANNEXATION; and

WHEREAS, a copy of Valley Center Municipal Water District Resolution No. 2012-06, is attached; and

WHEREAS, by Resolution No. 2012-14, adopted October 25, 2012, the Board of the San Diego County Water Authority established preliminary informal terms and conditions for the MEADWOOD ANNEXATION, and requested Metropolitan grant conditional approval and give notice of intent to impose water standby charges; and

WHEREAS, on May 14, 2013, the Board of Directors of the Metropolitan Water District granted conditional approval for the MEADWOOD ANNEXATION; and

WHEREAS, it is in the interest of the San Diego County Water Authority to obtain formal terms and conditions from the Metropolitan Water District of Southern California for the concurrent annexation of the MEADOWOOD ANNEXATION.

NOW, THEREFORE, it is resolved by the Board of Directors of the San Diego County Water Authority as follows:

1. That the Board of Directors of the Metropolitan Water District of Southern California is requested to determine and establish formal terms and conditions for the concurrent annexation to said Metropolitan Water District of Southern California and the San Diego County Water Authority of the MEADOWOOD ANNEXATION, as described in Valley Center Municipal District Resolution No. 2012-06.

2. That the General Manager is authorized and directed to forward certified copies of this resolution to the Metropolitan Water District of Southern California.

PASSED, APPROVED, AND ADOPTED on this twenty-seventh day of June 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 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
RESOLUTION NO. 2012-06 (CWA)

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT
REQUESTING FORMAL TERMS AND CONDITIONS FROM THE SAN DIEGO
COUNTY WATER AUTHORITY AND METROPOLITAN WATER DISTRICT FOR THE
CONCURRENT ANNEXATION OF TERRITORY TO SAID AGENCIES

WHEREAS, Pardee Homes has requested Valley Center Municipal Water District (VCMWD) to annex the proposed Meadowood Subdivision Project (Project) to provide water, wastewater and recycled water service; and

WHEREAS, the Board of Directors of the Valley Center Municipal Water District has determined that the requested annexation, subject to the terms and conditions listed herein, would be beneficial for VCMWD and desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Division 3, commencing with Section 56000 of the California Government Code, for the Meadowood Reorganization; and

WHEREAS, the proposed Reorganization includes the following jurisdictional changes and sphere of influence actions:

1) Amendment of the San Luis Rey and Valley Center Municipal Water Districts' Sphere of Influence to reflect the proposed Reorganization;

2) Detachment of the Project from the San Luis Rey Municipal Water District (SLRMWD); and

3) Detachment of proposed territory from the fire protection and emergency medical services zone of San Diego County Service Area #135; and

4) Concurrent annexation of the proposed territory to VCMWD, San Diego County Water Authority (SDCWA), Metropolitan Water District (MWD) and the North San Diego County Fire Protection District (NCFPD).

WHEREAS, the reasons for the proposed reorganization are to provide water, wastewater and recycled water services to the territory proposed for annexation; and

WHEREAS, the territory subject to the proposed reorganization (Annexation Area) is uninhabited, and a description of the external boundary of said territory is set forth in Exhibit "A" attached hereto and by this reference incorporated herein; and
WHEREAS, VCMWD requests that the proposed Reorganization be subject to the following terms and conditions:

1. Pardee Homes shall comply with the provisions of the Valley Center Water District Administrative Code Article 220 – Annexation Procedures.

2. Pardee Homes shall pay all costs and fees associated with the proposed Reorganization including but not limited to the following:

   a) All Valley Center Municipal Water District annexation and processing fees and charges.

   b) All San Luis Rey Municipal Water District detachment and processing fees and charges.

   c) All San Diego County Local Agency Formation Commission processing fees and charges in the amount of $82,080 and fees of the State Board of Equalization in the amount of $2,000.00.

   d) All San Diego County Water Authority annexation and administrative fees.

   f) All Metropolitan Water District annexation and administrative fees.

   g) Any other fees imposed by all local or state agencies with regard to the proposed Reorganization including any fees associated for filing and or recording the Notice of Determination.

3. Execution by Pardee Homes of a District Facilities Agreement with VCMWD agreeing in part to provide the following at Pardee Home's sole cost and expense:

   a) Install all water, wastewater and recycled water facilities as may be required by VCMWD. No water, wastewater or recycled water services shall be provided to the Annexation Area until such facilities are installed and accepted by VCMWD.

   b) Provide all facilities and works necessary to connect the Annexation Area to SDCWA facilities. Further, any annexation to the SDCWA shall be in accordance with the County Water Authority Act and applicable provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 et seq.). Any annexation to the SDCWA shall not conflict with Division III, Annexations, of the Metropolitan Water District Administrative Code.
c) Obtain and transfer to VCMWD, all easements, rights-of-way and properties as required for any facilities necessary to provide water, wastewater, and recycled water service to the Annexation Area.

d) Agree that all water, wastewater, and recycled water service by VCMWD to the Annexation Area shall be subject to and in accordance with the rules and regulations for VCMWD.

4. Pardee Homes acknowledges and agrees to participate in any required Proposition 218 action, and will not oppose the imposition of any special taxes, fees, charges, and assessments currently applicable to VCMWD related to the Proposed Reorganization, or oppose the imposition of any special taxes, fees, charges, and assessments currently applicable to SDCWA, MWD and/or other agency.

5. The area to be annexed to VCMWD shall be subject to all ad valorem property taxes, assessments, fees, and Standby/Availability charges that apply to VCMWD and relate to the area to be annexed to VCMWD that are in existence on the effective date of the Proposed Reorganization.

6. The area to be annexed to VCMWD shall be subject to taxation after annexation thereof including the payment of principal and interest on bonds and other obligations of VCMWD and/or outstanding at the time of annexation, in the same manner as if the annexed area had always been part of VCMWD.

7. The proposed Reorganization shall be subject to additional terms and conditions required by SLRMWD, and NCFPD.

8. Annexation to MET and SDCWA is subject to the terms and conditions of both MET and SDCWA.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Valley Center Municipal Water District as follows:

1. That this Resolution is hereby adopted and approved by the Board of Directors of the Valley Center Municipal Water District.

2. That the San Diego County Water Authority and the Metropolitan Water District are hereby requested to determine and establish formal terms and conditions for the annexation of the territory as described in Exhibit "A" to said agencies and to the Valley Center Municipal Water District.
PASSED AND ADOPTED at a regular meeting of the Board of Directors of Valley Center Municipal Water District held on the 16th day of April 2012, by the following vote, to wit:

AYES: Directors Broomell, Polito, Aleshire, Stone and Haskell

NOES: None

ABSENT: None

\[Signature\]
President

ATTEST:

\[Signature\]
Secretary

Attachment – Exhibit “A”
June 19, 2013

Attention: Water Planning Committee

Resolution requesting from the Metropolitan Water District of Southern California a one-year extension of time for completion of the Otay Water District’s Peaceful Valley Ranch Annexation. (Action)

Purpose
This report seeks Board approval of a request for a one year time extension from Metropolitan Water District of Southern California (MWD) to complete Otay Water District’s Peaceful Valley Ranch Annexation.

Staff recommendation
Adopt Resolution 2013-__ to:
(1) extend the time to file all necessary documents to effectuate the annexation to on or before December 31, 2013;
(2) request MWD extend the time for completion of Otay Water District’s Peaceful Valley Ranch Annexation in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code, and
(3) reaffirm all other terms and conditions as set forth in Water Authority Resolution 2012-01 and in MWD’s Resolution 9133

Alternative
Do not adopt the Resolution, thereby rejecting Otay Water District’s request to concurrently annex the property to the Water Authority and MWD.

Fiscal Impact
The staff recommendation presents no fiscal or rate category impact to the Water Authority. The Water Authority received the $3,000 administrative fee to cover costs associated with processing the annexation and will receive an additional $446,379.60, based on the current annexation fee of $2,929 per acre and annexation of 152.4 acres.

Background
On December 13, 2011, MWD approved Otay Water District’s Peaceful Valley Annexation, fixing terms and conditions, which included that all the necessary documents required to effectuate the annexation must have been filed on or before December 31, 2012. On January 26, 2012, the Water Authority set final terms and conditions and approved the Peaceful Valley Ranch Annexation. The next step in the process was for the San Diego Local Agency Formation Commission (LAFCO) to approve the annexation. The LAFCO process took a year to complete, with final approval not occurring until May 2013. Therefore, the MWD condition of approval to complete the annexation by December 31, 2012 was not met. MWD’s administrative code does
allow the Water Authority to request a one-year time extension in order to complete the annexation.

Otay Water District requested concurrent annexation of the Peaceful Valley Ranch property to the Water Authority and MWD. The proposed Peaceful Valley Ranch Annexation is 152.4 acres in the community of Jamul. Otay Water District estimates that the average water demand on the Water Authority from the proposed annexation would be approximately 70 acre-feet per year. The demand is accounted for in the Water Authority’s 2010 Urban Water Management Plan.

Discussion
Under the terms and conditions of MWD Resolution 9133, which approved the annexation and was adopted by MWD’s Board on December 13, 2011, all necessary documents to complete the Peaceful Valley Ranch Annexation must have been filed on or before December 31, 2012 (Attachment 2). This documentation includes approval by LAFCO and payment of all fees related annexation fees. The LAFCO approval process was not completed until May 21, 2013.

Under MWD’s Administrative Code Section 3108, the Water Authority can request a one-year time extension in which to complete the annexation. The request for the extension of time must include a resolution requesting the extension and a reaffirmation of the terms and conditions established by the MWD Board. An additional $1,500 processing fee payment to cover MWD’s cost of handling the time extension request must also be submitted. Otay Water District will be responsible for providing the additional processing fee. Upon receipt of the request, if MWD’s general manager finds that there is no significant change in the circumstances surrounding the annexation, the extension can be granted for one year. There are no changed circumstances surrounding Otay Water District’s Peaceful Valley Ranch Annexation and staff anticipates the extension being granted.

Staff is recommending Board approval of Resolution 2013-__ (Attachment 1) to: (1) extend the time to file all necessary documents to effectuate the annexation to on or before December 31, 2013; (2) request MWD extend the time for completion of Otay Water District’s Peaceful Valley Ranch Annexation in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code, and (3) reaffirm all other terms and conditions as set forth in Water Authority Resolution 2012-01 (Attachment 3) and in MWD’s Resolution 9133.

Prepared by: Lesley Dobalian, Water Resources Specialist
Reviewed by: Ken Weinberg, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments: 1: Proposed Water Authority Resolution 2013-______
2: MWD Resolution 9133
3: Water Authority Resolution 2012-01
RESOLUTION NO. 2013-____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY REQUESTING FROM THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA A ONE-YEAR EXTENSION OF THE TIME FOR COMPLETION OF THE PEACEFUL VALLEY RANCH ANNEXATION AND REAFFIRMING THE TERMS AND CONDITIONS ESTABLISHED BY THE BOARD FOR SAID ANNEXATION

WHEREAS, by Resolution 9133 on December 13, 2011, the Board of Directors of the Metropolitan Water District of Southern California consented to the PEACEFUL VALLEY RANCH ANNEXATION, fixing terms and conditions, which require that the annexation fees along with all the necessary documents required to effectuate the annexation, must have been filed on or before December 31, 2012; and

WHEREAS, by Resolution No. 2012-01, adopted January 26, 2012, the Board of Directors of the San Diego County Water Authority set final terms and conditions and approved the PEACEFUL VALLEY RANCH ANNEXATION; and

WHEREAS, after full compliance with all legal requirements prescribed by the Cortese-Knox Local Government Act of 1985, the San Diego Local Agency Formation Commission adopted Resolution No. RO12-04 on May 21, 2013, approving the PEACEFUL VALLEY RANCH ANNEXATION. This approval exceeded the one year time limit required by the Metropolitan Water District of Southern California in Resolution 9133 to complete the annexation; and

WHEREAS, the purpose of this Resolution is to modify the deadline established in San Diego County Water Authority Resolution No. 2012-01 to file all necessary documents to effectuate the annexation to on or before December 31, 2013, to request an extension of the time from Metropolitan Water District of Southern California for completing the PEACEFUL VALLEY RANCH ANNEXATION and to reaffirm all other terms and conditions associated therewith;

NOW, THEREFORE, it is resolved by the Board of Directors of the San Diego County Water Authority as follows:

1. The December 31, 2012 date in San Diego County Water Authority Resolution No. 2012-01 paragraph 2(b) is extended to December 31, 2013; and

2. The Metropolitan Water District of Southern California is requested to extend to December 31, 2013 the time for completion of the PEACEFUL VALLEY RANCH ANNEXATION in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code; and
3. All other terms and conditions to be associated with the PEACEFUL VALLEY RANCH ANNEXATION, as set forth in San Diego County Water Authority Resolution No. 2012-01 and in Metropolitan Water District of Southern California’s Resolution 9133, shall remain the same subject to any new mandatory terms and conditions which have been adopted by the Board of Directors of the San Diego County Water Authority and Metropolitan Water District of Southern California since the original approval of the annexation and further subject to payment of the current annexation charges; and

4. The General Manager is authorized and directed to forward certified copies of this resolution to the Metropolitan Water District of Southern California.

PASSED, APPROVED, AND ADOPTED on this twenty-seventh day of June 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 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
RESOLUTION 9133

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO SAN DIEGO COUNTY WATER AUTHORITY’S PEACEFUL VALLEY RANCH ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

A. WHEREAS, the Board of Directors of the San Diego County Water Authority (SDCWA), a municipal water district, situated in the county of San Diego, state of California, pursuant to Resolution No. 2010-11, in accordance with the provisions of the Metropolitan Water District Act, has applied to the Board of Directors of The Metropolitan Water District of Southern California (Metropolitan) for consent to annex thereto certain uninhabited territory situated in the county of San Diego referred to as Peaceful Valley Ranch Annexation, more particularly described in an application to the San Diego County Local Agency Formation Commission (LAFCO), concurrently with the annexation thereof to SDCWA, such annexation to Metropolitan to be upon such terms and conditions as may be fixed by the Board of Directors of Metropolitan; and

B. WHEREAS, completion of said annexation shall be conditioned upon approval by LAFCO; and

C. WHEREAS, pursuant to the provisions of the California Environmental Quality Act (CEQA), the County of San Diego Board of Supervisors, acting as Lead Agency, certified the Peaceful Valley Ranch Project (Project) Final Environmental Impact Report (Final EIR), adopted the Findings of Fact (findings), Statement of Overriding Considerations (SOC), and Mitigation Monitoring and Reporting Program (MMRP) and approved the Project on July 10, 2008, for the development of the proposed annexation parcel(s). Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information contained in the Final EIR and MMRP, and adopt the Lead Agency's findings and SOC prior to approval of the formal terms and conditions for the Peaceful Valley Ranch Annexation; and

D. WHEREAS, it appears to this Board of Directors that such application should be granted, subject to the terms and conditions hereinafter set forth; and

E. NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Metropolitan, acting as Responsible Agency, has reviewed and considered the information in the Final EIR, findings, SOC, and MMRP and adopted the Lead Agency's findings and SOC prior to approval of the final terms and conditions for the Peaceful Valley Ranch Annexation; and subject to the following terms and conditions, does hereby grant the application of the governing body of the San Diego County Water Authority for consent to annex the Peaceful Valley Ranch Annexation to Metropolitan and does hereby fix the terms and conditions of such annexation;

F. BE IT FURTHER RESOLVED that the Board of Directors of Metropolitan, subject to the following terms and conditions, does hereby grant the application of the governing body of SDCWA for consent to annex Peaceful Valley Ranch Annexation to Metropolitan and does hereby fix the terms and conditions of such annexation:

Section 1. The annexation of said area to SDCWA shall be made concurrently with the annexation thereof to Metropolitan, and all necessary certificates, statements, maps, and other documents required to be filed by or on behalf of SDCWA to effectuate the annexation shall be filed on or before December 31, 2012.
**Section 2.** Prior to filing a request for a Certificate of Completion of the annexation proceedings with LAFCO, SDCWA shall submit a certified copy of LAFCO’s resolution approving the annexation to the member agency, and shall pay to Metropolitan in cash approximately $620,238.80, if the annexation is completed by December 31, 2011. The annexation fee of $5,000 for processing this annexation was received prior to approval. The annexation charge is calculated by the per-acre method based on the net acreage. If the annexation is completed during the 2012 calendar year, the annexation charge will be calculated based on the then current rate, in accordance with Metropolitan’s Administrative Code Section 3300.

**Section 3.**

a. Metropolitan shall be under no obligation to provide, construct, operate, or maintain feeder pipelines, structures, connections, and other facilities required for the delivery of water to said area from works owned or operated by Metropolitan.

b. SDCWA shall not be entitled to demand that Metropolitan deliver water to SDCWA for use, directly or indirectly, within said area, except for domestic or municipal use therein.

c. The delivery of all water by Metropolitan, regardless of the nature and time of use of such water shall be subject to the water service regulations, including rates promulgated from time to time by Metropolitan.

d. Except upon the terms and conditions specifically approved by the Board of Directors of Metropolitan, water sold and delivered by Metropolitan shall not be used in any manner which intentionally or avoidably results in the direct or indirect benefit of areas outside Metropolitan, including use of such water outside Metropolitan or use thereof within Metropolitan in substitution for other water outside Metropolitan.

**Section 4.** The area within the newly created window area, in accordance to MWD Administrative Code Section 3201, shall be monitored by the local water purveyor, currently Otay Municipal Water District, for illegal connections or other illicit use of water outside of the service area boundaries.

G. BE IT FURTHER RESOLVED that the Board Executive Secretary is directed to transmit forthwith to the governing body of SDCWA a certified copy of this resolution.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California at its meeting held December 13, 2011.

[Signature]

Board Executive Secretary
The Metropolitan Water District of Southern California

Page 405 of 502
Section 8. That the General Manager is hereby authorized and directed to take all necessary action to secure the collection of the water standby charges by the appropriate county officials, including payment of the reasonable cost of collection.

Section 9. That the General Manager and General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this resolution, including, without limitation, the commencement or defense of litigation.

Section 10. That if any provision of this resolution or the application to any member agency, property or person whatsoever is held invalid, that invalidity shall not affect the other provisions or applications of this resolution which can be given effect without the invalid portion or application, and to that end the provisions of this resolution are severable.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on December 13, 2011.

[Signature]
Board Executive Secretary
The Metropolitan Water District
of Southern California
RESOLUTION NO. 2012- 01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING FINAL TERMS AND CONDITIONS AND APPROVING THE CONCURRENT ANNEXATION OF TERRITORY TO SAID AGENCIES AND MAKING ENVIRONMENTAL FINDINGS RELATING THERETO (PEACEFUL VALLEY RANCH ANNEXATION)

WHEREAS, pursuant to Section 10(d) of the County Water Authority Act, the Board of Directors of the Otay Water District adopted Resolution No. 3992, requesting concurrent annexation from the San Diego County Water Authority and Metropolitan Water District of the lands described in Resolution No. 3992, and known as the PEACEFUL VALLEY RANCH ANNEXATION; and

WHEREAS, a copy of Otay Water District Resolution No. 3992, is attached (Attachment 1.A); and

WHEREAS, the land description contained in Otay Water District Resolution No. 3992 contains a 8.3 acre parcel (portion of parcel 4 of Parcel Map No. 16190) that is not part of the Peaceful Valley Ranch development and will be processed for annexation under separate action at a later date; and

WHEREAS, pursuant to Section 10(d) of the County Water Authority Act, the Board of Directors of the San Diego County Water Authority may grant or deny the application and, in granting the application, may fix terms and conditions upon which the territory may be annexed to the San Diego County Water Authority; and

WHEREAS, the Board of Directors of the San Diego County Water Authority adopted Annexation Policies in February 2006 that provide criteria for the evaluation of potential annexations and conditions that may be applied; and

WHEREAS, the Board of Directors of the San Diego County Water Authority approved Procedures for Implementation of the San Diego County Water Authority's Annexation Policy #2: Protection of Member Agency Supply Reliability in April 2010 that provide guidance and direction in determining if approval of a proposed annexation will have an adverse effect on member agency supply reliability; and

WHEREAS, by Resolution No. 2010-11, adopted July 22, 2010, the Board of Directors of the San Diego County Water Authority granted preliminary informal terms and conditions for the PEACEFUL VALLEY RANCH ANNEXATION, and requested Metropolitan Water District of Southern California grant conditional approval and give notice of intent to impose water standby charges; and
WHEREAS, on July 12, 2011, the Board of Directors of the Metropolitan Water District granted conditional approval and by Resolution 9124 gave notice of intent to impose water standby charges for the PEACEFUL VALLEY RANCH ANNEXATION; and

WHEREAS, by Resolution No. 2011-17 on August 25, 2011, the Board of Directors of the San Diego County Water Authority requested Metropolitan Water District of Southern California adopt formal terms and conditions for the PEACEFUL VALLEY RANCH ANNEXATION; and

WHEREAS, by Resolutions 9133 and 9134 on December 13, 2011, the Board of Directors of the Metropolitan Water District of Southern California consented to the annexation, fixed terms and conditions, and adopted a water standby charge for the PEACEFUL VALLEY RANCH ANNEXATION (Attachment 1.B); and

WHEREAS, pursuant to the provisions of the California Environmental Quality Act (CEQA) and the state CEQA Guidelines, the San Diego County Board of Supervisors, acting as Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the proposed PEACEFUL VALLEY RANCH MAJOR SUBDIVISION project. The Final EIR was certified and the project approved by the Lead Agency on July 24, 2008. The Lead Agency also approved the Findings of Fact, the Statement of Overriding Considerations (SOC) and the Mitigation Monitoring and Reporting Program (MMRP). The San Diego County Water Authority Board of Directors, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information contained in the certified Final EIR, Findings of Fact, SOC and MMRP prior to approval of the formal terms and conditions for the annexation; and

WHEREAS, it is in the interests of the San Diego County Water Authority to set formal terms and conditions provided by the Metropolitan Water District of Southern California for the annexation of the properties described in Attachment 1.A.

NOW, THEREFORE, the Board of Directors RESOLVES the following:

1. That it has considered the information provided in the certified Final EIR, Findings of Fact, SOC, and MMRP and finds that no further environmental analysis is required for the action of the San Diego County Water Authority, and hereby adopts the Lead Agency’s Findings of Fact, SOC, and MMRP for all impacts related to the annexation.

2. That subject to the following terms and conditions, to grant the application of the governing body of Otay Water District for consent to annex the PEACEFUL VALLEY RANCH to the San Diego County Water Authority and to establish the following conditions of such annexation:

   a. That the terms and conditions as ordered by Board of Directors of the Metropolitan Water District of Southern California shown on Attachment 1.B, be a condition for the concurrent annexation to said Metropolitan Water District of Southern California and the San Diego County Water Authority, of
the PEACEFUL VALLEY RANCH, as described in Otay Water District Resolution No. 3992, excluding 8.3 acre parcel which is portion of parcel 4 of Parcel Map No. 16190 (Attachment 1A).

b. All necessary certificates, statements, maps, and other documents required to be filed by or on behalf of the Otay Water District to effectuate the annexation shall be filed on or before December 31, 2012.

c. Prior to filing a request for a Certificate of Completion of the annexation proceedings with San Diego Local Agency Formation Commission, Otay Water District shall submit a certified copy of the San Diego Local Agency Formation Commission’s resolution approving the annexation to the San Diego County Water Authority, and shall pay to the San Diego County Water Authority the sum of $446,379.06, along with the annexation charge for the Metropolitan Water District of Southern California, calculated based on the current rate, in accordance with Metropolitan’s Administrative Code Section 3300.

d. Pursuant to Section 5.2 of the County Water Authority Act, the San Diego County Water Authority shall impose standby charges to the properties to be annexed and the property owners shall sign a consent agreement regarding the payment of standby charges.

e. That the property owner acknowledges and agrees to participate in any required Proposition 218 action, and will not oppose the imposition of any special taxes, fees, charges, and assessments currently applicable to the San Diego County Water Authority and any applicable service area.

3. That the General Manager is authorized and directed to forward certified copies of this resolution to the Metropolitan Water District of Southern California, and Otay Water District.

4. That the General Manager be directed to file a Notice of Determination as provided in Section 15096 of the State CEQA Guidelines.

PASSED, APPROVED, AND ADOPTED on this twenty-sixth day of January 2012.

Ayes: Unless otherwise noted, all Directors present voted aye.

Noes: None

Abstain: Directors Croucher and Watton abstained.

Absent: Arant, Boyle, Heidel, Linden (p), McIntosh, Morrison, Price and Tu
ATTEST:

Richard K. Smith,
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote above is correct and this Resolution No. 2012-01 was duly adopted at the meeting of the Board of Directors on the date stated above.

Doria F. Lore
Clerk of the Board
June 19, 2013

Attention: Water Planning Committee

Amendment to Professional Services Contract for the 2013 Regional Water Facilities Optimization and Master Plan Update. (Action)

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

Alternatives
Do not approve the amendments to the professional service contracts and direct staff to re-negotiate with the consultants.

Fiscal Impact
There are sufficient funds to support the staff recommendation within the project budget and the recommended Fiscal Years 2014 and 2015 CIP appropriation, which is contingent upon Board approval of the Fiscal Years 2014 and 2015 Recommended Budget. The related rate categories are customer service, storage and transportation.

Background
The purpose of the 2013 Regional Water Facilities Optimization and Master Plan Update (Master Plan) is to evaluate projected regional water supplies and demands, existing regional and local treatment, conveyance and storage facilities, and to develop a cost effective and reliable plan for new infrastructure capable of meeting member agency demands for untreated and treated water service through the year 2035 planning horizon. In December 2010, the Board awarded a professional services contract to CH2M Hill to prepare the Master Plan. In January and March of 2012, the Board approved contract amendments to add a water quality blending study and an analysis of the Colorado River Conveyance option.

Discussion
The Master Plan will guide future Water Authority investments in new facilities in consideration of projected local supply development, water resources management, water conservation, operational management, and asset management needs. As discussed at the May 16, 2013, Special Meeting of the Water Planning Committee, the consultant team, in collaboration with Water Authority staff, have made significant progress in evaluating facility options and integrating input from a member agency Technical Advisory Committee (TAC), leading to preparation of a draft Master Plan report. Some of the key planning issues addressed to date have included:

- Assessment of member agency treated and untreated water demands based on historical use patterns and projections for future needs consistent with the 2010 Urban Water
Management Plan, including the evaluation of regional planning scenarios that consider local supply variability, hydrologic patterns, and climate impacts.

- Development of alternative evaluation metrics to assess system capacity, system reliability, cost of service, environmental impacts, energy use, water quality, and supply diversification goals, including a sensitivity analysis of key metrics to confirm the timing for infrastructure needs.
- Evaluation of available regional surface water storage to help alleviate peak conveyance constraints and supply gaps during multi-year dry weather patterns.
- Evaluation of additional member agency supply development on new infrastructure needs, including the City of San Diego’s Indirect Potable Reuse project and the proposed Rosarito Seawater Desalination project.

The master planning analysis to date has focused on strategies that optimize existing and new facilities to either increase imported water supply reliability or integrate proposed seawater desalination supplies. The projects being considered in the Master Plan improve the balance of untreated and treated imported water supplies and improve the Water Authority ability to convey supplies through the distribution system.

The evaluations conducted under the Master Plan are very technical and require the use of a complex computer simulation model to analyze data inputs and develop results in a concise and explicable format. Staff have spent more time working with the TAC than anticipated in developing metrics and alternatives and conducting additional analyses. Staff also believe it is appropriate to conduct several Board workshops and special meetings of the Water Planning Committee to have a full and robust evaluation of the Master Plan prior to consideration of approval. Additional consultant resources have been required to evaluate variations in the model parameters that capture member agency concerns related to projected supplies and demands and decision metrics and provide support during the Board approval process. These additional evaluations and meeting have lengthened the project schedule. As a result, the professional services contract with CH2M Hill will require additional funds to complete the project. This amendment will provide for completion of the modeling analyses, preparation of the draft and final reports, additional coordination with the member agency TAC, and further analysis based on stakeholder input.

The small business participation for these contracts is 21 percent. The minority and women-owned business participation for this project is three percent. This information is provided for statistical purposes.

Prepared by: Dave Chamberlain, Principal Engineer
Reviewed by: Ken Weinberg, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager
June 19, 2013

Attention: Water Planning Committee

Public Review Draft of Integrated Regional Water Management Plan (Information)

Purpose
This report provides information on the contents of the 2013 San Diego Integrated Regional Water Management (IRWM) Plan, which updates the 2007 San Diego IRWM Plan. A public review draft of the 2013 IRWM Plan will be released on June 20.

Background
IRWM planning is an innovative and stakeholder intensive way to increase reliable water supplies, improve water quality and protect natural resources through cooperation among public agencies with different jurisdictions and non-profit public interest organizations. It strives to coordinate and integrate the various water-related activities that are occurring across a region to maximize benefits and resolve existing or potential conflicts between stakeholders. These governmental and non-governmental stakeholders include water supply agencies, wastewater agencies, storm water permit holders, river conservancies, environmental and watershed advocacy groups and the public.

Through two statewide bond initiatives, and through three administrations, the state of California has made IRWM Planning a high priority initiative. IRWM has become a key tool in California to both ensure Bond funds are awarded to the most beneficial and cost-effective projects as well as provide a vehicle for regional and watershed cooperation and joint problem solving.

The Water Authority, the county of San Diego (County) and the city of San Diego (City) joined in 2005 to form a regional water management group (RWMG), which is required by the state for the establishment of an IRWM planning region. The RWMG identified the San Diego IRWM planning region as comprising the 11 hydrologic units (or major watersheds) in San Diego County that flow west to the coastal waters. In 2006, the RWMG established the Regional Advisory Committee (RAC), which today comprises 28 voting members representing a wide spectrum of stakeholders interested in water issues. As the IRWM Program advisory committee, the RAC advises the Board on such critical issues as approval of grant applications and IRWM Plan updates. The RWMG, with substantial support from the RAC, completed the first San Diego IRWM Plan in 2007. The plan was adopted by the Board in 2007 and approved by the Department of Water Resources (DWR) in 2009. The latter step made the San Diego IRWM Planning Region eligible to apply for IRWM grant funding from the state.

The 2007 San Diego IRWM Plan has been the foundation of long-term IRWM activities in the San Diego Planning Region. The plan established regional goals and objectives aimed at improving the reliability of local water supplies and protecting and enhancing water quality and natural resources. In addition, as the IRWM program provides financial support for projects that expand the region’s reliable local water supplies, the plan helped to achieve the water supply goals established in the Water Authority’s Urban Water Management Plan.
Since the IRWM plan was adopted in 2007, DWR has awarded three IRWM grants to the region. All of the funds have come from two voter-approved water bonds, Proposition 50 in 2002 and Proposition 84 in 2006. Two implementation grants, totaling $32.9 million, support 29 water-related projects by public agencies and non-profit organizations in the San Diego region, including five sponsored by the Water Authority and 11 by Water Authority member agencies. Four of the projects have been completed. The region also has received a $1 million planning grant that will cover most of the cost of updating the 2007 plan.

Discussion
The San Diego RWMG, supported by the RAC, is revising the 2007 IRWM Plan to satisfy new DWR requirements, establish and integrate new program objectives, update information, incorporate stakeholder input and ensure the plan is consistent with related plans and planning studies. The revision, which is required to maintain the San Diego planning region’s eligibility for state grant funds, must be completed by Oct. 31, 2013.

DWR’s plan standards ensure that IRWM plans throughout the state include specific content, but at the same time they give planning regions flexibility in how the issues are addressed. For example, in addition to complying with the new requirements, the San Diego RWMG decided to include discussions of the relationship between water managers and land use planners and partnership opportunities with the San Diego Regional Water Quality Control Board to improve water quality and regulatory certainty.

The Water Authority’s objectives in the update of the San Diego IRWM Plan reflect the goals of the San Diego RWMG. The Water Authority seeks to update the 2007 plan to incorporate the latest, most accurate information in the 2013 plan, and ensure that the plan continues to support IRWM activities designed to improve long-term water supply reliability, improve water quality and protect natural resources in a sustainable manner. In this manner, the San Diego IRWM Plan is aligned with the Water Authority’s mission of providing a safe, reliable water supply to our member agencies serving the San Diego Region. In addition, the San Diego IRWM Program must satisfy new DWR requirements for what constitutes an IRWM plan to remain eligible to apply for and receive state grant funds. Once its eligibility is re-established, the San Diego Region will be in line to receive approximately $46 million in additional grant funding from the Proposition 84 fund. Much of this funding will support projects that helped to accomplish the water supply goals established in the Water Authority’s Urban Water Management Plan. The updated IRWM Plan achieves the objectives that the Water Authority established for the Plan Update.

The RWMG, RAC and other interested stakeholders have been working since fall 2011 on the update. Staff has briefed the Board three times on the process – in January and March of 2012 and in February of 2013. The process has involved many opportunities for public involvement. The information gathered at all of these venues will inform the 2013 IRWM Plan contents. Since the public kickoff – the first San Diego IRWM Summit, held in February 2012 – the IRWM Program has held six public meetings to discuss various aspects of the updated plan as part of bimonthly RAC meetings. At the most recent meeting, held June 5, RAC members received a briefing on the contents of the draft plan. During summer 2012, the program organized four community meetings to gather input related to the region’s watersheds. The RWMG also held six targeted meetings to
gather specific input, four with representatives of San Diego County tribes and two with organizations that serve the region’s disadvantaged communities.

In addition, the RWMG and RAC organized six stakeholder workgroups to support various aspects of the plan update. Each workgroup comprised representatives of the three RWMG agencies, Water Authority member agencies and other public entities; RAC members; representatives of non-profit organizations and other interested parties. Each workgroup helped to develop information and review written material in a different area: long-term program governance and finance, program priorities and plan metrics, regulatory issues, land use planning and water management, integrated flood management and climate change. Material developed by the workgroups fed directly into the plan update. Planning studies written by the regulatory, land use planning, flood management and climate change workgroups are included as appendices to the plan.

As it will be released in public review draft form on June 20, the 2013 IRWM Plan establishes water management objectives and measurable targets for the San Diego Region; describes water management challenges and issues; evaluates water management strategies applicable to the Region; identifies opportunities to implement the strategies; and establishes a system for prioritizing the strategies. The plan is divided into 11 chapters, including new chapters on San Diego County tribes and the region’s watersheds. Following are brief summaries of the chapters:

Chapter 1, Introduction, explains the purpose of the 2013 Plan, describes the three agencies that comprise the RWMG and the IRWM Program structure and summarizes the key water management challenges and how IRWM planning may help to resolve them.

Chapter 2, Vision and Objectives, presents the IRWM Program vision, mission, goals and objectives, as updated from 2007 by the RAC and RWMG. The vision, mission and goals are largely unchanged from 2007. The program’s guiding vision is to achieve “an integrated, balanced, and consensus-based approach to ensuring the long-term sustainability of the Region’s water supply, water quality, and natural resources.” Two objectives were added to the original nine, one in the area of stakeholder and community involvement and the other concerning climate change and water. (Please see the attachment for a complete list of the vision, mission, goals and objectives.) The chapter has a new section on sustainability, which it defines as fostering public health and safety, providing effective stewardship of natural resources and providing resources that support the regional economy.

Chapter 3, Region Description, was updated based on information gathered through research, public meetings and IRWM planning studies. The chapter adds three sections that are new since the 2007 edition, on stormwater management, flood management and climate change.

Chapter 4, Tribal Nations of San Diego, provides information about the region’s reservations and cultural groups and each tribe’s water resources, projections of future development on tribal lands and an overview of tribal water management issues.

Chapter 5, Watershed Characterizations, was based on research and input provided at the four watershed workshops. The chapter characterizes each of the region’s major watersheds in
multiple ways, including hydrology, water systems, water quality, natural resources and potential climate change impacts.

Chapter 6, Governance and Stakeholder Involvement, includes a description of the new RAC Charter developed by the governance workgroup, RWMG and RAC. It also notes that the RAC and the governance workgroup recommended no changes to the existing IRWM governance structure and recognizes the program’s significant outreach efforts to disadvantaged communities and tribes.

Chapter 7, Regional Coordination, presents a high-level summary of the climate change, flood management, land use planning, regulatory and nutrient and salt management planning studies, including an overview of the recommendations in each study.

Chapter 8, Resource Management Strategies (RMS), considers each of the RMS included in the 2009 State Water Plan Update and identifies which are relevant to the San Diego Region. The chapter also includes several other strategies that are pertinent to the region and examples of how RMS is being implemented in the region.

Chapter 9, Project Evaluation and Prioritization, outlines the process for selecting projects to be included in future grant funding applications, including changes that refine how projects are prioritized based on their value to the region and IRWM Program principles. It leaves the scoring process flexible so that it may be adapted to each new grant program. The process was developed by two stakeholder workgroups, the RAC and the RWMG, and took into account comments made at the public meeting on this topic.

Chapter 10, Data Management and Technical Analysis, documents various aspects of data management and technical analysis that were completed for the IRWM Plan Update and will continue for the IRWM Program. The chapter also describes the regional water data management system being developed by the County to make water supply and water quality data instantly available to stakeholders and facilitate information sharing.

Chapter 11, Implementation, contains information about actions that may be taken to implement priorities established in the planning studies described above and performance measures and monitoring that will document the progress made toward meeting the priority items. It also has a list of action items based on the planning study recommendations and, where possible, identifies which stakeholder is responsible for implementing the action items. In addition, this chapter includes a table of potential financing options for the IRWM Program and for IRWM projects, but does not make any recommendations.

The review period for the public review draft of the 2013 IRWM Plan will begin with its release on June 20 and run through July 31. During that time, the IRWM Program will hold four community workshops aimed at stakeholders in the region’s watersheds and representatives of the region’s disadvantaged communities. RWMG agency staff will present the contents of the draft plan in general terms and take input at these events. At the August 7 RAC meeting, RWMG agency staff will present any changes made to the contents based on public comments and ask
the RAC to recommend approval of the 2013 San Diego IRWM Plan. The 2013 IRWM Plan, as recommended by the RAC, will be released on Sept. 6.

Staff will bring the 2013 IRWM Plan to the Board for review and approval at its Sept. 26 meeting. Once the 2013 plan is approved by the Water Authority Board, the San Diego City Council and the San Diego County Board of Supervisors, it will be transmitted to DWR for acceptance.

Prepared by: Mark Stadler, Principal Water Resources Specialist
Reviewed by: Ken Weinberg, Director of Water Resources

Attachment: Draft 2013 IRWM Plan Vision, Mission, Goals and Objectives
Draft 2013 IRWM Plan Vision, Mission, Goals, and Objectives

Vision:
An integrated, balanced, and consensus-based approach to ensuring the long-term sustainability of the Region’s water supply, water quality, and natural resources.

Mission:
To develop and implement an integrated strategy to guide the Region toward protecting, managing, and developing reliable and sustainable water resources. Through a stakeholder-driven and adaptive process, the Region can develop solutions to water-related issues and conflicts that are economically and environmentally preferable, and that provide equitable resource protection for the entire Region.

Goals:
1. Improve the reliability and sustainability of regional water supplies.
2. Protect and enhance water quality.
3. Protect and enhance our watersheds and natural resources.
4. Promote and support sustainable integrated water resource management.

Objectives:
To be included in the San Diego IRWM Plan, all implementation projects must contribute to the attainment of Objective A, Objective B, and at least one other objective.

Objective A: Encourage the development of integrated solutions to address water management issues and conflicts.

Objective B: Maximize stakeholder/community involvement and stewardship of water resources, emphasizing education and outreach.

Objective C: Effectively obtain, manage, and assess water resource data and information.

Objective D: Further scientific and technical foundation of water management.

Objective E: Develop and maintain a diverse mix of water resources, encouraging their efficient use and development of local water supplies.

Objective F: Construct, operate, and maintain a reliable infrastructure system.

Objective G: Enhance natural hydrologic processes to reduce the effects of hydromodification and encourage integrated flood management.

Objective H: Effectively reduce sources of pollutants and environmental stressors to protect and enhance human health, safety, and the environment.

Objective I: Protect, restore, and maintain habitat and open space.

Objective J: Optimize water-based recreational opportunities.

Objective K: Effectively address climate change through adaptation or mitigation in water resource management.
June 19, 2013

Attention: Water Planning Committee

Water Resources Report

Purpose
This report includes the following exhibits for May 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)

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Sources: National Weather Service, Helix Water District, Vista Irrigation District.
# MONTHLY WATER RESOURCES REPORT

## Water Deliveries to Member Agencies

### (acre-feet)

#### MAY 2013

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<td>11,888.7</td>
<td>11,392.2</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>3.5</td>
<td>2.0</td>
<td>45.1</td>
<td>55.8</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>1,196.9</td>
<td>1,075.6</td>
<td>12,034.7</td>
<td>11,062.5</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,977.3</td>
<td>2,017.0</td>
<td>22,680.6</td>
<td>20,078.8</td>
</tr>
<tr>
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<td>780.8</td>
<td>649.0</td>
<td>6,923.9</td>
<td>6,541.5</td>
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<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>654.1</td>
<td>579.3</td>
<td>6,734.7</td>
<td>5,935.8</td>
</tr>
<tr>
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<td>18,230.6</td>
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<td>189,084.6</td>
<td>167,922.0</td>
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<tr>
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<td>540.1</td>
<td>220.0</td>
<td>1,924.7</td>
<td>2,782.2</td>
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<tr>
<td>Santa Fe I.D.</td>
<td>1,117.9</td>
<td>590.1</td>
<td>5,293.1</td>
<td>5,788.9</td>
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<tr>
<td>South Bay I.D.</td>
<td>0.1</td>
<td>0.1</td>
<td>2,024.4</td>
<td>5,611.5</td>
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<tr>
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<td>1,463.3</td>
<td>17,362.7</td>
<td>16,090.3</td>
</tr>
<tr>
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<td>2,716.1</td>
<td>2,518.5</td>
<td>29,211.5</td>
<td>27,509.6</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,648.3</td>
<td>1,367.6</td>
<td>17,320.4</td>
<td>12,062.8</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>245.6</td>
<td>32.9</td>
<td>2,027.2</td>
<td>1,101.2</td>
</tr>
</tbody>
</table>

| Deliveries To SDCWA Agencies | 47,713.2  | 41,807.2  | 487,201.4  | 439,332.5  |
| Less: Deliveries to SDCWA Storage | 95.1   | 463.5     | 5,398.0    | 4,864.0    |
| **TOTAL MEMBER AGENCY DELIVERIES** | **47,618.1** | **41,343.7** | **481,803.4** | **434,468.5** |

1 May 2013 carryover storage account deliveries totaled 95.1 AF. 2 Deliveries from storage accounts consist of 475.7 AF sold to San Diego from L. Otay storage account.
## MONTHLY WATER RESOURCES REPORT
### Estimated Water Use by Member Agency (acre-feet)

#### MAY 2013

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>Local Sources</th>
<th>Imported Source</th>
<th>S.D.C.W.A.</th>
<th>May Totals</th>
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<tr>
<td></td>
<td>Surface Water</td>
<td></td>
<td>2013 2012</td>
<td>2013 2012</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>-</td>
<td>1,608.3</td>
<td>1,500.7</td>
<td>-</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>-</td>
<td>75.9</td>
<td>90.6</td>
<td>-</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>-</td>
<td>2,215.9</td>
<td>1,648.4</td>
<td>-</td>
</tr>
<tr>
<td>Fallbrook P.U.D.¹</td>
<td>1,132.0</td>
<td>1,048.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>3,109.8</td>
<td>2,968.7</td>
<td>-</td>
<td>10.8</td>
</tr>
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<td>Lakeside W.D.</td>
<td>350.8</td>
<td>295.8</td>
<td>-</td>
<td>60.5</td>
</tr>
<tr>
<td>National City, City of²</td>
<td>-</td>
<td>-</td>
<td>573.7</td>
<td>340.3</td>
</tr>
<tr>
<td>Oceanside, City of ²</td>
<td>2,450.4</td>
<td>2,276.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>2,072.1</td>
<td>1,886.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
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<td>2,752.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
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<td>1,058.0</td>
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<td>-</td>
</tr>
<tr>
<td>Pendleton M.R.³</td>
<td>38.3</td>
<td>49.6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Poway, City of ⁴</td>
<td>1,224.7</td>
<td>1,085.6</td>
<td>3.7</td>
<td>1.0</td>
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<tr>
<td>Rainbow M.W.D.</td>
<td>2,128.3</td>
<td>2,028.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>572.3</td>
<td>583.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>654.1</td>
<td>579.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>17,819.6</td>
<td>14,866.0</td>
<td>194.4</td>
<td>1,882.9</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>540.1</td>
<td>220.0</td>
<td>43.2</td>
<td>379.0</td>
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<tr>
<td>Santa Fe I.D.</td>
<td>1,118.0</td>
<td>591.2</td>
<td>43.2</td>
<td>667.0</td>
</tr>
<tr>
<td>South Bay I.D.²</td>
<td>-</td>
<td>1,016.6</td>
<td>993.0</td>
<td>190.1</td>
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<tr>
<td>Vallecitos W.D.</td>
<td>1,661.2</td>
<td>1,463.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>2,716.1</td>
<td>2,518.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,648.3</td>
<td>1,367.6</td>
<td>147.5</td>
<td>378.1</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>245.6</td>
<td>32.9</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| TOTAL USE             | 47,402.1      | 40,967.6       | 1,985.9    | 5,075.0     | 1,546.2      | 1,640.5      | 2,224.9      | 1,834.6      | 53,159.1     | 49,517.7     |
| PERCENT CHANGE        | 16%           | -61%           | -6%        | 21%         | 7%           |

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.
### Monthly Water Resources Report

**Reservoir Storage (acre-feet)**

**MAY 2013**

| Member Agency            | Reservoir    | Capacity | % of Change During Month | Change
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>MAY 2013</td>
<td>MAY 2012</td>
<td></td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>Maerkle</td>
<td>600</td>
<td>225</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>274</td>
<td>90%</td>
<td>46%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>Dixon</td>
<td>2,606</td>
<td>2,352</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,325</td>
<td>33%</td>
<td>89%</td>
</tr>
<tr>
<td></td>
<td>Wohlford</td>
<td>6,506</td>
<td>2,126</td>
<td>92%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,174</td>
<td>33%</td>
<td>91%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>9,112</td>
<td>4,478</td>
<td>49%</td>
<td>49%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>Red Mountain</td>
<td>1,335</td>
<td>542</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>804</td>
<td>60%</td>
<td>(111)</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>Cuyamaca</td>
<td>8,195</td>
<td>811</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Jennings</td>
<td>9,790</td>
<td>9,039</td>
<td>92%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,873</td>
<td>91%</td>
<td>(111)</td>
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<td>17,985</td>
<td>9,850</td>
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<td>54%</td>
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<td>Poway, City of</td>
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<td>2,910</td>
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<td></td>
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<td>3,036</td>
<td>91%</td>
<td>(24)</td>
</tr>
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<td>Rainbow M.W.D.</td>
<td>Beck</td>
<td>625</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>175</td>
<td>28%</td>
<td>(111)</td>
</tr>
<tr>
<td></td>
<td>Morro Hill</td>
<td>465</td>
<td>260</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
<td>0%</td>
<td>(111)</td>
</tr>
<tr>
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<td>1,090</td>
<td>261</td>
<td>24%</td>
<td>16%</td>
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<td>Ramona</td>
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</tr>
<tr>
<td></td>
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<td>2,688</td>
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<tr>
<td></td>
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<td>24,787</td>
<td>71%</td>
<td>(1,022)</td>
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<td></td>
<td>El Capitan</td>
<td>112,807</td>
<td>62,403</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>73,200</td>
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<td>(249)</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>30,251</td>
<td>5,891</td>
<td>19%</td>
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<tr>
<td></td>
<td></td>
<td>20,889</td>
<td>69%</td>
<td>(627)</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>49,849</td>
<td>34,719</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36,960</td>
<td>74%</td>
<td>(88)</td>
</tr>
<tr>
<td></td>
<td>Miramar</td>
<td>6,682</td>
<td>5,563</td>
<td>83%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,208</td>
<td>78%</td>
<td>(194)</td>
</tr>
<tr>
<td></td>
<td>Morena</td>
<td>50,694</td>
<td>7,930</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12,625</td>
<td>25%</td>
<td>(98)</td>
</tr>
<tr>
<td></td>
<td>Murray</td>
<td>4,684</td>
<td>4,137</td>
<td>88%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,152</td>
<td>89%</td>
<td>(253)</td>
</tr>
<tr>
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<td>San Vicente</td>
<td>89,312</td>
<td>36,405</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>35,469</td>
<td>40%</td>
<td>(180)</td>
</tr>
<tr>
<td></td>
<td>Sutherland</td>
<td>29,508</td>
<td>3,354</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,372</td>
<td>39%</td>
<td>(55)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>408,593</td>
<td>178,098</td>
<td>44%</td>
<td>55%</td>
</tr>
<tr>
<td>San Dieguito WD/Santa Fe ID</td>
<td>San Dieguito</td>
<td>883</td>
<td>693</td>
<td>78%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>845</td>
<td>96%</td>
<td>(268)</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>Loveland</td>
<td>25,400</td>
<td>9,044</td>
<td>36%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18,245</td>
<td>72%</td>
<td>(50)</td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>28,079</td>
<td>9,577</td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,537</td>
<td>55%</td>
<td>(1,500)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>53,479</td>
<td>18,621</td>
<td>35%</td>
<td>63%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>Turner</td>
<td>1,612</td>
<td>1,433</td>
<td>89%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,612</td>
<td>100%</td>
<td>(46)</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>Henshaw</td>
<td>51,774</td>
<td>6,543</td>
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</tr>
<tr>
<td></td>
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<td>6,429</td>
<td>12%</td>
<td>(145)</td>
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<tr>
<td><strong>MEMBER AGENCY TOTAL</strong></td>
<td></td>
<td>561,793</td>
<td>226,282</td>
<td>40%</td>
</tr>
<tr>
<td><strong>WATER IN STORAGE</strong></td>
<td></td>
<td></td>
<td>288,535</td>
<td>51%</td>
</tr>
<tr>
<td><strong>El Capitan</strong></td>
<td></td>
<td>4,513</td>
<td>7,979</td>
<td>(30)</td>
</tr>
<tr>
<td><strong>Hodges</strong></td>
<td></td>
<td>4,573</td>
<td>737</td>
<td>(100)</td>
</tr>
<tr>
<td><strong>Lower Otay</strong></td>
<td></td>
<td>19,745</td>
<td>20,570</td>
<td>462</td>
</tr>
<tr>
<td><strong>San Vicente</strong></td>
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<td>686</td>
<td>5,122</td>
<td>(401)</td>
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<td><strong>Sweetwater</strong></td>
<td></td>
<td>1,731</td>
<td>1,823</td>
<td>(79)</td>
</tr>
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<td><strong>Sweetwater Authority</strong></td>
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<td>0</td>
<td>2,829</td>
<td>-</td>
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<tr>
<td>Subtotal</td>
<td>31,247</td>
<td>39,058</td>
<td>(148)</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL WATER IN STORAGE</strong></td>
<td></td>
<td>586,582</td>
<td>257,529</td>
<td>44%</td>
</tr>
<tr>
<td><strong>OTHER AGENCIES</strong></td>
<td></td>
<td></td>
<td>327,593</td>
<td>56%</td>
</tr>
<tr>
<td>Metropolitan Water District</td>
<td>Skinner</td>
<td>44,264</td>
<td>38,622</td>
<td>87%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>38,074</td>
<td>86%</td>
<td>(1,810)</td>
</tr>
<tr>
<td>Diamond Valley</td>
<td></td>
<td>800,000</td>
<td>666,908</td>
<td>83%</td>
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<tr>
<td></td>
<td></td>
<td>775,038</td>
<td>97%</td>
<td>(10,083)</td>
</tr>
<tr>
<td>State Water Project</td>
<td>Oroville</td>
<td>3,537,600</td>
<td>2,812,109</td>
<td>79%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,499,941</td>
<td>99%</td>
<td>(229,298)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER WATER IN STORAGE</strong></td>
<td></td>
<td>4,381,864</td>
<td>3,517,639</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,313,053</td>
<td>98%</td>
<td>(236,571)</td>
</tr>
</tbody>
</table>

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 Dieguito WD, and California American Mutual Water Co. (Cal-Am) SDCA 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.
### Tier 1 Estimated Deliveries to Member Agencies

**Figures in acre-feet**

**CY 2013 through May**

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>CY2013 Tier 1 Threshold</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1 Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,376.0</td>
<td>6,150.9</td>
<td>49.7%</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>935.0</td>
<td>363.6</td>
<td>38.9%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,859.0</td>
<td>8,452.7</td>
<td>47.3%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,325.0</td>
<td>3,957.0</td>
<td>38.3%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,519.0</td>
<td>12,392.1</td>
<td>48.6%</td>
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<tr>
<td>Lakeside M.W.D.</td>
<td>3,168.0</td>
<td>1,214.2</td>
<td>38.3%</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>19,383.0</td>
<td>8,543.9</td>
<td>44.1%</td>
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<td>Olivenhain M.W.D.</td>
<td>13,071.0</td>
<td>7,205.1</td>
<td>55.1%</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,390.0</td>
<td>11,405.6</td>
<td>53.3%</td>
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<td>Padre Dam M.W.D.</td>
<td>9,939.0</td>
<td>4,070.1</td>
<td>41.0%</td>
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<td>Pendleton M.C.B./South Coast W.D.</td>
<td>758.0</td>
<td>209.8</td>
<td>27.7%</td>
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<tr>
<td>Poway, City of</td>
<td>9,348.0</td>
<td>4,060.6</td>
<td>43.4%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>19,018.0</td>
<td>7,190.3</td>
<td>37.8%</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>8,052.0</td>
<td>2,241.8</td>
<td>27.8%</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,482.0</td>
<td>2,275.2</td>
<td>41.5%</td>
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<td>San Diego, City of</td>
<td>144,555.0</td>
<td>68,444.2</td>
<td>47.3%</td>
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<td>San Dieguito W.D.</td>
<td>3,116.0</td>
<td>971.8</td>
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<tr>
<td>Santa Fe I.D.</td>
<td>5,226.0</td>
<td>1,902.1</td>
<td>36.4%</td>
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<tr>
<td>Sweetwater Authority</td>
<td>9,650.0</td>
<td>0.1</td>
<td>0.0%</td>
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<tr>
<td>Vallecitos W.D.</td>
<td>10,557.0</td>
<td>6,104.7</td>
<td>57.8%</td>
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<tr>
<td>Valley Center M.W.D.</td>
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<td>8,999.2</td>
<td>30.2%</td>
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<tr>
<td>Vista I.D.</td>
<td>11,876.0</td>
<td>6,682.7</td>
<td>56.3%</td>
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<tr>
<td>Yuima M.W.D.</td>
<td>2,165.0</td>
<td>367.5</td>
<td>17.0%</td>
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**MEMBER AGENCY TOTALS**

|               | 393,542.0                | 173,205.2            | 44.0%                  |

Less: QSA deliveries calendar year to date  
(74,041.5)

Deliveries to CWA storage year to date ²  
389.6

Deliveries from CWA storage year to date ³  
(2,317.0)

**Estimated Tier 1 deliveries calendar year to date**  
97,236.3  
24.7%

---

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

MAY 2013

Member Agency Deliveries (AF)

- **May 2013**: 47,618
- **May 2012**: 41,344

- **Previous 12 Months**
  - **2013**: 481,803
  - **2012**: 434,469

Member Agency Water Use

- **MAY 2013**
  - Imported: 89%
  - Surface: 4%
  - Recycled: 4%
  - Well & Brackish Recovery: 3%
  - Local: 84%

- **Previous 12 Months**
  - Imported: 89%
  - Surface: 4%
  - Recycled: 5%
  - Well & Brackish Recovery: 3%
  - Local: 84%

Member Agency Storage (AF)

- **May 2013**: 226,282
- **May 2012**: 288,535

- **12 Month Average**
  - **2013**: 246,521
  - **2012**: 306,654
FORMAL BOARD OF DIRECTORS’ MEETING

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

June 27, 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 Water Planning Committee of May 16, 2013 and the Formal Board of Directors’ meeting of May 23, 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 Hershell Price upon his retirement from the Board of Directors.

8. REPORTS BY CHAIRS
   8-A Chairs report: Chair Wornham

8-B Report by Committee Chairs
   Engineering and Operations Committee Director Brady
   Imported Water Committee Director Saxod
   Legislation, Conservation and Outreach Committee Director Topolovac
   Administrative and Finance Committee Director Saunders
   Water Planning Committee Director Douglas
9. **CONSENT CALENDAR**

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

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

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

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

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

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

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

Adopt policy principles for Water Resources Development Act legislation.


Note and file the monthly Treasurer’s report.


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


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

9- 12. Adopt the Water Authority’s rates and charges for calendar year 2014, amend and restate the amounts and requirements of the System Capacity Charge and Water Treatment Capacity Charge, and continue to impose at the same rate the Standby Availability Charge successive years.

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

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

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

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

10-1. Hearing of Necessity to consider adoption of a Resolution of Necessity and authorization of condemnation proceedings to acquire temporary property interests for the Pipeline 3 Desal Relining San Marcos to Twin Oaks Valley Water Treatment project on Assessor Parcel Numbers: 178-170-11 Hojung Choi, a married woman as her sole and separate property, and Brian Myong Sok Choi and Agnes Myong Ja Choi, husband and wife, all as joint tenants with right of survivorship; 181-072-06 Gary Meng, an unmarried man; 184-102-08 Hooshang Karimi, a single man and Ashkan Karimi, a single man; 218-650-48, 218-371-04KB Homes Coastal Inc., a California Corporation; 219-116-20, 21, 22 The Movement Church, a California Corporation.

Staff recommendation:
That the Board of Directors:

a) Receive public testimony;
b) Determine that offers to acquire the necessary real property were made to the owners of the subject properties pursuant to Section 7267.2 of the Government Code;
c) Adopt Resolution of Necessity No. 2013- ___ pertaining to the acquisition of real property from the subject parcels in support of the Pipeline 3 Relining Project, and find that:
   1) the public interest and necessity require the project
   2) the project is planned or located in a manner that will be the most compatible with the greatest public good and least private injury; and
   3) the interest in the property sought to be acquired is necessary for the project;
d) Authorize staff to proceed with condemnation proceedings necessary to acquire the right of way on the subject properties.

(Action)

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-(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

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 Douglas called the Special Water Planning Committee Meeting to order at 1:32 p.m. Committee members present were Chair Douglas, Directors Brady, Kern, Linden, Sanford, Saunders, Simpson, Steiner and Weston. Committee members absent were Vice Chairs Tu and Watton, and Directors Madaffer, Miller, and Murtland. Also present were Directors Arant, Croucher, Hogan, Mudd, Morrison, Muir, Pocklington, Topolovac, Verbeke, Williams, Wilson and Wornham. At that time, there was a quorum of the Board.

Staff present was General Counsel Hentschke, Deputy General Managers Belock and Kerl, Director of Water Resources Weinberg and Principal Engineer Chamberlain. Mr. Kevin Davis from Black and Veatch and Mr. Armin Munévar from CH2MHiIl were also present.

PUBLIC COMMENT
There were no requests for public comment.

CHAIR’S REPORT
There was no Chair’s report.

I. CONSENT CALENDAR
There were no Consent Calendar items.

II. ACTION/DISCUSSION
1. Workshop on development of a draft Regional Water Facilities Optimization and Master Plan.

Mr. Weinberg provided an overview of work performed to date, including development of the 2010 Urban Water Management Plan (UWMP) supply and demand projections, developing performance metrics, reviewing initial findings of baseline system performance, and looking at long term new supply options such as Camp Pendleton seawater desalination, and a new Colorado River conveyance pipeline to transport Quantification Settlement Agreement (QSA) supplies. He stated the purpose of the workshop was for staff to respond to questions by member agencies and Board members, to discuss demand uncertainty in order to determine changes today from the 2010 UWMP, to review risk tolerance and mitigation, to look closer at the role of storage, to consider facilities and related impacts on Capital Improvement Program (CIP) planning and budgeting, and to outline remaining work.
Director Weston requested staff consider featuring Indirect Potable Reuse and Direct Potable Reuse as key major planning efforts in local supply development. Directors Hogan, Williams, Watkins, and Mudd requested staff include 2003 and 1993 figures in sensitivity data slides.

Mr. Chamberlain presented information on local storage availability and capacity, operations, and what information was used to determine whether additional storage was necessary.

Mr. Chamberlain continued with information on conveyance utilization and constraints, treated and untreated systems, peak season risk tolerance scenarios, baseline system analysis, and the impact of local supply development on the timing of new facility implementation. He stated a facility would be recommended in the Master Plan Update for the existing bottleneck at the 30-inch Intertie, which was currently operating at maximum capacity.

Directors Saunders and Hogan requested staff to rethink how they would frame the risk assessment issue when asking the Board to consider risk tolerance.

Mr. Chamberlain continued with supply shortage metrics, related risk tolerance levels, and projected timing for developing new supplies based on the 2010 UWMP scenario and reduced local supply development. He stated the supply shortage risk through 2025 would appear low regardless of what supply demand scenario would be considered. He added that beyond 2025 would depend on growth and local supply development and conservation by member agencies, including that local IPR would resolve most long-term supply demands.

Mr. Chamberlain concluded his presentation with preliminary CIP findings, focusing on existing untreated water delivery system conveyance constraints. He identified projects that would be recommended in the Master Plan Update, and other projects that would be recommended for revision of scope, size and timing, or delay beyond 2030.

Mr. Weinberg provided closing remarks on next steps staff would undertake in the development of the Master Plan Update draft, as well as the remaining schedule that would lead toward Board approval of the final Water Authority Master Plan and Climate Action Plan and certification of the Final Program Environmental Impact Report (PEIR) in February 2014.

Director Pocklington requested information on an effort between MWD, the Water Authority, central Arizona and Las Vegas for a desalination plant with Mexico. Director Kern requested information on any planning alternatives related to the potential outcomes of pending legal matters with MWD.
ADJOURNMENT

With no further business, Chair Douglas adjourned the meeting at 3:20 p.m.

___________________
Farrah Douglas, Chair
MINUTES OF THE FORMAL BOARD OF DIRECTORS’ MEETING
MAY 23, 2013

ENGINEERING AND OPERATIONS COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Brady called the Engineering and Operations Committee meeting to order at 9:00
a.m. Committee members present were Chair Brady, Vice Chair Pocklington, Directors
Murtland, and Verbeke. Chair Brady appointed Directors Wilson, Hogan, and Weston to the
Committee to obtain a quorum of the Committee. Also present were Directors Topolovac,
Saxod, Williams, Steiner, Hilliker, Evans, Madaffer, Kern, Linden, and Arant. Director Simpson
arrived at 9:03 a.m., Director Watkins arrived at 9:06 a.m., and Director Barnum arrived at 9:11
a.m. at which time the Engineering and Operations Committee obtained a quorum without the
need for the substitute Directors. Only the committee members participated in the vote.

Committee members arriving after the vote were Directors Wornham (9:20 a.m.), Bailey
(9:25 a.m.), and Tu (9:55 a.m.). Vice Chair Miller, Director Morrison, and Director Mudd were
absent.

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, Operations and Maintenance Manager Faber, Engineering Manager
Bianes, Right of Way Manager Kross, Senior Engineer Kavanagh, and Senior Right of Way
Agent von Gymnich.

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 Pipelines 3 and 4 Relining Miramar Hill to Scripps
Ranch project received two awards from local construction management and public works
associations. The Construction Management Association of America presented the project with
an Award of Excellence in the Public Works greater than $15 million category; and the
American Public Works Association presented the Project of the Year award in the utilities $6 to
$25 million category.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no Consent Calendar items on the agenda.
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.
   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.

Ms. Kavanagh began the presentation regarding advertising for bids on the project including an overview of the project, location, schedule, and construction cost estimate. Mr. von Gymnich continued the presentation with information regarding the agreement to move the 4-inch gas pipeline due to high safety risk including portal locations, typical portal excavation, and proximity to the existing gas line. He noted that staff was able to negotiate a $200,000 reduction in the cost for relocating the gas line after the board memo was prepared, reducing the amount of the agreement to $1,050,000; instead of the $1,250,000 documented in the board memo.

Vice Chair Pocklington moved, Director Murtland seconded, and the motion to approve staff’s recommendation passed unanimously.

2. Twin Oaks Valley Water Treatment Plant Expanded Service Area.

Mr. Rose gave a presentation including an overview of the three phases of the project of which the first phase (meter turndown) was complete, current Valley Center Pump Station operations, expanded pump station operations, possible system upgrades, project budget and return on investment, and planning phase deliverables.

III. INFORMATION

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

Mr. Reed gave a presentation including the downstream step repair, upstream liner installation, low level outlet gate structure, outlet tower and gates, outlet works, plunger and gate valve installation, 108-inch valve installation, schedule update, and upcoming activities.

2. Presentation on Energy Audit and process.

Mr. Belock began with an explanation of the relationship between the Climate Action Plan and the Energy Strategy. Mr. Eaton continued the presentation including aqueduct system energy use, Water Authority energy use in fiscal years 2011 and 2012, energy rate alternatives and schedules, energy audit summary report and process, energy use at various Water Authority
facilities, energy generation, and conservation opportunities. Mr. Belock continued with information regarding the energy management report, sustainability strategic plan, Regional Water Facilities Optimization and Master Plan update, climate action plan, and schedule. Director Weston suggested it would be interesting for the Water Authority to obtain energy use data from its member agencies for comparison.

IV. CLOSED SESSION

Mr. Hentschke took the committee into closed session at 10:00 a.m.

1. 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 178-170-09, 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 281-371-04, 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

   Mr. Hentschke brought the committee out of Closed Session at 10:09 a.m. and announced that there were no reportable actions.

V. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Chair Brady adjourned the meeting at 10:09 a.m.

IMPORTED WATER COMMITTEE

CALL TO ORDER / ROLL CALL

Chair Saxod called the Imported Water Committee meeting to order at 10:20 a.m. Committee members present were Vice Chairs Muir and Williams, Directors Arant, Croucher*, Evans*, Hogan, Linden, Steiner, Watkins, Wilson, and Wornham. Directors Lewinger and
Pocklington were absent. Also present were Directors Bailey, Barnum, Brady, Gallo, Hilliker, Kern, Madaffer, Morrison, Mudd, Murtland, Sanford, Simpson, Topolovac, Tu, Verbeke, Weston and Morrison. 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, and others.

*Director Evans and Croucher arrived at 10:21 a.m. and 10:34 a.m., respectively.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no public comments.

DIRECTORS’ COMMENTS
There were no comments by Directors.

CHAIR’S REPORT
Chair Saxod announced that Dr. Gerald Meral, Deputy Secretary of California Natural Resources Agency would provide an update to the committee on the Bay Delta Conservation Plan. She reported that Anne Castle Assistant Secretary for Water and Science, and Mike Conner Bureau of Reclamation Commissioner, along with representatives from the Seven Basin States; Ten Tribes Partnership and other conservation organizations, would officially kick-off discussions on the Colorado River Basin Water Supply and Demand Study on May 28, 2013. Following the kick-off event, workgroups would meet again on May 29, 2013 to begin Phase 1 of the process, which included verifying potential strategies for water conservation, reuse, transfers, and healthy river flows. Staff would continue to cover this and related issues and report back to the committee.

I. CONSENT CALENDAR
There were no items on the consent calendar.

II. ACTION/DISCUSSION
1. Bay Delta.
   1-A Bay Delta Conservation Plan update.

   Ms. Stapleton provided an overview of Bay-Delta issues and Ms. Chen presented on the board adopted Bay Delta policy principles and Portfolio Alternative.

   1-B Presentation on Bay Delta Conservation Plan by Dr. Gerald Meral, California Natural Resources Agency Deputy Secretary.
Dr. Meral made an oral presentation on the Bay Delta Conservation Plan. Following his presentation, Directors asked questions and made comments.

   2-A Metropolitan Water District Delegates report.

The delegates reported on discussions and actions taken at the recent MWD board meetings.

2-B Financial review of MWD’s mid-term biennial budget.

This item was continued to the June 27, 2013 board meeting.

III. INFORMATION
The following information item was noted and filed:
1. Metropolitan Water District Program report.

Mr. Hentschke took the Committee into closed session at 11:40 a.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 12:32 p.m. and reported that the Committee made a recommendation to the board to authorize the General Counsel to amend the agreements for discovery services with TERIS and Essential Discovery to increase the not-to-exceed contract amounts by $50,000 each.

V. **ADJOURNMENT**
   There being no further business to come before the Imported Water Committee, Chair Saxod adjourned the meeting at 12:32 p.m.

**LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE**

**CALL TO ORDER/ROLL CALL**
   Chair Topolovac called the Legislation, Conservation and Outreach Committee to order at 1:15 p.m. Committee members present were Chair Topolovac, Vice Chairs Croucher and Madaffer, and Directors Barnum, Douglas, Evans, Gallo, Hilliker, Kern, Mudd, Muir, Saxod, and Verbeke. Committee members absent were Directors Morrison and Wight. Other Board members present were Directors Arant, Bailey, Brady, Hogan, Linden, Murtland, Sanford, Saunders, Simpson, Steiner, Tu, Watkins, 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, Water Resources Specialist Mooney 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 thanked everyone who attended the special LCO committee meeting at the Water Conservation Garden on May 2, 2013 and the Legislative Roundtable on May 1, 2013. He announced the next SCOOP Committee meeting would be held June 4, 2013. He reported that the 2011 Annual Report, themed “WaterSmart – Embracing the New Normal,” had received an Award of Merit from the International Association of Business Communicators.

**DIRECTORS’ COMMENTS**
   There were no comments by Directors.
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. He announced SB 322 by Senator Hueso, relating to the California Department of Public Health and recycled water, had cleared its first policy committee and fiscal committee hearings and was now moving to the Senate floor.

Mr. Clay asked the Board to review SB 750 related to sub-metering. He announced Lorena Gonzalez had filled Senator Hueso’s Assembly seat. He also stated that Legislature was closing the budget subcommittee hearings and the budget was expected to be complete by June 15, 2013.

Mr. Carpi reported on issues in Washington. He reported on the continuing issue of budget deficit and national debt and how it was impacting the U.S. economy. He stated that the federal deficit was only two-thirds of what it was last year at this time and added that it was the lowest it had been in this president’s term. He reported that the Water Resources Development Act passed the Senate, as a provision to a bill called the “Water Infrastructure Financing and Innovation Act”, which provided financing for public water facilities.

Mr. Carpi also commented on a letter written by Senator Feinstein, which was signed by 12 members of the House of Representatives, expressing strong support for the Bay Delta Conservation Plan.

1-B Adopt priorities for the renegotiation of a water bond.

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

Ms. Schnell presented on the water bond, summarizing history and provisions of the water bond measure.

Director Saxod moved, Director Barnum seconded, to adopt staff recommendation and the motion passed unanimously to adopt priorities for the renegotiation of a water bond.

1-C Adopt positions on various state bills.

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).

Ms. Schnell presented a summary on staff recommendations of positions on AB 71, AB 147 and AB 1096.
Director Douglas moved, Director Croucher seconded, to adopt staff recommendation and the motion passed unanimously to adopt positions on the state bills.

III. INFORMATION
1. Presentation on value of water communications.

   Mr. Foster presented an update on the Water Authority’s efforts to communicate issues related to the value of water. He provided background on the meaning of value of water and provided the board with information on how that message was being implemented in outreach efforts, and future plans on how to best communicate that message to ratepayers.

2. Presentation on New “Homeowner’s E-Guide to a WaterSmart Lifestyle”.

   Ms. Mooney provided a preview of the new “Homeowner’s E-Guide to a WaterSmart Lifestyle.” She displayed several sample pages from the online guide and announced that the guide would launch in June 2013.


   Director Linden announced that the new Butterfly Pavilion was currently under construction and encouraged Board members to join the Water Conservation Garden.

   The committee received and filed the following items:
5. Status report on legislation and legislative positions.

IV. ADJOURNMENT
There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Topolovac adjourned the meeting at 2:12 p.m.

ADMINISTRATIVE AND FINANCE COMMITTEE
CALL TO ORDER / ROLL CALL
   Chair Saunders called the Administrative and Finance Committee meeting to order at 2:20 p.m. Committee members present were Vice Chairs Arant and Wight, Directors Bailey, Gallo, Hilliker, Hogan, Sanford, Topolovac, Weston, Williams, and Wilson. Committee member absent was Lewinger. At that time, there was a quorum of the Board, however only Committee members participated in the vote. Also present were Directors Barnum, Brady, Croucher, Douglas, Evans, Kern, Linden, Madaffer, Mudd, Muir, Murtland, Saxod, Simpson, Steiner, Tu, Verbeke, Watkins and Wornham.

   Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Finance McCraner, Financial Planning Manager Shank and Financial Resources Manager Celaya. Also present was Robert Grantham from Carollo Engineers, Inc.
ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no public speakers.

CHAIR'S REPORT
Chair Saunders congratulated the Finance Department on receiving the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers’ Association for the fiscal year ended June 30, 2012 Comprehensive Annual Financial Report.

DIRECTORS’ COMMENTS
There were no Director’s comments.

I. CONSENT CALENDAR
1. Treasurer’s Report.
   Staff recommendation: Note and file the monthly Treasurer’s report.

   Director Hogan moved, Director Wilson seconded and the motion passed unanimously.

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.

   Ms. Stapleton presented an overview of the Fiscal Years 2014 and 2015 budget. She began with a review of the Water Authority’s historical background on spending, water sales, staffing, and significant milestones. She continued her review focusing on improvements and efficiencies, and highlighted the environment and economy in the more recent years.

   Ms. Stapleton explained how to navigate the budget document and reviewed objectives and a summary of each section, which were General Manager’s Budget Message, Financial Summaries, Sources and Uses, Operating Departments, and Capital Improvement Program.

   Ms. Stapleton covered upcoming CIP spending, debt service coverage ratio, key focus areas and ways to continue improving. She concluded by announcing dates of the upcoming Budget Hearings as June 11 and 13, 2013.

   Director Wight asked if Board members should send pertinent questions prior to the budget hearings. Ms. Stapleton responded that all questions should be sent to Ms. Kerl so they could be addressed at the hearings.

   2. Cost of Service Study Phase I and Calendar Year 2014 rates and charges.

      2-A Presentation on final results of Cost of Service Study Phase I.
Ms. McCraner began with a review of the various informational meetings held since January, 2013 on discussions, key dates, and timelines of the Cost of Service Study. She then introduced Robert Grantham of Carollo Engineers, Inc., to provide the Board with an overview of study results.

Mr. Grantham covered cost of service review process, key governing board policies, legal requirements, rate definitions, and the calendar year 2014 rate and charge calculation process. He explained the components of the calculation process, which included revenue requirement analysis, functional allocation by rate category, water rates and charges, and member agency allocation.

The Board had several questions, comments and recommendations.

2-B Recommendation Calendar Year 2014 rates and charges.

Mr. Shank began with the history of rate increases and continued with a review of the Calendar Year 2014 rate and charge drivers, which were: scheduled increases in IID water prices; MWD treatment costs; and, achieving financial policies.

Mr. Shank explained the proposed rates and charges, debt service coverage ratio, financial performance metrics, and the impact of the rate increase on a monthly residential bill. He stated the overall rate and charge increase would vary by member agency depending upon fixed charge allocations. He also reviewed the rate and charge calendar and announced there would be a public hearing held during the June 27, 2013 board meeting.

The Board had several questions, comments and recommendations.

2-C 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.

Staff recommendation: Adopt Resolution No. 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.

Director Gallo moved, Director Williams seconded and the motion passed unanimously to adopt the resolution.

III. INFORMATION
2. Board Calendar.

IV. CLOSED SESSION
There was no closed session this month.
V. ADJOURNMENT
There being no further business to come before the Administrative and Finance Committee, Chair Saunders adjourned the meeting at 3:55 p.m.

WATER PLANNING COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Douglas called the Water Planning Committee Meeting to order at 3:56 p.m. Committee members present were Chair Douglas, Vice Chair Tu, Directors Brady, Kern, Linden, Madaffer, Miller, Murtland, Sanford, Saunders, Simpson, Steiner and Weston. Absent was Vice Chair Watton. Also present were Directors Arant, Bailey, Barnum, Croucher, Evans, Gallo, Hilliker, Hogan, Muir, Saxod, Topolovac, Verbeke, Williams and Wornham. 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, Water Resources Director Weinberg, Water Resources Managers Purcell and Yamada, Principal Engineer Chamberlain and Senior Water Resources Specialists Dobalian and Tegio.

PUBLIC COMMENT
There were no public comments.

DIRECTORS’ COMMENTS
There were no comments made by Directors.

CHAIR’S REPORT
Chair Douglas thanked those who attended the Special Water Planning Committee Meeting on May 16, 2013. She reported that the required 30-day public scoping comment period for the Master Plan Update and Climate Action Plan Program Environmental Impact Report (PEIR) ended on May 18, 2013. She stated that the Water Authority had received three comment letters which staff would provide an informational item on at a future meeting.

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.

   Director Weston moved, Director Simpson seconded, and the motion to approve staff’s recommendation passed unanimously.
II. ACTION/DISCUSSION
The following item was continued to the June 27, 2013 Water Planning Committee meeting:
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.

III. INFORMATION
The following item was continued to the July 25, 2013 Water Planning Committee meeting: scheduled for May 23, 2013:

1. Presentation on North City Water Reclamation Plant Demonstration Project and the City’s next steps on Indirect and Direct Potable Reuse.
2. Presentation on Water Supply and Demand Conditions.

Ms. Dobalian provided a presentation on State Water Project conditions, Colorado River supply conditions, MWD storage reservoir levels and local surface area conditions. Director Wornham requested information on how the data presented would compare statistically to data at the time of implementing the 20-Gallon Challenge.

The following report was received and filed:

IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
Chair Douglas adjourned the meeting at 4:05 p.m.

FORMAL BOARD OF DIRECTORS’ MEETING OF MAY 23, 2013
1. CALL TO ORDER Chair Wornham called the Formal Board of Directors’ meeting to order at 4:10 p.m.

2. SALUTE TO THE FLAG Director Tu led the salute to the flag.

3. ROLL CALL, DETERMINATION OF QUORUM Secretary Hogan called the roll. Directors present were Arant, Bailey, Brady, Croucher, Douglas, Evans, Gallo, Hilliker, Hogan, Kern, Madaffer, Mudd, Muir, Murtland, Sanford, Saunders, Saxod, Steiner, Topolovac, Tu, Verbeke, Weston, Wight, Williams, Wilson, Wornham, and Representative Roberts. Directors absent were Barnum(p), Lewinger(p), Linden, Miller(p), Morrison, Pocklington, Price, Simpson, Watkins, and Watton.
3-A **Report on proxies received.** Director Arant was the proxy for Director Miller, Director Douglas was the proxy for Director Lewinger, and Director Weston was the proxy for Director Barnum.

4. **ADDITIONS TO AGENDA** There were no additions to the agenda.

5. **APPROVAL OF MINUTES**
Director Saxod moved, Director Muir seconded, and the motion carried at 86.55% of the vote to 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. Director Gallo abstained.

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.

13. **SPECIAL REPORTS**
Chair Wornham requested the Audit Committee Report, agenda item 13-A be given out of order.

13-A **AUDIT COMMITTEE REPORT** - Audit Committee Chair Sanford reported that the audit was in process. He announced that the committee had met with staff and auditors and decided to continue an independent meeting with auditors without the presence of staff. He encouraged board members to submit ideas and concerns regarding the audit to any member of the audit committee.

Director Mudd acknowledged Senior Water Resources Specialist Espe and Management Analyst Schnell for providing a safe, efficient, and informative inspection tour including a visit to Hoover Dam, Copper Basin, Diamond Valley Lake, and other landmarks with the tour concluding at San Vicente Dam. He stated that all attendees of the tour gained a greater understanding of San Diego’s regional water.

7. **PRESENTATIONS AND PUBLIC HEARINGS**
7-A **Retirement of Director.** Adopt Resolution 2013-13 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.

Director Hilliker moved, Director Croucher seconded, and the motion carried at 90.03% of the vote to adopt Resolution No. 2013-13 honoring Marilyn Dailey upon her retirement from the Board of Directors.
Chair Wornham announced the appointment of Director Ed Gallo and welcomed him to the Board.

Chair Wornham and General Manager Stapleton recognized Don Chadwick as the employee of the 3rd quarter.

8. **REPORTS BY CHAIRS**

8-A Chairs report: Chair Wornham reported that the legislative roundtable with Scott Peters on May 1, 2013 was a success and thanked all who attended.

He reminded the Board of the upcoming Desalination Celebration on June 6, 2013 and encouraged board members to attend. The event was being organized to celebrate the completion of the water purchase agreement and beginning of construction on the plant and pipeline.

8-B Report by Committee Chairs.

- **Engineering and Operations Committee.** Director Brady reviewed the meeting and the action taken.
- **Imported Water Committee.** Director Saxod reviewed the meeting and the action taken.
- **Legislation, Conservation and Outreach Committee.** Director Topolovac reviewed the meeting and the action taken.
- **Administrative and Finance Committee.** Director Saunders reviewed the meeting and the action taken.
- **Water Planning Committee.** Director Douglas reviewed the meeting and the action taken.

9. **CONSENT CALENDAR**

Director Weston moved, Director Douglas seconded, and the motion carried at 90.03% of the vote to approve the consent calendar. Directors voting no or abstaining are listed under the item number.

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.**

   The Board authorized 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.**

   The Board adopted priorities for the renegotiation of a water bond.
9- 3. The Board Adopted positions on various state bills.
   1. Adopted a position of Support on AB 71 (Perez)
   2. Adopted a position of Oppose unless amended on AB 147 (Perez)
   3. Adopted a position of Support on AB 1096 (Nestande, Perez)

9- 4. Treasurer’s report.
The Board noted and filed 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.
The Board adopted Resolution No. 2013-12 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.
The Board authorized 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.

9- 7. CLOSED SESSION: The Board authorized the General Counsel to amend the agreements for discovery services with TERIS and Essential Discovery to increase the not-to-exceed contract amounts by $50,000 each.

10. ACTION/DISCUSSION
    There were no Action/Discussion items.
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 2002-0013
(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

Mr. Hentschke announced there was no need for a Closed Session.

12. **ACTION FOLLOWING CLOSED SESSION** – None.

13. **SPECIAL REPORTS**
13-B GENERAL MANAGER’S REPORT – No report was given.
13-C GENERAL COUNSEL’S REPORT – No report was given.
13-D SANDAG REPORT – Chair Wornham reported SANDAG was continuing efforts on the “San Diego Forward” campaign with final direction expected to be released by mid-year. SANDAG Subcommittee: Borders/Regional Planning Committee – No report was given.
13-E 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 4:20 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 HERSHELL PRICE UPON HIS RETIREMENT FROM THE BOARD OF DIRECTORS

WHEREAS, Hershell Price served as a member of the Board of Directors of the San Diego County Water Authority, representing the City of Del Mar, from August 25, 2004 to his retirement on March 25, 2013; and

WHEREAS, he served as Chair on the Audit Committee, and as Vice Chair on the Administrative and Finance Committee, and Water Planning Committee; and

WHEREAS, he served as a member on the Administrative and Finance Committee, Audit Committee, Engineering and Operations Committee, Imported Water Committee, Legislation Conservation and Outreach Committee, Planning and Environmental Committee, and Public Affairs Committee; and

WHEREAS, he served as a member on the Audit Subcommittee, Colorado River Programs AD HOC, and Strategic Plan AD HOC; and

WHEREAS, his contributions to the community extend beyond the activities with the San Diego County Water Authority; and

WHEREAS, his 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 Hershell Price for his dedicated service to the San Diego region.

PASSED, APPROVED, and ADOPTED this 27th day of June, 2013.
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: June 19, 2013

TO: Board of Directors

FROM: Daniel S. Hentschke, General Counsel

RE: Credentials of Ken Olson
City of Del Mar

Transmitted herewith is a copy of Resolution No. 2013-25 submitted by the city of Del Mar appointing Ken Olson to the Water Authority's Board of Directors. His term will expire on March 12, 2017.

The credentials furnished are sufficient for the qualifications of Mr. Olson as a member of the Water Authority Board.

Daniel S. Hentschke
General Counsel

dfl

Attachment
RESOLUTION NO. 2013-25

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL MAR, CALIFORNIA, APPOINTING KEN OLSON AS ITS REPRESENTATIVE TO THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY.

WHEREAS, the City's current San Diego County Water Authority representative Hershell Price has offered his resignation effective March 25, 2013; and

WHEREAS, the current six-year term is not due to expire until March 12, 2017; and

WHEREAS, the Del Mar City Council has designated and appointed Ken Olson to serve the unexpired term as its representative on the San Diego County Water Authority Board of Directors; and

WHEREAS, the Del Mar City Council desires to consent to and approve said designation and appointment.

NOW, THEREFORE, BE IT RESOLVED, that Ken Olson is hereby appointed as Del Mar’s representative to the Board of Directors of the SAN DIEGO COUNTY WATER AUTHORITY. Said term will expire on March 12, 2017.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Del Mar, California, at a Special Meeting held the 14th day of May 2013.

TERRY SINNOTT, Mayor
City of Del Mar

APPROVED AS TO FORM:

Leslie E. Devaney, City Attorney
City of Del Mar
Resolution No. 2013-25
Page 2 of 2

ATTEST AND CERTIFICATION:

STATE OF CALIFORNIA )
COUNTY OF SAN DIEGO )
CITY OF DEL MAR )

I, MERCEDES MARTIN, City Clerk of the City of Del Mar, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2013-25, adopted by the City Council of the City of Del Mar, California, at a Special Meeting held the 14th day of May 2013, by the following vote:

AYES: Mayor Sinnott, Deputy Mayor Haydu, Council Members Corti, Mosier and Parks

NOES: None

ABSENT: None

ABSTAIN: None

[Signature]
Mercedes Martin, City Clerk
City of Del Mar
June 19, 2013

Attention: Board of Directors

Hearing of Necessity to consider adoption of a Resolution of Necessity and authorization of condemnation proceedings to acquire temporary property interests for the Pipeline 3 Desal Relining – San Marcos to Twin Oaks project on Assessor Parcel Numbers: 178-170-11 Hojung Choi, a married woman as her sole and separate property, and Brian Myong Sok Choi and Agnes Myong Ja Choi, husband and wife, all as joint tenants with right of survivorship; 181-072-06 Gary Meng, an unmarried man; 184-102-08 Hooshang Karimi, a single man and Ashkan Karimi, a single man; 218-371-04, 218-650-48, KB Homes Coastal Inc., a California Corporation; 219-116-20, 21, 22 The Movement Church, a California Corporation.

Staff recommendation
1. That the Board of Directors:
   a) Receive public testimony;
   b) Determine that offers to acquire the necessary real property were made to the owners of the subject properties pursuant to Section 7267.2 of the Government Code;
   c) Adopt Resolution of Necessity No. 2013- __(Attachment 2) pertaining to the acquisition of real property from the subject parcels in support of the Pipeline 3 Relining Project, and find that:
      1) the public interest and necessity require the project
      2) the project is planned or located in a manner that will be the most compatible with the greatest public good and least private injury; and
      3) the interest in the property sought to be acquired is necessary for the project;
   d) Authorize staff to proceed with condemnation proceedings necessary to acquire the right of way on the subject properties.

Alternatives
Do not adopt the Resolution of Necessity or postpone action on the Resolution of Necessity. A delay in the adoption of this action may result in missing completion commitments made in the Carlsbad Desalination Project’s Water Purchase Agreement.

Fiscal impact
The Water Authority will deposit funds with the Probate Court for the amount offered, which is not less than the appraised value as determined by a certified independent appraiser. Funds for this action have been included in the recommended Budget for Fiscal Years 2014 and 2015 and are dependent upon Board approval.

Background
As part of the Carlsbad Desalination Project, Pipeline 3 will be repurposed to convey desalinated
water north to the Twin Oaks Valley Water Treatment Plant (TOVWTP) from San Marcos. Pipeline 3 between San Marcos and TOVWTP consists of 27,000 feet of 72-inch and 75-inch steel pipe installed in 1958 and must be relined to withstand higher pressures than anticipated in its original design. The project location is shown in Attachment 1.

Previous Board Action: On November 29, 2012, the Board adopted Resolution No. 2012-18 a resolution of the Board of Directors of the San Diego County Water Authority approving a Water Purchase Agreement and a Design-Build Agreement for pipeline improvements with Poseidon Resources, Channelside LP; approving an installment sale and assignment agreement with the San Diego County Water Authority Financing Agency and other agreements necessary to accomplish tax exempt project financing through the California Pollution Control Financing Authority; approving adjustments to the Capital Improvement Program Budget; approving supporting contracts and contract amendments; approving the Second Addendum to the City of Carlsbad Precise Development Plan and Desalination Project Environmental Impact Report (State Clearing House no. 2004041081); adopting a mitigation monitoring and reporting program; authorizing the filing of a Notice of Determination; and authorizing the General Manager and General Counsel to execute agreements and take other actions necessary for implementation of the Carlsbad Desalination Project.

Discussion
The relining of Pipeline 3 requires 15 portal locations between San Marcos and Twin Oaks. At 14 of the 15 portal sites, excavation will exceed the limits of the existing Water Authority right of way and require acquisition of temporary construction rights from 17 private property owners. Independent appraisals of these 17 private properties were completed and offers pursuant to Government Code Section 7267.2, were made to the owners based on those appraisals. To date, 5 of the 17 property owners have not signed agreements granting the Water Authority temporary rights for construction.

A construction contract for the relining of Pipeline 3 is scheduled to be considered by the Board in November 2013. In order to ensure legal possession of all necessary property rights before the construction contract award, it is necessary to adopt a Resolution of Necessity (Attachment 2) at this time regarding the five properties where negotiations have not successfully concluded.

Staff recommends the Board adopt the Resolution of Necessity for the Pipeline 3 Relining project.

Prepared by: Mike Flanagan, Senior Right of Way Agent
Mike Conner, Senior Engineer
Reviewed by: William J. Rose, Director of Engineering
Approved by: Frank Belock, Jr., Deputy General Manager

Attachments:
1. Figure 1 – Pipeline 3 Desal Relining
2. Resolution of Necessity No. 2013-___ w/Exhibits 1-5
FIGURE 1
PIPELINE 3 DESALINATION RELINING SAN MARCOS TO TWIN OAKS
PROJECT:
San Diego County Water Authority
CAPITAL IMPROVEMENT PROGRAM
PORTAL AREA MAP
PROJECT:
PIPELINE 3 DESALINATION RELINING SAN MARCOS TO TWIN OAKS
FIGURE 1
RESOLUTION NO. 2013-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY DECLARING THE PUBLIC INTEREST AND NECESSITY TO ACQUIRE PROPERTY BY EMINENT DOMAIN FOR THE PIPELINE 3 DESAL RELINING – SAN MARCOS TO TWIN OAKS PROJECT

A. The San Diego County Water Authority is a public agency, organized and existing under California law to construct, operate, control, maintain and use works, facilities and means to provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs. (West’s Cal. Water Code Appendix §45-5.)

B. Pursuant to its statutory authority, the Water Authority intends to implement the a project known as THE PIPELINE 3 DESAL RELINING – SAN MARCOS TO TWIN OAKS PROJECT and consisting of relining Pipeline 3 from San Marcos to the Twin Oaks Valley Water Treatment Plant (TOVWTP) including incidental, appurtenant, and related works or facilities pursuant to Code of Civ. Proc. § 1240.120, and implementation of environmental mitigation measures, if any, identified in the environmental document referenced in paragraph C (the Project). This section of pipe consists of 27,000 linear feet of 72 and 75 inch pipe. The plans for the project are on file with the Director of Engineering.

C. An Environmental Impact Report for the Project was certified on June 13, 2006 (by the City of Carlsbad, as lead agency). Addendum 1 was certified on September 15, 2009 (by the City of Carlsbad). Addendum 2 was certified on November 29, 2012 including approval of a “Mitigation Monitoring and Reporting Program” (by the San Diego County Water Authority, as responsible agency).

D. Implementation of the Project requires acquisition of the property described and depicted in Exhibits 1 through 5 to this resolution. The property is required for a temporary period of eighteen (18) months. The property will be used for construction areas that allow access for the pipeline relining.

E. The Project is authorized by paragraphs (4), (11), and (12) of section 5 of the County Water Authority Act (West’s Cal. Water Code Appendix §45-5).

F. The Water Authority is authorized to acquire the Property, by eminent domain pursuant to the California Constitution, the California Eminent Domain Law and paragraph (5) of Section 5 of the County Water Authority Act. (West’s Cal. Water Code Appendix §45-5).

G. Notice of the meeting and hearing of the Board of Directors to consider this resolution was given in accordance with applicable law.

H. The Water Authority has established the just compensation for the Property, has provided the owners of the Property a written statement and summary of the basis for the amount
established as just compensation for the Property, and has made an offer to acquire the Property for the full amount established by the Water Authority as just compensation.

I. Funds have been budgeted and appropriated sufficient for payment of just compensation for the Property and implementation of the Project.

J. The Board of Directors has considered the information in the Environmental Report and Addendum 1 that were certified June 13, 2006 and August 2009 respectively by the City of Carlsbad, and Addendum 2 that was certified by the San Diego County Water Authority on November 2012, including approval of a “Mitigation Monitoring and Reporting Program” the oral and written reports of staff and oral and written presentations, if any, of other persons at the meeting and hearing to consider this resolution, and other records of the Water Authority relating to the Project.

THEREFORE, the Board of Directors of the San Diego County Water Authority finds, determines and RESOLVES as follows:

1. The above recitations are true.

2. The public interest and necessity require the Project.

3. The Project has been planned and located in a manner most compatible with the greatest public good and the least private injury.

4. The Property is necessary for the Project. Immediate possession of the Property is necessary for implementation of the Project in a timely manner.

5. The Water Authority has complied with the requirements of Government Code § 7267.2 to the extent applicable to the Property.

6. The General Counsel, directly or through special counsel retained by the General Counsel, is authorized and directed, on behalf of the Water Authority, to acquire the Property by eminent domain, in fee simple absolute unless a lesser estate is described for the Property in an Exhibit to this resolution, and to commence and prosecute an eminent domain action or actions for that purpose, to obtain an order of court authorizing the Water Authority to take possession of the property at the earliest date authorized by law, to retain attorneys and experts, and to take such other actions as the General Counsel determines necessary for acquisition of the property.

7. The General Manager is authorized and directed to deposit from Water Authority funds the amount of probable compensation for the Property pursuant to applicable law and to take all other actions requested by the General Counsel for acquisition of the Property.

8. The General Counsel, with the approval of the General Manager, is authorized to correct any errors and make non-material changes to the description of the Property to be acquired, or to
reduce or modify the amount or interest in Property to be acquired as needed to reduce the amount of just compensation to be paid so long as the reduction or modification will not materially impair the implementation of the Project.

PASSED, APPROVED AND ADOPTED this ______ day of __________, 20____.

AYES:

NOES:

ABSTAIN:

ABSENT:

____________________________
Board of Directors

ATTEST:


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 by the requisite two-thirds vote at the meeting of the Board of Directors on the date stated above.

____________________________
Doria F. Lore
Clerk of the Board
RIGHT OF ENTRY

HOJUNG CHOI, a married woman as her sole and separate property and BRIAN MYONG SOK CHOI and AGNES MYONG JA CHOI, husband and wife, all as joint tenants with right of survivorship ("Owner"), hereby permit the SAN DIEGO COUNTY WATER AUTHORITY, its agents, employees and contractors ("Water Authority"), to enter upon a portion of Owner's property described as Portal No. 1 in Exhibit "A" and shown on Exhibit "B", located on Assessor’s Parcel Nos. 178-170-01 and 11 (the "Premises"), upon the following terms and conditions:

1. **Grant of Right-of-Entry.** Owner hereby grants Water Authority a right-of-entry ("Permit") over the Premises for purposes of access, excavation, soil and pipe storage, fencing and all activities associated with the relining of an underground aqueduct pipeline.

2. **Term.** The term of this Agreement shall be 18 months. The Water Authority shall provide Owner 30-day advance written notice of the start of the term. In the event the work exceeds 18 months, the Water Authority will notify the Owner that this Right of Entry shall continue on a month-to-month basis until the work at this site is complete.

3. **Payment.** Water Authority agrees to pay Owner the sum of ($1,000) as consideration upon execution of this Permit. No improvements will be impacted by the use of the property

Should Water Authority's use of the premises exceed the stated term, this Permit may continue at the prorated rate of $56.00 per month for each month thereafter. Payment for the Permit extension shall be made upon termination of the Permit. In no event shall the term of this Permit extend beyond twenty four months.
4. **Indemnification.** *Indemnification by the Water Authority* - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Owner, Board members or employees, the Water Authority shall, to the fullest extent permitted by law, defend, indemnify, and hold the Owner, its Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from exercise of this Permit.

*Indemnification by the Owner* - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Water Authority, its officers, agents, Board members or employees, the Owner shall, to the fullest extent permitted by law, defend, indemnify, and hold the Water Authority, its officers, agents, Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from access, deliveries, storage, fencing and other tasks associated with the relining of an underground aqueduct pipeline.

5. **Compliance with Laws.** In conducting its operations on the Premises, Water Authority shall comply, with all applicable laws, regulations, rules, and orders, including, without limitation, those relating to health, safety, noise, environmental protection, waste disposal, and water and air quality.

6. **Water Authority’s Agents.** Any person, firm or corporation authorized to work upon the Premises by the Water Authority shall be deemed to be Water Authority’s agent and shall be subject to all applicable terms hereof.

7. **Condition of Premises.** Water Authority shall, prior to termination of this Permit, restore property to a condition as near as reasonably possible to that which existed prior to Water Authority occupancy.

8. **No Implied Easement.** Nothing in this Permit shall be construed to grant Water Authority a permanent easement by implication, prescription, or any other operation of law.

9. **Authority.** Owner represents and warrants that it has full power and authority to execute and fully perform its obligations under this Permit pursuant to its governing instruments, without the need for any further action, and that the person(s) executing this Permit on behalf of Owner are the duly designated agents of Owner and are authorized to do so, and that fee title to the Premises vests solely in Owner.

10. **Notices.** All notices given under this Right of Entry shall be in writing and delivered to the following personnel:
San Diego County Water Authority
4677 Overland Ave
San Diego, CA 92123

Attn: John Kross
Right of Way Manager
858-522-6901

Owner: Brian Choi
3588 North Twin Oaks Valley Road
San Marcos, Ca 92069

11. **Entire Agreement.** This Permit, together with the exhibits attached hereto, constitutes the entire agreement between the parties.

12. **Modification.** The provisions of this Permit may not be modified, except by mutual written consent.

13. **Partial Invalidity.** If any provision of this Permit is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Permit shall not be affected. Each provision shall be valid and enforceable to the fullest extent permitted by law.

14. **Successors & Assigns.** This Permit shall be binding on and inure to the benefit of the parties and their successors and assigns.

IN WITNESS WHEREOF, Owner and Water Authority have executed this Permit by the duly authorized representatives.

**OWNER:**

_________________________________________   _______________________
HOJUNG CHOI   Date

_________________________________________   _______________________
BRIAN MYONG SOK CHOI   Date

_________________________________________   _______________________
AGNES MYONG JA CHOI,   Date

**SAN DIEGO COUNTY WATER AUTHORITY**

By: ______________________________________   _______________________
W. John Kross   Right of Way Manager   Date
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
A.P.N. 178-170-11
(K0304 1-TCE)

THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 23, TOWNSHIP 11 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF, DESCRIBED IN GRANT DEED, RECORDED OCTOBER 11, 2010 AS FILE 2010-0544625, O.R., LYING 30.00 FEET NORHEASTERLY AND IMMEDIATELY ADJACENT TO THE SAN DIEGO COUNTY WATER AUTHORITY RIGHT-OF-WAY, AS SHOWN ON RECORD OF SURVEY 20768, RECORDED AUGUST 5, 2010 AS FILE 2010-0401105 IN BOOK OF RECORDS OF SURVEY 20768 AND LYING NORTHWESTERLY OF ENGINEERS STATION 2645+00, AS SHOWN ON "PIPELINE 3 RELINING TWIN OAKS TO SAN MARCOS" PLANS, FILED IN THE OFFICE OF THE SAN DIEGO COUNTY WATER AUTHORITY AS PROJECT K0304, SPECIFICATION NO. 617

CONTAINING 5,368 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998
EXPIRATION 9/30/13

MJS 2/21/13
REV 5/29/13
EXHIBIT "B"

PARCEL K0304 PORTAL 1 TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 178-170-11
TITLE REPORT PREPARED BY FIDELITY NATIONAL TITLE COMPANY
NO. 997-23018857-PP2 DATE: DECEMBER 5, 2012

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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION
*** NOT PLOTTED - ILLEGIBLE DOCUMENT
**** NOT PLOTTED - TEMPORARY CONSTRUCTION EASEMENT (EXPIRED)

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SAN DIEGO COUNTY WATER AUTHORITY

TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±5368 SF

SDCWA PARCEL NO.: K0304 TCE PORTAL 1
VESTING: CHOI BRIAN NYONG SOK & AGNES NYONG JA (APN 178-170-11)

DRAWN BY: LW CHECK BY: MJS 04/29/2013 SHT 2 OF 2
EXHIBIT 2

PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE [6103])

RECORDING REQUESTED BY, AND WHEN RECORDED PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

DOCUMENTARY TRANSFER TAX: None

Assessor's Parcel No: 181-072-06
Project Name & No: P3 Reline
SDCWA Parcel No: Portal 4

RIGHT OF ENTRY

GARY MENG ("Owner"), hereby permit the SAN DIEGO COUNTY WATER AUTHORITY, its, agents, employees and contractors ("Water Authority"), to enter upon a portion of Owner's property described as Portal No. 4, in Exhibit “A” and shown on Exhibit “B”, located on Assessor’s Parcel Nos. 181-072-06 (the “Premises”), upon the following terms and conditions:

1. **Grant of Right-of-Entry.** Owner hereby grants Water Authority a right-of-entry ("Permit") over the Premises for purposes of access, excavation, soil and pipe storage, fencing and all activities associated with the relining of an underground aqueduct pipeline.

2. **Term.** The term of this Agreement shall be 18 months. The Water Authority shall provide Owner 30-day advance written notice of the start of the term. In the event the work exceeds 18 months, the Water Authority will notify the Owner that this Right of Entry shall continue on a month-to-month basis until the work at this site is complete.

3. **Payment.** Water Authority agrees to pay Owner the sum of ($1,000) as consideration upon execution of this Permit. No improvements will be impacted by the use of the property

Should Water Authority's use of the premises exceed the stated term, this Permit may continue at the prorated rate of $56.00 per month for each month thereafter. Payment for the Permit extension shall be made upon termination of the Permit. In no event shall the term of this Permit extend beyond twenty four months.
4. **Indemnification.**  
*Indemnification by the Water Authority* - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Owner, Board members or employees, the Water Authority shall to the fullest extent permitted by law defend, indemnify, and hold the Owner, its Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from exercise of this Permit.

*Indemnification by the Owner* - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Water Authority, its officers, agents, Board members or employees, the Owner shall to the fullest extent permitted by law defend, indemnify, and hold the Water Authority, its officers, agents, Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from access, deliveries, storage, fencing and other tasks associated with the relining of an underground aqueduct pipeline.

5. **Compliance with Laws.** In conducting its operations on the Premises, Water Authority shall comply, with all applicable laws, regulations, rules, and orders, including, without limitation, those relating to health, safety, noise, environmental protection, waste disposal, and water and air quality.

6. **Water Authority’s Agents.** Any person, firm or corporation authorized to work upon the Premises by the Water Authority shall be deemed to be Water Authority’s agent and shall be subject to all applicable terms hereof.

7. **Condition of Premises.** Water Authority shall prior to termination of this Permit, restore property to a condition as near as reasonably possible to that which existed prior to Water Authority occupancy.

8. **No Implied Easement.** Nothing in this Permit shall be construed to grant Water Authority a permanent easement by implication, prescription, or any other operation of law.

9. **Authority.** Owner represents and warrants that it has full power and authority to execute and fully perform its obligations under this Permit pursuant to its governing instruments, without the need for any further action, and that the person(s) executing this Permit on behalf of Owner are the duly designated agents of Owner and are authorized to do so, and that fee title to the Premises vests solely in Owner.

10. **Notices.** All notices given under this Right of Entry shall be in writing and delivered to the following personnel:
San Diego County Water Authority
4677 Overland Ave
San Diego, CA 92123

Attn: John Kross
Right of Way Manager
858-522-6901

Owner: Gary Meng
c/o Sherwin Meng
71 Secret Garden
Irvine, Ca 92620

11. Entire Agreement. This Permit, together with the exhibits attached hereto, constitutes the entire agreement between the parties.

12. Modification. The provisions of this Permit may not be modified, except by mutual written consent.

13. Partial Invalidity. If any provision of this Permit is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Permit shall not be affected. Each provision shall be valid and enforceable to the fullest extent permitted by law.

14. Successors & Assigns. This Permit shall be binding on and inure to the benefit of the parties and their successors and assigns.

IN WITNESS WHEREOF, Owner and Water Authority have executed this Permit by the duly authorized representatives.

OWNER:

__________________________
GARY MENG

SAN DIEGO COUNTY WATER AUTHORITY

By: _______________________
W. John Kross
Right of Way Manager
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
A.P.N. 181-072-06
(K0301 4A-TCE)

THAT PORTION OF PARCEL 4 OF PARCEL MAP 10319, FILED IN THE OFFICE OF THE COUNTY
REORDER OF SAN DIEGO COUNTY, AUGUST 7, 1980 AS FILE NO. 80-251421 O.R., DESCRIBED
IN TRUSTEE'S DEED, RECORDED OCTOBER 15, 1991 AS DOCUMENT '91-0533085 O.R., LYING
25.00 FEET EASTERLY AND IMMEDIATELY ADJACENT TO THE SAN DIEGO COUNTY WATER
AUTHORITY RIGHT-OF-WAY, AS SHOWN ON RECORD OF SURVEY 17699, RECORDED JULY 25,
2003 AS FILE 2003-0889043 IN BOOK OF RECORDS OF SURVEY 17899, BOUNDED NORTHERLY
BY ENGINEERS STATION 2706+11 AND SOUTHERLY BY ENGINEERS STATION 2707+71, AS
SHOWN ON "PIPELINE 3 RELINING TWIN OAKS TO SAN MARCOS" PLANS, FILED IN THE OFFICE
OF THE SAN DIEGO COUNTY WATER AUTHORITY AS PROJECT K0304, SPECIFICATION NO. 617

CONTAINING 4,002 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998  DATE
EXPIRATION 9/30/13

MJS 2/21/13
EXHIBIT "B"

LEGEND:

- DENOTES PROPOSED TEMPORARY CONSTRUCTION EASEMENT (± 4002 SF)

- INDICATES EXISTING EASEMENT. (SEE SHEET 2 OF 2 FOR ENCUMBRANCE ITEM DESCRIPTION.)

SAN DIEGO COUNTY WATER AUTHORITY

TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±4002 SF

SDCWA PARCEL NO.: PORTAL 4A TCE (PROJECT: KO304)

VESTING: MENG GARY (APN 181-072-06)

DRAWN BY: JPW  CHECK BY: MJS  2/22/2013  SHT 1 OF 2
**EXHIBIT “B”**

**PARCEL K0304 PORTAL 4A - TCE**

**ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 181-072-06**

**TITLE REPORT PREPARED BY FIDELITY NATIONAL TITLE COMPANY**

**NO. 08-725117299-A-PP**

**DATE: DECEMBER 12, 2012**

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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA

**SAN DIEGO COUNTY WATER AUTHORITY**

**TEMPORARY CONSTRUCTION EASEMENT**

**TCE AREA: ±4002 SF**

**SDCWA PARCEL NO.: K0304 TCE PORTAL 4A**

**VESTING:**

**MENG GARY**

**(APN 181-072-06)**

**DRAWN BY: J.P.W.**

**CHECKED BY: N.J.S.**

**02/22/2013 | SHT 2 OF 2**
EXHIBIT 3

PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE [6103])

RECORDING REQUESTED BY, AND WHEN RECORDED PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

DOCUMENTARY TRANSFER TAX: None
Assessor’s Parcel No: 184-102-08
Project Name & No: P3 Reline
SDCWA Parcel No: Portal 7A

RIGHT OF ENTRY

HOOSHANG KARIMI and ASHKAN KARIMI (“Owner”), hereby permits the SAN DIEGO COUNTY WATER AUTHORITY, its agents, employees and contractors (“Water Authority”), to enter upon a portion of Owner’s property described as Portal No. 7A in Exhibit “A” and shown in Exhibit “B”, located on Assessor’s Parcel Number 184-102-08 (the “Premises”), upon the following terms and conditions:

1. **Grant of Right-of-Entry.** Owner hereby grants Water Authority a right-of-entry ("Permit") over the Premises for purposes of access, excavation, soil and pipe storage, deliveries, fencing and other tasks associated with the relining of an underground aqueduct pipeline.

2. **Term.** The term of this Agreement shall be 18 months. The Water Authority shall provide Owner 30-day advance written notice of the start of the term. In the event the work exceeds 18 months, this Right of Entry shall continue on a month-to-month basis until the project is complete.

3. **Payment.** Water Authority agrees to pay Owner the sum of ($1,000) in consideration of this Permit. Should Water Authority’s use of the premises exceed the stated term, this Permit may continue at the prorated rate of $56.00 per month for each month thereafter. In no event shall the term of this Permit extend beyond twenty four months.

4. **Indemnification.** *Indemnification by the Water Authority* - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Owner, Board members or employees, the Water Authority shall, to the fullest extent permitted by law, defend, indemnify, and hold the Owner, its Board members or employees harmless against all liability, any and all claims and losses of any type, whether
for death, bodily injury, property damage or other loss resulting from exercise of this Permit

**Indemnification by the Owner** - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Water Authority, its officers, agents, Board members or employees, the Owner shall, to the fullest extent permitted by law, defend, indemnify, and hold the Water Authority, its officers, agents, Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from access, deliveries, storage, fencing and other tasks associated with the relining of an underground aqueduct pipeline.

5. **Compliance with Laws.** In conducting its operations on the Premises, Water Authority shall comply, with all applicable laws, regulations, rules, and orders, including, without limitation, those relating to health, safety, noise, environmental protection, waste disposal, and water and air quality.

6. **Water Authority's Agents.** Any person, firm or corporation authorized to work upon the Premises by the Water Authority shall be deemed to be Water Authority’s agent and shall be subject to all applicable terms hereof.

7. **Condition of Premises.** Water Authority shall prior to termination of this Permit, restore property to a condition as near as reasonably possible to that which existed prior to Water Authority occupancy.

8. **No Implied Easement.** Nothing in this Permit shall be construed to grant Water Authority a permanent easement by implication, prescription, or any other operation of law.

9. **Authority.** Owner represents and warrants that it has full power and authority to execute and fully perform its obligations under this Permit pursuant to its governing instruments, without the need for any further action, and that the person(s) executing this Permit on behalf of Owner are the duly designated agents of Owner and are authorized to do so, and that fee title to the Premises vests solely in Owner.

10. **Notices.** All notices given under this Right of Entry shall be in writing and delivered to the following personnel:

    San Diego County Water Authority
    4677 Overland Ave
    San Diego, CA 92123

    Attn: John Kross
    Right of Way Manager
Engineering Department
858-522-6901

Owner: Ashkan Karimi
1254 Holmby Ave
Los Angeles, Ca 90024-5142

11. **Entire Agreement.** This Permit, together with the exhibits attached hereto, constitutes the entire agreement between the parties.

12. **Modification.** The provisions of this Permit may not be modified, except by mutual written consent.

13. **Partial Invalidity.** If any provision of this Permit is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Permit shall not be affected. Each provision shall be valid and enforceable to the fullest extent permitted by law.

14. **Successors & Assigns.** This Permit shall be binding on and inure to the benefit of the parties and their successors and assigns.

IN WITNESS WHEREOF, Owner and Water Authority have executed this Permit by the duly authorized representatives.

**SAN DIEGO COUNTY WATER AUTHORITY**

By: ____________________________

W. John Kross
Right of Way Manager

DATE

**OWNER:**

**HOOSHANG KARIMI:**

DATE

**ASHKAN KARIMI**

DATE
EXHIBIT “A”
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
A.P.N. 184-102-08
(K0301 7A-TCE)


CONTAINING 2,048 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998 DATE EXPIRATION 9/30/13

MJS 2/21/13
# PARCEL K0304 PORTAL 7A - TCE

**ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 184-102-08**

**TITLE REPORT PREPARED BY FIDELITY NATIONAL TITLE COMPANY**

**NO. 08-725117320-A-PP**

**DATE: DECEMBER 10, 2012**

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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA

** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION

*** NOT PLOTTED - ILLEGIBLE DOCUMENT

**** NOT PLOTTED - TEMPORARY CONSTRUCTION EASEMENT (EXPIRED)
RIGHT OF ENTRY

KB Homes Coastal Inc ("Owner"), hereby permits the SAN DIEGO COUNTY WATER AUTHORITY, its, agents, employees and contractors ("Water Authority"), to enter upon a portion of Owner's property described as Portal Nos. 11A and 12E, in Exhibit "A" and shown on Exhibit "B", located on Assessor's Parcels 218-371-04 and 218-650-48 (the "Premises"), upon the following terms and conditions:

1. **Grant of Right-of-Entry.** Owner hereby grants Water Authority a right-of-entry ("Permit") over the Premises for purposes of access, excavation, soil and pipe storage, fencing and all activities associated with the relining of an underground aqueduct pipeline.

2. **Term.** The term of this Agreement shall be 18 months. The Water Authority shall provide Owner 30-day advance written notice of the start of the term. In the event the work exceeds 18 months, the Water Authority will notify the Owner that this Right of Entry shall continue on a month-to-month basis until the work at this site is complete.

3. **Payment.** Water Authority agrees to pay Owner the sum of ($1,000) as consideration upon execution of this Permit. Should Water Authority's use of the premises exceed the stated term, this Permit may continue at the prorated rate of $56.00 per month for each month thereafter. Payment for the Permit extension shall be made upon termination of the Permit. In no event shall the term of this Permit extend beyond twenty four months.

4. **Indemnification.** Indemnification by the Water Authority - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Owner, Board members or
employees, the Water Authority shall, to the fullest extent permitted by law, defend, indemnify, and hold the Owner, its Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from exercise of this Permit.

Indemnification by the Owner - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Water Authority, its officers, agents, Board members or employees, the Owner shall, to the fullest extent permitted by law, defend, indemnify, and hold the Water Authority, its officers, agents, Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from access, deliveries, storage, fencing and other tasks associated with the relining of an underground aqueduct pipeline.

5. Compliance with Laws. In conducting its operations on the Premises, Water Authority shall comply, with all applicable laws, regulations, rules, and orders, including, without limitation, those relating to health, safety, noise, environmental protection, waste disposal, and water and air quality.

6. Water Authority's Agents. Any person, firm or corporation authorized to work upon the Premises by the Water Authority shall be deemed to be Water Authority’s agent and shall be subject to all applicable terms hereof.

7. Condition of Premises. Water Authority shall prior to termination of this Permit, restore property to a condition as near as reasonably possible to that which existed prior to Water Authority occupancy.

8. No Implied Easement. Nothing in this Permit shall be construed to grant Water Authority a permanent easement by implication, prescription, or any other operation of law.

9. Authority. Owner represents and warrants that it has full power and authority to execute and fully perform its obligations under this Permit pursuant to its governing instruments, without the need for any further action, and that the person(s) executing this Permit on behalf of Owner are the duly designated agents of Owner and are authorized to do so, and that fee title to the Premises vests solely in Owner.

10. Notices. All notices given under this Right of Entry shall be in writing and delivered to the following personnel:

San Diego County Water Authority
4677 Overland Ave
San Diego, CA 92123
Attn: John Kross  
Right of Way Manager  
Engineering Department  
858-522-6901

Owner: KB Homes Coastal Inc.  
36310 Inland Valley Drive  
Wildomar, Ca 92595

11. Entire Agreement. This Permit, together with the exhibits attached hereto, constitutes the entire agreement between the parties.

12. Modification. The provisions of this Permit may not be modified, except by mutual written consent.

13. Partial Invalidity. If any provision of this Permit is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Permit shall not be affected. Each provision shall be valid and enforceable to the fullest extent permitted by law.

14. Successors & Assigns. This Permit shall be binding on and inure to the benefit of the parties and their successors and assigns.

IN WITNESS WHEREOF, Owner and Water Authority have executed this Permit by the duly authorized representatives.

SAN DIEGO COUNTY WATER AUTHORITY

By: ____________________________ Date
W. John Kross
Right of Way Manager

OWNER: KB Homes Coastal Inc

By: ____________________________ Date
Title: ____________________________

Page 482 of 502
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
A.P.N. 218-371-04
(K0301 11A-TCE)

THAT PORTION OF LOT A OF PALOMA-AREA 4 UNIT NO. 1, SAN MARCOS TRACT NO. 302, IN THE
CITY OF SAN MARCOS, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP
THEREOF NO. 13729, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO
COUNTY, FEBRUARY 26, 1999 AS FILE NO. 1999-0120087 O.R., LYING 10.00 FEET EASTERLY AND
IMMEDIATELY ADJACENT TO THE SAN DIEGO COUNTY WATER AUTHORITY RIGHT-OF-WAY, AS
SHOWN ON RECORD OF SURVEY 20768, RECORDED AUGUST 5, 2010 AS FILE 2010-0401105 IN
BOOK OF RECORDS OF SURVEY 20768 AND LYING SOUTHERLY OF ENGINEERS STATION
2826+64, AS SHOWN ON "PIPELINE 3 RELINING TWIN OAKS TO SAN MARCOS" PLANS, FILED IN
THE OFFICE OF THE SAN DIEGO COUNTY WATER AUTHORITY AS PROJECT K0304,
SPECIFICATION NO. 617

CONTAINING 1,051 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998 DATE
EXPIRATION 9/30/13

MJS 2/22/13
LEGEND:

- DENOTES PROPOSED TEMPORARY CONSTRUCTION EASEMENT (± 1051 SF)

- INDICATES EXISTING EASEMENT. (SEE SHEET 2 OF 2 FOR ENCUMBRANCE ITEM DESCRIPTION.)

SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±1051 SF

SDCWA PARCEL NO.: PORTAL 11A TCE (PROJECT: K0304)
VESTING: K B HOME COASTAL INC (APN 218-371-04)

DRAWN BY: LW | CHECK EY: MJS 02/26/2013 | SHT 1 OF 2
EXHIBIT "B"

PARCEL K0304 PORTAL 11A - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 218-371-04
TITLE REPORT PREPARED BY FIDELITY NATIONAL TITLE COMPANY
NO. 997-23018547-PP2 DATE: DECEMBER 12, 2012

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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA  
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION  
*** NOT PLOTTED - ILLEGIBLE DOCUMENT  
**** NOT PLOTTED - TEMPORARY CONSTRUCTION EASEMENT (EXPIRED)

---

SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±1051 SF

SDCWA PARCEL NO.: K0304 TCE PORTAL 11A  
VESTING: K B HOME COASTAL INC (APN 218-371-04)

DRAWN BY: LW CHECK BY: MJS 02/26/2013  SHT 2 OF 2
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
A.P.N. 218-650-48
(K0304 12E-TCE)


CONTAINING 244 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998 DATE
EXPIRATION 9/30/13

MJS 6/05/13
EXHIBIT "B"

PARCEL K0304 PORTAL 12E - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 218-650-48
TITLE REPORT PREPARED BY FIDELITY NATIONAL TITLE COMPANY
NO. 997-23018548-PP-2 DATE: DECEMBER 12, 2012

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**** NOT PLOTTED - ILLEGIBLE DOCUMENT
***** NOT PLOTTED - TEMPORARY CONSTRUCTION EASEMENT (EXPIRED)

SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±244 SF

SDCWA PARCEL NO.: PORTAL 12E TCE (PROJECT: K0304) VESTING: K B HOME COASTAL INC (APN 218-650-48)

DRAWN BY: LW CHECK BY: MJS 06/05/2013 SHT 2 OF 2
PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE [6103])

RECORDING REQUESTED BY, AND WHEN RECORDED PLEASE MAIL TO:
San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

DOCUMENTARY TRANSFER TAX: None

Assessor’s Parcel No: 219-116-21, 22
Project Name & No: P3 Reline
SDCWA Parcel No: Portals 14C and 14D

RIGHT OF ENTRY

MOVEMENT CHURCH ("Owner"), hereby permits the SAN DIEGO COUNTY WATER AUTHORITY, its, agents, employees and contractors ("Water Authority"), to enter upon a portion of Owner’s property described as Portal Nos. 14C and 14D, in Exhibit “A” and shown on Exhibit “B”, located on Assessor’s Parcels 219-116-21 and 22 (the “Premises”), upon the following terms and conditions:

1. **Grant of Right-of-Entry.** Owner hereby grants Water Authority a right-of-entry ("Permit") over the Premises for purposes of access, excavation, soil and pipe storage, fencing and all activities associated with the relining of an underground aqueduct pipeline.

2. **Term.** The term of this Agreement shall be 18 months. The Water Authority shall provide Owner 30-day advance written notice of the start of the term. In the event the work exceeds 18 months, the Water Authority will notify the Owner that this Right of Entry shall continue on a month-to-month basis until the work at this site is complete.

3. **Payment.** Water Authority agrees to pay Owner the sum of ($8,000) as consideration upon execution of this Permit.

Should Water Authority’s use of the premises exceed the stated term, this Permit may continue at the prorated rate of $445.00 per month for each month thereafter. Payment for the Permit extension shall be made upon termination of the Permit. In no event shall the term of this Permit extend beyond twenty four months.

4. **Indemnification.** *Indemnification by the Water Authority - Except for liability, claims or losses attributable to, arising from or directly connected to the
sole negligence or sole willful misconduct of the Owner, Board members or employees, the Water Authority shall to the fullest extent permitted by law defend, indemnify, and hold the Owner, its Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from exercise of this Permit.

Indemnification by the Owner - Except for liability, claims or losses attributable to, arising from or directly connected to the sole negligence or sole willful misconduct of the Water Authority, its officers, agents, Board members or employees, the Owner shall to the fullest extent permitted by law defend, indemnify, and hold the Water Authority, its officers, agents, Board members or employees harmless against all liability, any and all claims and losses of any type, whether for death, bodily injury, property damage or other loss resulting from access, deliveries, storage, fencing and other tasks associated with the relining of an underground aqueduct pipeline.

5. Compliance with Laws. In conducting its operations on the Premises, Water Authority shall comply, with all applicable laws, regulations, rules, and orders, including, without limitation, those relating to health, safety, noise, environmental protection, waste disposal, and water and air quality.

6. Water Authority's Agents. Any person, firm or corporation authorized to work upon the Premises by the Water Authority shall be deemed to be Water Authority's agent and shall be subject to all applicable terms hereof.

7. Condition of Premises. Water Authority shall prior to termination of this Permit, restore property to a condition as near as reasonably possible to that which existed prior to Water Authority occupancy.

8. No Implied Easement. Nothing in this Permit shall be construed to grant Water Authority a permanent easement by implication, prescription, or any other operation of law.

9. Authority. Owner represents and warrants that it has full power and authority to execute and fully perform its obligations under this Permit pursuant to its governing instruments, without the need for any further action, and that the person(s) executing this Permit on behalf of Owner are the duly designated agents of Owner and are authorized to do so, and that fee title to the Premises vests solely in Owner.

10. Notices. All notices given under this Right of Entry shall be in writing and delivered to the following personnel:

San Diego County Water Authority
4677 Overland Ave
San Diego, CA 92123

Attn: John Kross
Right of Way Manager
858-522-6901

Owner: Movement Church
1370 W San Marcos Blvd #110
San Marcos, Ca 92078

11. **Entire Agreement.** This Permit, together with the exhibits attached hereto, constitutes the entire agreement between the parties.

12. **Modification.** The provisions of this Permit may not be modified, except by mutual written consent.

13. **Partial Invalidity.** If any provision of this Permit is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Permit shall not be affected. Each provision shall be valid and enforceable to the fullest extent permitted by law.

14. **Successors & Assigns.** This Permit shall be binding on and inure to the benefit of the parties and their successors and assigns.

IN WITNESS WHEREOF, Owner and Water Authority have executed this Permit by the duly authorized representatives.

MOVEMENT CHURCH:

BY: ____________________________

______________________________

TITLE

SAN DIEGO COUNTY WATER AUTHORITY

By: ____________________________

W. John Kross
Right of Way Manager
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
A.P.N. 219-116-21
(K0304 14C-TCE)

THAT PORTION OF THE NORTHEASTERLY 180.00 FEET OF PARCEL 3, OF PARCEL MAP 14929,
FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, AUGUST 11, 1987
AS FILE NO. 87-453670 O.R., LYING 25.00 FEET SOUTHEASTERLY AND IMMEDIATELY ADJACENT
TO THE SAN DIEGO COUNTY WATER AUTHORITY RIGHT-OF-WAY, AS SHOWN ON RECORD OF
SURVEY 17899, RECORDED JULY 25, 2003 AS FILE 2003-0889043 IN BOOK OF RECORDS OF
SURVEY 17899.

CONTAINING 3618 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998
EXPIRATION 9/30/13

MJS 4/29/13
EXHIBIT "B"

PARCEL K0304 Portal 14C- TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 219-116-21
TITLE REPORT PREPARED BY FIDELITY NATIONAL TITLE COMPANY
NO. 997-23025371-PP2 DATE: MARCH 21, 2013

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SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT
TCE AREA: ±3618 SF
SDCWA PARCEL NO.: K0304 TCE Portal 14C
VESTING: THE MOVEMENT CHURCH (APN 219-116-21)
DRAWN BY: JPW | CHECK BY: MJS 04/29/2013 SHT 2 OF 2
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
A.P.N. 219-116-22
(K0304 14D-TCE)

THAT PORTION OF THE NORTHEASTERLY 180.00 FEET OF PARCEL 4, OF PARCEL MAP 14929,
FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, AUGUST 11, 1987
AS FILE NO. 87-453670 O.R., LYING SOUTHEASTERLY AND IMMEDIATELY ADJACENT TO THE
SAN DIEGO COUNTY WATER AUTHORITY RIGHT-OF-WAY, AS SHOWN ON RECORD OF SURVEY
17899, RECORDED JULY 25, 2003 AS FILE 2003-0889043 IN BOOK OF RECORDS OF SURVEY
17899.

CONTAINING 882 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998 DATE
EXPIRATION 9/30/13

MJS 4/29/13
EXHIBIT "B"

CAPALINA ROAD

EXISTING 130' WIDE SDCWA RIGHT OF WAY PER ROS 20768

PARCEL 2
PM 6293

PARCEL 3
PM 6293

PARCEL 1

PARCEL 2

PARCEL 4
PM 14929

APN 219-116-22

SDCWA PIPELINE #3

APN 219-116-21

SDCWA PIPELINE #4

25'

130'

180'

21

19

12

B

21

SOUTH DAKOTA COUNTY WATER AUTHORITY

LEGEND:

DENOTES PROPOSED TEMPORARY CONSTRUCTION EASEMENT (±882 SF)

INDICATES EXISTING EASEMENT. (SEE SHEET 2 OF 2 FOR ENCUMBRANCE ITEM DESCRIPTION.)

TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±882 SF

SDCWA PARCEL NO.: PORTAL 14D TCE (PROJECT: K0304)

VESTING:
THE MOVEMENT CHURCH (APN 219-116-22)

DRAWN BY: JPW CHECK BY: MJS 04/29/2013 SHT 1 OF 2
PARCEL K0304 PORTAL 14D - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 219-116-22
TITLE REPORT PREPARED BY FIDELITY NATIONAL TITLE COMPANY
NO. 997-23025371-PP2 DATE: MARCH 21, 2013

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### SAN DIEGO COUNTY WATER AUTHORITY

**TEMPORARY CONSTRUCTION EASEMENT**

TCE AREA: ±882 SF

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<th>SDCWA PARCEL NO.:</th>
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<td>K0304 TCE PORTAL14D</td>
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**DRAWN BY:** JPW **CHECK BY:** MJS 04/29/2013 SHT 2 OF 2
June 19, 2013

Attention: Board of Directors

General Counsel’s Report – May/June 2013

Purpose
This report discusses certain legal matters receiving attention during the months of May/June 2013.

Significant Developments in Pending Litigation
MWD Rate Cases

Over the past two months, the Water Authority has continued to litigate discovery issues with the other parties. In late April, the Court granted the majority of the Water Authority’s motion to compel against MWD, forcing MWD to admit formally that it does not perform a cost-of-service analysis for any of its individual rates. Although MWD had earlier claimed that its rates are set according to industry standards and cost of service requirements, MWD now contends that it has no obligation to do so. In early May, the Court denied nearly all of MWD’s motion to compel against the Water Authority, putting off limits such categories of information as the Water Authority’s own rates and rate-setting practices, the Carlsbad Seawater Desalination Project, and other local water supply programs and projects.

With document discovery nearing completion, the Court appears eager to resolve this case at trial rather than litigate further discovery motions. In late May, the Court issued an order denying IID’s request for certain depositions to explain information in the record. The Court also held an informal conference to hear the Water Authority’s motion to compel discovery against LADWP. The Court encouraged the Water Authority and LADWP to work out their problems informally and we have now done so by a stipulation and order that will require and govern LADWP’s future timely document production. The order, entered on June 17, requires LADWP to use a narrowed list of search terms, conduct a full review for responsiveness to the Court’s previous discovery orders, and make weekly reports and document productions. The order also allows the Water Authority to negotiate additional searches and search terms as needed.

With discovery originally set to close on June 28, 2013, the Water Authority, MWD, and IID all served voluminous new discovery requests in late May. In June, the parties agreed to a mutual extension of the discovery deadline to July 29, 2013 to respond to these discovery requests. The next Case Management Conference is July 19. The Court is still expected to set a trial date this calendar year, most likely in November 2013.

LADWP Public Records Act Litigation

At a May 21 hearing on the Water Authority’s Petition for Writ of Mandate, the Court ruled in favor of the Water Authority. Judge Chalfant found that LADWP did not produce responsive documents on its own initiative, before or during the lawsuit. The Court noted that although LADWP had represented to the Court at a July 2012 status conference that its production was complete, LADWP later admitted that it was not complete. LADWP subsequently performed
two more searches, which the Court found occurred only at the prodding of, and objection by, the Water Authority. The Court ordered the Water Authority to provide a final list of search terms and that LADWP make a complete and final production of documents to the Water Authority within 30 days.

The Water Authority provided the final list of search terms to LADWP on June 7, so all documents are required to be produced to the Water Authority on or before July 8, 2013. The Court set a hearing for July 18 to determine the status of the final judgment and to confirm LADWP’s production of documents.

Under the Public Records Act, a court must award attorney fees to a plaintiff that prevails in litigation brought pursuant to the Act. Because the Water Authority prevailed in the litigation, the Court awarded it reasonable attorney fees. If the parties do not reach an agreement on the amount of attorneys’ fees, the Water Authority has reserved a date of August 27, 2013 for a motion to the Court.

**Eastern MWD Public Records Act Litigation**

The case is currently set for a status conference on August 16, 2013. At that time, the Water Authority will request that the Court set trial at the earliest available date, which will likely be late this year or early in 2014.

**QSA Litigation:**

On June 4, 2013, Judge Lloyd Connelly of the Sacramento Superior Court ruled in favor of the QSA parties on all remaining contested issues in the QSA Coordinated Civil Cases. The ruling came following a second trial after remand from the Third District Court of Appeal. The first trial focused on the legal validity of the agreements. In the first trial, the trial court rejected most of the legal challenges but entered judgment invalidating the agreements on the narrow ground that the QSA JPA had a single unconstitutional provision. In December 2011, the court of appeal reversed judgment of invalidity, finding the QSA JPA was constitutional and also finding that the trial court had properly rejected other legal challenges. It remanded the case for trial on previously undecided issues. These previously undecided issues included certain procedural challenges to IID’s approval of the QSA JPA, as well as CEQA challenges to the environmental reviews of the QSA Program and the IID-SDCWA Transfer. The court rejected all of the claims asserted by the QSA opponents and found that environmental reviews conducted by the water agencies fully complied with CEQA. The court found that: (1) Coachella Valley Water District, Imperial Irrigation District, SDCWA and Metropolitan Water District of Southern California properly served as co-lead agencies in preparing the QSA Program Environmental Impact Report (PEIR); (2) the PEIR appropriately used a future baseline in assessing the QSA’s potential impacts on the Salton Sea; (3) the PEIR properly defined and assessed the “no project” alternative for the QSA; (4) the PEIR evaluated a reasonable range of alternatives to the QSA; (5) PEIR and Transfer EIR properly assessed potential growth-inducing and air-quality impacts; and (6) the agencies properly used an addenda to document certain minor changes that were made to the PEIR and Transfer EIR. On June 11, 2013, the court issued an order clarifying that the June 4 ruling constitutes the court’s tentative decision and proposed statement of decision and gave the parties until June 26 to file objections to the proposed statement of decision.
The decision vindicates the foresight and leadership of the Water Authority’s Board of Directors when it approved the historic water transfer agreement with IID in 1998 and the QSA in 2003. These agreements secure for the Water Authority 200,000 acre feet annually of highly reliable conserved water from the Imperial Irrigation District and another nearly 80,000 acre feet annually of firm water conserved by the lining of the All-American and Coachella canals.

On June 12, the Third District Court of Appeal issued an unpublished opinion confirming the trial court’s dismissal of the Imperial County APCD’s lawsuit against the State Water Resources Control Board regarding the issuance of the state board permit for the QSA water transfers. The dismissal was because the APCD failed to name Metropolitan and Coachella as indispensable parties. A prior lawsuit brought by the County of Imperial also challenging the state board permit was also dismissed on similar grounds and affirmed by the same court of appeal in County of Imperial v. Superior Court (2007) 152 Cal.App.4th 13.

Liz Rothman and Amy Steinfeld of Brownstein Hyatt Farber Schreck have represented the Water Authority in all phases of the QSA litigation.

**Special Counsel Expenditures**

Funds approved for payments to special counsel during May-June 2013 from the General Counsel’s Operating Budget totaled $472,885.73 for work related to the Metropolitan rate dispute, enforcement of requests for public records, and QSA matters. In addition, $2,057.60 was approved for payment from Engineering's Operating Budget for work related to the San Vicente FERC Project and $232.50 was approved from Water Resources Operating Budget for work related to the desalination project. CIP expenditures during May-June 2013 were $181,272.04 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
<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project Description</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 Allocation FYs 12 &amp; 13 for Legal Services</th>
<th>($3.5 mil in additional funds was authorized in Nov. 2012)</th>
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* Concluded matters or assignments.

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, these legal expenses related to San Vicente are coming out of Engineering budget, not GC budget
3 Not included in totals, legal expenses related to proposed desalination project are coming out of Water Resources budget, not GC budget
4 Not included in totals, legal expenses related to personnel issues/labor negotiations are coming out of Human Resources budget, not GC budget
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<td></td>
<td>MWD RSI Mediation *</td>
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<tr>
<td>Winston, Dennis A.</td>
<td>Enforcing Requests for Public</td>
<td>$2,160.00 (OP)</td>
<td></td>
<td></td>
<td>$18,135.86 (OP)</td>
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<td>Records</td>
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<tr>
<td>Total:</td>
<td></td>
<td>$3,355,678.55 (OP)</td>
<td>$472,885.73 (OP)</td>
<td>$181,272.04 (OP)</td>
<td>$5,187,371.60 (OP)</td>
<td>$3,168,456.49 (OP) $4,629,010.52 (CIP) (of the original $4.7 million)</td>
</tr>
</tbody>
</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