The Carlsbad Desalination Project took one major step toward completion when crews installed the final piece, pipe section No. 2177, of the 10-mile conveyance pipeline the morning of June 29, 2015.
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 July 23, 2015 and the afternoon session of Standing Committees will commence at 1:00 p.m. Please see the meeting schedule. The full Board may begin as early as 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 online at [www.sdcwa.org](http://www.sdcwa.org) or at the Water Authority Headquarters.
MEETING SCHEDULE
JULY 23, 2015

MORNING SESSION 9:00 a.m. to 12:00 p.m.
Water Planning Committee Estimated time: 45 minutes
Legislation, Conservation & Outreach Estimated time: 20 minutes
Engineering & Operations Committee Estimated time: 45 minutes

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

AFTERNOON SESSION 1:00 p.m. to 3:00 p.m.
Administrative & Finance Committee Estimated time: 30 minutes
Imported Water Committee Estimated time: 1 hour 20 minutes

FORMAL BOARD MEETING 3:00 p.m.

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

AGENDA FOR

JULY 23, 2015

Yen Tu – Chair
Betty Evans – Vice Chair
Brian Brady – Vice Chair
Jimmy Ayala
Brian Boyle
Lois Fong-Sakai
Matt Hall
Tom Kennedy
Keith Lewinger
John Linden
Marty Miller
Jim Murtland
Jose Preciado
John Simpson
Tom Wornham

1. Roll call – determination of quorum.

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

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

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

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

1. Presentation on El Niño by Mike Dettinger, Scripps Institution of Oceanography.

III. INFORMATION

1. Update on water supply conditions and drought response activities. Alexi Schnell

2. Presentation on update of potable reuse activities. Toby Roy

3. Water Resources Report. Dana Friehauf
IV. CLOSED SESSION

1. CLOSED SESSION: Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: San Diego Coastkeeper v. SDCWA;
   San Diego Superior Court Case No. 37-2014-00013216-CU-JR-CTL

V. ADJOURNMENT

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.
July 15, 2015

Attention: Water Planning Committee

Update on water supply conditions and drought response activities. (Information)

Purpose
To monitor water supply, demand and storage conditions, and to provide an update on drought management activities in accordance with the Water Authority’s Water Shortage and Drought Response Plan.

Background
California is experiencing its fourth consecutive dry year, with the current water year considered critically dry. On May 5, 2015, the State Water Resources Control Board (SWRCB) adopted a final emergency regulation for statewide urban water conservation. The regulation was adopted in accordance with the Governor’s April 1, 2015 Executive Order, and requires Water Authority member agencies to reduce their monthly water use starting June 1, 2015 by 12 to 36 percent compared to 2013 water-use levels. On April 14, 2015, the Metropolitan Water District (MWD) Board approved implementation of the Water Supply Allocation Plan (WSAP) Level 3 Regional Shortage Level (15 percent cutback), effective July 1, 2015, through June 30, 2016.

In response to MWD supply cutbacks and the SWRCB regulation for statewide urban water conservation, the Water Authority Board, at its May 14, 2015 meeting:

- Declared the Mandatory Supply Cutback Stage of the Water Authority’s Water Shortage and Drought Response Plan
- Adopted Ordinance No. 2015-02
  - Approves member agency municipal and industrial (M&I) and Transitional Special Agricultural Water Rate (TSAWR) supply allocations for fiscal year 2016
  - Restricts irrigation of ornamental landscapes and turf with potable water to no more than two days a week across the region
  - Sets penalties for local agencies that exceed their supply allocations
- Directed staff to investigate the potential of a regional demand offset framework for drought periods in coordination with the member agencies

Discussion
State Water Project (SWP)
The State Water Project Table A allocation for calendar year 2015 remains at 20 percent of contractor requested deliveries. As of July 13, 2015, precipitation at the Northern Sierra 8-station index measured 36.6 inches, or 75 percent of seasonal average to date. Key reservoir storage on the State Water Project remains below average (Table 1).
Table 1. Reservoir Storage Levels on July 12, 2015

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in MAF</th>
<th>Percent of Capacity</th>
<th>Percent of Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oroville</td>
<td>1.30</td>
<td>37%</td>
<td>47%</td>
</tr>
<tr>
<td>San Luis*</td>
<td>0.68</td>
<td>33%</td>
<td>58%</td>
</tr>
<tr>
<td>Combined</td>
<td>1.98</td>
<td>35%</td>
<td>50%</td>
</tr>
</tbody>
</table>

*San Luis storage includes SWP and Central Valley Project. SWP share in San Luis was approximately 660 TAF.

Colorado River

In the Upper Colorado River Basin, precipitation through July 6, 2015 was approximately 91 percent of average. On July 1, 2015, the Bureau of Reclamation’s forecast for unregulated inflow into Lake Powell was 91 percent of average, an increase of 12 percent over the June 2015 forecast. With 12 out of the last 16 years dry on the Colorado River Basin, reservoir storage in Lake Mead and Lake Powell remains low (Table 3). However, based on recent storm activity, a shortage declaration is not expected on the Colorado River for 2016. Hydrology during summer months in the Upper Colorado River Basin continues to play an important role for future water supply conditions, as approximately one third of the water year’s precipitation typically occurs between May and the end of September.

Table 3. Reservoir Storage Levels on July 5, 2015

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in MAF</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>13.1</td>
<td>54%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>9.6</td>
<td>37%</td>
</tr>
<tr>
<td>Combined</td>
<td>22.7</td>
<td>45%</td>
</tr>
</tbody>
</table>

Local Supply and Demand Conditions

Locally, precipitation in San Diego County for water year 2015 remains below average. Following above average precipitation in December, dry conditions returned in January and February. Some relief was provided by a storm system in early March, and above normal precipitation in May. Table 4 shows accumulated total precipitation for two stations in San Diego County.

Table 4. Water Year 2015 Rainfall through July 12, 2015

<table>
<thead>
<tr>
<th>Station</th>
<th>Inches</th>
<th>Percent Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindberg Field</td>
<td>8.96</td>
<td>88%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>9.64</td>
<td>62%</td>
</tr>
</tbody>
</table>

Total local reservoir storage on June 7, 2015 was approximately 265,687 AF (36 percent of capacity). This does not account for “dead storage,” capacity that is physically inaccessible or restricted by agency operating or emergency storage policies. As of July 13, 2015, the Water...
Authority had approximately 31,000 AF of carryover supplies in San Vicente Reservoir. The Water Authority’s Semitropic groundwater storage bank has 16,100 AF in storage.

**Total Potable Water Use**

Figure 1 shows a comparison of Water Authority member agencies’ total monthly water use, excluding recycled water use, for FY 2014 and FY 2015. Member agencies’ total potable use in June 2015 was approximately 41,199 AF. This represents a 25 percent decrease from the same period a year ago. Overall FY 2015 total potable water use was 11 percent less than FY 2014.

As shown in Figure 2, the average daily maximum temperature in June 2015 was 2.6 degrees above normal, compared with 1.7 degrees above normal in June 2014. Following a brief reprieve in May 2015, when the average daily maximum temperature for San Diego was below normal for the first time since October 2013, temperatures were once again above normal.
Compliance with Water Authority Shortage Management Action (Board Ordinance 2015-2)
In response to MWD supply cutbacks and the SWRCB regulation for statewide urban water conservation, the Water Authority Board adopted Ordinance No. 2015-2 in May 2015. The ordinance, in addition to other actions, restricts irrigation of ornamental landscapes and turf with potable water to no more than two days a week across the region. To date, the majority of Water Authority member agencies have put in place this restriction, with two exceptions. Yuima Municipal Water District will be considering the issue at their Board meeting on July 31, 2015. The City of Escondido voted in June to restrict watering to three days per week with a limit of seven minutes per cycle, reduced from 10 minutes.

Outlook
The National Weather Service’s Climate Prediction Center (CPC) has predicted above average temperatures through September for the western states, based on its most recent forecast. The outlook for precipitation for the same time period shows all of California under the “equal chance” category, meaning there is not a strong enough climate signal at this time to make a prediction.

Scientists from the National Weather Service’s Climate Prediction Center have stated that El Niño conditions that were first identified in March have continued to intensify. The probability of El Niño conditions being present through the winter of 2015-16 is now greater than 90%, and there is an 80% probability that El Niño will last into early spring 2016. Scientists have issued an El Niño “advisory,” which is issued when conditions are observed and expected to continue. At this time last year, the El Niño status was a “watch,” which indicates that conditions are favorable for the development of El Niño. A presentation on the outlook for El Niño will be presented to the Water Authority Board by Michael Dettinger, U.S. Geological Survey, Scripps Institute of Oceanography, at the July 23, 2015 Water Planning Committee.

Staff will continue to closely track hydrologic conditions, and will monitor and regularly report to the Board on supply, demand and storage levels.

Prepared by: Alexi Schnell, Water Resources Specialist
Prepared by: Dana Friehauf, Water Resources Manager
Reviewed by: Robert R. Yamada, Director of Water Resources
July 15, 2015

Attention: Water Planning Committee

Update on potable reuse activities (Information)

Purpose
To provide an update on the Water Authority’s potable reuse activities in support of Board direction of August 2014 and to achieve approved objectives of the Water Planning Committee Work Plan and Water Authority Business Plan.

Previous Board Action
On May 22, 2014, staff reported to the Board on the background of potable reuse in California; city of San Diego staff presented an update to the Board on the city’s Pure Water San Diego program; and the Water Authority Board adopted Resolution No. 2014-11 supporting the Pure Water San Diego program sponsored by the city of San Diego.

On August 14, 2014, the Board directed staff to form a potable reuse coordinating committee and establish protocols for engagement on potable reuse issues in support of member agencies and their potable reuse projects. Three key areas of engagement include: Public outreach and messaging, engaging in regulatory processes, including the State’s expert panel and advisory group, and helping secure funding for local projects.

Background

Water Authority Historical Support for Local Potable Reuse

The Water Authority has a long history of actively supporting potable reuse. Potable reuse is the production of advanced treated purified water, originally of wastewater origin, to augment a drinking water supply. The Water Authority and city of San Diego first considered potable reuse in the 1990s. The Water Authority created a local citizen’s advisory group to advise on the suitability of potable reuse, and sponsored the work of an Independent Advisory Panel on potable reuse using reservoir augmentation. The city of San Diego conducted significant research, which was used to develop regulatory guidelines and gain conceptual approval of a reservoir augmentation project by the California Department of Public Health where purified water is blended with other raw water supplies in a reservoir and then further treated at a downstream water treatment plant. While this project was not implemented at that time, the work done laid the groundwork for future expanded opportunities for potable reuse projects.

Legislation and Regulatory Actions Supporting Potable Reuse

More recently, SB 918 in 2010 and SB 322 in 2013 were legislation sponsored and actively supported by the Water Authority that expedited specific regulations for potable reuse through surface water augmentation and sought acknowledgement by the state that direct potable reuse could be a viable water supply option. Specifically, the bills directed the Department of Public
Health (CDPH) (now State Water Resources Control Board-Division of Drinking Water, SWRCB-DDW) to:

1. Adopt regulations for indirect potable reuse through groundwater recharge by December 31, 2013 (later moved to July 1, 2014);
2. Form an expert panel to provide recommendations to SWRCB-DDW on surface water augmentation regulations and feasibility of direct potable reuse;
3. Form a public advisory group representing diverse water supply, environmental, and business interests to provide input to the expert panel on issues related to direct potable reuse, with all of the public advisory group meetings to be open and transparent public meetings;
4. Adopt regulations for surface water (reservoir) augmentation by December 31, 2016; and
5. Report to the legislature by December 31, 2016, on the ability to adopt regulations for direct potable reuse.

SB 918 set forth a schedule for the State to complete regulatory review and action in the area of potable reuse. However, in 2013, the Water Authority recognized that the State was not starting the necessary work in a timely manner. Moving potable reuse forward in a timely manner was and continues to be a high priority for the San Diego region. The Water Authority worked with Senator Ben Hueso and sponsored SB 322 to require the State to start the potable reuse regulatory work. As a result of SB 322, an Expert Panel and a Public Advisory Group were put into place by the SWRCB-DDW in 2014. In February 2014, CDPH formed the Public Advisory Group. The Public Advisory Group includes representatives from the city of San Diego and Padre Dam Municipal Water District. In its first meeting, the Public Advisory Group provided recommendations to the State on the formation of an Expert Panel to provide recommendations on technical issues related to surface water augmentation criteria and the feasibility of adopting regulations for direct potable reuse. The Public Advisory Group also raises issues of public interest that may need to be addressed by the Expert Panel and will also weigh in on key issues where the Expert Panel does not have the time or resources to provide recommendations. The Expert Panel is currently on track to meet the schedules identified in the legislation.

Water Authority staff is monitoring all of the Expert Panel meetings that are open to the public and all of the Public Advisory Group meetings. Staff is engaged in the two processes to help ensure that the recommendations from these two groups align with the region’s potable reuse planning and objectives.

In the early meetings held to date, the Expert Panel determined that they would first consider the SWRCB-DDW proposed approach to the surface water augmentation criteria, so the SWRCB-DDW could start the process of adopting the regulations in order to meet the statutory deadline of December 31, 2016. This way, the regulations could be moving through the public process for adoption of regulations. Initially, the Expert Panel also considered the proposed research agenda of the WateReuse Research Foundation, and provided recommendations to the SWRCB-DDW regarding possible research gaps so that this would could proceed and inform the Expert Panel’s deliberations.
In June 2014, CDPH adopted regulatory criteria for approval of groundwater recharge projects. Water Authority staff participated on a WateReuse regulatory sub-committee to provide input to CDPH on the groundwater recharge criteria.

Statewide and National Efforts

Water Authority staff has been prominently involved in potable reuse on a Statewide level through participation in the WateReuse Association California Board of Trustees, WateReuse Legislative and Regulatory Committee and though other regulatory advocacy venues, including attending and providing comments at Expert Panel and Public Advisory Group meetings. Staff will continue to support member agencies’ interests.

In 2012, the WateReuse Association and the WateReuse Research Foundation launched a potable reuse initiative and raised over six million dollars to fund the research necessary to overcome any regulatory, scientific, technical and public perception barriers to potable reuse, particularly direct potable reuse. The San Diego region has been a strong supporter of the direct potable reuse initiative. The Water Authority and several member agencies have provided direct contributions to this effort. The Water Authority also supported funding of an additional $2.113 million from the San Diego Integrated Regional Water Management program and DWR for the WateReuse Research Foundation’s “Failsafe Potable Reuse at the Advanced Water Purification Facility” project. This research is providing foundational information for the State’s efforts under SB 918 and SB 322.

California has led the nation in recycled water use and planned potable use. Many years of successful operation of potable reuse projects, including the Orange County Groundwater Replenishment System, have laid the groundwork to open the door for a range of options for potable reuse in California. There continue to be numerous drivers that make potable reuse an attractive option not only for our region, but for the entire state of California. Climate change is creating unpredictable weather patterns, which may result in recurring droughts and cause scarcity of water supply. Potable reuse is a renewable resource, which can provide a cost effective and sustainable, high-quality water supply. Being able to maximize the use of all recycled water can reduce the impacts and costs associated with discharging waste to the ocean. As the drought continues, the statewide interest in potable reuse is increasing. While legislation set forth a process to develop regulations for potable reuse, SWRCB-DDW continues to have the authority to permit potable reuse projects on a case by case basis prior to adoption of regulations. The Expert Panel recommendations can help guide those project reviews.

Member Agency Projects

In the San Diego region, the Water Authority member agencies have taken the lead in developing recycled water and potable reuse projects. Water Authority member agencies throughout the San Diego region have a high level of interest in a variety of potable reuse projects. The city of San Diego is moving forward with their Pure Water Program. Pure Water is a multi-year phased program that at full build out in 2035 will produce 83 MGD which will be one third of the city’s water supply. This program will use local reservoirs to blend purified water before delivery to
downstream surface water treatment plants. The city is also conducting a study at the city’s advanced water treatment demonstration facility to support direct potable reuse. Padre Dam MWD recently launched their pilot testing program of advanced treatment processes at their water reclamation facility. This work will help them develop potable reuse through groundwater recharge in the Santee Basin and provide purified water to Helix Water District for reservoir augmentation. The city of Oceanside is evaluating potable reuse through groundwater recharge in the Mission Basin. The city of Escondido is considering a reservoir augmentation project using advanced treated water from the Hale Avenue Resource Recovery Facility. San Elijo Joint Powers Authority, Santa Fe Irrigation District, San Dieguito Water District are completing a feasibility study for potable reuse. Other North county agencies that are considering potential potable reuse projects include Rincon del Diablo, Olivenhain MWD, Fallbrook PUD and Ramona MWD. While these projects can achieve the same level of treatment and water quality, they are unique to the specific local circumstances and are not “one-size-fits-all”. This highlights the need for a flexible regulatory framework for approval of potable reuse projects in California. In addition, agencies may consider their projects in a different light as the State expands the options for acceptable potable reuse in California.

Discussion

Potable Reuse Coordinating Committee

At the direction of the Board, Water Authority staff has been working with the member agencies through the Potable Reuse Coordination Committee (PRCC) in three key areas to encourage coordination among the member agencies in support of development of potable reuse projects in the San Diego region. These areas include public outreach, regulatory engagement and engagement to support available outside funding for projects in the San Diego Region. By working together, the Water Authority and its member agencies can increase opportunities for success by having compatible messages, providing consistent input on regulatory and funding policy issues and speaking as a region with one voice.

Public Outreach and Education

Through the PRCC, Water Authority staff worked with the member agencies to develop a public outreach plan in support of potable reuse. The plan includes a review of existing research results on potable reuse outreach, intended audiences, communication strategies and tactics. The Water Authority and member agencies then prioritized the next steps in the outreach plan to bring the greatest value to member agencies projects. The Water Authority staff is implementing the following top priorities for public outreach: Develop and agree on common messages in support of potable reuse within the San Diego region, develop a potable reuse regional brochure that can be used by the Water Authority and member agencies, and work with member agencies to develop an outreach approach to gain support for potable reuse within the medical community in the San Diego region.

Water Authority staff used information from WateReuse Research Foundation Project 13-02 to develop common messages for educating the public on potable reuse and look for areas where
additional research could fill in information gaps. The WateReuse project completed research using surveys and focus groups and identified demographic groups that supported, opposed or were neutral on potable reuse. Water Authority staff worked with the member agencies to determine which of the “opposed” demographic groups, identified in the WaterReuse project, could have the greatest potential negative impact on the success of potable reuse in the San Diego region. Three of those demographic groups, including Hispanics, Republicans and seniors were selected for additional focus group research. A fourth focus group of Chaldeans was added to the research by Padre Dam MWD, because of the influence of the Chaldean community in East County. Each focus group consisted of ten participants opposed to potable reuse. The focus group participants were asked a number of questions about their knowledge of water, including drought, potable reuse and recycled water. They were also shown the Water Authority video “It’s Perfectly Clear”, reviewed a regional outreach brochure, and were asked what messages resonated most with them. The focus group members were initially highly opposed to the concept of potable reuse, but in the end many agreed that potable reuse is inevitable and a number of the participants increased their overall acceptance of potable reuse. The overall reaction to the video and brochure was positive. Key information that was most convincing to the focus group members included information about the effectiveness and safety of the technology being used, and the understanding that other communities, particularly Orange County, are already safely implementing large scale potable reuse projects.

As an outcome of the focus group research, the Water Authority has completed a regional brochure on potable reuse. The focus group information has also been shared with the member agencies at the PRCC and at a Water Reliability Coalition public outreach workshop on potable reuse. The Water Reliability Coalition is a consortium of business and environmental groups that actively support potable reuse in the San Diego region. The focus group information was well received and helpful to the participants. The final brochure and research results will also be shared with the local WateReuse Chapter committee working on potable reuse outreach. Based on the input provided during the focus groups and input from the member agencies, the Water Authority will also update the video “It’s Perfectly Clear”. A next phase in the regional outreach strategic plan will include working with the member agencies to develop and implement an outreach to the local medical community, a group that carries a high level of credibility with customers.

Regulatory Engagement

Currently the focus on the regulatory arena relates to the activities of the SWRCB-DDW’s Expert Panel and Public Advisory Group. Water Authority staff is actively attending all Expert Panel and Public Advisory Group meetings, along with staff from the city of San Diego and Padre Dam MWD, and reporting information back to the PRCC.

The Expert Panel has been engaging with SWRCB-DDW to review proposed regulations on surface water augmentation as required by SB 918 and SB 322. The surface water augmentation regulations will establish regulatory criteria to augment raw water supplies in reservoirs with advanced treated water. The blended water is then delivered to a surface water filtration plant for further treatment. SWRCB-DDW’s proposed criteria will consider overall treatment and
reliability and will have a strong focus on the function of a reservoir in ensuring reliability. This will include criteria for average detention time and dilution in a reservoir. Because of the high potential for potable reuse projects through surface water augmentation in the San Diego Region, the Water Authority and member agencies are interested in ensuring that the criteria will allow relatively small reservoirs, or reservoirs that have multiple uses including capture of local runoff, carryover storage of imported water, and emergency storage to be used for potable reuse projects. To maintain the multiple uses of local reservoirs and at the same time support potable reuse projects, restrictions on reservoir operations in order to meet the criteria should be minimized. However, projects with reservoirs that do not meet the surface water augmentation criteria could be classified as direct potable reuse projects. SWRCB-DDW has indicated that the proposed regulations will be released for public review sometime in fall 2015. The release of the draft regulations will also include the Expert Panel report on their review of these regulations. Water Authority staff will work with the PRCC to develop formal comments on the surface water augmentation regulations when they are released. Staff will also engage with the WateReuse regulatory and legislative committee to develop statewide comments on the regulations.

The Expert Panel recently started their work on determining the feasibility of direct potable reuse. Direct potable reuse is defined in the statutes to include the augmentation of raw surface water supplies upstream of a surface water treatment plant, or delivered directly to the treated water supplies. The WateReuse Association has prepared a document entitled “Developing a Direct Potable Reuse Framework”. This document was presented to the Expert Panel on May 1, 2015 by Dr. George Tchabonoglous from U.C. Davis and will help the Expert Panel form a basis for determining the feasibility of direct potable reuse. The focus for direct potable reuse is on multiple treatment barriers for removal of pathogens and chemical constituents, approaches for ensuring the reliable monitoring and operation of the treatment processes, operator certification and other qualifications and the ability to respond rapidly to treatment failures.

The Public Advisory Group has been tracking the efforts of the Expert Panel and has identified two areas where it can provide input that is complementary to the work being done by the Expert Panel. This includes the development of common terminology used by the water industry to describe various aspects of potable reuse. While there may never be full agreement on how things can be described among technical experts, outreach consultants and water agencies, this effort will move the industry closer to developing a common understanding. The other area where the Public Advisory Group will provide recommendations to SWRCB-DDW and the Expert Panel is on the criteria for operator certification. Currently there is no specific operator certification requirement related to potable reuse projects. Staff currently operating the advanced treatment facilities for potable reuse may be certified as wastewater or water treatment operators. There has been some recognition that the operator certification requirements for potable reuse projects will need to be updated. The California Urban Water Agencies (CUWA) is preparing a white paper on existing California certification requirements as well as certification approaches used in other States. CUWA is also working with WateReuse and other interested groups including American Waterworks Association, California Water Environment Association and California Association of Sanitation Agencies to develop a survey of interested parties on the best approach to certify operators. The CUWA white paper is expected to be used by the Public
Advisory Group to support recommendations on this issue. The Public Advisory Group has also stated its interest in having the State expedite the Expert Panel’s work on the feasibility of direct potable reuse when augmenting raw water supplies upstream of a water treatment plant. There is significant interest in the State in moving these types of projects forward quickly, particularly during severe drought conditions.

Funding Opportunities

The largest current outside funding opportunity for potable reuse projects is through Proposition 1 funding for water recycled projects and the Clean Water State Revolving Fund. Proposition 1 has $625 million total for recycled water projects. The State budget appropriated $264 million for FY 15/16. The Clean Water State Revolving Fund is subject to Congressional appropriation. The Water Authority received input from the PRCC on the guidelines for this funding and provided consensus comments on the guidelines to the State Water Resources Control Board. Future funding could also come through Federal legislation and appropriations. The Water Authority and member agencies will continue to track State and Federal funding opportunities. Based on input from the member agencies, the Water Authority will comment to State and Federal agencies and their legislative bodies, as appropriate, to help create funding opportunities that can be accessed by the member agencies. The PRCC will continue to provide a forum for sharing information and collaborating to provide input on these funding opportunities.

Prepared by: Toby Roy, Water Resources Manager, Regulatory Policy
Reviewed by: Robert R. Yamada, Director of Water Resources
July 15, 2015

Attention: Water Planning Committee

Water Resources Report

Purpose
This report includes the following exhibits for June 2015:

- Rainfall totals for the month and water year to date
- Deliveries to Member Agencies (Exhibit A)
- Water Use by Member Agencies (Exhibit B)
- Storage Available to Member Agencies (Exhibit C)
- Firm Water Deliveries to Member Agencies (Exhibit D)
- Summary of Water Authority Member Agency Operations (Exhibit E)

<table>
<thead>
<tr>
<th>Station</th>
<th>June 2015</th>
<th></th>
<th></th>
<th>2014-2015 WATER YEAR</th>
<th></th>
<th></th>
<th></th>
<th>% Normal</th>
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<td>0.07</td>
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<td>10.14</td>
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<tr>
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<td></td>
<td>18.43</td>
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<tr>
<td>Lake Henshaw (Vista I.D.)</td>
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<td>14.89</td>
<td>25.38</td>
<td>(10.49)</td>
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<td>59</td>
</tr>
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</table>

Sources: National Weather Service, Helix Water District, Vista Irrigation District.
MONTHLY WATER RESOURCES REPORT
Water Deliveries to Member Agencies
(acre-feet)

JUNE 2015

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<tr>
<th></th>
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</thead>
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<td>Carlsbad M.W.D.</td>
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<td>1,838.0</td>
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<td>961.2</td>
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<td>34,337.7</td>
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<td>243.7</td>
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<tr>
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<td>2,612.1</td>
<td>23,081.7</td>
<td>24,762.9</td>
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<tr>
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<td>2,368.2</td>
<td>19,549.0</td>
<td>22,088.2</td>
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<td>3,269.4</td>
<td>30,298.9</td>
<td>33,409.2</td>
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<td>784.3</td>
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<td>7,022.5</td>
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<tr>
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<td>687.1</td>
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<td>7,026.3</td>
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<tr>
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<td>23,279.7</td>
<td>248,720.4</td>
<td>211,058.2</td>
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<td>712.8</td>
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<td>5,979.7</td>
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<tr>
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<td>1,325.6</td>
<td>11,300.6</td>
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<td>1,767.1</td>
<td>15,299.7</td>
<td>17,900.0</td>
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<tr>
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<td>2,980.5</td>
<td>25,598.1</td>
<td>29,606.6</td>
</tr>
<tr>
<td>Vista I.D.</td>
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<td>1,755.6</td>
<td>16,215.5</td>
<td>18,439.5</td>
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<tr>
<td>Yuima M.W.D.</td>
<td>469.2</td>
<td>544.9</td>
<td>4,469.9</td>
<td>4,534.2</td>
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<tr>
<td>Deliveries To SDCWA Agencies</td>
<td>54,905.6</td>
<td>57,589.5</td>
<td>551,276.9</td>
<td>547,291.6</td>
</tr>
<tr>
<td>Less: Deliveries to SDCWA Storage¹</td>
<td>15,093.1</td>
<td>6,006.0</td>
<td>56,294.1</td>
<td>24,839.0</td>
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<tr>
<td><strong>TOTAL MEMBER AGENCY DELIVERIES</strong></td>
<td><strong>39,812.5</strong></td>
<td><strong>51,583.5</strong></td>
<td><strong>494,982.8</strong></td>
<td><strong>522,452.6</strong></td>
</tr>
</tbody>
</table>

¹ June 2015 storage account deliveries totaled 88 AF and 15,005 AF to City of San Diego Lower Otay and San Vicente Reservoirs, respectively. June 2014 storage account deliveries totaled 73 AF and 5,921 AF to City of San Diego Lower Otay and San Vicente Reservoirs, respectively. (Additional 12 AF stored to Sweetwater account in June 2014.)

Generated:
7/9/15 12:10 PM
<table>
<thead>
<tr>
<th>AGENCY</th>
<th>Imported Source</th>
<th>Local Sources</th>
<th>June Totals</th>
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<td>S.D.C.W.A.</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Del Mar, City of</td>
<td>887</td>
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<tr>
<td>Escondido, City of</td>
<td>1,773.5</td>
<td>2,159.9</td>
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<tr>
<td>Fallbrook P.U.D. ¹</td>
<td>1,046.4</td>
<td>1,228.3</td>
<td>-</td>
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<td>Helix W.D.</td>
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<td>3,274.5</td>
<td>5.1</td>
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<td>227.8</td>
<td>370.4</td>
<td>-</td>
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<tr>
<td>National City of ²</td>
<td>138.7</td>
<td>238.8</td>
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<tr>
<td>Oceanside, City of ²</td>
<td>1,894.8</td>
<td>2,612.1</td>
<td>-</td>
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<tr>
<td>Olivenhain M.W.D.</td>
<td>1,567.7</td>
<td>2,368.8</td>
<td>-</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,386.3</td>
<td>3,269.4</td>
<td>-</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>828.8</td>
<td>1,198.5</td>
<td>-</td>
</tr>
<tr>
<td>Pendleton M.C.B. ³</td>
<td>14.6</td>
<td>22.7</td>
<td>-</td>
</tr>
<tr>
<td>Poway, City of ⁴</td>
<td>877.5</td>
<td>1,353.8</td>
<td>3.2</td>
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<tr>
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<td>459.9</td>
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<td>-</td>
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<td>687.1</td>
<td>-</td>
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<td>San Diego, City of</td>
<td>14,481.3</td>
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<td>San Dieguito W.D.</td>
<td>519.2</td>
<td>712.8</td>
<td>-</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>810.1</td>
<td>1,352.3</td>
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<td>South Bay I.D. ²</td>
<td>990.1</td>
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<td>2,980.5</td>
<td>-</td>
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<tr>
<td>Vista I.D.</td>
<td>1,188.7</td>
<td>1,765.2</td>
<td>253.9</td>
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<tr>
<td>Yuima M.W.D.</td>
<td>469.2</td>
<td>544.9</td>
<td>-</td>
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<tr>
<td><strong>TOTAL USE</strong></td>
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<td><strong>263.4</strong></td>
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<td><strong>PERCENT CHANGE</strong></td>
<td><strong>-23%</strong></td>
<td><strong>-89%</strong></td>
<td><strong>-5%</strong></td>
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</tbody>
</table>

¹ De Luz figures included in Fallbrook P.U.D. total.
² Brackish groundwater use included in groundwater totals.
³ Pendleton's imported water use includes water delivered by South Coast Water District.
⁴ Poway recycled use is reported quarterly.
<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Reservoir</th>
<th>Capacity</th>
<th>% of Change</th>
<th>JUNE 2015</th>
<th>Capacity</th>
<th>% of Change</th>
<th>JUNE 2014</th>
<th>Capacity</th>
<th>% of Change</th>
<th>Change During Month</th>
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<td>88%</td>
<td>2,440</td>
<td>30%</td>
<td>94%</td>
<td>(59)</td>
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<tr>
<td>Escondido, City of 1</td>
<td>Dixon</td>
<td>2,606</td>
<td>36%</td>
<td>2,334</td>
<td>1,922</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>412</td>
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<td></td>
<td>Wohlford</td>
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<td>51%</td>
<td>4,639</td>
<td>4,362</td>
<td>48%</td>
<td>(59)</td>
<td>(48)</td>
<td>398</td>
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<tr>
<td>Subtotal</td>
<td></td>
<td>9,112</td>
<td></td>
<td>6,689</td>
<td>6,386</td>
<td></td>
<td>(59)</td>
<td>(48)</td>
<td>398</td>
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<tr>
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<td>84%</td>
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<td>78%</td>
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<td>8,974</td>
<td>8,690</td>
<td>92%</td>
<td>1,046</td>
<td>86%</td>
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<td>Jennings</td>
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<td>93%</td>
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<td>(398)</td>
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<td>Morro Hill</td>
<td>465</td>
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<td>(300)</td>
<td>(300)</td>
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<td>34,806</td>
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<td>7493</td>
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<td>El Capitan</td>
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<td>34357</td>
<td>30%</td>
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<td>Lower Otay</td>
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<td>36,269</td>
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<td>61%</td>
<td>(27)</td>
<td>(27)</td>
<td>(404)</td>
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<td>81%</td>
<td>5,424</td>
<td>5,577</td>
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<td>(27)</td>
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<td>(22)</td>
<td>(73)</td>
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<td>Murray</td>
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<td>86%</td>
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<td>4,106</td>
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<td>(22)</td>
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<td>(72)</td>
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<td>(22)</td>
<td>(72)</td>
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<tr>
<td>Subtotal</td>
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<td>133,531</td>
<td>137,334</td>
<td>34%</td>
<td>(22)</td>
<td>(22)</td>
<td>(140)</td>
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<tr>
<td>San Dieguito WD/Santa Fe I.D.</td>
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<td>883</td>
<td>76%</td>
<td>674</td>
<td>492</td>
<td>56%</td>
<td>(22)</td>
<td>(22)</td>
<td>(13)</td>
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<tr>
<td>Sweetwater Authority</td>
<td>Loveland</td>
<td>25,400</td>
<td>30%</td>
<td>7,505</td>
<td>8,224</td>
<td>32%</td>
<td>(22)</td>
<td>(22)</td>
<td>(103)</td>
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<td></td>
<td>Sweetwater</td>
<td>26,079</td>
<td>12%</td>
<td>3,464</td>
<td>3,784</td>
<td>13%</td>
<td>(22)</td>
<td>(22)</td>
<td>(93)</td>
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<tr>
<td>Subtotal</td>
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<td>21%</td>
<td>10,969</td>
<td>12,008</td>
<td>22%</td>
<td>(22)</td>
<td>(22)</td>
<td>(196)</td>
<td></td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>Turner</td>
<td>1,612</td>
<td>70%</td>
<td>1,125</td>
<td>1,275</td>
<td>79%</td>
<td>(22)</td>
<td>(22)</td>
<td>(72)</td>
<td></td>
</tr>
<tr>
<td>Vista I.D. 3</td>
<td>Henshaw</td>
<td>51,774</td>
<td>9%</td>
<td>4,591</td>
<td>4,676</td>
<td>9%</td>
<td>(22)</td>
<td>(22)</td>
<td>(72)</td>
<td></td>
</tr>
<tr>
<td><strong>MEMBER AGENCY TOTAL WATER IN STORAGE</strong></td>
<td></td>
<td>561,793</td>
<td>31%</td>
<td>171,709</td>
<td>175,942</td>
<td>31%</td>
<td>(22)</td>
<td>(22)</td>
<td>(140)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>El Capitan</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>(22)</td>
<td>(22)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>7,676</td>
<td>8%</td>
<td>8,573</td>
<td>8,573</td>
<td>8%</td>
<td>(22)</td>
<td>(22)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Olivenhain</td>
<td>24,789</td>
<td>28%</td>
<td>21,200</td>
<td>18,021</td>
<td>28%</td>
<td>(22)</td>
<td>(22)</td>
<td>(92)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>1,109</td>
<td>7%</td>
<td>75</td>
<td>75</td>
<td>7%</td>
<td>(22)</td>
<td>(22)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>San Vicente</td>
<td>59,465</td>
<td>53%</td>
<td>23,175</td>
<td>23,175</td>
<td>53%</td>
<td>(22)</td>
<td>(22)</td>
<td>(72)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>9</td>
<td>9%</td>
<td>9</td>
<td>9</td>
<td>9%</td>
<td>(22)</td>
<td>(22)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL WATER IN STORAGE</strong></td>
<td></td>
<td>586,582</td>
<td>45%</td>
<td>261,169</td>
<td>225,799</td>
<td>38%</td>
<td>(22)</td>
<td>(22)</td>
<td>(140)</td>
<td></td>
</tr>
</tbody>
</table>

**OTHER AGENCIES**

| Metropolitan Water District | Skinner | 44,264    | 68%         | 30,009    | 38,706    | 87%         | (7,750)   | (7,750)   | (7,750)    |                     |
| Diamond Valley Project | 810,000   | 41%         | 333,004    | 506,947   | 63%         | (35,103)   | (35,103)  | (35,103)  | (35,103)   |                     |
| State Water Project | Oroville | 3,537,600 | 39%         | 1,395,387 | 1,511,388 | 43%         | (169,990) | (169,990) | (169,990) |                     |
| **TOTAL OTHER WATER IN STORAGE** |   | 4,391,864 | 40%         | 1,758,400 | 2,057,041 | 47%         | (212,843) | (212,843) | (212,843) |                     |

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)
3 Includes allocated and unallocated water in Lake Henshaw.
## MONTHLY WATER RESOURCES REPORT
### Tier 1 Estimated Deliveries to Member Agencies
(Figures in acre-feet)

**Calendar Year 2015 to Date (June)**

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>CY2015 Tier 1 Threshold</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1 Threshold (Pre-QSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,376.0</td>
<td>7,257.2</td>
<td>58.6%</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>935.0</td>
<td>442.2</td>
<td>47.3%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,859.0</td>
<td>9,126.7</td>
<td>51.1%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,325.0</td>
<td>5,720.4</td>
<td>55.4%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,519.0</td>
<td>13,817.9</td>
<td>54.1%</td>
</tr>
<tr>
<td>Lakeside M.W.D.</td>
<td>3,168.0</td>
<td>1,156.7</td>
<td>36.5%</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>19,383.0</td>
<td>10,002.4</td>
<td>51.6%</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>13,071.0</td>
<td>8,345.2</td>
<td>63.8%</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,390.0</td>
<td>13,193.3</td>
<td>61.7%</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,939.0</td>
<td>4,461.0</td>
<td>44.9%</td>
</tr>
<tr>
<td>Pendleton M.C.B./South Coast W.D.</td>
<td>758.0</td>
<td>100.5</td>
<td>13.3%</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,342.0</td>
<td>4,479.8</td>
<td>47.9%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>19,018.0</td>
<td>8,536.9</td>
<td>44.9%</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>8,052.0</td>
<td>2,464.3</td>
<td>30.6%</td>
</tr>
<tr>
<td>Rincon del Diablo M.W.D.</td>
<td>5,482.0</td>
<td>2,422.9</td>
<td>44.2%</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>144,555.0</td>
<td>87,753.3</td>
<td>60.7%</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,116.0</td>
<td>2,574.7</td>
<td>82.6%</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,226.0</td>
<td>3,987.0</td>
<td>76.3%</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>9,050.0</td>
<td>6,406.2</td>
<td>66.4%</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>10,557.0</td>
<td>6,612.0</td>
<td>62.6%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>29,774.0</td>
<td>10,380.4</td>
<td>34.9%</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>11,876.0</td>
<td>7,299.3</td>
<td>61.5%</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>2,165.0</td>
<td>1,576.6</td>
<td>72.8%</td>
</tr>
</tbody>
</table>

**MEMBER AGENCY TOTALS**

<table>
<thead>
<tr>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1 Threshold (Pre-QSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>393,542.0</td>
<td>55.4%</td>
</tr>
</tbody>
</table>

Less: QSA deliveries calendar year to date (88,849.8)
Less: ESP deliveries calendar year to date 2 0.0
Deliveries to CWA storage year to date 3 32,868.0
Deliveries from CWA storage year to date 4 (7,476.5)

**Estimated Tier 1 deliveries calendar year to date** 5

<table>
<thead>
<tr>
<th>Estimated Tier 1 deliveries calendar year to date 5</th>
<th>154,658.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Tier 1 Threshold (Pre-QSA)</td>
<td>39.3%</td>
</tr>
</tbody>
</table>

**Invoiced Tier 1 deliveries calendar year to date** 6

<table>
<thead>
<tr>
<th>Invoiced Tier 1 deliveries calendar year to date 6</th>
<th>153,527.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Tier 1 Threshold (Pre-QSA)</td>
<td>39.0%</td>
</tr>
</tbody>
</table>

---

1 Tier 1 threshold is 60% of a member agency's historic maximum year firm demand.
2 Emergency Storage Program (ESP) deliveries under Metropolitan's program designated by city of San Diego.
3 Includes storage puts to San Vicente Reservoir, forced deliveries or deliveries to Olivenhain Reservoir.
4 Includes sales from Water Authority storage accounts.
5 Estimated Tier 1 deliveries are based on member agency deliveries net of QSA deliveries and storage puts/takes. Invoiced deliveries are as reported on Metropolitan's invoice. Difference between Estimated and Invoiced Deliveries is explained by deliveries stored at Twin Oaks Valley Water Treatment Plant (TOVWTP) or other treatment plants, and not yet sold to member agencies.
July 15, 2015

Attention: Water Planning Committee

CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: San Diego Coastkeeper v. SDCWA;
               San Diego Superior Court Case No. 37-2014-00013216-CU-JR-CTL

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 July 23, 2015 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

1. Adopt positions on various state bills.           Glenn Farrel
   Staff recommendation:
   1. Adopt a position of Support on AB 392 (Atkins).
   2. Adopt a position of Support on AB 1164 (Gatto).
   3. Adopt a position of Support on SB 7 (Wolk).
   4. Adopt a position of Oppose on SB 789 (Wieckowski). (Action)

II. ACTION/DISCUSSION

1. Legislative issues.
   1-A Washington Report by Ken Carpi. (supplemental materials)

III. INFORMATION

1. Presentation on Small Contractor Outreach and Opportunities Program (SCOOP) Review.   Teresa Penunuri
2. Presentation on Report on Citizens Water Academy Program Activities. Denise Vedder/Craig Balben
3. Presentation on Drought Response Communications and Outreach Update. Jason Foster
4. Presentation on water conservation measures at Water Authority facilities. Matthew Brown

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Cogle
Clerk of the Board

NOTE: This meeting is called as a 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.
July 15, 2015

Attention: Legislation, Conservation and Outreach Committee

Adopt positions on various state bills. (Action)

   Staff recommendation
   1. Adopt a position of Support on AB 392 (Atkins)
   2. Adopt a position of Support on AB 1164 (Gatto)
   3. Adopt a position of Support on SB 7 (Wolk)
   4. Adopt a position of Oppose on SB 789 (Wieckowski)

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

Fiscal Impact
There is no direct fiscal impact associated with the consideration of adopting policy positions on legislation.

**AB 392 (Atkins) – San Diego River Conservancy**
Under existing law, the San Diego River Conservancy (Conservancy) is established in the Natural Resources Agency, and the territory, membership, functions, and duties of the Conservancy with regard to the acquisition, protection, and management of public lands within the San Diego River area, are prescribed by statute. In addition, existing law provides that the Conservancy will remain in effect until January 1, 2020 and will sunset at that time, unless extended by new legislative action.

AB 392, as amended on May 5, 2015, would delete the January 1, 2020, sunset date, thereby extending the operation of the Conservancy indefinitely. AB 392 would also require the Conservancy, on or before January 1, 2017, and by January 1 of every odd-numbered year thereafter, to prepare and submit to the Governor and the Legislature a report regarding projects funded or undertaken by the Conservancy, and recommendations regarding legislative action that may be needed to provide funding or other resources to enable the Conservancy to more effectively and efficiently carry out its mission, goals, and objectives.

The San Diego River is an important historic, archaeological, and cultural area within California. Making the Conservancy permanent will assist with long-term planning and development as well as make more practical the Conservancy's expenditure of $17 million in Proposition 1 water bond funds that are projected to be spent over the next 10 years. The Conservancy watershed spans 440 square miles, includes six major reservoirs, four cities, a large area of unincorporated San Diego County land, Cleveland National Forest, and Native American reservations, with 700,000 people living within its area of influence. In its 12-year history, the Conservancy has overseen over 100 acres of restoration along the San Diego River, the construction and renovation of approximately 15 miles of a public trail along the river, and the acquisition of more than 200 acres of land.
On November 4, 2014, voters in San Diego County and statewide approved Proposition 1, a $7.5 billion bond measure to fund water supply development and large-scale water infrastructure projects important for the future of the San Diego region and the state. Proposition 1 provides funds for water-use efficiency and recycling, groundwater cleanup and management, and $2.7 billion for new water storage. Proposition 1 also invests in safe drinking water and provides for watershed restoration and increased flows in some of California's most important rivers and streams, including the San Diego River.

On August 28, 2014, the Water Authority’s Board of Directors unanimously passed a resolution supporting Proposition 1, including Chapter 6, which allocates $17 million to the San Diego River Conservancy for important land conservation, open space, habitat, wetlands, and water quality improvement opportunities in the San Diego River watershed.

The Water Authority’s legislative policy guidelines state that the Water Authority shall support legislation that:

- Authorizes federal and state funding to develop and implement regional or subregional conservation programs, including but not limited to property acquisition, revegetation programs, and watershed plans.

(2015 Legislative Policy Guidelines, Biological and Habitat Restoration, Support, Page 19, item 4).

**Staff recommends a position of Support on AB 392.**

**AB 1164 (Gatto) – Water Conservation: Drought Tolerant Landscaping**

Existing law generally authorizes every city and county, including a charter city, in California to make and enforce within its limit all local, police, sanitary, and other ordinances and regulations that are not in conflict with general laws.

AB 1164, as amended on July 1, 2015, would:

- Prohibit a city, including a charter city, or county from enacting or enforcing any ordinance or regulation that prohibits the installation of synthetic grass or artificial turf on residential property.

- Appropriate $100 million per year over each of the next three fiscal years, from the General Fund to the Department of Water Resources, to provide matching funds to any city, county, public water agency, or private water agency to provide incentives to residents to replace water inefficient landscaping with drought tolerant landscaping.

Water conservation is a core element of the Water Authority's long-term strategy to improve the reliability of the region's water supply by diversifying water sources. Since 1991, the Water Authority's water use efficiency programs and initiatives cumulatively have conserved nearly 800,000 acre-feet of water. In fact, water use in the San Diego region today is less than water
consumption in 1990, even though the region has grown by 800,000 residents during those two decades. Water savings in the San Diego region have been achieved through measures ranging from incentives on water-efficient devices, to legislative efforts, to outreach campaigns and programs. At 161 gallons per capita per day, water use this year is below the state's 2020 target of 167 gallons per capita per day in San Diego County.

The Water Authority and its member agencies offer numerous programs to help achieve water savings – both indoors and outdoors. The following represent several of the rebate programs available today through region-wide programs that offer rebates for devices that improve water use efficiency at residential properties:

- High-efficiency clothes washer rebates
- High-efficiency toilet rebates
- Rotating irrigation nozzle rebates
- Residential smart controller rebates
- Residential rain barrel rebates
- Soil moisture sensor system rebates
- Turf replacement incentives

As the state continues through this fourth consecutive year of a prolonged drought, substantial legislative focus has been leveled at the state’s drought-response approach and capabilities. The Water Authority is among the interests sponsoring legislation in the area of water conservation, with AB 349 introduced by Assemblymember Lorena Gonzalez. AB 349 would allow a homeowner within a common interest development to install artificial turf or synthetic grass, as long as it meets reasonable design and aesthetic standards imposed by the homeowners’ association and the product complies with all municipal codes, ordinances, or regulations relating to stormwater runoff. AB 1164 would build from the Water Authority’s AB 349 by ensuring that municipalities cannot unreasonably restrict a property owner from making a water conservation decision to install synthetic grass for water saving purposes.

In San Diego County, landscape irrigation can be responsible for more than half of the average household water use, consuming up to 46 gallons of water per square foot per year. The use of synthetic turf is one method of reducing water consumption while still allowing property owners to incorporate expanses of green into their landscaping. Voluntary and mandatory rationing programs across the state would benefit from the provisions of AB 1164 that would help to improve opportunities for broader efficiency in outdoor irrigation.

The Water Authority’s legislative policy guidelines state that the Water Authority shall support legislation that:

- Provides incentives, funding, and other assistance where needed to facilitate market transformation and gain wider implementation of water-efficient indoor and outdoor technologies and practices.

Staff recommends a position of Support on AB 1164.

SB 7 (Wolk) – Housing: Water Meters: Multiunit Structures

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 7, as amended on July 7, 2015, 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, 2017, to require a measurement of the quantity of water supplied to each individual dwelling unit as a condition of new water service and permit the measurement to be by individual water meters or submeters. SB 7 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 7 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 7 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, and residential care facilities. Finally, SB 7 would “grandfather” a submetering ordinance adopted prior to January 1, 2013 that regulates the approval of submeter types or the installation, maintenance, reading, billing, or testing of submeters.

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 resources 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 the similar pricing motivation to conserve.

This same theory is the genesis for SB 7: 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.
During the 2013 legislative session, the Water Authority Board adopted a Support if Amended position on a very similar measure – SB 750 (Wolk). At the time, SB 750 did not adequately “grandfather” existing submetering ordinances and also raised concerns that a consumer may have been subjected to a double-charge for connection charges or capacity fees when submetered. During the course of the 2013 legislative session, SB 750 was amended to fully address the Water Authority’s identified issues, and the Water Authority was then fully supportive of the measure. However, due to opposition by a variety of interests, the measure failed passage. During the 2014 legislative session, the Water Authority Board adopted a Support position on another similar measure – SB 411 (Wolk). That measure failed passage during the 2014 legislative session. SB 7 is nearly identical to the versions of SB 750 and SB 411 that failed passage in the Legislature during previous legislative sessions.

The Water Authority has long been a statewide leader in improving water use efficiency. SB 7 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.

(2015 Legislative Policy Guidelines, Water Use Efficiency, Support, pages 16-17, items 1 and 9).

**Staff recommends a position of Support on SB 7.**

**SB 789 (Wieckowski) – Sale of Water by Local Public Entities: Excise Tax**

The California Constitution prohibits the Legislature from imposing taxes for local purposes, but allows the Legislature to authorize local governments to impose a special tax with a two-thirds voter approval.

SB 789, as amended on June 8, 2015, would authorize a local entity that is a water retailer or wholesaler to impose, by ordinance, an excise tax on an excessive user of water, at a rate not to exceed 300% of the purchase price of the water, if the ordinance proposing the tax is approved by a two-thirds vote of the electorate within the local entity’s service area. SB 789 would also require that the ordinance proposing the excise tax must provide that the revenue from the tax is equally distributed between the local entity and the State Water Resources Control Board (SWRCB) for water conservation efforts within the local entity’s jurisdiction.
There is a substantial body of statutory and common law authority that already allows a local water agency to propose by ordinance or resolution a special tax that would need to be approved by a two-thirds vote of the electorate. It is unclear why SB 789 would be necessary, given the existing authority already extended to local water agencies in this area.

In addition, there are significant substantive concerns regarding the provisions of SB 789:

- As presently drafted, SB 789 would require that the revenue generated from the imposition of an excise tax on excessive water use be evenly distributed between the local water agency and the SWRCB for local water conservation efforts within the jurisdiction of the local water agency. There does not appear to be a reasonable rationale as to why revenue generated from a locally-imposed excise tax on excessive water use should be remitted to the SWRCB. Locally-derived revenue generated through the imposition of this type of excise tax should be retained locally and controlled by the local entity imposing and collecting the excise tax.

- SB 789 would provide that all revenue generated from the imposition of an excise tax on excessive water use must be spent on local water conservation efforts within the local water agency’s jurisdiction. If a local water agency is going to undertake the significant effort of developing an excise tax ordinance, educating the community on the proposal, and then pursuing a two-thirds vote on the ballot, the local water agency should be able to utilize the revenue generated for any water-related purposes of the agency, including water conservation, local water supply development, resource management, and other purposes. SB 789 would unduly restrict the uses of revenue received.

The Water Authority’s legislative policy guidelines state that the Water Authority shall oppose legislation that:

- Limits the local water agency’s ability to establish local priorities for water resources planning decisions.

- Makes any unilateral reallocation of Water Authority or its member agencies’ revenues by the state unless the state takes compensatory measures to restore those funds.


**Staff recommends a position of Oppose on SB 789.**

Prepared by: Glenn A. Farrel, Government Relations Manager
Ivy Ridderbusch, Assistant Management Analyst
Approved by: Dennis A. Cushman, Assistant General Manager
July 15, 2015

Attention: Legislation, Conservation and Outreach Committee

Small Contractor Outreach and Opportunities Program (SCOOP) Review
(Information)

Purpose
This report provides background information on the SCOOP program.

Background
The purpose of SCOOP is to maximize small-business participation on the Water Authority’s contracts and procurements. SCOOP provides small businesses with resources and information through training, networking, and technical assistance.

The first iteration of the SCOOP program, originally called the Emerging Business Enterprise Program, was established in the early 1990s at the direction of the Board and focused on minority-owned, women-owned, and veteran-owned businesses. In 1996, Proposition 209 became law and amended the California State Constitution to prohibit discrimination against, or preferential treatment for, any individual or group on the basis of race, sex, color, ethnicity, or national origin in public employment, public education, or public contracting (California Constitution, article I, section 31). The Board of Directors established an ad hoc committee to study the impact of section 31 and to re-direct the focus of the Emerging Business Enterprise Program toward assisting small businesses. In 2001, the Board changed the name of the program to SCOOP and the SCOOP Committee was established in 2002. The SCOOP program is not a legal requirement for the Water Authority.

The SCOOP Committee’s goals are:

- Provide guidance to staff and recommendations to the LCO Committee on SCOOP policy to ensure that the Water Authority provides opportunities for certified small companies to do business with the Water Authority.
- Promote diversity within the Water Authority’s procurement process consistent with Cal. Const., article I, section 31.
- Ensure that measurements for determining SCOOP success are appropriate, that annual and long-term numeric goals for small-business participation (based on the percentage of contract dollars awarded annually) are set, and that progress is reported to the Board on a quarterly basis.
- Work closely with the Legislation, Conservation and Outreach Committee to inform the general public and interested entities within the region of the SCOOP Committee’s work.

Since the program’s establishment, small-business participation has increased from 6 percent in 2001 to 39 percent in 2014. The SCOOP goal for fiscal year 2015 is 30 percent.
Discussion
SCOOP is an outreach-based program that reaches its Board--established overall small-business participation goal by providing small businesses with training, networking, and technical assistance and by monitoring and participating in the solicitation process to ensure small businesses have an opportunity to compete for and participate in Water Authority procurements. Additional outreach methods such as the Mentor-Protégé program, Paths to Partnerships Annual Symposium, and the Public Agency Consortium were created to assist staff in recruiting and training small businesses interested in working with public agencies, and to create a forum for public agency staff to share ideas and resources for their small-business programs.

The program assists small businesses by providing them opportunities and training in order to grow and expand their business while learning how to work on government contracts. The Water Authority benefits by having a large pool of qualified contractors and vendors available to work on programs and projects. A large pool of bidders helps improve bid accuracy and provides a better cost to the Water Authority as the competition to be the successful bidder or proposer on a project increases.

SCOOP tracks and reports to the Board the numbers of businesses participating in contracts and procurements, and the dollars awarded to small businesses. These figures are a reflection of the output and outcome of SCOOP outreach activities. Information on minority- and women-owned businesses that bid on and receive contracts is reported for statistical purposes only.

The SCOOP training program offers in-person workshops on a variety of topics, such as guidelines on how to work on Water Authority contracts, how to give a formal presentation, and how to network with other businesses to secure government contracts. Online courses give individuals the option of conveniently accessing SCOOP training materials via the Water Authority website from any location on their own time. The courses available are:

- Registering on the Network
- Bidding and Estimating
- Introduction to Surety Bonds
- Doing Business with the San Diego County Water Authority
- Responding to Requests for Proposals
- Responding to Notices Inviting Bids (NIBs)

Networking opportunities and technical assistance also provide an opportunity for small companies to grow their businesses and work on diverse contracts. Staff works with small-business technical assistance centers such as the Contracting Opportunity Center and Small Business Development Center to provide individualized coaching and one-on-one counseling specific to small-business owners’ needs.

These training programs and outreach methods have recruited 3,031 businesses to register on The Network, the Water Authority’s free e-procurement system. Thirty-one percent are small businesses, and 23 percent are minority- or women-owned businesses.
Program Response to Operational Changes

After its initial creation, the SCOOP program was a critical component in securing interested bidders for the Water Authority’s Capital Improvement Program. As the CIP began to increase in size in 2003, SCOOP outreach was essential to bringing in new contractors to meet the increased construction and design activities. Construction spending between 2006 and 2010 averaged more than $200 million per year, and small businesses were not prepared to participate on large-scale projects such as the San Vicente Pipeline or the San Vicente Dam Raise. Networking activities allowed small subcontractors to meet with large prime contractors and increase their chances of securing work with the Water Authority. Training workshops coached small businesses on how to be successful in marketing, networking, procurement and the contract management process.

As an “agency of choice” in Southern California, the Water Authority launched several programs to educate the contractor community on upcoming projects and expand the bid environment for large-scale projects. The Mentor-Protégé Program, created in cooperation with the city of San Diego and the Associated General Contractors, was a community-based effort involving leaders of major prime and subcontractor organizations, financial and bonding institutions, and several public agencies. The program was designed to produce a broad base of high-quality, competitive and profitable construction companies through incremental improvement. Small businesses were paired with large companies to learn more about the procurement process and eliminate potential barriers to bidding and working on large-scale construction projects with public agencies.

Another program to help educate the business community on public agency projects was the Paths to Partnerships Symposium. The annual event was sponsored by the Water Authority, but supported by the Public Agency Consortium, a group of public agencies working to recruit and retain small-business participation on local projects. An average of 800 attendees per year participated in networking sessions, training modules and seminars designed to grow and expand their businesses, and increase their participation on public works projects.

As the CIP began to ramp down in 2011, the SCOOP program was right-sized to focus on ongoing core services. Staff reductions and the reduced involvement in time-intensive programs such as the Mentor-Protégé Program and Paths to Partnerships Symposium helped reduce the overall program budget and concentrate resources on training and networking programs needed to support small-business participation on a larger number of smaller-sized procurement opportunities. In addition, staff began enhancing online training opportunities to deliver training in a more convenient and cost-effective manner.

Program Enhancements

As the Water Authority scales back on large-scale construction projects, there has been an increase in competition for agency projects. After the evaluation of several potential enhancements, the SCOOP Committee approved the Sheltered Market Program in 2013, which limits specific projects to small businesses. These projects are valued at $10,000 to $150,000 and are only open to small businesses registered on the Network. Contracts in this cost range are evaluated on a case-by-case basis in coordination with the contract and project managers to determine which ones are appropriate for the Sheltered Market Program.
Moving Forward
The SCOOP Program continues to recruit and prepare businesses to work with the Water Authority. The current training program is being evaluated to ensure it meets the needs of the organization, while providing a resource to the small-business community. Small-business participation on Water Authority projects through the third quarter of fiscal 2015 is 67 percent, well on pace to meet the annual 30 percent goal. Minority- and women-owned business participation is 14 percent.

Prepared by: Teresa Penunuri, Public Affairs Supervisor
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Frank Belock, Deputy General Manager
July 15, 2015

Attention: Legislation, Conservation and Outreach Committee

Report on Citizens Water Academy Program Activities (Information)

Background
For more than two decades, the Water Authority has engaged in sustained and comprehensive public outreach, civic engagement and government relations activities as top agency priorities. Over the past several years, the Water Authority has been confronted with a number of complex high-profile issues on which it must effectively communicate its mission and critical water reliability priorities and objectives. These include the rate litigation with the Metropolitan Water District of Southern California, proposed projects to address water supply and environmental concerns in the Bay-Delta, deepening drought conditions, and other issues that have led to a multitude of water agencies and other stakeholders disseminating confusing and sometimes competing messages in the region.

To help increase the effectiveness of the agency’s external communications on Board priorities, including the MWD rate litigation and other water policy issues, the Board approved an expanded community outreach, civic engagement and government relations plan in May 2014. The plan included the creation of a regional water academy for influential professionals and emerging leaders to help them learn more about and effectively engage in water issues. Water Authority public opinion polling shows strong public support for the Water Authority’s supply diversification strategy, which demonstrated the potential value of developing this kind of in-depth educational resource.

The program, named the Citizens Water Academy, was designed and developed by staff during the summer and early fall of 2014. Its mission was to “create a growing, diverse, and active network of influential individuals from across the San Diego region who are knowledgeable about key water issues and Water Authority programs and strategies and are willing to help expand that knowledge by serving as outreach ambassadors for the Water Authority, when needed, and by nominating others to the academy.” A goal of educating at least 125 community influencers annually was added to the 2014 update to the General Manager’s Business Plan.

Discussion
This report provides more information about the structure and implementation of the Citizens Water Academy and summarizes the first year (July 2014-June 2015) of its activities and results.

Curriculum
The curriculum gives participants an overview of the region’s water history, planning processes, current water issues and an operational overview of the regional water delivery and treatment system. The material is delivered over several sessions over a period of roughly two to three weeks by senior management and staff experts, and over the first year of the program staff made several adjustments to the organization and content of the curriculum to refine and improve the program. Currently, the curriculum is organized as follows:
Session 1 topics include the history of water in the San Diego region, the Water Authority’s diversification strategy and its history and infrastructure investments.

Session 2 topics include water supply and facilities planning, including drought planning and response. Session 2 also includes an exercise to give participants a sense of the challenges and choices that Water Authority Board members weigh when making regional water supply decisions.

Session 3 topics include infrastructure operations and maintenance, emergency planning and response, as well as tours of the Escondido operations center (control room and emergency operations center), Twin Oaks Valley Water Treatment Plant and Olivenhain Dam.

Participants also have a graduation ceremony at the conclusion of Session 3 to commemorate their completion of the academy. Graduates are added as subscribers to the WaterSource e-newsletter, invited to participate in the MWD inspection trip program and receive special updates about critical water issues. The Water Authority also invites graduates to “alumni” events, such as tours of other facilities, to help keep participants active and engaged after graduation.

Recruitment
Staff maintains an interest list to recruit prospective attendees. The list is compiled using nominations from Board members, community leaders, member agencies and academy graduates; website inquiries; past applicants and nominees who expressed interest but were not able to attend previous sessions; and others who express interest at public events and speaking engagements. So far, academy graduates have nominated 50 individuals to participate in future classes.

In the weeks leading up to a class, the Water Authority recruits participants by soliciting nominations from the Board of Directors and the member agency managers, and by sending an email to the interest list. Staff also promotes the opportunity via email to numerous community, civic, planning, and business groups, by sending news releases to the media, through internal and external publications such as WaterSource and GM’s News & Notes, and through social media. Partnerships with other leadership development programs such as LEAD San Diego also have helped recruit individuals by including promotional articles in their member newsletters.

Selection Criteria
The application lists several key criteria that are used to help select participants, including:

- Impact and level of involvement in civic and/or community affairs;
- Impact and level of involvement in professional organizations; and
- Community recommendation (referral by Water Authority Board member, elected official, academy alumni, member agency board member, other community or business leader, etc.).

Staff also tries to balance the composition of each class to be generally representative of the geographic, ethnic, economic, cultural, professional and social diversity of the region. A chart depicting the geographic breakdown of graduates is included in Attachment B.
Results & Evaluation Metrics
The academy held three classes in its first year—Fall 2014, Spring 2015, and Summer 2015. Session dates and locations are included in Attachment A. The classes attracted 228 applications. Of these applications, 161 were accepted and 134 participants graduated. (Some attrition rate is expected due to schedule conflicts and illnesses; participants who cannot attend all sessions are invited back to complete the academy and graduate as part of a future class.) The number of graduates exceeded the annual Business Plan goal for the program.

Participants are asked to complete an evaluation at the conclusion of each session and at the end of the class. Staff received more than 250 evaluations for the 10 sessions held over the course of three classes. Participant feedback has been overwhelmingly positive. According to the evaluation forms:

- 86 percent of participants said total session content is “just right.”
- 96 percent of participants rated the curriculum as “very” informative.
- 97 percent of participants ranked program speakers as very good or excellent.
- 99 percent of participants would recommend the academy to someone else.

Participant feedback, as well as ongoing evaluations by staff, also have been crucial in making modifications to make the program more effective or efficient. For example, the inaugural fall 2014 class included four sessions. After the initial class, staff met and reviewed participant feedback. Based on this input, two of the sessions were consolidated. This resulted in budget and staff time savings, as well as increased convenience for participants, without sacrificing the quality or integrity of the program.

Community Engagement
Another goal of the Citizens Water Academy is for graduates to foster ongoing interest and engagement in water policy and issues among their personal and professional networks. As a result of their involvement in the academy, graduates have requested Water Authority staff to speak or participate in several community events or make presentations to organizations they are affiliated with, such as the San Diego Green Building Council, San Diego Housing Commission, National Active & Retired Federal Employees Association - San Diego Chapter, and an upcoming South County forum that will include the Pacific Southwest Association of Realtors, Chula Vista Chamber of Commerce, South County Economic Development Corporation and two other South Bay nonprofit organizations.

Graduates have also publicly expressed support for Water Authority initiatives and positions, and their experiences as an academy participant. For example, an academy graduate was interviewed by the San Diego Union-Tribune in April. He expressed his concern that potential state water use restrictions did not acknowledge the investments in local supplies that have reduced reliance on imported water supplies. Here is a link to the story:
http://www.sandiegouniontribune.com/news/2015/apr/07/should-sandiego-more-water/

A fall 2014 graduate wrote positively about her academy experience in a blog on the non-profit I Love a Clean San Diego’s ecoBLOGic website, which goes out to more than 20,000 subscribers. Here is a link to the story: https://cleansd.wordpress.com/2014/12/30/a-crash-course-in-local-
water-issues/. In addition, session participants have posted about their experiences during and after the sessions on their social media pages.

Alumni Events
On May 16, the Water Authority held its first alumni event, a special tour of the San Vicente Dam and Reservoir that attracted 23 alumni. Suggestions for future alumni event topics gathered over the first year included seawater desalination, recycled water and potable reuse, water rates and charges, and interrelationships between regional and local water agencies and local, state, and federal governments.

Conclusion
Based on the success of the program to date, staff is planning three classes and two alumni events for the next fiscal year. The fall 2015 session dates are currently scheduled for September 23, October 1 and October 10. The other two sessions will be held in spring and summer 2016. The alumni events will be held in the fall and in the spring. Staff will continue to explore additional refinements to the program as needed.

Prepared by: Craig Balben, Public Affairs Representative
Reviewed by: Denise Vedder, Senior Public Affairs Manager
Reviewed by: Jason Foster, Director, Public Outreach and Conservation

Attachments
1. Exhibit A – Citizens Water Academy Session Dates and Locations
2. Exhibit B – Community of Residence of Citizens Water Academy Graduates
### Attachment A

**Citizens Water Academy Session Dates and Locations**

<table>
<thead>
<tr>
<th>Fall 2014 Session Date</th>
<th>Location</th>
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<tr>
<td>Session 1: Tuesday, Oct. 28, 2014</td>
<td>San Diego History Center</td>
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<td>Session 2: Wednesday, Nov. 5, 2014</td>
<td>Escondido Office</td>
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<td>Session 3: Wednesday, Nov. 12, 2014</td>
<td>North City Water Reclamation Plant</td>
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<td>Session 4: Saturday, Nov. 15, 2014</td>
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<td>Mission Trails Regional Park Visitor Center</td>
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<td>Session 2: Wednesday, March 11, 2015</td>
<td>North City Water Reclamation Plant</td>
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<td>Session 3: Saturday, March 21, 2015</td>
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<td>Mission Trails Regional Park Visitor Center</td>
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<tr>
<td>Session 2: Wednesday, June 3, 2015</td>
<td>Kearny Mesa Office</td>
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<tr>
<td>Session 3: Saturday, June 13, 2015</td>
<td>Escondido Office, Twin Oaks Valley Water Treatment Plant, Olivenhain Dam</td>
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Attachment B
Community of Residence of Citizens Water Academy Graduates
July 2, 2015

Community of Residence

San Diego 60%
Carlsbad 5%
Encinitas 3%
Escondido 5%
Del Mar 2%
El Cajon 2%
Vista 1%
Valley Center 3%
San Marcos 1%
San Ysidro 1%
La Jolla 1%
La Mesa 1%
Lakeside 1%
Ramona 1%
Rancho Santa Fe 1%
Oceanside 2%
Fallbrook 1%
Conrado 1%
Spring Valley 1%
Chula Vista 4%
Bonita 1%
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<tr>
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<tr>
<td>Coronado</td>
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<td>Del Mar</td>
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<td>El Cajon</td>
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<tr>
<td>Encinitas</td>
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<td><strong>Escondido</strong></td>
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<td>Fallbrook</td>
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<td>La Mesa</td>
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<td>Lakeside</td>
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<td>Oceanside</td>
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<td>Ramona</td>
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<td>San Ysidro</td>
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<td>Spring Valley</td>
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<td>Valley Center</td>
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<tr>
<td>Vista</td>
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<td><strong>Total</strong></td>
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July 15, 2015

Attention: Legislation, Conservation and Outreach Committee

Drought Response Communications and Outreach Update (Information)

Purpose
This report provides an update on drought management communications and outreach activities to promote increased conservation as part of the Water Authority’s Water Shortage and Drought Response Plan.

Background
On February 13, 2014, the Water Authority Board authorized entering into the Voluntary Supply Management stage of its Water Shortage and Drought Response Plan, which calls for increased voluntary water conservation. The Board also approved notifying the Water Authority’s 24 member agencies that the region was at the Drought Watch condition of the region’s Model Drought Response Ordinance. Following several months of worsening drought conditions and record-breaking heat, the Water Authority Board authorized entering into the Supply Enhancement stage of its Water Shortage and Drought Response Plan on July 24, 2014. The Board also declared a Drought Alert condition of the region’s Model Drought Response Ordinance, which calls for the implementation of mandatory water use restrictions to help manage available supplies. The Water Authority Board’s actions aim to help preserve stored water reserves in Southern California, and they are designed to help the region’s retail water agencies comply with emergency mandatory conservation measures imposed by the State Water Resources Control Board. These measures originally took effect on August 1, 2014 and were updated on May 5, 2015 to implement Gov. Jerry Brown’s April 1, 2015 executive order for a 25 percent statewide reduction in urban water use. Starting June 1, 2015 through February 2016, state mandates require Water Authority member agencies to reduce their water use between 12 percent and 36 percent compared to their 2013 levels.

The Water Shortage and Drought Response Plan includes a communications strategy to help achieve increased water conservation by the public, and to enhance public understanding of how ratepayers’ investments in projects and their commitment to water conservation has reduced the region’s vulnerability to shortages from drought conditions.

Discussion
This reporting period covers mid-June through mid-July 2015. Staff conducted a variety of activities including media relations, advertising, community partnerships, coordination with member agencies, community events and presentations, as well as posting social media and online content. Highlights for this period include bolstering the When in Drought advertising campaign into the fall and conducting focus groups to test the effectiveness of existing and potential new messages on key audiences. In addition, staff updated the navigation features to the regional water conservation website, www.WaterSmartSD.org, to reflect user trends and make finding key programs easier. The Water Authority also distributed thousands of drought
buckets to member agencies or directly to residents to encourage people to re-use water around their homes, and it partnered with SDG&E to include hose shutoff nozzles in water-saving kits being distributed around the region. Staff also continued to develop additional drought response tools and programs, including a regional water-waste reporting app, online landscape efficiency classes for homeowners and water-efficiency training for landscape professionals.

Community Events and Presentations:
Staff participated in a variety of community or industry group events to provide updates or share information related to water supplies, water-use restrictions and conservation rebates. Event outreach included:

- County of San Diego Farmers Market
- San Diego County Fair’s Water Conservation Day

Staff delivered drought-related presentations to the following organizations:

- Regional Public Information Officers
- Port of San Diego
- Ardea Biosciences
- Santa Fe Irrigation District
- Western Manufactured Housing Community Association
- National City – Neighborhood Council
- SDG&E Customer Programs Quarterly Dialogue
- REV Sustainability Circle
- San Diego Regional Economic Development Corporation Strategic Roundtable
- County Behavioral Health Services - Corporation for Supportive Housing
- San Diego Regional Economic Development Corporation Roundtable – Inland North County
- San Diego Housing Commission Property Managers
- San Dieguito Water District

In addition, staff coordinated a “drought bucket list” promotion in which it distributed 5,000 seven-quart buckets to member agencies or directly to residents to encourage people to re-use water around their homes. The promotion generated news coverage from most local TV stations, in print media and online. The Water Authority hosted two giveaway days at the San Diego County Fair, and residents could pick up buckets from the Water Authority’s Kearny Mesa headquarters and Escondido operations center while supplies lasted. Those who picked up a bucket also received a list of ways to save water when using the bucket and were encouraged to post their bucket use on social media using the hashtag #droughtbucketlist. Buckets also were distributed through several organizations such as the Port of San Diego, South County Economic Development Council, Regional Water Quality Control Board, and the County of San Diego.

Staff also provided drought materials to more than 20 organizations, elected officials and other stakeholders throughout the county, including Alliant International University and City of San Diego council members Todd Gloria and David Alvarez and their offices.
Media Relations:
As part of the Water Authority’s drought outreach, staff issued two news releases and statements:

- Water Authority Launches ‘Bucket List Challenge,’ Offers Free Water-Saving Pails
- Turn Off Irrigation Systems During, After Thunderstorm

Advertising:
Staff continued to place television, radio, and digital advertising to help raise public awareness of state-ordered water use cuts, encourage immediate increased water conservation, and to help member agencies meet their state-mandated water-use reduction targets. Television, radio, online banner, mobile, social media, and Pandora ads ran through the end of June. Following the Board’s May 14 authorization of additional funding to enhance drought response outreach, staff expanded advertising efforts to maintain the heightened frequency into the fall. The expanded advertising includes new components such as cable television, a Padres baseball radio promotion, and “in-app” advertising which includes advertising via mobile app games. Spanish-language radio and online ads will also run through October. The Water Authority continues to coordinate advertising efforts with member agencies, the Metropolitan Water District of Southern California and the statewide “Save Our Water” drought response campaign to leverage resources and minimize duplication.

Staff also organized focus groups in mid-July to help determine the effectiveness of current messaging and explore potential new messaging if needed to keep customers engaged in drought response actions and behaviors.

Community Partnerships:
The Water Authority continues to explore partnerships with business and other organizations in the region to help expand the reach of the When in Drought campaign. During this reporting period, Armstrong Garden Centers, which has seven retail locations in San Diego County, began handing out water conservation tips and conservation program information from the Water Authority at its in-store landscaping classes and during presentations by Armstrong staff to community groups.

The Water Authority also expanded its partnership with San Diego Gas and Electric (SDG&E) to include the distribution of 10,000 water-efficient spray nozzles. The nozzles will be included in water-energy efficiency kits distributed to single-family homes through SDG&E’s Residential Energy Savings Assistance Program, which assists eligible customers based on income and household size, or by the household’s participation in certain public assistance programs. The kits include educational materials and water- and energy-efficiency devices, including aerators and showerheads. In addition, the Water Authority participated in two rounds of SDG&E’s Sustainability Circles Program to deliver drought updates and information on available water-efficiency rebates, programs, tools, and resources to large commercial and public sector customers. Program participants represented various business sectors from throughout the region.

In partnership with the Food and Beverage Association, staff ordered an additional 15,000 beverage coasters due to high demand from the association’s membership. These coasters, which
promote the fact that participating establishments are “Drought Fighters” by serving water only upon request, will be distributed in July to restaurants and bars throughout San Diego County.

**Coordination with Member Agencies:**
The Water Authority continues to coordinate with member agencies on drought response campaign issues. Staff hosted its monthly Joint Public Information Council/Conservation Coordinators meeting with member agency representatives on July 6. Drought outreach materials, informational brochures and conservation devices were also distributed to the member agencies for use at community events.

**Conservation Programs**
Staff is developing two programs as part of the package of enhanced drought response measures approved by the Board in May. For the WaterSmart Design for Homeowners Online Training, the program’s instructional consultant has identified the content to be adapted to a self-paced, interactive online format, and staff is in the process of procuring a vendor for the technical development of the e-learning platform. In addition, staff is procuring a program vendor to administer the Qualified Water-Efficient Landscaper (QWEL) training for professionals as a turnkey service. QWEL will deliver 20 hours of training on water-efficient landscaping practices to industry professionals.

**Social Media and Online Resources:**
Staff launched the Water Authority’s enhanced regional water conservation resources website, www.watersmartSD.org. Enhancements include improved organization and navigation to make it easier for the public to find links to the types of information they are seeking most, including conservation programs, water-saving tips and local water-use restrictions.

Staff continued its development of a regional water-waste reporting app as part of its enhanced drought response efforts. Staff selected a mobile application developer, CitySourced, to develop the app based on its unique expertise in creating a similar application for several other water agencies in California. The app uses geolocation software to allow users to report water waste via their smart phones, tablets or computers. Staff presented the concept to JPIC on July 6 and asked for input on the drop-down menu of water waste items, agency contacts, and agency-specific email messages that would be sent once an incident is reported. Testing and launch are expected to be completed by mid-August.

The enhanced outreach and advertising campaign is leading to greater followings on the Water Authority’s social media channels. Since May 15, the Water Authority’s Facebook page “likes” has increased to 3,108, a 92 percent increase. Over the same period the Water Authority’s Twitter account followers has risen to 1,585, a 14 percent increase.

Staff made more than 70 Twitter posts to spread awareness of drought conditions, promote conservation programs and events, and to call attention to water supply reliability efforts. Members of the public tweeted and re-tweeted more than 330 messages related to drought management actions, water conservation-related events and promotions, and other topics related to conservation or drought. These messages came from civic organizations, public officials,
media outlets, and individuals. Staff also posted more than 40 drought and conservation-related messages to Facebook.

The drought campaign web portal, www.whenindrought.org, has received more than 64,800 page views since the portal was reorganized and launched with new content on May 21. Meanwhile, www.WaterSmartSD.org had more than 14,400 visits during the month of June. In addition, the Water Authority’s eGuide to a WaterSmart Lifestyle received more than 48,400 page views in June.

Two issues of the WaterSource e-newsletter featuring conservation program or drought updates were distributed to community and business leaders.

Prepared by: Denise Vedder, Public Affairs Senior Manager
Reviewed by: Jason Foster, Director, Public Outreach and Conservation
July 15, 2015

Attention: Legislation, Conservation and Outreach Committee

Status Report on Legislation and Legislative Positions. (Information)

Background
Water Authority staff is currently reviewing and monitoring 220 bills in the Legislature for potential impact on the organization and its member agencies.

The Water Authority’s staff and legislative advocates review each bill in the context of the adopted 2015 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
On June 25, the Board adopted a position of Support if Amended on SB 664 (Hertzberg), and a position of Support on SB 758 (Block).

Water Authority staff and legislative advocates will continue to track and monitor bills throughout the legislative session to ensure consistency with Board policies, positions and the 2015 Legislative Policy Guidelines. Attached is a list of substantive legislation under review by Water Authority staff as of July 15, 2015.

Prepared by: Ivy Ridderbusch, Assistant Management Analyst
Reviewed by: Glenn Farrel, Government Relations Manager

Attachments: 1. List of substantive legislation under review by Water Authority staff as of July 15, 2015
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<thead>
<tr>
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<th>Author</th>
<th>Title</th>
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<td>AB 401</td>
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<td>Income taxes: turf removal tax credit.</td>
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<td>Williams</td>
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<td>Rendon</td>
<td>Plumbing fixtures: WaterSense standards.</td>
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<td>Integrated Regional Water Management Plans: conveyance projects: grants and expenditures.</td>
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<td>AB 1139</td>
<td>Campos</td>
<td>Personal income taxes: credit: turf removal.</td>
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<td>Water conservation: drought tolerant landscaping.</td>
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<td>Rates and charges for electric, gas and water services.</td>
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<td>Fish and wildlife: Sacramento-San Joaquin Delta: predation by nonnative species.</td>
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<td>05/28/15</td>
<td>Sen. Approps.</td>
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<td>06/03/15</td>
<td>Sen. Floor</td>
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<td></td>
<td>06/15/15</td>
<td>W, P, &amp; W</td>
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<td>SB 286</td>
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<td>Electricity: direct transactions.</td>
<td>02/19/15</td>
<td>Support (May 28 Board Meeting)</td>
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<tr>
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<td>Energy, Utilities and</td>
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<td>SB 350</td>
<td>DeLeon</td>
<td>Clean Energy and Pollution Reduction Act of 2015.</td>
<td>02/24/15Introduced 04/07/15Energy, Utilities and Communications 04/29/15Environmental Quality 05/28/15Approps. 06/03/15Sen. Floor 06/18/15Utilities and Commerce</td>
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<td>Primary drinking water standards: hexavalent chromium.</td>
<td>02/24/15Introduced 04/15/15Environmental Quality 05/26/15Sen. Approps. 05/28/15Sen. Floor w/ urgency 06/18/15Environmental Safety</td>
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<td>Wolk</td>
<td>State water policy: water and energy efficiency.</td>
<td>02/26/15Introduced 04/28/15Natural Resources and Water 05/28/15Sen. Approps. 06/01/15Sen. Floor 06/18/15W, P, &amp; W</td>
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<td>Disadvantaged communities drinking water standards.</td>
<td>02/26/15Introduced 04/15/15Environmental Quality 05/28/15Sen. Approps. 06/01/15Sen. Floor 06/18/15Environmental Safety</td>
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<td>02/26/15Introduced 04/28/15Goverm. Organization 05/11/15Sen. Approps. Held in Approps.</td>
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<td>SB 637</td>
<td>Allen</td>
<td>Water quality: suction dredge mining: permits.</td>
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<td>Natural Resources and Water</td>
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<td>06/24/15</td>
<td>W. P. &amp; W</td>
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<td>Sen. Approps.</td>
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</table>
July 15, 2015

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 Legislature began its summer recess on July 17, and is scheduled to reconvene on August 17. When the Legislature returns from its summer recess, it will have less than one month remaining prior to the conclusion of the 2015 regular legislative session on September 11, 2015.

Sponsored Legislation
At the November 20, 2014 Board of Directors’ meeting, the Board approved Water Authority sponsorship of three bills for the 2015 legislative session.

- Assemblymember Rocky Chavez introduced AB 149 on behalf of the Water Authority. AB 149 changes the 2020 urban water management plan approval deadline from December 31, 2020 to July 1, 2021, to accommodate final reporting of water use data required under SBX7-7 (the “20X2020” legislation). AB 149 was signed into law by the Governor on July 6, 2015 (Chapter 49, Statutes of 2015).

- Assemblymember Lorena Gonzalez introduced AB 349 on behalf of the Water Authority. AB 349 is an urgency measure\(^1\) that would authorize homeowners within common interest developments to install synthetic grass or artificial turf, within reasonable design and aesthetic standards, in lieu of conventional turf. AB 349 passed the Senate Transportation and Housing Committee on June 23 on an 11-0 vote, and passed the Senate Judiciary Committee on July 14 on a 7-0 vote. AB 349 is now pending consideration on the Senate Floor.

- Senator Ricardo Lara introduced SB 208 on behalf of the Water Authority. SB 208 would streamline the process by which non-governmental organizations and disadvantaged communities can be provided funding – through a combination of advanced payment and reimbursement – within the structure of the integrated regional water management program. SB 208 passed the Assembly Water, Parks, and Wildlife Committee on June 30 on a 15-0 vote, and is now pending action in the Assembly Appropriations Committee.

\(^1\) Urgency measures require 2/3 vote in each House of the Legislature, and if approved by the Legislature and signed into law by the Governor, will go into effect immediately, rather than going into effect on January 1, 2016.
State Water Resources Control Board – Conservation Pricing

On July 8, 2015, the State Water Resources Control Board (SWRCB) conducted a workshop on conservation pricing. Water Authority Board Chair Mark Weston and General Manager Maureen Stapleton attended and participated in the workshop on behalf of the Water Authority and its member agencies. The purpose of the SWRCB’s workshop was for the State Water Board to consider public input “regarding the efficacy of conservation water pricing, implementation of conservation price signals consistent with Proposition 218, and action by [the] State Water Board to promote conservation water pricing pursuant to” the Governor’s Executive Order.

The workshop involved a staff presentation, three panels, public comments, and SWRCB wrap-up comments. Several of the themes presented throughout the workshop focused on the need for Proposition 218 reform, the need for a public goods charge or water fee, development of a waste and unreasonable use penalty, and reactions to the San Juan Capistrano ruling on tiered water rate structures.

Chair Weston addressed the SWRCB during the public comment portion of the agenda. Chair Weston focused on the successful history of conservation pricing that has been, and continues to be, undertaken within San Diego County. Importantly, Chair Weston emphasized that existing law already provides sufficient legal authority for local agencies to implement inclining block pricing and to tailor rate structures to local needs, and encouraged the SWRCB to engage in a role of promoting, supporting, and facilitating the implementation of inclining block pricing by using its array of communication vehicles as a clearinghouse for information, technical assistance, and resources for local agencies to use.

At the conclusion of the workshop, the SWRCB indicated that it will continue to develop and refine a toolkit for local agencies, including a clearinghouse of case studies. The SWRCB also mentioned that they will consider a public goods charge as they develop potential proposals for further consideration, perhaps through the legislative process.

Salton Sea

On June 23, 2015, the Assembly Select Committee on Renewable Energy Development and Restoration of the Salton Sea held an informational hearing on “The Role of the Salton Sea in Meeting California’s Climate and Renewable Energy Targets.” The Assembly Select Committee is chaired by Assemblymember Eduardo Garcia, representing a significant portion of the Imperial Valley. The Committee is also comprised of the following legislators:

- Assemblymember Catherine Baker
- Assemblymember Bill Dodd
- Assemblymember Cristina Garcia
- Assemblymember Lorena Gonzalez
- Assemblymember Brian Jones
- Assemblymember Chad Mayes
- Assemblymember Anthony Rendon
Much of the focus of the June 23 hearing was related to renewable energy possibilities within the Imperial Valley and the Salton Sea region, particularly focused on geothermal capabilities and lithium production. Future hearings of this Assembly Select Committee will focus on Salton Sea restoration and opportunities to address habitat restoration and air quality protection issues.

Closely related to the discussions occurring within the Assembly Select Committee regarding Salton Sea restoration, the Little Hoover Commission continued its Salton Sea-related work by holding a hearing on June 25, 2015. The Commission is in the process of reviewing the environmental, governance, and funding challenges surrounding mitigation and restoration of the Salton Sea. The focus of the June 25 workshop was to hear state and nongovernmental perspectives on the impacts of the receding sea and proposed solutions. The agenda was comprised of the following participants:

- Mary Nichols, Chair, California Air Resources Board
- Keali’i Bright, Deputy Secretary for Legislation, California Natural Resources Agency
- Bill Hasencamp, Manager – Colorado River Resources, Metropolitan Water District
- Kimberly Delfino, California Program Director, Defenders of Wildlife
- Michael Cohen, Senior Research Associate, The Pacific Institute
- Timothy Bradley, Director – Salton Sea Initiative, University of California, Irvine

**Lobbyist Activities**

Steve Cruz of Gonzalez, Quintana & Hunter reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Advocated the Water Authority’s interests relative to the QSA water transfers with the San Diego legislative delegation, legislative leadership, and the Administration.
- Worked with the Water Authority Government Relations Manager to advocate on behalf of the Water Authority’s three sponsored bills.
- Represented the Water Authority in a variety of venues on Water Authority issues.
- Coordinated with V. John White, Bob Giroux, and Water Authority staff on various legislative issues of importance to the Water Authority.

Bob Giroux of Lang, Hansen, O’Malley & Miller reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:
• Provided strategic advice and information regarding the Water Authority’s legislative interests.

• Coordinated with V. John White, Steve Cruz, and Water Authority staff on various legislative issues of importance to the Water Authority.

• Conferred with the Assembly Speaker and the Senate President pro tem regarding the Water Authority’s interests.

V. John White reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:

• Provided strategic advice and information regarding the Water Authority’s legislative interests.

• Coordinated with Bob Giroux, Steve Cruz, and Water Authority staff on various legislative issues of importance to the Water Authority.

Washington, D.C.
Ken Carpi of Carpi & Clay will provide a separate written 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
ENGINEERING AND OPERATIONS COMMITTEE

AGENDA FOR

JULY 23, 2015

Ken Williams – Chair          Tony Heinrichs
Marty Miller – Vice Chair     Michael Hogan
Ron Watkins – Vice Chair      John Linden
Gary Arant                 Ron Morrison
Jimmy Ayala                Ken Olson
Brian Boyle                Halla Razak
Brian Brady                John Simpson
Gary Croucher


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

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

   4-A Directors’ Comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

   1. Presentation on Carlsbad Desalination Project Update. (Discussion) Frank Belock

   2. Construction contract with Pulice Construction, Inc. for Package 4 - San Vicente Bypass Pipeline project. Wade Griffis
      Staff recommendation: Accept Change Orders 1 and 2 to the construction contract with Pulice Construction, Inc. for an increase of $125,460; authorize the General Manager to execute change orders for up to $200,000 for Reach 2 differing site condition cost impacts increasing the authorized contract amount to $14,324,800. (Action)

III. INFORMATION

   1. Presentation on Regional Construction Procurement Committee. Vic BIANES
IV. CLOSED SESSION

1. CLOSED SESSION:

   Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: Scripps Nob Hill Homeowners Association v. SDCWA; San Diego Superior Court Case No. 37-2015-00022131-CU-OR-CTL

Dan Hentschke

V. ADJOURNMENT

   Melinda Cogle
   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.
July 15, 2015

Attention: Engineering and Operations Committee

Construction contract with Pulice Construction, Inc. for Package 4 - San Vicente Bypass Pipeline project. (Action)

Staff recommendation:
Accept Change Orders 1 and 2 to the construction contract with Pulice Construction, Inc. for an increase of $125,460; authorize the General Manager to execute change orders for up to $200,000 for Reach 2 differing site condition cost impacts increasing the authorized contract amount to $14,324,800.

Alternative:
Do not authorize these change orders and provide direction to staff relative to resolution of the differing site condition cost impacts. This could delay project completion.

Fiscal Impact
Funds for the contract increase of $325,460 are available in the approved project budget and the fiscal years 2016 and 2017 Capital Improvement Program appropriation. The rate category for this project is storage.

Background
In accordance with the April 2008 Board certified Carryover Storage Project Environmental Impact Report, the completed 117 foot San Vicente Dam Raise provides an additional 152,000 acre-feet of combined emergency and carryover storage for the region.

The Dam Raise project is being implemented through seven construction packages to expedite the construction schedule, and promote opportunities for small businesses. The following is the project’s implementation plan status:

- Package 1 – Test Quarry (complete)
- Package 2 – Foundation Preparatory Work (complete)
- Package 2B – Vegetation Cutting and Erosion Control (complete)
- Package 3 – Roller Compacted Concrete Dams and Appurtenant Facilities (complete)
- Package 4 – Bypass Pipeline (in construction)
- Package 5 – San Vicente Marina Facilities (in construction)
- Package 6 – Post Construction Habitat Restoration (in design)

With the completion of Package 3 raising the San Vicente Dam, the increased reservoir elevation will inundate a portion of the City of San Diego’s existing San Vicente Bypass Pipeline. Therefore, per the terms of the 1998 agreement between the Water Authority and City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir), the Water
Authority is relocating a portion of the San Vicente Bypass Pipeline outside of the reservoir’s new high water level.

Pulice Construction, Inc. is the Package 4 contractor currently constructing the Bypass Pipeline. The project includes modifications to the First Aqueduct Terminal Structure and the installation of 3,300 feet of 48-inch reinforced concrete pressure pipe and appurtenant structures.

Previous Board Actions: In October 2015, the Board rejected L.H. Woods and Sons, Inc., bid protest, and authorized the General Manager to waive any inconsequential variance in the bid documents and award a construction contract to Pulice Construction, Inc. in the amount of $13,999,340 for the San Vicente Bypass Pipeline project.

Discussion

Staff recommends that the Board accept Change Orders 1 and 2 executed by staff under the General Manager’s authority, for $125,460. These items are summarized below and include differing site conditions, design modifications, and administrative contract revisions. A full listing of contract modifications is attached in Table 1.

Differing Site Conditions: Staff executed three differing site condition modifications for $120,095. The major item was a modification for $72,898 to remove and re-grade fills placed during construction of the existing Terminal Structure access road. These existing fills were determined to be unsuitable to support the new access road construction, and additional grading was required to provide a stable foundation.

Design Modifications: Staff executed three design modifications for $5,365. The largest item was to increase the length of a drainage ditch to mitigate potential erosion along the trail of the left abutment the San Vicente Dam.

Administrative Modifications: Staff executed three no-cost modifications to modify the specified construction sequence, extend the contract completion for 15 days, and revise the pipeline shutdown dates required to complete the Bypass Pipeline construction. Staff also extended the contract completion date an additional 14 days due to inclement weather, for a total time extension of 29 days.

We are also requesting that the Board authorize the General Manager to execute a change order for up to $200,000 to mitigate potential cost impacts because the actual ground conditions encountered in Reach 2 tunnel excavation are different than expected.

The new Bypass Pipeline alignment includes 2,400 feet of open-trench pipe installation and approximately 900 feet of piping to be installed inside a tunnel. During the design phase of the project, a geotechnical investigation was conducted that included ground condition observations during the construction of previous projects, and three new borings to identify the ground conditions the contractor would encounter while excavating the tunnel. The ground conditions were estimated to be 300 feet of hard rock in Reach 1 of the tunnel, followed by approximately...
600 feet of stadium conglomerate in Reach 2. Stadium conglomerate is a formation that includes cobbles and boulders nested in a sand matrix. Reach 1 excavation was completed with drill and blast excavation and found to be approximately 300 feet long as predicted in the geotechnical report. Reach 2 is being tunneled with a roadheader tunneling machine that uses a rotating cutting head with steel teeth at the end of a boom to grind into the tunnel face. The geotechnical report predicted the number of large boulders and the total percentage of cobbles and boulders that would be encountered while excavating Reach 2. After excavating approximately 120 feet, or about 20 percent of Reach 2, the contractor encountered more large boulders than the geotechnical report predicted for all of Reach 2. As a result, the tunnel excavation progress was delayed. The Water Authority investigated the contractor’s contention and agreed the number of boulders encountered was a differing site condition and was delaying tunnel excavation progress. Tunnel progress had been delayed by three days when the contractor notified the Water Authority about the differing site condition. If the density of boulders encountered were to continue through the remaining Reach 2 excavation, the completion of the tunnel and project completion could be delayed by as much as 20 days.

While ground conditions and the tunnel excavation rate have recently improved, the number of boulders could continue to increase and further delay tunnel completion. We are requesting the Board authorize the General Manager to execute a change order for a not-to-exceed amount of $200,000 to accelerate tunnel excavation by extending work hours from five 10-hour days to six 12-hour days. The proposed change order would only be executed to the extent necessary to mitigate differing site condition cost impacts associated with the delayed completion of the tunnel.

Approval of these recommendations will increase the Pulice Construction, Inc. authorized contract total by up to $325,460, increasing the authorized contract amount from $13,999,340 to $14,324,800.

The small business participation for this project is 58 percent. Minority and women-owned business participation is 3.8 percent. This information is provided for statistical purposes.

Prepared by: J. Wade Griffis, Interim Principal Engineer
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Frank Belock, Jr., Deputy General Manager

Attachments: Figure 1 – Location Map
Table 1 – Summary of Construction Change Orders
NEW BYPASS PIPELINE PORTION INSTALLED IN MARINA CONTRACT

EXISTING SAN VICENTE BYPASS PIPELINE (ABANDON IN PLACE)

NEW TERMINAL STRUCTURE ACCESS ROAD

NEW TERMINAL STRUCTURE

NEW BYPASS PIPELINE TRENCH SECTION

NEW BYPASS PIPELINE TUNNEL SECTION REACH 1/REACH 2

SAN VICENTE MARINA FACILITIES

SAN VICENTE DAM RAISE

SADDLE DAM

NEW BYPASS CONNECTION PIPELINE

San Diego County Water Authority
CAPITAL IMPROVEMENT PROGRAM

PROJECT:
SAN VICENTE BYPASS PIPELINE

FIGURE 1
## TABLE 1
**SUMMARY OF CONSTRUCTION CHANGE ORDERS**  
**SAN VICENTE DAM BYPASS PIPELINE**  
**SPECIFICATION 593**

Original Board authorized contract amount: **13,999,340**

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<td>193 days to M3</td>
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<td>$2,325</td>
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**Total Amount of Change Orders 1-2** $125,460  
**Total time extension:** 29 days  
**Original Board authorized contract amount:** 13,999,340  
**New executed contract amount:** 14,124,800

M = Milestone
July 15, 2015

Attention: Engineering and Operations Committee

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: Scripps Nob Hill Homeowners Association v. SDCWA;
   San Diego Superior Court Case No. 37-2015-00022131-CU-OR-CTL

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 July 23, 2015 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
ADMINISTRATIVE AND FINANCE COMMITTEE

AGENDA FOR

JULY 23, 2015

Gary Arant – Chair
Doug Wilson – Vice Chair
Halla Razak – Vice Chair
Lois Fong-Sakai
Ed Gallo
Frank Hilliker
Tom Kennedy
Keith Lewinger

Mark Muir
DeAna Verbeke
Ron Watkins
Mark Watton
Mark Weston
Ken Williams
Tom Wornham

1. Roll call – determination of quorum.

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

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

4-A Directors’ comments.

I. CONSENT CALENDAR

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

   Lisa Marie Harris

2. Special District Risk Management Authority Board Election.
   Staff recommendation: Adopt Resolution No. 2015-____ , a resolution of the Governing Body of the San Diego County Water Authority for the election of Directors to the Special District Risk Management Authority. (Action)

   Gretchen Spaniol

II. ACTION/DISCUSSION

III. INFORMATION


3. Board of Director’s Second Quarter 2015 Expenses and Attendance. Rod Greek

4. Board Calendar.

IV. CLOSED SESSION

V. ADJOURNMENT

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.
July 15, 2015

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 June 30, 2015. 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 January 22, 2015. 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.

Chandler Portfolio Summary: This one page snapshot shows the Chandler Asset portfolio holdings including average duration, coupon, yield and ratings; account summary; top issuers; issuer allocation; maturity distribution; and the managed portfolio yield compared to the benchmark.

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 73 percent currently invested in AAA rated or AAA/AA+ split-rated securities. In June 2015 the Water Authority’s overall portfolio yield increased to 0.75 percent and continues to exceed the investment benchmark of 0.46 percent. 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.

________________________________________________
Lisa Marie Harris, Director of Finance/Treasurer
## PORTFOLIO PERCENTAGES

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Portfolio Percentage</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$50 Million</td>
<td>13.40%</td>
<td>$49,677,609</td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Treasury Securities</td>
<td>15% - Minimum</td>
<td>16.45%</td>
<td>61,019,426</td>
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<tr>
<td>Agency Securities</td>
<td>85%</td>
<td>54.58%</td>
<td>202,443,059</td>
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<tr>
<td>Supranational Securities</td>
<td>10%</td>
<td>0.00%</td>
<td>-</td>
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<tr>
<td>Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Placement Service Certificates of Deposit</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>9.41%</td>
<td>34,901,527</td>
</tr>
<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
<td>5.43%</td>
<td>20,141,783</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>0.61%</td>
<td>2,256,656</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>15%</td>
<td>0.12%</td>
<td>453,306</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100.00%</strong></td>
<td>$370,893,366</td>
</tr>
</tbody>
</table>

Accrued Interest (unavailable for investing): 46,139
Checking/Petty Cash/Available Funds (unavailable for investing): 122,186

**Subtotal for Pooled Funds:**

$371,061,691

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

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Securities</td>
<td>-</td>
</tr>
<tr>
<td>Agency Securities</td>
<td>-</td>
</tr>
<tr>
<td>Placement Service Certificates of Deposit</td>
<td>-</td>
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<tr>
<td>Commercial Paper</td>
<td>-</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>86,298,586</td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td>1,363,871</td>
</tr>
<tr>
<td>Money Market Funds and Cash</td>
<td>4</td>
</tr>
</tbody>
</table>

Accrued Interest (unavailable for investing): -

**Subtotal for Bond/CP Fund (available for CIP expenditures):**

$87,662,461

### Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:

Trinity Plus - Reserve (GIC) - Series 1998A COPs

**Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):**

$12,240,775

**Total Cash and Investments:**

$470,964,927

### PORTFOLIO INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>Pooled Funds **</th>
<th>Bond/CP Fund</th>
<th>Debt Service Reserve</th>
<th>Total *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Yield to Maturity - 365 Days</td>
<td>0.70%</td>
<td>0.30%</td>
<td>5.55%</td>
<td>0.75%</td>
</tr>
<tr>
<td>Average Term</td>
<td>911</td>
<td>1</td>
<td>1</td>
<td>718</td>
</tr>
<tr>
<td>Average Days to Maturity (730 Days Maximum)</td>
<td>461</td>
<td>1</td>
<td>1</td>
<td>364</td>
</tr>
</tbody>
</table>

* The weighted average days to maturity of the total portfolio shall not exceed 730 days (two years) to maturity* per SDCWA Investment Policy.
** Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.
On June 17th, the FOMC maintained the target for the federal funds rate at a range of 0-25 basis points. The next meeting is July 29th.
**PORTFOLIO CHARACTERISTICS**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Average Duration</td>
<td>3.33</td>
</tr>
<tr>
<td>Average Coupon</td>
<td>1.76%</td>
</tr>
<tr>
<td>Average Purchase YTM</td>
<td>1.51%</td>
</tr>
<tr>
<td>Average Market YTM</td>
<td>1.65%</td>
</tr>
<tr>
<td>Average S&amp;P/Moody Rating</td>
<td>AA+/Aa1</td>
</tr>
<tr>
<td>Average Final Maturity</td>
<td>3.50 yrs</td>
</tr>
<tr>
<td>Average Life</td>
<td>3.47 yrs</td>
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</table>

**ACCOUNT SUMMARY**

<table>
<thead>
<tr>
<th></th>
<th>Beg. Values as of 5/31/15</th>
<th>End Values as of 6/30/15</th>
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<tbody>
<tr>
<td>Market Value</td>
<td>16,119,884</td>
<td>20,032,821</td>
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<tr>
<td>Accrued Interest</td>
<td>59,808</td>
<td>71,078</td>
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<tr>
<td>Total Market Value</td>
<td>16,179,692</td>
<td>20,103,899</td>
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<tr>
<td>Income Earned</td>
<td>20,407</td>
<td>26,088</td>
</tr>
<tr>
<td>Cont/WD</td>
<td></td>
<td>3,994,142</td>
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<tr>
<td>Par</td>
<td>15,950,000</td>
<td>19,950,000</td>
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<tr>
<td>Book Value</td>
<td>16,132,623</td>
<td>20,141,783</td>
</tr>
<tr>
<td>Cost Value</td>
<td>16,132,623</td>
<td>20,141,783</td>
</tr>
</tbody>
</table>

**ISSUER ALLOCATION**

- Wal-Mart Stores: 11.11%
- Procter & Gamble Company: 10.00%
- Apple Inc: 9.69%
- Berkshire Hathaway: 20.15%
- Exxon Mobil Corp: 20.00%
- ChevronTexaco Corp: 20.04%

**MATURITY DISTRIBUTION**

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<thead>
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<th>Maturity (Yrs)</th>
<th>%</th>
</tr>
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<tr>
<td>0 - 25</td>
<td></td>
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<tr>
<td>25 - 5</td>
<td></td>
</tr>
<tr>
<td>5 - 1</td>
<td></td>
</tr>
<tr>
<td>1 - 2</td>
<td>30.0%</td>
</tr>
<tr>
<td>2 - 3</td>
<td>30.1%</td>
</tr>
<tr>
<td>3 - 4</td>
<td></td>
</tr>
<tr>
<td>4 - 5</td>
<td></td>
</tr>
<tr>
<td>5+</td>
<td></td>
</tr>
</tbody>
</table>

**12-MONTH YIELD COMPARISON**

- SDCWA
- BAML 1-5 Year AAA - AA US Corp Index

**TOP ISSUERS**

<table>
<thead>
<tr>
<th>Issuer</th>
<th>% Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkshire Hathaway</td>
<td>20.2%</td>
</tr>
<tr>
<td>ChevronTexaco Corp</td>
<td>20.0%</td>
</tr>
<tr>
<td>Exxon Mobil Corp</td>
<td>20.0%</td>
</tr>
<tr>
<td>Apple Inc</td>
<td>19.7%</td>
</tr>
<tr>
<td>Wal-Mart Stores</td>
<td>10.1%</td>
</tr>
<tr>
<td>Procter &amp; Gamble Company</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Total: 100.0%
SDCWA - Fiscal Year 2015
Portfolio Management

Page 1

Portfolio Details - Investments
June 30, 2015
CUSIP

Investment #

Average
Balance

Issuer

Purchase
Date

Par Value

Market Value

Book Value

2,256,656.03
1,363,870.57
0.00
453,306.16
49,677,608.58
86,298,587.07
12,240,775.00
0.00

2,256,656.03
1,363,870.57
0.00
453,306.16
49,677,608.58
86,298,587.07
12,240,775.00
0.00

2,256,656.03
1,363,870.57
0.00
453,306.16
49,677,608.58
86,298,587.07
12,240,775.00
0.00

152,290,803.41

152,290,803.41

152,290,803.41

1,950,000.00
2,000,000.00
2,000,000.00
2,000,000.00
2,000,000.00
2,000,000.00
2,000,000.00
2,000,000.00
2,000,000.00
2,000,000.00

1,967,452.50
1,979,060.00
2,008,744.44
2,025,246.67
2,010,120.00
2,006,760.00
2,004,445.39
2,004,995.00
2,001,800.00
2,029,060.00

1,982,662.50
1,991,900.00
2,021,084.44
2,025,086.67
2,015,880.00
2,027,200.00
2,034,845.39
2,005,735.00
2,028,380.00
2,038,660.00

19,950,000.00

20,037,684.00

20,171,434.00

5,500,000.00
4,000,000.00
5,500,000.00
10,000,000.00
3,000,000.00
7,000,000.00

5,486,858.06
3,991,253.33
5,486,471.53
9,966,500.00
2,989,581.67
6,983,273.89

5,486,858.06
3,991,253.33
5,486,471.53
9,966,500.00
2,989,581.67
6,980,862.78

35,000,000.00

34,903,938.48

34,901,527.37

4,000,000.00
6,000,000.00
7,900,000.00

4,050,320.00
5,979,360.00
7,906,636.00

4,132,920.00
5,991,348.00
7,872,508.00

Stated
Rate

S&P

YTM Days to
365 Maturity

Maturity
Date

Managed Pool Accounts
CASH35
CASH45
CASH43
CASH11
CASH13
CASH41
CASH17
CASH33

73
4004
4001
0002
72
4002
204
208

CAMP - OPERATING/POOLED
CAMP - 2010B BONDS-BABS
GOLDMAN - 2010B BONDS-BABS
GOLDMAN - OPERATING/POOLED
LAIF - OPERATING
LAIF - 2010B BONDS-BABS
TRINITY PLUS - 1998A
US BANK MONEY MARKET FUND
Subtotal and Average

07/01/2014

186,209,284.91

0.080
0.080
0.010
0.010
0.300
0.300
5.550
0.001

AAA
AAA
AAA
AAA

AA+
AAA

0.080
0.080
0.010
0.010
0.300
0.300
5.550
0.001

1
1
1
1
1
1
1
1

0.716

1

1.686
1.137
1.238
1.966
1.474
1.876
1.414
1.336
1.578
1.395

1,405
1,037
954
1,505
1,089
1,598
1,353
979
1,584
1,263

1.510

1,277

0.350
0.330
0.360
0.464
0.484
0.381

121
169
121
191
225
225

0.400

176

0.948
0.637
0.986

485 10/28/2016
664 04/25/2017
644 04/05/2017

Medium Term Notes
037833AQ3
037833AJ9
084670BH0
084670BL1
166764AE0
166764AN0
30231GAD4
30231GAL6
742718EG0
931142DJ9

20001
20004
20002
20009
20000
20007
20005
20008
20003
20006

APPLE INC.
APPLE INC.
BERKSHIRE HATHAWAY INC.
BERKSHIRE HATHAWAY INC.
CHEVRON CORP.
CHEVRON CORP.
EXXON MOBIL
EXXON MOBIL
PROCTER & GAMBLE
WAL-MART STORES
Subtotal and Average

02/20/2015
04/28/2015
03/19/2015
06/18/2015
02/18/2015
05/15/2015
04/28/2015
06/18/2015
03/30/2015
05/15/2015

17,898,836.45

2.100
1.000
1.550
2.100
1.718
2.193
1.819
1.305
1.900
1.950

AA+
AA+
AA
AA
AA
AA
AAA
AAA
AAAA

05/06/2019
05/03/2018
02/09/2018
08/14/2019
06/24/2018
11/15/2019
03/15/2019
03/06/2018
11/01/2019
12/15/2018

Commercial Paper - Discount
36959JXW8
36959JZH9
46640QXW6
46640PA86
46640PBB8
89233GBB1

10149
10151
10148
10152
10159
10158

GENERAL ELECTRIC CAPITAL CORP.
GENERAL ELECTRIC CAPITAL CORP.
JP MORGAN SECURITIES LLC
JP MORGAN SECURITIES LLC
JP MORGAN SECURITIES LLC
TOYOTA MOTOR CREDIT CORP.
Subtotal and Average

02/19/2015
04/15/2015
02/19/2015
04/15/2015
05/21/2015
05/21/2015

34,901,527.37

0.340
0.320
0.350
0.450
0.470
0.370

AA+
AA+
A+
A+
A+
AA-

10/30/2015
12/17/2015
10/30/2015
01/08/2016
02/11/2016
02/11/2016

Federal Agency - Coupon
31331JX32
3133ECMM3
3133EDUE0

10048
10084
10135

Run Date: 07/07/2015 - 15:11

FEDERAL FARM CREDIT BANK
FEDERAL FARM CREDIT BANK
FEDERAL FARM CREDIT BANK

04/19/2012
04/25/2013
09/19/2014

1.700
0.600
0.850

AA+
AA+
AA+

Portfolio CWA2
CC
PM (PRF_PM2) 7.3.0

Page 77 of 342
Report Ver. 7.3.3b


<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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</thead>
<tbody>
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<td>3133EDX5A</td>
<td>10138</td>
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<td>1.15</td>
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<td>0.943</td>
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<tr>
<td>31331QB7</td>
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<td>1.127</td>
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<td>3133EENW6</td>
<td>10156</td>
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<td>5,127,800.00</td>
<td>5,105,397</td>
<td>1.50</td>
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<td>1.241</td>
<td>304</td>
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<tr>
<td>313371NW2</td>
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<td>AA+</td>
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<td>08/10/2017</td>
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**Portfolio CWA2**

**CC**

**PM (PRF_PM2) 7.3.0**
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<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
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**Subtotal and Average**

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**Treasury Securities - Coupon**

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**Subtotal and Average**

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**Total and Average**

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<tr>
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# SDCWA - Fiscal Year 2015
## Portfolio Management
### Portfolio Details - Cash
#### June 30, 2015

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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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<td>Passbook/Checking Accounts</td>
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<td>120,914.93</td>
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<td>CASH03</td>
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<td>3.90</td>
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### SDCWA - Fiscal Year 2015

#### Portfolio Management

**Activity Summary**

**June 2014 through June 2015**

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<th>Month End</th>
<th>Year</th>
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<th>Total Invested</th>
<th>Yield to Maturity</th>
<th>Managed Pool Rate</th>
<th>Number of Investments Purchased</th>
<th>Number of Investments Redeemed</th>
<th>Average Term</th>
<th>Average Days to Maturity</th>
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<td>598</td>
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<td>0.541</td>
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<td>0.551</td>
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</table>

**Average**

|       | 78   | 530,958,296.54       | 0.596%          | 0.604%           | 0.598                         | 3                             | 3               | 635          | 315                      |

---

**Run Date:** 07/07/2015 - 15:11

**Page 81 of 342**
July 15, 2015

Attention: Administrative and Finance Committee

Special District Risk Management Authority Board Election. (Action)

Purpose
To adopt a resolution for the selection of three candidates to the Special District Risk Management Authority Board of Directors.

Staff recommendation
Adopt Resolution No. 2015-__ a resolution of the Governing Body of the San Diego County Water Authority for the election of Directors to the Special District Risk Management Authority.

Alternative
Take no action.

Background
The Special District Risk Management Authority (SDRMA) is a Joint Powers Authority formed under California Government Code Section 6500 et seq. for the purposes of providing property, liability, and workers’ compensation coverage protection and risk management services to California public agencies.

The SDRMA Board of Directors consists of seven directors elected from member agencies participating in SDRMA’s property, liability, and workers’ compensation programs. The responsibilities of the Board include establishing policy, providing oversight, and setting direction and vision to ensure SDRMA meets its mission, obligations, and commitment to its member agencies.

Discussion
The San Diego County Water Authority purchases its workers’ compensation coverage from SDRMA. In May 2015, the Water Authority received an official election resolution ballot for the selection of up to three candidates to the SDRMA Board of Directors. The four-year term of newly-elected Directors will begin on January 1, 2016 and terminate on December 31, 2019.

The candidates’ statements of qualifications are included as attachments to this memo. Based on the statements, staff recommends the selection of the following candidates to the SDRMA Board of Directors.

1) Ed Gray Director, Chino Valley Independent Fire District
2) R. Michael Wright Director/President, Los Osos Community Services District
3) Sandy Seifert-Raffelson Director Clerk, Herlong Public Utility District
Prepared by: Gretchen Spaniol, Human Resources Manager
Reviewed by: Matthew S. Brown, Director of Administrative Services

Attachments:
1) Resolution No. 2015-__ a resolution of the Governing Body of the San Diego County Water Authority for the election of Directors to the Special District Risk Management Authority.
2) Candidates’ Statements of Qualifications
RESOLUTION NO. _____

A RESOLUTION OF THE GOVERNING BODY OF THE
San Diego County Water Authority
FOR THE ELECTION OF DIRECTORS TO THE SPECIAL DISTRICT
RISK MANAGEMENT AUTHORITY BOARD OF DIRECTORS

WHEREAS, Special District Risk Management Authority (SDRMA) is a Joint Powers Authority formed under California Government Code Section 6500 et seq., for the purpose of providing risk management and risk financing for California special districts and other local government agencies; and

WHEREAS, SDRMA’s Sixth Amended and Restated Joint Powers Agreement specifies SDRMA shall be governed by a seven member Board of Directors nominated and elected from the members who have executed the current operative agreement and are participating in a joint protection program; and

WHEREAS, SDRMA’s Sixth Amended and Restated Joint Powers Agreement Article 7 - Board of Directors specifies that the procedures for director elections shall be established by SDRMA’s Board of Directors; and

WHEREAS, SDRMA’s Board of Directors approved Policy No. 2015-01 Establishing Guidelines for Director Elections specifies director qualifications, terms of office and election requirements; and

WHEREAS, Policy No. 2015-01 specifies that member agencies desiring to participate in the balloting and election of candidates to serve on SDRMA’s Board of Directors must be made by resolution adopted by the member agency’s governing body.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the San Diego County Water Authority selects the following candidates to serve as Directors on the SDRMA Board of Directors:

(continued)
OFFICIAL 2015 ELECTION BALLOT
SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
BOARD OF DIRECTORS

VOTE FOR ONLY THREE (3) CANDIDATES

Mark each selection directly onto the ballot, voting for no more than three (3) candidates. Each candidate may receive only one (1) vote per ballot. A ballot received with more than three (3) candidates selected will be considered invalid and not counted. All ballots must be sealed and received by mail or hand delivery in the enclosed self-addressed, stamped envelope at SDRMA on or before 5:00 p.m., Tuesday, August 25, 2015. Faxes or electronic transmissions are NOT acceptable.

☐ ROBERT SWAN
   Director/President, Groveland Community Services District

✓ ED GRAY (INCUMBENT)
   Director/President, Chino Valley Independent Fire District

✓ R. MICHAEL WRIGHT
   Director/President, Los Osos Community Services District

✓ SANDY SEIFERT-RAFFELSON (INCUMBENT)
   District Clerk, Herlong Public Utility District

ADOPTED this _____ day of _____________, 2015 by the San Diego County Water Authority by the following roll call votes listed by name:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _______________________________  APPROVED: _______________________________
Special District Risk Management Authority
Board of Directors
Candidate’s Statement of Qualifications

This information will be distributed to the membership with the ballot, “exactly as submitted” by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA.

Nominee/Candidate  Ed Gray
District/Agency  Chino Valley Independent Fire District
Work Address  14011 City Center Drive, Chino Hills, CA 91709
Work Phone  909 902-5260  Home Phone  909 9627-4821

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

When appointed to the Board of Directors of SDRMA in November of 2010, and my election to the Board 2012, I made a commitment to be an effective member of the SDRMA team and to work hard to ensure the continued success of the organization. As a Board member, I believe I have shown that I seek to understand issues and use common sense when making decisions. I wish to continue my service to SDRMA, as I can be a positive member of the SDRMA team and an asset to the members, Board and staff.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization) (Response Required)

I currently serve on the Board of Directors of the SDRMA and serve as Secretary. I have been an elected Director of the Chino Valley Independent Fire District since 2004. During my tenure, I have served multiple terms as President and Vice-President, and as a member of our Finance, Planning, and Personnel Committees. I have served as Liaison to the City Councils of Chino and Chino Hills and to the San Bernardino County Board of Supervisors. I am also the District’s representative and current Chairman of the Citizens Advisory Committee for the California Institution for Men in Chino. I am a member of the Chino Valley Lions Club. I also serve on the Governing Board of the Green Valley Lake Mutual Water Company.
What special skills, talents, or experience (including volunteer experience) do you have? (Response Required)

After serving in the US Army, I enjoyed a lengthy career in law enforcement retiring in 2004 as a Police Lieutenant. I learned early in my career, that to be an effective individual and leader, it was important to actively listen to people; to seek understanding of all sides of an issue; and make decisions based on common sense and "rightness".

My experience as an elected official has broadened my knowledge and reinforced my belief that decisions must be made based on what is right, and not on what is a personal preference.

What is your overall vision for SDRMA? (Response Required)

I see SDRMA as continuing its journey as a successful, effective and efficient service provider through innovation, right thinking and conservative business strategies. I can visualize the organization exploring other avenues of financial endeavors that will benefit our customers.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as a director on SDRMA’s Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature ___________________________ Date 3-30-2015
Special District Risk Management Authority  
Board of Directors  
Candidate’s Statement of Qualifications

This information will be distributed to the membership with the ballot, “exactly as submitted” by the candidates — **no attachments will be accepted**. No statements are endorsed by SDRMA.

Nominee/Candidate  
M. Michael Wright

District/Agency  
Los Osos Community Services District

Work Address  
2122 9th Street, Los Osos CA 93402

Work Phone  
805-528-9370  Home Phone 805-234-4573

**Why do you want to serve on the SDRMA Board of Directors?** *(Response Required)*

WITH 38 YEARS EXPERIENCE IN THE INSURANCE FIELD, I BELIEVE I HAVE THE SKILL SET THAT WILL BENEFIT THE OPERATIONS OF THE SDRMA. I HAVE OWNED AND OPERATED MY OWN INSURANCE AGENCY SUCCESSFULLY AND HAVE SOLD AND SERVICED ALL LINE OF INSURANCE INCLUDING COMMERCIAL AND WORK COMP.

**What Board or committee experience do you have that would help you to be an effective Board Member?** *(SDRMA or any other organization)* *(Response Required)*

I AM CURRENTLY THE PRESIDENT OF THE LOS OSOS CSD. I WAS VICE PRESIDENT THE YEAR BEFORE. BEFORE I WAS ON THE CSD BOARD, I WAS A MEMBER OF THE LOS OSOS CSD EMERGENCY SERVICES COMMITTEE FOR SIX YEARS.
Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

What special skills, talents, or experience (including volunteer experience) do you have? (Response Required)

Licensed Property Casualty Insurance Agent since 1977, over 750 hours of insurance continuing education. I also hold a 6 and 63 securities license.

What is your overall vision for SDRMA? (Response Required)

The overall vision of the SDRMA is to provide the best possible coverage and service to its members and to assist educate their members to assist them in cost-effective safety programs to safeguard their employees' health and welfare.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as a director on SDRMA's Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature: [Signature]
Date: April 20, 2015
Special District Risk Management Authority  
Board of Directors  
Candidates' State of Qualifications

This Information will be distributed to the membership with the ballot, “exactly as submitted’ by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA

Nominee/Candidate: Sandy Seifert-Raffelson  
District/Agency: Herlong Public Utility District  
Work Address: 447-855 Plumas St, P O Box 515, Herlong CA 96113  
Work Phone: (530) 827-3150 Home Phone: (530) 254-0234

Why do you want to serve on the SDRMA Board of Directors?

I am a current Board member of SDRMA and feel that I have added my financial background to make better informed decisions for our members. As a Board member, I have learned a lot about insurance issues and look forward to representing small Districts and Northern California as a voice on the SDRMA Board. I feel I am an asset to the Board with my degree in business and my 29 years’ experience in accounting and auditing. I have audited small districts and know what they need and what they can afford.

I understand the challenges that small District face every day when it comes to managing liability insurance and worker’s compensation for a few employees with limited revenues and staff. My education and experience gives me an appreciation of the importance of risk management services and programs, especially for smaller district’s that lack expertise with insurance issues on a daily basis.

I feel I am an asset to this Board and would love a chance to stay on the Board for 4 more years.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization)

I have worked as the District Clerk for the Herlong PUD for the last 7 years. Before that, I served as the Secretary to the Board of Herlong Utilities, Inc. and Office Administrator. I worked directly with the formation of our District which included working for 2 separate Board’s of Directors and the transfer of assets from a public benefit corporation to a special district. As part of the team that worked to form the District I was directly involved with LAFCo, Lassen County Board of Supervisors and County Clerk to establish the District’s initial Board of Directors as well as the transfer of multiple permits and closure procedures from multiple agencies for the seamless transition of our District operations. I closed out the Corporation books and established the books for the District transitioning to fund accounting. I have also administered the financial portion of a large capital improvement project with USDA as well as worked on the first ever successful water utility privatization project with the US Army and Department of Defense. I am currently working on HPUD’s 2nd loan/grant for 4.8 million with USDA to improve the community’s sewer system. I also am the primary administrator of a federal contract for utility services with the Federal Bureau of Prison.

While on the SDRMA Board, I have served on the nomination committee and SDLF Board. I have enjoyed learning and completing my duties on both boards and feel I have been an asset to both. I have served on CSDA’s Audit and Financial Committee’s for the last 2 years. In the last 20 years I have served on several Boards including school, church, 4-H, County and U.C. Davis.
Special District Risk Management Authority
Board of Directors
Candidates’ State of Qualifications

What special skills, talents, or experience (including volunteer experience) do you have?

I have my Bachelors Degree in Business with a minor in Sociology. I have audited Small Districts for 5 years, worked for a Small District for 10 years and have 25 years of accounting experience. I am a good communicator and organizer. I have served on several Boards and feel I work well within groups or special committees. I am willing to go that extra mile to see things get completed.

I believe in recognition for jobs well done. I encourage Incentive programs that get members motivated to participate and strive to do their very best to keep all losses at a minimum and reward those with no losses.

I have completed my Certificate for Special District Board Secretary/Clerk Program in both regular and advance coursework through CSDA and co-sponsored by SDRMA. I have completed the CSDA Special District Leadership Academy and Special District Governance Academy. I have helped my small District obtain their District of Transparency and currently we are working on the District of Distinction.

I work for a District in Northeastern California that has under gone major changes from a Cooperative Company to a 501c12 Corporation, to finally a Public Utility District. I have worked with LAFCo to become a District. Also my District is currently working on a consolidation through LAFCo with another small District to better serve our small community. Through past experience I feel I make a great Board member representing the small districts of Northern California and their unique issues and will make decisions that would help all rural/small districts.

What is your overall vision for SDRMA?

For SDRMA to be at the top of the risk management field and have all of the Special Districts in the State utilizing their quality insurance and support at a price all California Special Districts can afford.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as director on SDRMA’s Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature: [Signature]  Date: 4/2/15
Special District Risk Management Authority
Board of Directors
Candidate’s Statement of Qualifications

This information will be distributed to the membership with the ballot, “exactly as submitted” by
the candidates – no attachments will be accepted. No statements are endorsed by SDRMA.

Nominee/Candidate: Robert Swan
District/Agency: Groveland Community Services District
Work Address: P.O. Box 350, Groveland, CA 95321
Work Phone: 209-962-7161
Home Phone: 209-962-6535

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

SDRMA’s services are particularly important to the successful operation of smaller special
districts, such as the one I serve. I would like to contribute what I can to ensuring that SDRMA
continues to provide its vital services to its member agencies, prudently and cost-effectively.

Board oversight can be time-consuming. Due to my personal circumstances (retired, single, two
hours from Sacramento), I will be able to participate regularly in Board activities.

What Board or committee experience do you have that would help you to be an effective Board
Member? (SDRMA or any other organization) (Response Required)

I have been a member of the governing Board of the Groveland Community Services District
(water, sewer, fire and parks district) since June 2013. I’ve served as Board President since
January 2014.

Since February of 2010, member of the Board of Pine Cone Performers, a community choral and
drama organization.

During 1995 to 2001, I was a delegate to the Institute of Electrical and Electronics Engineers (IEEE)
committees working on standards development in the area of wireless communications.
Special District Risk Management Authority
Board of Directors
Candidate’s Statement of Qualifications

What special skills, talents, or experience (including volunteer experience) do you have?
(Response Required)
In my work career in the semiconductor industry, I managed business operations and
organizations with annual budgets in the range of ten to twenty million dollars, so I have a good
working knowledge of budgeting and accounting principles. My academic background (BS in
Physics, MS in Computer Science) and work experience have given me a solid understanding of
statistical modeling and economic cost-benefit analysis.

What is your overall vision for SDRMA? (Response Required)
SDRMA has a well-defined role in providing comprehensive insurance coverage to member
agencies. Clearly, continuing this function is central to its future operations. I would like to see
continued expansion of the educational and loss-prevention aspects of the operation, as these are
the keys to improving cost-effectiveness. However, as an insurance entity, prudent financial
management is of paramount importance, and functional expansion must be thoughtfully
controlled.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further
certify that I am willing to serve as a director on SDRMA’s Board of Directors. I will commit the
time and effort necessary to serve. Please consider my application for nomination/candidacy to
the Board of Directors.

Candidate Signature __________________________ Date ________

4-9-15
Attention: Administrative and Finance Committee


Purpose
The purpose of this memo is to provide Fiscal Year 2015 performance information on the 2014-2019 Business Plan.

Background
The Water Authority’s Business Plan describes the key focus areas, programs, key issues, management strategies, and goals necessary to carry out the policies and strategic direction set forth by the Board of Directors in support of its mission. It is a rolling five year plan and includes 22 programs that are categorized into three key focus areas – Water Supplies Portfolio, Water Facilities, and Core Business. Based on a five-year horizon, status of performance is provided annually, and the plan is updated biennially in accordance with guiding principles and policies, related planning documents, and an analysis of current business trends. The Business Plan also provides a foundation for preparing the Water Authority’s two-year budget; ensuring resources are aligned with the Board’s strategic direction.

Previous Board action: On July 24, 2014, the Board reviewed the final performance report on the 2012-2017 Business Plan goals.

Discussion
The 2014-2019 Business Plan contains 185 goals, of which 61 are complete, 99 are on-track, and 25 are not on-track or were deleted or delayed due to a decision by the Board.

Examples of goals that have been completed include:

- Advocated for reasonable California Ocean Plan amendments for desalination intake and discharge.
- Identified shortage management actions under the Water Shortage and Drought Response Plan based on water supply conditions in 2014 and 2015.
- Coordinated with member agencies to compile the dataset required to update an allocation model consistent with the Water Shortage and Drought Response Plan and Board approved refinements to the methodology.
- Conducted an aggressive drought response outreach program that raises regional awareness and compliance with mandatory water use restrictions.
- Secured $2 million in external funding (grants, utility funding, in-kind contributions, etc.) to minimize operational funds needed for current and future water use efficiency programs.
- Developed a rolling 5-year condition assessment and data management plan for all
condition assessment and data management needs.

- Completed the construction of Pipeline 3, 4, and 5 Relining at San Luis Rey on schedule and within budget.
- Achieved 96 percent uptime in fiscal year 2015 at the Lake Hodges Hydroelectric Facility.
- Assessed the Water Authority’s debt and other long-term liabilities and made recommendations to most efficiently utilize funds.
- Completed fiscal sustainability discussions and the integration of the desalination costs into the Water Authority rates and charges.
- Secured $100 million in state funding, through state water bond funding, to support regional and local projects, including potable and non-potable water reuse, conservation, integrated regional water management, QSA obligations, and seawater desalination.
- Exceeded a small business participation percentage, based on total procurement dollars as established by the Board of Directors.

Examples of goals that are not on-track, or were deleted or delayed due to a decision by the Water Authority Board, include:

- Design for Pipeline 3 and 4 Conversion was deferred due to recommendations from the 2013 Regional Water Facilities Optimization and Master Plan Update.
- The Board deferred submitting the California Independent System Operator (CAISO) application until after the San Vicente Pumped Storage project business model is selected.
- The design of System Isolation Valves was deferred due to reprioritization.
- Rancho Penasquitos Hydroelectric Plant revenue below target due to lower flows associated with the drought.
- Tijuana River Valley wetlands mitigation site terminated prior to construction due to infeasibility.


Prepared by: Lisa Celaya, Financial Resources Manager
Kelly Rodgers, Energy Program Manager
Kathy Schuler, Operations and Maintenance Manager
Jeff Stephenson, Principal Water Resources Specialist

Reviewed by: Sandy L. Kerl, Deputy General Manager

Approved by: Maureen A. Stapleton, General Manager

### 2014 - 2019 Business Plan Status Report
Goal Performance as of June 30, 2015

<table>
<thead>
<tr>
<th>Water Supply Portfolio - Bay Delta</th>
<th>Glenn Farrel - Dennis Cushman</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>#</strong></td>
<td><strong>Goal</strong></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1</td>
<td>Upon publication of cost allocation data, prepare a comprehensive independent financial review and analysis of the Bay-Delta Conservation Plan preferred conveyance project and project alternatives (e.g., cost-benefit analyses and ability-to-pay analyses) to assess any project’s cost-benefit to Water Authority ratepayers, as compared to other supply alternatives.</td>
</tr>
<tr>
<td>2</td>
<td>Review and provide comments on the Bay-Delta conveyance project Environmental Impact Report/ Environmental Impact Statement.</td>
</tr>
<tr>
<td>#</td>
<td>Goal</td>
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<td>----</td>
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</tr>
<tr>
<td>3</td>
<td>Secure the support of the San Diego business community, civic leaders, opinion leaders, and media for the Bay-Delta Conservation Plan solution supported by the Water Authority.</td>
</tr>
<tr>
<td>4</td>
<td>Secure requirement for firm financial commitments – through take-or-pay contractors or legal equivalent – from member agencies or units of the State Water Project and Central Valley Project contractors, to pay the fixed costs of the Bay-Delta Conservation Plan conveyance project before bonds are issued and commencement of project construction.</td>
</tr>
<tr>
<td>5</td>
<td>Prevent the adoption or imposition of water user fees to fund ecosystem restoration or any other public purpose or non-water supply improvements, in the Bay-Delta that benefit the public at-large, other water users, or other Bay-Delta users.</td>
</tr>
</tbody>
</table>
### Water Supply Portfolio - Bay Delta | Glenn Farrel - Dennis Cushman (continued)

<table>
<thead>
<tr>
<th>#</th>
<th>Goal</th>
<th>Status</th>
<th>Target date</th>
<th>Previous period actual</th>
<th>Current period actual</th>
<th>2016-Jun target</th>
<th>Overall target</th>
<th>Qualifier</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Support continued state ownership and control of the State Water Project as a public resource, and oppose the transfer of operations of State Water Project facilities from the California Department of Water Resources to Metropolitan Water District, the State Water Project contractors, Central Valley Project contractors, the State and Federal Contractors Water Agency, any entity or joint powers authority comprised of MWD or other water related project contractors, or any other special interest group.</td>
<td>![Green Flag]</td>
<td>2017-Sep</td>
<td>25</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>% complete</td>
<td>The Water Authority continues to be vigilant toward any efforts that may arise to transfer the State Water Project and its operations to parties other than the Department of Water Resources. This issue has not gained any traction or momentum at this point.</td>
</tr>
</tbody>
</table>

### Water Supply Portfolio - Colorado River Program | Dan Denham - Maureen Stapleton

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<tr>
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<th>2016-Jun target</th>
<th>Overall target</th>
<th>Qualifier</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ensure transfer and delivery of scheduled conserved water from canal lining projects and Imperial Irrigation District water transfer.</td>
<td>![Green Flag]</td>
<td>2016-Jun</td>
<td>90,100</td>
<td>180,200</td>
<td>360,400</td>
<td>360,400</td>
<td>acre-feet</td>
<td>180,200 AF transferred in CY 2014. 180,200 AF scheduled for CY 2015.</td>
</tr>
<tr>
<td>2</td>
<td>Provide legal and technical support in order to obtain a favorable ruling on federal Quantification Settlement Agreement litigation.</td>
<td>![Green Flag]</td>
<td>2016-Jun</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>California ex rel. Imperial County Air Pollution Control Dist. v. United States DOI, 767 F.3d 781 (9th Cir. 2014).</td>
</tr>
<tr>
<td>3</td>
<td>Evaluate the option of a term extension of the Metropolitan Water District-San Diego County Water Authority Exchange and the Imperial Irrigation District/Water Authority Transfer Agreements for decision by the Water Authority Board.</td>
<td>![Green Flag]</td>
<td>2017-Dec</td>
<td>12.5</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>% complete</td>
<td>Initiated development of department Strategic Plan which will include evaluation of term extension for transfer and exchange agreements.</td>
</tr>
<tr>
<td>4</td>
<td>Support Imperial Irrigation District in its need for increased annual flexibility in the creation and delivery of conserved water, while maintaining the overall Quantification Settlement Agreement delivery schedule.</td>
<td>![Green Flag]</td>
<td>2016-Dec</td>
<td>12.5</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Discussions with IID continue, including early or additional transfer water to San Diego in support of water transfer flexibility.</td>
</tr>
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<tr>
<td>5</td>
<td>Identify, through dialogue with state, federal, and local elected officials, alternative mitigation measures and a funding plan that would allow for enhanced and more durable air quality mitigation and wildlife habitat creation at the Salton Sea that is within the projected budget.</td>
<td>2019-Jun</td>
<td>12.5</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Participated in State Water Board process and provided recommendations to the Governor’s Office for the establishment of a Task Force to help expedite construction of projects to protect wildlife habitat and air quality at the Salton Sea. A Salton Sea Task Force was established in 2015 that has consulted with Water Authority staff on mitigation and restoration progress at the Salton Sea.</td>
</tr>
<tr>
<td>6</td>
<td>Ensure that the Quantification Settlement Agreement Joint Powers Authority budget is adequate to fund reasonable environmental mitigation costs to sustain environmental permits.</td>
<td>2019-Jun</td>
<td>10</td>
<td>20</td>
<td>40</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Developed Advanced Funding Proposal for QSA JPA for three funding agencies. Water Authority Board approved proposed advance of up to $10 million in November 2014. A Modified Funding Agreement was approved by the Board in May 2015. Adequate funds are available for mitigation tasks in the approved FYs 2016 &amp; 2017 budget.</td>
</tr>
<tr>
<td>7</td>
<td>Administer the Water Authority’s portion of operations, maintenance, and repair costs for the All-American Canal Lining and Coachella Canal Lining projects, and ensure costs are within contractual obligations.</td>
<td>2019-Jun</td>
<td>10</td>
<td>20</td>
<td>40</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Both canal lining budgets for FY 2016 were approved by the respective OM&amp;R Committees.</td>
</tr>
<tr>
<td>8</td>
<td>Implement environmental mitigation projects on time and on budget for the All-American Canal Lining and Coachella Canal Lining projects as required by state and federal environmental compliance documents.</td>
<td>2019-Jun</td>
<td>10</td>
<td>20</td>
<td>40</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Wister Fishery Pond was completed with ownership and management of the pond turned over to CDFW in 2014. Remaining canal lining mitigation projects are on schedule.</td>
</tr>
<tr>
<td>9</td>
<td>Advocate for the Water Authority’s interests in development of Colorado River Basin water supply and management strategies, including binational projects.</td>
<td>2019-Jun</td>
<td>10</td>
<td>20</td>
<td>40</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Participated in binational meetings and discussions with the Bureau of Reclamation, Mexico, and others.</td>
</tr>
<tr>
<td>10</td>
<td>Achieve the establishment of a Water Authority Intentionally Created Surplus account for the temporary storage of Water Authority Quantification Settlement Agreement water in Lake Mead.</td>
<td>2019-Jun</td>
<td>10</td>
<td>20</td>
<td>40</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Met with representatives from USBR to discuss the progress of establishing a Water Authority ICS account.</td>
</tr>
<tr>
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</tr>
<tr>
<td>1</td>
<td>Coordinate a regional effort to inform and solicit through the member agencies customer participation in Metropolitan Water District's recycled water On-site Retrofit Pilot Program.</td>
<td>2</td>
<td>2016-Jun</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Staff attended MWD’s On-Site Retrofit Pilot Program meetings and provided project feedback that will benefit our member agencies’ customers. Responded to MWD’s request for information, ensuring and promoting member agency customer participation in the Program. To date, six local customer projects have sought Program funding.</td>
</tr>
<tr>
<td>2</td>
<td>Collaborate with the member agencies to develop a plan for surface water storage and groundwater banking that addresses seasonal operations and carryover storage needs.</td>
<td>2</td>
<td>2016-Jun</td>
<td>5</td>
<td>10</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Staff has been working with member agencies during the current drought to monitor regional storage. Collaborative efforts that have occurred include: coordination with member agencies for storage during the SR76 work; initiation of discussions with Sweetwater Authority to extend a storage agreement; implementation of the Reservoir Regulating Plan for the San Vicente reservoir; work on a Goldsim model to help coordinate San Vicente storage and budget approval for a storage optimization model.</td>
</tr>
<tr>
<td>3</td>
<td>Implement and distribute Proposition 50 grant funding to local public agencies through the Recycled Water Retrofit Assistance Program.</td>
<td>2</td>
<td>2017-Jun</td>
<td>35</td>
<td>65</td>
<td>65</td>
<td>100</td>
<td>% complete</td>
<td>Most member agency retrofit projects have been completed. A few projects were delayed due to permitting issues and the need to complete backbone distribution pipeline construction. Additional projects have been identified and new contracts have been drafted.</td>
</tr>
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<tr>
<td>4</td>
<td>Identify and support member agencies’ efforts to secure funding for the development and implementation of local water supply projects through the Integrated Regional Water Management Program and other funding sources.</td>
<td>2019-Dec</td>
<td>20</td>
<td>20</td>
<td>60</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>The San Diego IRWM Program was awarded $13.6 million of DWR Drought Grant funding for six member agency local supply projections in December 2014. Staff expects to have an executed grant contract with DWR by August 2015.</td>
</tr>
<tr>
<td>5</td>
<td>Support member agencies in achieving an annual distribution and beneficial reuse of approximately 39,000 acre-feet of recycled water.</td>
<td>2019-Dec</td>
<td>17,838</td>
<td>28,425</td>
<td>32,000</td>
<td>39,000</td>
<td>acre-feet</td>
<td></td>
<td>Although recycled water production and use has steadily increased, due to recent calls for conservation, demand for recycled water has also correspondingly been reduced. Examples of upcoming recycled water projects include Padre Dam Water Recycling Facility, Phase 1 Expansion, which will provide an additional 1,150 AFY of recycled water demand through the construction of project upgrades to the Ray Stoyer WRF to advanced treated water for current non-potable and future potable reuse; and the construction of the City of Escondido’s MFRO Facility for Agriculture which will produce advanced-treated recycled water suitable for agricultural uses and for future non-potable reuse system expansions, which will result in 880 AFY of recycled water.</td>
</tr>
<tr>
<td>6</td>
<td>Support member agencies in achieving an annual production of 11,000 acre-feet of water supplies from brackish groundwater desalination.</td>
<td>2019-Dec</td>
<td>3,177</td>
<td>6,300</td>
<td>8,500</td>
<td>11,000</td>
<td>acre-feet</td>
<td></td>
<td>Several member agencies are pursuing either expanding or initiating new groundwater projects in their service territories. For example, the Sweetwater Authority was awarded IRWM grant funding for the Reynolds Groundwater Desalination Facility Expansion Project. This Project will expand the Reynolds Facility by 5,200 AF/Y so that it can produce up to 8,800 AFY of potable desalinated groundwater.</td>
</tr>
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</tr>
<tr>
<td>1</td>
<td>Achieve success in Phase 2 of the 2011-2014 rate litigation and secure trial court award of damages comprising the balance of the disputed funds of account.</td>
<td>2015-Mar</td>
<td>65</td>
<td>90</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Continued to provide input to the rate litigation team on issues related to, or impacted by, the rate challenge. Phase 2 Trial (contract breach and preferential rights) Closing briefs hearing was held on June 5, 2015. Judge Karnow requested additional briefing on the preferential rights cause of action by June 19. Tentative decision expected around mid-July.</td>
</tr>
<tr>
<td>2</td>
<td>Conduct biennial Metropolitan Water District Delegates planning session to identify water policy strategies and integrate into the MWD Work Plan for 2015 and 2016.</td>
<td>2016-Mar</td>
<td>15</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Held strategic planning session with Board Officers and Delegates and formulated 2015 and 2016 MWD Program workplan.</td>
</tr>
<tr>
<td>3</td>
<td>Identify, assess, and make recommendations to the Water Authority Metropolitan Water District Delegates on key MWD issues that impact rates and charges, financial contributions, equitable distribution of water supply, supply reliability, and cost efficiency opportunities. As warranted, provide position papers on MWD policies and programs and submit to MWD.</td>
<td>2016-Jun</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Wrote position and comment letters to MWD on its: Readiness-to-Serve Charge and a Capacity Charge for calendar year 2016; Standby Charge for calendar year 2016; request for additional funding for conservation incentives from the Water Stewardship Fund and the Water Management Fund; implementation of modifications to the Turf Removal Program; and execution and distribution of the Official Statement in connection with the issuance of the Special Variable Rate and Water Revenue Refunding Bonds.</td>
</tr>
<tr>
<td>4</td>
<td>Monitor Metropolitan Water District member agencies and report on key activities impacting MWD water demands, water supplies, finances, and other policies.</td>
<td>2016-Jun</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td></td>
<td>Provided updates on key issues discussed at selected MWD member agencies, including issues such as implementation of MWD’s Water Supply Allocation Plan, water supply and demand analysis, conservation program modifications, and MWD’s current process to update its 2015 Integrated Resources Plan.</td>
</tr>
<tr>
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<tr>
<td>5</td>
<td>Monitor, assess, and make recommendations on key state issues, such as potential governance changes in State Water Project operations or new funding requirements that may impact Metropolitan Water District supplies and costs to the Water Authority.</td>
<td>2</td>
<td>2016-Jun</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Analyzed State Treasurer’s financial assessment of the Bay Delta Conservation Plan and its impact to the Water Authority; reported findings to the Imported Water Committee.</td>
</tr>
<tr>
<td>6</td>
<td>Continue Water Authority Board of Directors’ orientation program on Metropolitan Water District issues. Conduct orientation sessions for at least four Directors each year, including travel to MWD Committee and/or Board meetings.</td>
<td>3</td>
<td>2016-Jun</td>
<td>50</td>
<td>25</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Two directors completed the MWD orientation program in Fiscal Year 2015, and one confirmed to attend in August 2015. Continued coordinating with board members who have yet to visit MWD with intent to accompany five additional directors to MWD by the end of fiscal year 2016.</td>
</tr>
<tr>
<td>7</td>
<td>Execute and support Metropolitan Water District Delegates on 12 MWD-sponsored field inspection trips of water facilities, including Water Authority facilities, for the purpose of providing civic and opinion leaders firsthand knowledge of imported water operations. As part of the plan, ensure 20 opinion leaders, at the minimum, participate on each tour.</td>
<td>2</td>
<td>2016-Jun</td>
<td>20</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Completed fiscal year 2015 inspection trip session (two Northern California, three Colorado River Aqueduct, one Hoover/ Colorado River Aqueduct and one local facilities tour). Combined, the delegates hosted over 160 participants from the San Diego region including elected officials and opinion leaders as well as members from targeted communities, organizations, companies, and local agencies. Work is currently under way to confirm the inspection trip schedule for fiscal year 2016.</td>
</tr>
<tr>
<td>8</td>
<td>Secure dry-year transfer water, as needed and available, to moderate supply shortages from MWD, and obtain requisite approvals to convey the water.</td>
<td>2</td>
<td>2016-Sep</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td></td>
<td>% complete</td>
<td>Due to investments made in local supply projects and programs, dry-year water transfers are not needed for calendar year 2015. Staff continues to monitor water supply conditions, receive and review supply proposals, and prepare to increase effort should 2015 continues to be dry.</td>
</tr>
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<tr>
<td>9</td>
<td>Provide Public Outreach and Conservation department timely key points on rate litigation cases to support the Water Authority’s outreach activities. Through this effort, achieve 50 percent or greater public awareness of the rate litigation.</td>
<td>2</td>
<td>2017-Dec</td>
<td>10</td>
<td>40</td>
<td></td>
<td></td>
<td>% complete</td>
<td>Provided support for legislative, organizational, and public briefings on the Water Authority’s rate challenge. Coordinated with Public Outreach team to increase outreach efforts in MWD’s service area.</td>
</tr>
<tr>
<td>10</td>
<td>Identify, assess, and make recommendations to support the rate litigation team in achieving a successful trial court outcome in the 2015-2016 rate case.</td>
<td>2</td>
<td>2017-Dec</td>
<td>10</td>
<td>40</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Provided recommendations to the rate litigation team on issues related to, or impacted by the rate challenge. Achieved transfer of case challenging calendar years 2015 and 2016 rates from Los Angeles County Superior Court to San Francisco County Superior Court.</td>
</tr>
<tr>
<td>11</td>
<td>Identify, assess, and make recommendations to support the rate litigation team in preserving the favorable April 24, 2014 ruling and overall victory in the Court of Appeal and State Supreme Court.</td>
<td>2</td>
<td>2017-Dec</td>
<td>10</td>
<td>40</td>
<td>100</td>
<td></td>
<td>% complete</td>
<td>Provided recommendations to the rate litigation team on issues related to, or impacted by, the rate challenge.</td>
</tr>
<tr>
<td>12</td>
<td>Identify and make recommendations to the Board of Directors that optimize the value of the Water Authority’s out-of-region groundwater storage programs, including leasing capacity to others when the opportunity exists.</td>
<td>2</td>
<td>2017-Dec</td>
<td>10</td>
<td>40</td>
<td>100</td>
<td></td>
<td>% complete</td>
<td>Optimized the utilization of out-of-region storage by making available the Water Authority’s unused capacity for use by other partners to reduce annual costs. Participated in Semitropic groundwater monitoring committees. Continued open dialogue with Semitropic-Rosamond leadership on potential partnerships that might benefit the Water Authority’s investments in the water bank.</td>
</tr>
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</tr>
<tr>
<td>1</td>
<td>Develop regional strategy through the Joint Public Information Council and the member agency potable reuse working group to encourage public acceptance of potable reuse and member agency potable reuse projects.</td>
<td>1</td>
<td>2014-Dec Rev. 2015-Jun</td>
<td>80</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>On the direction of the Board, staff convened a Potable Reuse Coordination Committee &amp; JPIC work group. Three meetings with the Member Agency JPIC group &amp; three meetings with the PRCC were held. A joint meeting was held in June for the two groups. As a result of the adoption of the Water Authority’s Potable Reuse Resource and Outreach Communications Plan in Jan. 2015, the following deliverables were completed: 1. Provided stakeholder outreach research to support local potable reuse project development via focus group research efforts 2. Developed a regional, tri-fold brochure on the facts and benefits of potable reuse. Had material translated into Spanish. 3. Worked in conjunction with member agency staff to reach out to the medical and public health community in the S.D. region to gain active support for IPR.</td>
</tr>
<tr>
<td>2</td>
<td>Convene the member agency potable reuse working group and develop a regional strategy to engage with regulatory agencies to achieve statewide permit regulations.</td>
<td>1</td>
<td>2015-Jun</td>
<td>40</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Convened the member agency &quot;Potable Reuse Coordinating Committee&quot; to develop protocols. These protocols address priorities and responsibilities for engaging in regulatory development, public outreach, and advocating for outside funding associated with potable reuse project development. Protocols were adopted by the PRCC members in January 2015. Currently tracking statewide expert panel and advisory group activities and progress.</td>
</tr>
<tr>
<td>3</td>
<td>Collaborate with the City of San Diego, Bureau of Reclamation, and interested member agencies to complete the San Diego Basin Plan Study.</td>
<td>2</td>
<td>2016-May</td>
<td>5</td>
<td>15</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>In February 2015, hosted Basin Study meeting at the Water Authority’s headquarters building. Provided demand forecast and ESP documentation as part of project literature review task in March 2015. Facilitated discussion between Basin Study and SANDAG staff regarding SANDAG regional growth forecast.</td>
</tr>
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<tr>
<td>4</td>
<td>Provide formal comments on potable reuse regulatory criteria as they are released by the California Department of Public Health.</td>
<td>Green</td>
<td>2016-Dec</td>
<td>5</td>
<td>30</td>
<td>80</td>
<td>100</td>
<td>% complete</td>
<td>State Water Resources Control Board Division of Drinking Water is developing regulatory criteria for surface water augmentation for review by State Expert Panel. Regulations have not been released for public review, but are expected mid-2015. Water Authority staff is following the Expert Panel and Advisory Committee processes associated with development of regulations.</td>
</tr>
<tr>
<td>5</td>
<td>Help member agencies obtain grant funding for potable reuse research and planning projects.</td>
<td>Green</td>
<td>2019-Dec</td>
<td>5</td>
<td>30</td>
<td>30</td>
<td>100</td>
<td>% complete</td>
<td>Water Authority staff was actively engaged in legislative discussions to fund water recycling projects, including potable reuse. This culminated in the passage of Prop. 1, which includes $625 million in grant funding for water recycling projects. Comments were solicited and a formal comment letter was issued to the SWRCB in April 2015 on their draft Water Recycling Funding Program grant and loan assistance criteria and funding guidelines. The draft guidelines give top priority for funding awards to potable reuse projects. Water Authority staff met in April 2015 with the member agencies and reported on the latest grant funding program criteria. Directed member agencies to relevant grant funding websites and provided tips and information to enhance their chances for grant award.</td>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Finalize member agency purchase contracts with City of Carlsbad and Vallecitos Water District.</td>
<td>Green</td>
<td>2015-Feb</td>
<td>99</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Completed. Contracts approved by the Board in February 2015.</td>
</tr>
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<tr>
<td>2</td>
<td>Advocate for reasonable California Ocean Plan amendments for desalination intake and discharge.</td>
<td>1</td>
<td>2015-Jun Rev. 2015-Jul</td>
<td>90</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Completed. Ocean Plan Amendment adopted by SWRCB on May 6, 2015 with satisfactory regulations for intake and discharge.</td>
</tr>
<tr>
<td>3</td>
<td>Complete facility planning and environmental review of Carlsbad Desalination Project intake/discharge system upgrade.</td>
<td>3</td>
<td>2015-Apr Rev. 2016-Feb</td>
<td>50</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Poseidon revised schedule in order to align pre-environmental review studies and analyses with the now adopted Ocean Plan Amendment regulations. Environmental studies need to be completed in order for regulatory permitting agencies to take action on amending permits.</td>
</tr>
<tr>
<td>4</td>
<td>Secure site preservation agreement with the U.S. Marine Corp for a potential future Camp Pendleton Desalination Project.</td>
<td>3</td>
<td>2015-Jun Rev. 2015-Dec</td>
<td>5</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Draft MOU/Site Preservation agreement drafted and under review. Target date revised to align with Intake Testing Program Schedule.</td>
</tr>
<tr>
<td>5</td>
<td>Establish annual supply and demand commitments/targets for the Carlsbad Desalination Project per the Water Purchase Agreement.</td>
<td>1</td>
<td>2015-Jun</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Delivery Schedule will be adjusted based on actual Commercial Operations date.</td>
</tr>
<tr>
<td>6</td>
<td>Successfully integrate the Carlsbad Desalination Project into the Water Authority’s aqueduct system and achieve commercial operation of the project.</td>
<td>2</td>
<td>2015-Oct</td>
<td>70</td>
<td>93</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Project Commissioning activities now underway. Water Authority focus is on scheduling and sequencing introduction of desalinated water into the aqueduct system. Plant construction stands at 93 percent complete.</td>
</tr>
<tr>
<td>7</td>
<td>Support Otay Water District efforts to work with the federal government to authorize the construction, connection, operation, and maintenance of a United States and Mexico cross-border pipeline facility for the importation of desalinated water from the proposed Rosarito desalination facility.</td>
<td>2</td>
<td>2016-Jun</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>No activity required during this period.</td>
</tr>
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**Water Supply Portfolio - Seawater Desalination | Bob Yamada - Bob Yamada** (continued)

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<tr>
<td>8</td>
<td>Complete construction of the Carlsbad Desalination Project intake/discharge system upgrades coincident with the shutdown and demolition of the Encina Power Station.</td>
<td>2</td>
<td>2017-Jun</td>
<td>5</td>
<td>10</td>
<td>0</td>
<td>100</td>
<td>% complete</td>
<td>Pre-environmental studies under way based on now-adopted Ocean Plan Amendment requirements. Preliminary design efforts also under way.</td>
</tr>
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**Water Supply Portfolio - Water Resources Planning | Dana Friehauf - Bob Yamada**

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<tbody>
<tr>
<td>1</td>
<td>Complete the Annual Water Supply Report, as required by the Water Authority Administrative Code Section 8.00.050.</td>
<td>1</td>
<td>2014-Aug</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td># of completed report(s)</td>
<td>Board approved 2013 Annual Water Supply Report in August 2014.</td>
</tr>
<tr>
<td>2</td>
<td>Support preparation of a Water Utility Climate Alliance white paper on the Piloting Utility Modeling Application for Climate Change, which includes assessments of climate models and adaptation strategies.</td>
<td>1</td>
<td>2015-Jun</td>
<td>80</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>PUMA white paper completed in January 2015 and presented by WUCA staff at the National Adaption Forum in May 2015. PUMA white paper posted on WUCA's internet website.</td>
</tr>
<tr>
<td>3</td>
<td>Complete the water demand forecast model update, taking into account potential climate change impacts.</td>
<td>2</td>
<td>2016-Jun</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The demand forecast will be approved as part of the Water Authority’s 2015 Urban Water Management Plan approval. The proposed target date is based on passage of legislation extending the deadline for submittal of the 2015 UWMP until July 1, 2016. Water demand forecast model completed and preliminary baseline normal-year demand forecast results produced in February 2015. Staff is working with the consultant to review and develop refinement. Proposed baseline demand forecast anticipated by July 2015.</td>
</tr>
<tr>
<td>4</td>
<td>Complete the 2015 Urban Water Management Plan to comply with California Water Code Sections 10610 – 10656.</td>
<td>2</td>
<td>2016-Jun</td>
<td>2</td>
<td>5</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Revised target date based on passage of legislation extending the deadline for submittal until July 1, 2016. Staff has revised workplan schedule; internal staff kick-off meeting held January 2015; kick-off meeting with member agencies scheduled for July 2015.</td>
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### Water Supply Portfolio - Water Resources Planning | Dana Friehauf - Bob Yamada

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<tbody>
<tr>
<td>5</td>
<td>Complete the Annual Water Supply Reports as required by Water Authority Administrative Code Section 8.00.050.</td>
<td>2019-Dec</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td># of completed report(s)</td>
<td>Annual Water Supply Reports are completed in years when the region is not preparing urban water management plans. The 2015 Urban Water Management Plan is due to be submitted by July 1, 2016; it is therefore anticipated that an Annual Water Supply Report will not be prepared in 2016.</td>
<td></td>
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### Water Supply Portfolio - Water Shortage & Drought Response Management | Dana Friehauf - Sandy Kerl

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<tbody>
<tr>
<td>1</td>
<td>Identify shortage management actions under the Water Shortage and Drought Response Plan based on water supply conditions in 2014 and 2015.</td>
<td>2015-May</td>
<td>25</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Board approved shortage management actions at the May 2015 special Board meeting, which included approving member agency M&amp;I and TSAWR supply allocations for FY16; ability to impose a monetary penalty on member agencies that exceed allocations; requiring member agencies to limit outdoor irrigation to no more than two days per week; and directing staff to develop demand offset framework.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>If the Board enacts Water Shortage and Drought Response Plan Stage 3, mandatory cutbacks, due to dry conditions in 2015 and cutbacks from Metropolitan Water District, coordinate with member agencies to compile the dataset required to update an allocation model consistent with the Water Shortage and Drought Response Plan and Board approved refinements to the methodology.</td>
<td>2015-Jun</td>
<td>20</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Staff worked with member agencies to develop refinements to the allocation methodology that were approved at the January 2015 Board meeting. Board approved enacting Stage 3 at May 2015 special Board meeting. Staff worked with member agencies to develop allocations, which were approved by Board at May 2015 meeting.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Conduct an aggressive drought response outreach program that raises regional awareness and compliance with any mandatory water use restrictions in effect, and helps keep water use at a level that meets or is below shortage allocations or other agency-set targets and avoids financial penalties.</td>
<td>2015-Jun</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Drought campaign sustained through end of business plan reporting period. FY15 estimated water use decreased by 8.5% compared to FY14 water use. Campaign transitioned to promote compliance with state water reduction mandates that took effect 6/1/15. Campaign expected to continue through FY16.</td>
<td></td>
</tr>
</tbody>
</table>
### Water Supply Portfolio - Water Shortage & Drought Response Management  
Dana Friehauf - Sandy Kerl

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<tr>
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<tbody>
<tr>
<td>4</td>
<td>Secure at least 12 high profile community partners to assist in promoting a drought response campaign.</td>
<td>1</td>
<td>2015-Jun</td>
<td>9</td>
<td>18</td>
<td>12</td>
<td>12</td>
<td></td>
<td># of high profile partners</td>
</tr>
<tr>
<td>5</td>
<td>Provide reports to the Board on supply, storage and demand conditions, communication activities, and other drought related activities, until the Water Authority-activated Water Shortage and Drought Response Plan is deactivated.</td>
<td>2</td>
<td>2019-Dec</td>
<td>9</td>
<td>18</td>
<td>36</td>
<td>100</td>
<td>% complete</td>
<td>Staff is currently on target to provide monthly reports to the Board.</td>
</tr>
</tbody>
</table>

### Water Supply Portfolio - Water Use Efficiency  
Jeff Stephenson - Jason Foster

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<tbody>
<tr>
<td>1</td>
<td>Secure $2 million in external funding (grants, utility funding, in-kind contributions, etc.) to minimize operational funds needed for current and future water use efficiency programs.</td>
<td>1</td>
<td>2015-Jun</td>
<td>1,183,000</td>
<td>2,264,900</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>$ of funding</td>
<td>This period received a Hans Doe grant, in-kind services from Home Depot and additional $1 million awarded for Prop 84 Drought Round (the contract is in process of being executed).</td>
</tr>
<tr>
<td>2</td>
<td>Maintain region’s per capita potable water use at or below 174 gallons per capita per day by offering regional programs and assistance to member agencies.</td>
<td>2</td>
<td>2015-Dec</td>
<td>161</td>
<td>161</td>
<td>174</td>
<td>174</td>
<td>gallons per capita per day</td>
<td>GPCD based on most recent data available (FY 14). Programs and resources offered include WaterSmart Field Services Program, WaterSmart Landscape Lab, Turf Replacement Program, Agricultural Water Management Program, and Residential Water Use Calculator.</td>
</tr>
</tbody>
</table>
### Water Supply Portfolio - Water Use Efficiency  |  Jeff Stephenson - Jason Foster (continued)

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<tbody>
<tr>
<td>3</td>
<td>Leverage at least two partnerships with private or nonprofit organizations that generate value-added to regional conservation initiatives and reach 3,000 people.</td>
<td>2</td>
<td>2016-Jun</td>
<td>870</td>
<td>2,395</td>
<td>3,000</td>
<td>3,000</td>
<td># of people</td>
<td>18 Home Depot plant fairs and partnership with UC Davis for 4 drought technical seminars for landscape contractors.</td>
</tr>
<tr>
<td>4</td>
<td>Expend at least 95 percent of secured grants portfolio in accordance with the terms of each award.</td>
<td>2</td>
<td>2016-Jun</td>
<td>38</td>
<td>59</td>
<td>95</td>
<td>95</td>
<td>% secured grants</td>
<td>Grant expenditures expected to rise significantly from continued IRWM grant turf replacement rebates and other conservation programs.</td>
</tr>
<tr>
<td>5</td>
<td>Attract 3,000 attendees to regional water conservation classes.</td>
<td>2</td>
<td>2016-Jun</td>
<td>1,025</td>
<td>2,284</td>
<td>3,000</td>
<td>3,000</td>
<td># of attendees</td>
<td>CA Friendly Landscape training, WaterSmart Landscape Makeover Classes</td>
</tr>
<tr>
<td>6</td>
<td>Ensure the value of rebates issued to Water Authority service area customers through the Metropolitan Water District’s SoCal WaterSmart Program increases by 15 percent from fiscal year 2014 levels.</td>
<td>1</td>
<td>2016-Jun</td>
<td>0</td>
<td>496</td>
<td>15</td>
<td>15</td>
<td>% increase</td>
<td>FY15 YTD value is $17.3 million compared to FY14 total of $2.9 million. FY15 goal is $3.3 million equaling 15% above FY14 value.</td>
</tr>
<tr>
<td>7</td>
<td>Update Board-approved Water Use Efficiency Policy Principles.</td>
<td>2</td>
<td>2017-Jun</td>
<td>__</td>
<td>__</td>
<td>__</td>
<td>100</td>
<td>% complete</td>
<td>Expected review of principles to occur in late 2016 or early 2017.</td>
</tr>
<tr>
<td>8</td>
<td>Replace 1,000,000 square-feet of turf with WaterSmart landscape through turf replacement rebate program.</td>
<td>2</td>
<td>2018-Dec</td>
<td>454,288</td>
<td>817,247</td>
<td>500,000</td>
<td>1,000,000</td>
<td>acre-feet</td>
<td>Square footage indicates paid rebates as confirmation of turf replacements.</td>
</tr>
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### Water Facilities - Asset Management  |  Nathan Faber - Gary Eaton

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<tr>
<td>1</td>
<td>Develop a rolling 5-year condition assessment and data management plan (Integrity Management Plan) for all condition assessment and data management needs.</td>
<td>1</td>
<td>2015-Jan</td>
<td>75</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Plan finalized in January as scheduled.</td>
</tr>
<tr>
<td>2</td>
<td>Establish a set of Asset Management program evaluation and performance metrics using a graded scorecard (A-F grades).</td>
<td>1</td>
<td>2015-Mar</td>
<td>45</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Complete a comprehensive review of the Asset Management program, and the Re-lining and Pipe Replacement Program for inclusion in the fiscal years 2016 and 2017 Capital Improvement Program budget.</td>
<td>1</td>
<td>2015-Jun</td>
<td>80</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td></td>
</tr>
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## Water Facilities - Asset Management | Nathan Faber - Gary Eaton (continued)

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<tr>
<td>4</td>
<td>Update the facilities and pipelines asset database to include new pipe condition data.</td>
<td>2</td>
<td>2015-Sep</td>
<td>30</td>
<td>35</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Information Systems group is currently revising the database and software structure.</td>
</tr>
<tr>
<td>5</td>
<td>Research and recommend applicable condition assessment technologies for reinforced, bar-wrapped, and relined pipe.</td>
<td>2</td>
<td>2017-Jun</td>
<td>5</td>
<td>10</td>
<td>60</td>
<td>100</td>
<td>% complete</td>
<td>The team has developed an initial project scope statement and has researched historical Water Authority records on pipe performance. In addition the team has gathered data from 6 other agencies on pipe performance.</td>
</tr>
<tr>
<td>6</td>
<td>Complete visual inspection and condition assessment of 25-miles of pipelines.</td>
<td>3</td>
<td>2017-Jun Rev. 2019-Jun</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>25 miles</td>
<td>Due to the drought (water discharge associated with pipeline draining), the Water Authority has deferred 13-miles of pipeline inspections during the FY16/17 period. However the team is on track for 14-miles of Magnetic Flux Leakage inspection on Pipeline 3 (San Marcos to Rancho Penasquitos) in March 2016.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Complete visual inspection and condition assessment of 35-miles of pipelines.</td>
<td>2</td>
<td>2019-Jun</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>35 miles</td>
<td>Goal begins in July of 2017.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Improve the Asset Management Program scorecard grade by 5 percent (one-half grade).</td>
<td>2</td>
<td>2019-Jun</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5 % improvement</td>
<td>Progress will be measured in July of 2016.</td>
<td></td>
</tr>
</tbody>
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## Water Facilities - Capital Improvement Program | Jeff Shoaf - Frank Belock

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<tr>
<td>1</td>
<td>Complete construction of the San Vicente Marina Facilities project on schedule and within budget to replace the existing marina facilities removed as part of the San Vicente Dam Raise and Carryover Storage project.</td>
<td>3</td>
<td>2014-Dec Rev. 2015-Oct</td>
<td>95</td>
<td>98</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Marina Facilities are nearly complete. Construction was delayed mainly due to the contractor’s slower progress on completing the buildings. Revegetation will be completed in October 2015.</td>
</tr>
<tr>
<td>2</td>
<td>Complete the construction of Pipeline 3, 4 and 5 Relining at San Luis Rey on schedule and within budget, providing an extended service life of each portion of the pipelines by 75 years.</td>
<td>1</td>
<td>2015-May</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Project is complete.</td>
</tr>
<tr>
<td>#</td>
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<td>---------------</td>
<td>-----------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3</td>
<td>Complete construction of the relining of Pipeline 3 between San Marcos and the Twin Oaks Valley Water Treatment Plant on schedule and within budget such that it is ready to receive desalinated water from the Carlsbad Desalination Plant.</td>
<td>1</td>
<td>2015-Jun</td>
<td>96</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Project is complete.</td>
</tr>
<tr>
<td>4</td>
<td>Oversee the completion of construction of the Desalinated Conveyance Pipeline such that it can be accepted into operations by the Water Authority and receive desalinated water.</td>
<td>3</td>
<td>2015-Jun Rev. 2015-Aug</td>
<td>81</td>
<td>97</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Construction on conveyance pipeline nearly complete. The conveyance pipeline will be accepted with the testing and completion of the Desalination Plant.</td>
</tr>
<tr>
<td>5</td>
<td>Complete design of Asset Management program's top priority projects.</td>
<td>3</td>
<td>2015-Jun Rev. 2016-Jun</td>
<td>50</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Engineering and O&amp;M Departments have assessed priority projects as part of FY16/17 Budget development. The priority project designs will be completed by June 2016.</td>
</tr>
<tr>
<td>6</td>
<td>Complete construction of the Twin Oaks Valley Water Treatment Plant Expanded Service Area project on schedule and within budget, providing increased delivery of treated water from the treatment plant to the First Aqueduct via the Valley Center Pump Station and Valley Center Pipeline.</td>
<td>3</td>
<td>2015-Sep Rev. 2015-Dec</td>
<td>10</td>
<td>20</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Final design submitted in June 2015 and is under review. Project completion date has been delayed due to equipment procurement delivery schedules.</td>
</tr>
<tr>
<td>7</td>
<td>Complete construction of relining portions of Pipeline 3 from Proctor Valley Road to Lower Otay Reservoir on schedule and within budget, providing additional rehabilitation of pre-stressed concrete cylinder pipe to Pipeline 3.</td>
<td>1</td>
<td>2015-Oct</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Project is complete.</td>
</tr>
<tr>
<td>8</td>
<td>Complete construction of the San Vicente Bypass Pipeline project on schedule and within budget to replace the existing bypass pipeline inundated as part of the San Vicente Dam Raise and Carryover Storage project.</td>
<td>2</td>
<td>2015-Dec</td>
<td>20</td>
<td>60</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Construction is on-schedule to be completed in December 2015.</td>
</tr>
<tr>
<td>9</td>
<td>Complete environmental document certification for the First Aqueduct Regulatory Storage Project. This project will ensure operational reliability is maintained during unanticipated interruption treated water flows from the Second Aqueduct.</td>
<td>2</td>
<td>2016-Jul</td>
<td>2</td>
<td>75</td>
<td>99</td>
<td>100</td>
<td>% complete</td>
<td>The Planning Report and CEQA initial study are completed and draft MND is being prepared. Certification of the MND is anticipated by the end of this calendar year.</td>
</tr>
</tbody>
</table>
## Water Facilities - Capital Improvement Program | Jeff Shoaf - Frank Belock (continued)

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<tr>
<td>10</td>
<td>Complete the design of the North County Pump Station.</td>
<td></td>
<td>2016-Dec</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Contract for planning consultant was awarded at the June 2015 Board meeting. Planning estimated to be completed early next year. Design will be re-scheduled upon completion of the planning effort.</td>
</tr>
<tr>
<td>11</td>
<td>Complete the design of System Isolation Valves.</td>
<td></td>
<td>2016-Dec Rev. 2018-Jul</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>% complete</td>
<td>Start of design has been deferred based on re-prioritization of projects and staff availability. Design will be re-scheduled upon adoption of the FY 2016/2017 budget.</td>
</tr>
<tr>
<td>12</td>
<td>Complete the design of the Pipeline 3 and 4 Conversion.</td>
<td></td>
<td>2016-Dec Rev. 2021-Sep</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>% complete</td>
<td>The planning and design efforts have been deferred based on a recommendation of the 2013 Regional Water Facilities Optimization and Master Plan Update, which forecasts additional untreated water capacity needs by 2025. Planning and design will be rescheduled upon adoption of the FY 2016/2017 budget.</td>
</tr>
<tr>
<td>13</td>
<td>Complete construction of the Nob Hill Improvements project on schedule and within budget to avoid excessive hydraulic transient pressures within Pipelines 3 and 4 under certain operational flow scenarios involving the Rancho Penasquitos Pressure Control/ Hydroelectric Facility and San Vicente Pump Station in the Scripps Ranch area.</td>
<td></td>
<td>2017-Jun</td>
<td>10</td>
<td>20</td>
<td>60</td>
<td>100</td>
<td>% complete</td>
<td>Design complete. Project is advertising and anticipated to be awarded in August 2015.</td>
</tr>
<tr>
<td>14</td>
<td>Complete construction of Asset Management Program's top priority projects.</td>
<td></td>
<td>2017-Jun</td>
<td>0</td>
<td>30</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>On target to award construction contracts in FY 2016.</td>
</tr>
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<tr>
<td>1</td>
<td>Implement the Department of Homeland Security's recommendation to secure back-up Supervisory Control and Data Acquisition at the Twin Oaks Valley Water Treatment Plant.</td>
<td></td>
<td>2015-Jun</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Very minor improvements to the server room have been completed.</td>
</tr>
<tr>
<td>2</td>
<td>Participate in/conduct a local inter-agency or regional emergency preparedness exercise.</td>
<td></td>
<td>2015-Dec</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>In May 2015, participated in the County's full scale power outage exercise. In November 2014, conducted a local agency water quality emergency exercise.</td>
</tr>
<tr>
<td>3</td>
<td>Complete installation of video surveillance at the Valley Center Pump Station.</td>
<td></td>
<td>2016-Mar</td>
<td>0</td>
<td>10</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Video surveillance is part of Phase II of the project. Plan is to complete by target date.</td>
</tr>
</tbody>
</table>
## Water Facilities - Facilities Security & Emergency Preparedness  | Kathy Schuler - Gary Eaton  (continued)

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<tr>
<td>4</td>
<td>Complete installation of video and communication upgrades to the Escondido Operations Center.</td>
<td>🟢</td>
<td>2016-Jun</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Funds are included in FYs 2016 &amp; 2017 budget.</td>
</tr>
<tr>
<td>5</td>
<td>Participate in/conduct a local inter-agency or regional emergency preparedness exercise.</td>
<td>🟢</td>
<td>2016-Dec</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Expect exercise to be completed in Fall 2016.</td>
</tr>
<tr>
<td>6</td>
<td>Update existing Supervisory Control and Data Acquisition system vulnerability assessment using the Department of Homeland Security's Control System Cyber Security Self-Assessment Tool, comparing results with past SCADA assessments.</td>
<td>🟢</td>
<td>2017-Jun</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>100</td>
<td>% complete</td>
<td>DHS SCADA assessment expected to be completed in Spring 2017.</td>
</tr>
<tr>
<td>7</td>
<td>Participate in/conduct a local inter-agency or regional emergency preparedness exercise on an annual basis.</td>
<td>🟢</td>
<td>2017-Dec</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>% complete</td>
<td>Expect exercise to be completed in Fall 2017.</td>
</tr>
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## Water Facilities - Operations and Maintenance  | Jim Fisher - Gary Eaton

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<tbody>
<tr>
<td>1</td>
<td>Complete the Twin Oaks Valley Water Treatment Plant service contract amendment for operations and maintenance costs associated with desalinated seawater chlorine boosting.</td>
<td>🔴</td>
<td>2015-Mar Rev. 2015-Jul</td>
<td>50</td>
<td>95</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The terms of the contract amendment have been agreed upon with the service provider. Currently drafting amendment for final approval. Anticipate signed amendment by July 31, 2015.</td>
</tr>
<tr>
<td>2</td>
<td>Achieve 96 percent uptime in fiscal year 2015 at the Lake Hodges Hydroelectric Facility.</td>
<td>🟠</td>
<td>2015-Jun</td>
<td>99.6</td>
<td>97.3</td>
<td>96</td>
<td>96</td>
<td>% uptime</td>
<td>Uptime performance as of 6/30/15. Estimated end of year revenue is $3,128,389 and 97.3% uptime.</td>
</tr>
<tr>
<td>3</td>
<td>Complete evaluation of alternate tower sites for the communication facilities capital improvement project.</td>
<td>🔴</td>
<td>2015-Jun</td>
<td>75</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>A radio path study for Otay Mountain and Mt. Miguel has been completed. Right of Way is pursuing leases and/or property for the sites identified in the radio path study. Design is on schedule to occur concurrently with Right of Way activities. (See O&amp;M Goal #8 for project construction goal.)</td>
</tr>
<tr>
<td>4</td>
<td>Achieve 97 percent uptime in fiscal year 2016 at the Lake Hodges Hydroelectric Facility.</td>
<td>🔴</td>
<td>2016-Jun</td>
<td>—</td>
<td>—</td>
<td>97</td>
<td>97</td>
<td>% uptime</td>
<td>Operating year begins July 1, 2016.</td>
</tr>
<tr>
<td>5</td>
<td>Resolve five of the top ten right-of-way encroachment cases.</td>
<td>🔴</td>
<td>2016-Jun</td>
<td>25</td>
<td>80</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>4 of 5 cases are completed. The last one is pending signing of Encroachment Permit by property owner.</td>
</tr>
</tbody>
</table>
### Water Facilities - Operations and Maintenance  
**Jim Fisher - Gary Eaton** (continued)

<table>
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<tr>
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<tbody>
<tr>
<td>6</td>
<td>Produce hydroelectric energy revenue of $900,000 annually at the Rancho Penasquitos Hydroelectric Plant.</td>
<td>3</td>
<td>2016-Jun</td>
<td>440,133</td>
<td>558,852</td>
<td>900,000</td>
<td>$900,000</td>
<td>Low flows and mechanical outages resulted in lower than projected revenue in FY2015. FY2016 revenue is expected to be low and not meet the target due to mandatory conservation targets established by the State.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Achieve 97 percent uptime and $2.6M in revenue per fiscal year at Lake Hodges Hydroelectric Facility.</td>
<td>2</td>
<td>2017-Jun</td>
<td>__</td>
<td>__</td>
<td>__</td>
<td>97% uptime</td>
<td>Operating year begins July 1, 2016.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Complete construction of the communication facilities capital improvement project and integrate with existing data communication system.</td>
<td>2</td>
<td>2017-Jun</td>
<td>__</td>
<td>__</td>
<td>__</td>
<td>100% complete</td>
<td>Construction scheduled to commence in July 2016 following property acquisition and design.</td>
<td></td>
</tr>
</tbody>
</table>

### Core Business - Energy Initiatives  
**Kelly Rodgers - Frank Belock**

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<tr>
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<tbody>
<tr>
<td>1</td>
<td>Obtain Board direction on entering into an agreement with the City of San Diego for San Vicente Pumped Storage.</td>
<td>1</td>
<td>2014-Sep</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100 % complete</td>
<td>The agreement for Phase 2 work (selection of a preferred business model) is complete.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Submit for Board consideration, a request to submit a San Vicente Pumped Storage interconnection application with California Independent System Operator.</td>
<td>4</td>
<td>2015-Mar Rev. 2017-Mar</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>100 % complete</td>
<td>The Board deferred submitting the CAISO application until after the project business model is selected. Procurement of professional services for an owners’ advisor team is underway. The owners’ advisor team will analyze potential business models for implementing the project. The revised target was shifted by an additional year to allow for the completion of the owners’ advisor team work and approval of a recommended business model.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Determine viability of potential in-line hydroelectric facilities and recommend projects for Board approval.</td>
<td>3</td>
<td>2015-Jun Rev. 2016-Jun</td>
<td>2</td>
<td>15</td>
<td>100</td>
<td>100 % complete</td>
<td>This project was re-prioritized as part of the analysis of the numerous energy-related issues to be overseen by the Energy Program. A preliminary analysis is underway to assess potential inline hydro sites that will assist in determining a go/no-go on the project by the end of Fiscal Year 2016.</td>
<td></td>
</tr>
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</table>
### Core Business - Energy Initiatives | Kelly Rodgers - Frank Belock (continued)

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<tbody>
<tr>
<td>4</td>
<td>Determine feasibility of a floating solar facility at the Olivenhain Reservoir.</td>
<td>3</td>
<td>2015-Jun Rev. 2015-Dec</td>
<td>50</td>
<td>75</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The initial request for qualification process is complete and yielded no companies that have installed solar on reservoirs similar to Olivenhain with a canyon-like bottom and fluctuating water level. Staff continues to dialogue with firms to determine the viability of a floating solar project and anticipates determining a no-go/go on the project by the end of Calendar Year 2015.</td>
</tr>
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### Core Business - Environmental Management | Larry Purcell - Bob Yamada

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<tr>
<td>1</td>
<td>Submit draft long-term wetland banking or permittee-responsible mitigation agreement for the Manchester mitigation site to U.S. Army Corps of Engineers, Regional Water Quality Control Board, County of San Diego, U.S. Fish and Wildlife Service, and California Department of Fish and Wildlife.</td>
<td>3</td>
<td>2014-Dec Rev. 2015-Dec</td>
<td>50</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Progress deferred while the Corps and Water Authority finalized the prerequisite Programmatic Master Plan Permit for activities in wetlands. Permit issued May 2015. Corps required that initial mitigation agreement be drafted by them; schedule dependent on their workload.</td>
</tr>
<tr>
<td>2</td>
<td>Complete development of electronic database for Natural Community Conservation Plan/Habitat Conservation Plan compliance tracking and reporting.</td>
<td>3</td>
<td>2015-Apr Rev. 2015-Jul</td>
<td>50</td>
<td>95</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Complexity of database and reporting modules have delayed completion.</td>
</tr>
<tr>
<td>3</td>
<td>Complete appropriate California Environmental Quality Act/National Environmental Policy Act document for Carlsbad Seawater Desalination Plant intake modifications.</td>
<td>3</td>
<td>2015-Jun Rev. 2016-Feb</td>
<td>10</td>
<td>10</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>CEQA start delayed due to ongoing Poseidon intake and discharge design and technical studies related to adopted Ocean Plan Amendments.</td>
</tr>
<tr>
<td>4</td>
<td>Complete construction of the Tijuana River Valley wetlands mitigation site.</td>
<td>4</td>
<td>2016-Mar</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Project terminated prior to construction due to infeasibility. Board adoption of FY16/17 CIP budget reallocated funds to alternate mitigation efforts.</td>
</tr>
<tr>
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</tr>
<tr>
<td>5</td>
<td>Complete appropriate California Environmental Quality Act document for use by the Water Authority and multiple member agencies to obtain Aquatic Weed Control Pesticide Permits.</td>
<td>▲ 1</td>
<td>2016-Aug</td>
<td>5</td>
<td>100</td>
<td>90</td>
<td>100</td>
<td>% complete</td>
<td>Board adopted a Mitigated Negative Declaration on May 28, 2015 as CEQA lead agency. Member agencies in process of approval as CEQA responsible agencies.</td>
</tr>
<tr>
<td>6</td>
<td>Complete appropriate California Environmental Quality Act document for Kendall wetlands mitigation site.</td>
<td>▲ 2</td>
<td>2016-Dec</td>
<td>0</td>
<td>0</td>
<td>75</td>
<td>100</td>
<td>% complete</td>
<td>CEQA start dependent on resolving property exchange issues with Caltrans.</td>
</tr>
<tr>
<td>7</td>
<td>Review, and possibly revise, goals and objectives contained in the 2013 Climate Action Plan.</td>
<td>▲ 2</td>
<td>2019-Jun</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>100</td>
<td>% complete</td>
<td>Currently developing computer model to track annual operational greenhouse gas emissions; calendar year 2014 will be pilot study.</td>
</tr>
<tr>
<td>8</td>
<td>Complete habitat restoration activities for the San Vicente suite of projects.</td>
<td>▲ 2</td>
<td>2022-Jun</td>
<td>1</td>
<td>2</td>
<td>10</td>
<td>100</td>
<td>% complete</td>
<td>Not all lands are available for restoration activities. Lands will phase in as projects are completed.</td>
</tr>
</tbody>
</table>

Core Business - Financial Management | David Shank - Lisa Marie Harris

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<tbody>
<tr>
<td>1</td>
<td>Assess the Water Authority's debt and other long-term liabilities and make recommendations to most efficiently utilize funds.</td>
<td>▲ 1</td>
<td>2014-Sep</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>In October, the Board approved an optimization plan for the debt portfolio and other long-term liabilities. The action included 1) the establishment and deposit of $4.3 million into an irrevocable trust to pre-fund Other Post-Employment Benefits; 2) authorize the defeasance of the 2004 Certificates of Participation (COPs) and 3) authorize a partial defeasance of the 2016 Serial Certificate of the 2008 COPs.</td>
</tr>
<tr>
<td>2</td>
<td>Determine optimal funding source: the use of cash or debt financing to fund the Capital Improvement Program in fiscal years 2015 and 2016.</td>
<td>▲ 1</td>
<td>2015-Jun</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The CIP funding mix is included in the multi-year budget. In addition, the update of the Long-Range Financing Plan will focus on optimizing the CIP funding mix over a longer time horizon.</td>
</tr>
<tr>
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</tr>
<tr>
<td>3</td>
<td>Maintain an 80 percent customer satisfaction score on the annual Member Agency Finance Officer Customer Service Survey in fiscal years 2015 and 2016.</td>
<td>1 2015-Jun</td>
<td>88</td>
<td>80</td>
<td>80</td>
<td>% customer satisfaction</td>
<td>The annual customer service survey was completed and the customer service satisfaction level was 88%, which exceeded 80% target.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Maintain Board policy senior lien debt service coverage and Rate Stabilization Fund Target balance levels in fiscal years 2015 and 2016.</td>
<td>2 2015-Jun</td>
<td>1.5x and &lt;100%</td>
<td>1.5x and &lt;100%</td>
<td>times coverage and % of target</td>
<td>With water sales levels exceeding the forecast, the debt service coverage target is expected to be met in FY 2015. In addition, a significant RSF deposit is projected. Results for FY 2015 will be available in Aug 2015.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Develop a plan for expiring liquidity facilities for the Water Authority’s Commercial Paper Program in fiscal years 2015 and 2016.</td>
<td>2 2015-Jun</td>
<td>15</td>
<td>50</td>
<td>100</td>
<td>100 % complete</td>
<td>In April, the Board approved a one-year extension of the JP Morgan liquidity facility at a slightly reduced fee. Staff will be developing a strategy for addressing the expiring liquidity facilities and the maturing subordinate medium-term bonds in the Spring of 2016.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Implement and effectively utilize Power-Plan software for development of the fiscal years 2016 and 2017 Operating Department budget.</td>
<td>1 2015-Jun</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Effectively utilized the software for development of the FYs 16&amp;17 budget which was presented to the Board and May and A&amp;F conceptually approved at June budget hearings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Achieve an annual average interest rate on long-term fixed rate debt that is lower than the adjusted 30-year average Municipal Market Data in fiscal years 2015 and 2016.</td>
<td>1 2015-Jun</td>
<td>3.87</td>
<td>&lt; 30 year average</td>
<td>&lt; 30 year average</td>
<td>Municipal Market Data</td>
<td>The average interest rate on the Water Authority’s debt portfolio in FY 2015 was 3.87%. This is significantly below the benchmark which was 4.52% for that period.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Develop a strategy for Board consideration to pre-fund the Water Authority’s Other Post-Employment Benefits obligation.</td>
<td>1 2015-Jul</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>In October, the Board approved the establishment and deposit of $4.3 million in a trust to pre-fund Other Post-Employment Benefits.</td>
<td></td>
<td></td>
</tr>
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</tr>
<tr>
<td>9</td>
<td>Obtain Board approval of the updated Long-Range Financing Plan.</td>
<td>3</td>
<td>2015-Sep</td>
<td>0</td>
<td>5</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The LRFP update had been delayed due to staffing limitations and higher priority actions like executing a debt refunding.</td>
</tr>
<tr>
<td>10</td>
<td>Produce a Comprehensive Annual Financial Report each year by the end of the first week in November for the prior fiscal years ended June 30.</td>
<td>2</td>
<td>2015-Nov</td>
<td>0</td>
<td>45</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Interim audit work has been completed. Editing has begun on the transmittal letter, management discussion and analysis, footnotes and statistical tables. The books are scheduled to be closed by August 5, 2015 with the audit fieldwork commencing the last week of August.</td>
</tr>
<tr>
<td>11</td>
<td>Complete fiscal sustainability discussions and the integration of the desalination costs into the Water Authority rates and charges.</td>
<td>1</td>
<td>2016-Jun</td>
<td>40</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>At the March 28, 2015 Board meeting, after an 18-month collaborative process, the Board approved a complete package of fiscal sustainability recommendations. The recommendations included the creation of a new fixed Supply Reliability Charge, the consistent allocation of non-commodity revenues to all rate and charge categories and the extension of the Transitional Special Agricultural Water Rate through December 31, 2020.</td>
</tr>
<tr>
<td>12</td>
<td>Develop a plan for the maturing Series 2011S-1 subordinate lien water revenue bonds.</td>
<td>2</td>
<td>2016-Jun</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>This goal is on schedule.</td>
</tr>
<tr>
<td>13</td>
<td>Assess upgrading Financial Model Rate Modeling Program.</td>
<td>2</td>
<td>2016-Dec</td>
<td>10</td>
<td>10</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>A upgrade strategy has been developed and a schedule developed.</td>
</tr>
<tr>
<td>14</td>
<td>Execute 95 percent of the planned operating budget and execute 93 percent of the planned Capital Improvement Program budget.</td>
<td>2</td>
<td>2017-Jun</td>
<td>5% OP and 10% CIP</td>
<td>3% OP and 7% CIP</td>
<td>100</td>
<td>100</td>
<td>% of budgeted $ loaded and tracked in software</td>
<td>Long term goal for FYs 2016 &amp; 2017.</td>
</tr>
<tr>
<td>15</td>
<td>Implement and effectively utilize Power-Plan software for all components of the budget.</td>
<td>2</td>
<td>2017-Jun</td>
<td>100% expenditures and 75% revenues</td>
<td>100% expenditures and revenues</td>
<td>% of budgeted $ loaded and tracked in software</td>
<td>Long term goal for development of FYs 2018 &amp; 2019 budget. Goal is currently on schedule.</td>
<td></td>
<td></td>
</tr>
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</tr>
<tr>
<td>1</td>
<td>Achieve passage of one or more Water Authority sponsored bills annually.</td>
<td>1</td>
<td>2014-Sep</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td># of bills</td>
<td>The Water Authority sponsored measure - AB 2067, by Assemblymember Shirley Weber - passed through the Legislature during the 2014 legislative session and was signed into law by Governor Brown (Chapter 463, Statutes of 2014).</td>
</tr>
<tr>
<td>2</td>
<td>Pursue and secure $100 million in state funding, through state water bond funding, to support regional and local projects, including potable and non-potable water reuse, conservation, integrated regional water management, QSA obligations, and seawater desalination.</td>
<td>1</td>
<td>2014-Nov</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>millions of $</td>
<td>In addition to the $69.5 million that will be regionally allocated for local and regional projects within San Diego County from Proposition 1, the water bond measure also provides considerable opportunities for the San Diego region to successfully compete for funding (water recycling, desalination, water use efficiency, watersheds) to secure in excess of $100 million in state funding through the water bond measure. Proposition 1 also provides $475 million to fund actions related to state settlement obligations, including implementation of the Quantification Settlement Agreement and Salton Sea restoration. The Water Authority, along with a number of local partners, is actively pursuing a significant share of that total funding to be committed to QSA implementation.</td>
</tr>
<tr>
<td>3</td>
<td>Obtain Board approval for updated Legislative Policy Guidelines annually.</td>
<td>1</td>
<td>2015-Dec</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The Water Authority reviewed and approved updated Legislative Policy Guidelines for 2015 at its November 2014 Board of Directors’ meeting.</td>
</tr>
<tr>
<td>4</td>
<td>Pursue and secure funding authorizations for desalination projects through the Water Resources Development Act or through any new federal financing programs, such as the National Infrastructure Bank or a Water Infrastructure Finance and Innovation Authority.</td>
<td>1</td>
<td>2015-Dec</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The Water Resources Development Act was reauthorized during 2014. As part of the WRDA reauthorization was congressional approval of a new five-year Water Infrastructure Finance and Innovation Act (WIFIA), which provides eligibility for funding assistance through the federal EPA for brackish or seawater desalination or water recycling projects.</td>
</tr>
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</tr>
<tr>
<td>5</td>
<td>Provide at least one briefing each for members of the San Diego state and federal legislative delegations on the Water Authority's efforts to ensure water supply reliability, diversify the region's water supply portfolio, and other key projects, programs, and policy issues.</td>
<td>1</td>
<td>2015-Dec</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Water Authority staff, directors, and legislative advocates have briefed the members of the San Diego legislative and congressional delegations. This is an ongoing goal and efforts related to this goal will be continuous throughout the reporting period.</td>
</tr>
<tr>
<td>6</td>
<td>Conduct at least three legislative roundtable events at the Water Authority's headquarters office annually.</td>
<td>3</td>
<td>2016-Jun</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td># of events</td>
<td>In addition to the Governor's visit to the Water Authority in October 2014 in conjunction with his advocacy for Proposition 1 on the November 2014 ballot, a more conventional legislative roundtable event involving Senator Marty Block and Assemblymember Brian Jones was held on May 29, 2015. For FY 2015-16, there is a legislative roundtable event scheduled for October 2015, and there will be two additional roundtable events scheduled for the first half of calendar year 2016.</td>
</tr>
<tr>
<td>7</td>
<td>Plan and implement at least one Board officers and member advocacy visit to the State Capitol annually.</td>
<td>1</td>
<td>2016-Jun</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td># of visits annually</td>
<td>Water Authority officers visited Sacramento on February 9, 2015 for a series of legislative briefings with legislative and Administration leaders. Water Authority officers and the LCO Committee leadership visited Sacramento on May 5 for a series of legislative briefings with the San Diego legislative delegation and other key legislators.</td>
</tr>
<tr>
<td>8</td>
<td>Develop and implement enhanced local government relations program and provide briefings to at least 75 local elected officials annually.</td>
<td>2</td>
<td>2016-Jun</td>
<td>25</td>
<td>25</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The Water Authority staff has engaged in extensive local outreach and will continue to implement a rigorous local outreach program. The program is being intensified with the hiring of new staff to coordinate execution and implementation of the Water Authority's local government relations outreach strategy.</td>
</tr>
<tr>
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</tr>
<tr>
<td>1</td>
<td>Extend the memorandum of understanding for the Tri-County Funding Area Coordinating Committee.</td>
<td>1</td>
<td>2014-Oct Rev. 2015-Apr</td>
<td>55</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>All nine agencies in the three counties have signed the amendment extending the MOU.</td>
</tr>
<tr>
<td>2</td>
<td>Monitor and apply for two new grants annually to support key Water Authority projects/programs.</td>
<td>1</td>
<td>2015-Jul</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td># of grants annually</td>
<td>Water Authority has applied for and received 2 grants to support projects and programs during the reporting period for the business plan: $25,000 from the Hans and Margaret Doe Charitable Trust for video of To Quench A Thirst booklet and $100,000 from the USBR for the WaterSmart Turf Replacement Program.</td>
</tr>
<tr>
<td>3</td>
<td>Develop a new memorandum of understanding for the Water Authority, City of San Diego, and County of San Diego to continue the San Diego Regional Water Management Group.</td>
<td>2</td>
<td>2016-Mar</td>
<td>5</td>
<td>75</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The Water Authority Board approved this action in May 2015 and it is being circulated for signatures. Water Authority signatures have been obtained; City staff must get approval from City Council to sign; County staff is working to obtain signatures.</td>
</tr>
<tr>
<td>4</td>
<td>Secure the San Diego Integrated Regional Water Management planning region's allocated share of IRWM grant funding from the California Department of Water Resources' Proposition 84 program.</td>
<td>2</td>
<td>2016-Aug</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>100</td>
<td>% of funding awarded</td>
<td>DWR is holding one more Prop 84 grant round in 2015-16, during which the San Diego region should receive the rest of its Prop 84 funding (or 100% of the total). The RWMG is working on its application for the funding. DWR plans to announce the funding award in December 2015.</td>
</tr>
</tbody>
</table>
### Core Business - IRWM & Grant Administration | Mark Sadler - Bob Yamada (continued)

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<tr>
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<tbody>
<tr>
<td>5</td>
<td>Complete the five Integrated Regional Water Management Plan implementation actions for which the Water Authority is responsible; assist in completion of the 11 implementation actions for which the Regional Water Management Group is responsible.</td>
<td>2</td>
<td>2016-Oct</td>
<td>25</td>
<td>35</td>
<td>75</td>
<td>100</td>
<td>% complete</td>
<td>Staff has made considerable progress on 3 of its 5 implementation actions. Action L-9 -- &quot;Prepare conservation or resource management plans/guidelines for community and backyard gardens&quot; -- has been completed. Work on the model sustainable landscapes guidelines (Action L-5) is moving forward as part of a project funded by an IRWM Prop 84 grant. Work on Action R-9 -- Identify existing 303(d) listings that may warrant reevaluation or reclassification -- is proceeding as well.</td>
</tr>
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### Core Business - Information Technology | Ali Bagherian - Matt Brown

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<tbody>
<tr>
<td>1</td>
<td>Complete migration of environmental documents from paper to digital files in the OnBase electronic document management system.</td>
<td>1</td>
<td>2015-Jul Rev. 2015-Jul</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>All historical Environmental Impact Reports, as identified in the backlog, have been added to the system.</td>
</tr>
<tr>
<td>2</td>
<td>Acquire 2014 regional aerial imagery, in partnership with SANDAG and USGS, for use in the geographic information systems to support operational and Capital Improvement Program efforts.</td>
<td>3</td>
<td>2015-Feb Rev. 2015-Aug</td>
<td>40</td>
<td>80</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>This project is led by SANDAG. Several of the flights occurred in January 2015 later than the scheduled October 2014 flight times, delaying the final delivery date. Processing of the data into digital deliverables will take several months and anticipated delivery is August 2015.</td>
</tr>
<tr>
<td>3</td>
<td>Complete replacement of data storage architecture to handle current data loads and future growth.</td>
<td>1</td>
<td>2015-Feb</td>
<td>60</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The new system is in place and operational.</td>
</tr>
<tr>
<td>4</td>
<td>Conduct pilot test to migrate from InMagic physical records management software to the OnBase electronic document management system.</td>
<td>1</td>
<td>2015-May</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The pilot test has been completed and implementation planning will be conducted during FY16.</td>
</tr>
<tr>
<td>5</td>
<td>Install wireless network capabilities for public access during Board meetings and for internal operating efficiencies.</td>
<td>1</td>
<td>2015-Jun</td>
<td>80</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Wireless network for public access has been installed.</td>
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</table>
### Core Business - Information Technology | Ali Bagherian - Matt Brown

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<tr>
<td>6</td>
<td>Go live on an upgraded PeopleSoft Tools middleware software that provides the base framework for the Human Resources and Financials applications.</td>
<td>3</td>
<td>2015-Aug Rev. 2017-Dec</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
</tr>
<tr>
<td>7</td>
<td>Complete the Records Management Plan that outlines a roadmap for updating business procedures and policies for managing critical information.</td>
<td>2</td>
<td>2015-Dec</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
</tr>
<tr>
<td>8</td>
<td>Perform security assessment and analysis resulting in cybersecurity recommendations.</td>
<td>2</td>
<td>2016-Aug</td>
<td>0</td>
<td>0</td>
<td>75</td>
<td>100</td>
<td>% complete</td>
</tr>
<tr>
<td>9</td>
<td>Go live on upgraded PeopleSoft Human Resources and Financials applications.</td>
<td>2</td>
<td>2017-Dec</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>% complete</td>
</tr>
<tr>
<td>10</td>
<td>Implement the Records Management Plan.</td>
<td>2</td>
<td>2019-Jan</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>100</td>
<td>% complete</td>
</tr>
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### Core Business - Public Outreach | Denise Vedder - Jason Foster

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<tbody>
<tr>
<td>1</td>
<td>Conduct a successful dedication event to celebrate the completion of the San Vicente Dam Raise project.</td>
<td>1</td>
<td>2014-Jul</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td># of event(s)</td>
<td>Completed July 16, 2014.</td>
</tr>
<tr>
<td>2</td>
<td>Achieve or exceed a small business participation percentage, based on total procurement dollars as established by the Board of Directors.</td>
<td>1</td>
<td>2015-Jun</td>
<td>62</td>
<td>67</td>
<td>30</td>
<td>30</td>
<td>% of dollars awarded</td>
<td>Small businesses received approximately $39.5 million of total dollars awarded during this period.</td>
</tr>
<tr>
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</tr>
<tr>
<td>4</td>
<td>Double the number of followers to the Water Authority’s Twitter account to 1,500.</td>
<td>1</td>
<td>2015-Jun</td>
<td>1,037</td>
<td>1,531</td>
<td>1,500</td>
<td>1,500</td>
<td></td>
<td>Completed goal with 1,531 followers.</td>
</tr>
<tr>
<td>5</td>
<td>Conduct a successful dedication event to celebrate the completion of the Carlsbad Seawater Desalination Project.</td>
<td>2</td>
<td>2015-Nov</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td></td>
<td>Planning continues for November/December event.</td>
</tr>
<tr>
<td>6</td>
<td>Increase and maintain support for the Water Authority’s diversification strategy and other key initiatives through conducting at least 80 briefings and presentations annually to business and community groups and leaders.</td>
<td>1</td>
<td>2016-Jun</td>
<td>71</td>
<td>188</td>
<td>80</td>
<td>80</td>
<td></td>
<td>12 presentations/month average July 2014 - February 2015; 27 presentations/month average March - June 2015.</td>
</tr>
<tr>
<td>7</td>
<td>Develop an alliance of influential community and business leaders who can effectively advocate for water initiatives and policies that benefit the San Diego region and support the Water Authority’s mission to provide a safe, reliable water supply. Engage alliance in the support of at least three major water policy issues.</td>
<td>2</td>
<td>2016-Jun</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td></td>
<td>The business alliance engaged on one issue: To raise stakeholder awareness of need for credit by the state for local water supply reliability investments.</td>
</tr>
<tr>
<td>8</td>
<td>Implement format changes and marketing strategies to increase the number of WaterSource e-newsletter subscribers to 7,500.</td>
<td>2</td>
<td>2016-Jun</td>
<td>6,392</td>
<td>6,502</td>
<td>7,500</td>
<td>7,500</td>
<td></td>
<td>Continue to add subscribers via social media campaigns, MWD tour participants, CWA graduates and interest list, community events and presentations. Format changes implemented include increasing publication frequency from once per month to every other week to increase and retain subscribers’ interest. Staff will continue to review content and format to make other recommendations that will attract and retain subscribers.</td>
</tr>
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</tr>
<tr>
<td>9</td>
<td>Conduct &quot;value of water&quot; communications and outreach activities that raise the percentage of the public who view water service as a utility with “good” value to 67 percent.</td>
<td>1</td>
<td>2017-Apr</td>
<td>56</td>
<td>67</td>
<td>62</td>
<td>67</td>
<td>% of</td>
<td>Performance based on March 2015 poll. Continue to implement reliability communications outreach to maintain or increase poll numbers.</td>
</tr>
<tr>
<td>10</td>
<td>Conduct public outreach that achieves or sustains at least 80 percent support for the Water Authority's long-term overall water supply diversification strategy.</td>
<td>1</td>
<td>2017-Apr</td>
<td>79</td>
<td>84</td>
<td>80</td>
<td>80</td>
<td>% of</td>
<td>Performance based on March 2015 poll. Continue to implement water supply diversification outreach to maintain or increase poll numbers.</td>
</tr>
<tr>
<td>11</td>
<td>Support water use efficiency programs and policies with communications and community relations initiatives that help sustain 90 percent or greater public agreement that water use efficiency is an important civic duty.</td>
<td>2</td>
<td>2017-Jun</td>
<td>82</td>
<td>86</td>
<td>86</td>
<td>90</td>
<td>% of</td>
<td>Performance based on March 2015 poll. Of the 86%, 90% of respondents 55 or older supported, and 67% strongly agreed.</td>
</tr>
<tr>
<td>12</td>
<td>Plan and execute public outreach strategies, plans, and tactics that sustain a 67 percent or greater awareness among residents that indirect potable reuse is a safe and acceptable part of the region's drinking water supply.</td>
<td>1</td>
<td>2017-Jun</td>
<td>71</td>
<td>73</td>
<td>67</td>
<td>67</td>
<td>% of</td>
<td>Performance based on March 2015. Continue to implement water use efficiency outreach strategies to maintain or increase poll numbers.</td>
</tr>
<tr>
<td>13</td>
<td>Conduct water conservation-themed school education programs that reach 40,000 students and 1,200 teachers annually.</td>
<td>2</td>
<td>2017-Jun</td>
<td>25,258</td>
<td>68,486</td>
<td>82,400</td>
<td>41,200</td>
<td># of</td>
<td>65,908 students and 2,578 teachers reached.</td>
</tr>
<tr>
<td>14</td>
<td>Create and run a Citizens Water Academy that educates at least 125 community influencers about key water issues and helps them become ambassadors for the Water Authority's long-term water supply diversification and infrastructure investments.</td>
<td>2</td>
<td>2019-Jun</td>
<td>50</td>
<td>134</td>
<td>250</td>
<td>650</td>
<td># of</td>
<td>Three Academies were successfully completed in November 2014, March 2015, and June 2015.</td>
</tr>
<tr>
<td>15</td>
<td>Implement at least three significant celebratory programs or events that commemorate the 75th Anniversary of the Water Authority.</td>
<td>2</td>
<td>2019-Jun</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td># of</td>
<td></td>
</tr>
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</tr>
<tr>
<td>1</td>
<td>Engage with interested parties and provide comments to the U.S. Environmental Protection Agency on the definition of 'Waters of the United States.'</td>
<td>1</td>
<td>2014-Aug</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>EPA extended the deadline to November 2014. Water Authority submitted comments by the EPA deadline.</td>
</tr>
<tr>
<td>2</td>
<td>Establish priorities with the Regional Water Board on pursuing strategies for addressing 303(d) listed reservoirs.</td>
<td>1</td>
<td>2015-Dec</td>
<td>25</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Developed proposed priorities with member agencies and submitted to Regional Board. Priorities have shifted due to State Board regulatory requirements on surface water treatment plants. Regional Board voted to include a basin plan update associated with the reservoirs as part of their triennial review process.</td>
</tr>
<tr>
<td>3</td>
<td>Advocate Water Authority issues through active participation in the California Public Utilities Commission Water-Energy Nexus Program Proceeding to develop policies and a methodology for determining the energy embedded in water.</td>
<td>2</td>
<td>2016-Mar</td>
<td>40</td>
<td>55</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Participated in eight workshops on avoided cost calculations for embedded energy and development of a Cost Effectiveness Framework and Tool to be utilized by the Commission to determine cost allocation and program benefits for jurisdictional water utilities. Prepared and submitted five comment letters on Commission rulings. Regulatory Policy staff presented on a panel at the CPUC to discuss immediate drought actions and barriers to overcome implementation in the water-energy nexus arena. Proceeding is on track to be completed by March 2016.</td>
</tr>
<tr>
<td>4</td>
<td>Advocate Water Authority issues through participation in the California Public Utilities Commission 2014 Long Term Procurement Plan Proceeding to develop policies and procedures to include large-scale pumped storage in procurement plans.</td>
<td>2</td>
<td>2016-Mar</td>
<td>40</td>
<td>55</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Staff has been tracking all Rulings and comments on the Proceeding, including the most recent Ruling on assumptions for the CAISO Transmission Planning Process where Lake Hodges will be used to satisfy SDG&amp;E’s energy storage target requirement, and will continue to submit comments regarding pumped storage policies to the CPUC.</td>
</tr>
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</tr>
<tr>
<td>5</td>
<td>Engage with the State Water Board, member agencies, and statewide stakeholders to achieve the passage of statewide general permit requirements for potable water discharges.</td>
<td>1</td>
<td>2016-Dec</td>
<td>100</td>
<td>100</td>
<td>80</td>
<td>100</td>
<td>% complete</td>
<td>Convened member agency workgroup and provided comments on draft permit signed by multiple member agencies. Engaged with ACWA and AWWA on their development of comments. Provided additional comments on CEQA in conjunction with impacted member agencies related to significant change in permit adding water treatment plant discharges. Comments resulted in changes to final permit issued November 21, 2014.</td>
</tr>
<tr>
<td>6</td>
<td>Comment on Regional Water Board regulatory activity and engage in stakeholder processes to support improvements in water quality in the Hodges Reservoir using an Integrated Regional Water Management approach.</td>
<td>2</td>
<td>2016-Dec</td>
<td>20</td>
<td>80</td>
<td>80</td>
<td>100</td>
<td>% complete</td>
<td>Participated in official stakeholder committee for the Storm Water Quality Improvement Plan for the San Dieguito Watershed. Provided written comments on draft of first section setting priorities for watershed. Draft WQIP is scheduled for release for public comments. Participated with city and county on IRWM RWMG compendium of existing Hodges planning and proposed white paper on regulatory impediments to improving water quality. Supported IRWM effort to obtain grant funding for hypolimnetic aeration in Hodges Reservoir. Supported IRWM effort to obtain grant funding for construction of a natural treatment system to capture and treat urban runoff into the reservoir primarily coming from the city of Escondido.</td>
</tr>
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<td>---------------</td>
<td>----------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1</td>
<td>Gain agreement to Memoranda of Understanding with bargaining groups in accordance with Board direction.</td>
<td>1</td>
<td>2015-Jun</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>Consolidated MOU approved for term July 1, 2015 through June 30, 2019.</td>
</tr>
<tr>
<td>2</td>
<td>Complete implementation of Succession Plan components.</td>
<td>3</td>
<td>2015-Jun Rev. 2016-Jun</td>
<td>50</td>
<td>75</td>
<td>100</td>
<td>100</td>
<td>% complete</td>
<td>The initial set of training workshops to address the competency assessments of Executives and Senior Managers are underway; three of the four competencies have been addressed to date (Presentation/Communication; Conflict Resolution; and Strategic Planning/Vision). Political Acumen &amp; Savvy competency still needs to be addressed.</td>
</tr>
<tr>
<td>3</td>
<td>Conduct four training and development sessions for all supervisory employees on critical skills development.</td>
<td>1</td>
<td>2015-Jun</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td># of trainings</td>
<td>Trainings completed include &quot;Challenging Conversations&quot;, &quot;Coaching&quot;, &quot;Writing Performance Evaluations&quot;, &quot;Email Training&quot;, and &quot;Employee Medical Leaves: Supervisory Training.&quot;</td>
</tr>
<tr>
<td>4</td>
<td>Achieve completion of all mandated employee training for applicable employees for fiscal year 2015 and 2016.</td>
<td>1</td>
<td>2015-Jun</td>
<td>50</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td># of trainings</td>
<td>Completed AB 1825 Sexual Harassment &amp; Abusive Conduct Prevention Training for required employees (every 2 years or within 6 months). 216 Employees completed required training in Spring 2015.</td>
</tr>
<tr>
<td>5</td>
<td>Achieve 'acceptable/meets expectations' or better ratings from participating agencies and other stakeholders of the San Diego Regional Water/Wastewater Internship Program.</td>
<td>1</td>
<td>2015-Jun</td>
<td>0</td>
<td>100</td>
<td>90</td>
<td>90</td>
<td>% rating</td>
<td>FY 2015 Regional Water/Wastewater Internship completed in May 2015. (12 interns at start of program, finished with 5; 7 received fulltime jobs in the middle of program).</td>
</tr>
<tr>
<td>6</td>
<td>Graduate five employees from the Water Authority's Professional Development Mentoring Program.</td>
<td>2</td>
<td>2015-Dec</td>
<td>0</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td># of employees</td>
<td>The Mentoring Group has completed phase one of their project, awaiting implementation of phase two (presentation of Management Level &quot;Cheatsheet&quot; for Budget software). Mentoring Program will be overhauled to include a more traditional mentor-mentee relationship beginning FY 2016.</td>
</tr>
<tr>
<td>7</td>
<td>Achieve employee turnover of less than 6 percent, after factoring out retirements, for fiscal year 2015 and 2016.</td>
<td>2</td>
<td>2016-Jun</td>
<td>2.38</td>
<td>3.3</td>
<td>5.99</td>
<td>5.99</td>
<td>% turnover</td>
<td>On track to complete. Fiscal Year 2015 turnover rate is 3.3%.</td>
</tr>
<tr>
<td>#</td>
<td>Goal</td>
<td>Status</td>
<td>Target date</td>
<td>Previous period actual</td>
<td>Current period actual</td>
<td>2016-Jun target</td>
<td>Overall target</td>
<td>Qualifier</td>
<td>Comments</td>
</tr>
<tr>
<td>----</td>
<td>----------------------------------------------------------------------</td>
<td>--------</td>
<td>-------------</td>
<td>------------------------</td>
<td>-----------------------</td>
<td>-----------------</td>
<td>----------------</td>
<td>-----------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>8</td>
<td>Graduate five employees from The Center for Organization Effectiveness’ Academies for fiscal year 2015 and 2016.</td>
<td>![Green Check Mark]</td>
<td>2016-Jun</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td># of employees</td>
<td>On track for completion. Four employees graduated in FY 15.</td>
</tr>
<tr>
<td>11</td>
<td>Achieve completion of all mandated employee training for applicable employees for fiscal year 2017 and 2018.</td>
<td>![Green Check Mark]</td>
<td>2018-Jun</td>
<td>_</td>
<td>_</td>
<td>90</td>
<td>90</td>
<td>% rating</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Achieve employee turnover of less than 6 percent, after factoring out retirements, for fiscal years 2017 and 2018.</td>
<td>![Green Check Mark]</td>
<td>2018-Jun</td>
<td>_</td>
<td>_</td>
<td>5.99</td>
<td>5.99</td>
<td>% turnover (less than 6%)</td>
<td></td>
</tr>
</tbody>
</table>
July 15, 2015

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 Expenditures, in millions
Attachment F: Schedule of Cash and Investments

The Multi-Year Budget Status Report (Attachment D) compares actual revenues and expenditures, on a budgetary basis, for the twenty-three month period of July 1, 2013 through May 31, 2015, to the adopted budget, as amended by the Board. Budgeted amounts for the twenty-three month period are presented on a straight-line basis unless noted herein. Water sales and purchases are budgeted based on projected monthly volume in acre-feet. In addition, period-to-date budgeted amounts are presented to reflect the expected timing of certain revenue and expenditure categories. These include infrastructure access charges, property taxes and in-lieu charges, hydroelectric revenue, capacity charges, water standby availability charges, stored water purchases, debt service, QSA mitigation, annual insurance premiums, and contributions to the Six Agency Fund.

Net Water Sales Revenue¹
Net Water Sales Revenue is the Water Authority’s principal source of operating income. It is the difference between water sales revenue and cost of water sold. Water sales revenue includes variable volumetric charges for supply, treatment and transportation, and fixed charges for customer service and storage. Cost of water sold includes payments to water suppliers such as Metropolitan Water District (MWD) and Imperial Irrigation District (IID).

Net Water Sales Revenue for the twenty-three month period ended May 31, 2015 was $324.5 million, 12% higher than the budgeted amount of $289.9 million (Attachment D). Detailed information on Net Water Sales Revenue, shown on Attachments A, B, and C, is provided herein.

¹ All information regarding water sales volumes, revenues and costs are based on the adopted fiscal years 2014 and 2015 multi-year budget.
Budgeted water sales volume in acre-feet (AF) for the twenty-three month period ended May 31, 2015 was 899,629 AF. The actual water sales volume was 977,487 AF, 9% higher than budgeted (Attachment A). The variance is highly cyclical and correlated to weather patterns. The actual water sales volume for the first two months of the current budget cycle was 10,000 AF lower than budgeted because of the mild summer in 2013. The severe drought condition since September 2013 persisted through November 2014. During that 15-month period, total actual water sales volume exceeded budget by 72,500 AF. The 6,700 AF saved through effective conservation efforts and weather respite in December 2014 was more than offset by the usage spikes during the unseasonably warm January and February. Through the first eleven months of FY 2015, the actual sales volume represents a 3% decrease from the same eleven-month period in FY 2014. The decrease was due to mandatory restrictions, continued water conservation efforts, and the reduced need for outdoor irrigation.

Cumulatively, total actual Water Sales revenue for the twenty-three month period ended May 31, 2015 was $1,129.4 million, 8% higher than the budgeted amount of $1,050.2 million for the same period (Attachment B).

Total Water Purchases and Treatment costs were budgeted at $760.3 million and the actual costs were $804.9 million, 6% over budget for the twenty-three month period ended May 31, 2015 (Attachment C). Total Water Purchases and Treatment costs included $112.4 million for the 191,665 AF of water purchased from IID, and $153.3 million for MWD’s conveyance charges to transfer 345,345 AF of the water purchased from IID and conserved through the Coachella Canal and All-American Canal lining projects.

In summary, water sales volumes, Water Sales revenues, and Water Purchases and Treatment costs were 9%, 8%, and 6%, respectively, above the twenty-three month period-to-date budgets. This resulted in Net Water Sales Revenue to exceed the budget by 12%, or $34.6 million.

**Revenues and Other Income**

As shown in Attachment D, Total Revenues and Other Income were budgeted at $201.0 million for the twenty-three month period ended May 31, 2015. Actual revenues were $191.1 million, $9.9 million lower than budgeted. The variance is explained in detail below.

Categories of revenues in which actual revenues exceeded the twenty-three month period-to-date budgeted amounts included Capacity Charges, Hydroelectric Revenue, Infrastructure Access Charges, and Property Taxes and In-Lieu Charges. Actual Capacity Charges revenue was $4.2 million higher than budgeted primarily due to the $3.4 million received from Rincon Del Diablo Municipal Water District for a large developer project in September 2014. Actual Hydroelectric Revenue from the Rancho Penasquitos Pressure Control and Hydroelectric Facility (Rancho Hydro) and the Lake Hodges Pumped Storage Facility (Hodges Hydro) exceeded the period-to-date budget by $2.2 million. Actual Infrastructure Access Charges and Property Taxes and In-Lieu Charges revenues were higher than budget by $0.6 million and $0.2 million, respectively.
Categories of revenues in which actual revenues were lower than the twenty-three month period-to-date budgeted amounts included Contributions in Aid of Capital Improvement Program (CIAC), Grant Reimbursements, Investment Income, Build America Bonds Subsidy, and Water Standby Availability Charges. CIAC was $8.1 million lower than budget, the result of less CIAC revenue for the Second Aqueduct Pipeline – Caltrans Highway 76 Realignment Project due to lower than anticipated project costs which were 50% reimbursable by the State. Grant Reimbursements revenue for Integrated Regional Water Management (IRWM) Grants was $6.9 million below budget, the result of both lower-than-projected activity levels by grant recipients and the timing delay in reimbursement receipt and revenue recognition. Investment Income was $3.6 million lower than budgeted. The variance was attributed to lower-than-budgeted rates of return on investments. The actual Build America Bonds Subsidy was $19.9 million, $1.8 million lower than budgeted. Semi-annual subsidy payments from the United States Treasury were reduced following the Congressionally-mandated sequestration in 2013. Water Standby Availability Charges was lower than budget by $0.1 million.

**Expenditures**

As shown in Attachment D, Total Expenditures were budgeted at $408.4 million for the twenty-three month period ended May 31, 2015. Actual expenditures were $377.2 million, $31.2 million lower than budgeted. The variance is explained in detail below.

Overall Operating Department expenditures were trending less than budgeted for the twenty-three month period ended May 31, 2015 (Attachment E). This resulted primarily from personnel cost savings from unfilled vacancies throughout the period and the timing delay between cost incurrence and expenditure recognition.

Debt Service expenditures totaled $262.5 million for the twenty-three month period ended May 31, 2015, $10.5 million lower than budgeted. The variance was attributed to both the cash flow savings from FY 2013 refunding transaction and lower interest rates from the FY 2014 commercial paper program restructuring. Total actual Grant Expenditures were $10.0 million below the period-to-date budget. The variance resulted from the lower-than-projected activity levels and the timing delay in expenditure recognition of pass-through IRWM grants. Actual Hodges Pumped Storage and Equipment Replacement expenditures were lower than budget by $0.7 million and $0.6 million, respectively.

**CIP Expenditures**

Attachment D shows that CIP Expenditures were budgeted at $199.0 million for the twenty-three month period ended May 31, 2015. Actual expenditures were $175.6 million, $23.4 million, or 12%, lower than the period-to-date budgeted amount.

Actual CIP expenditures funded by Pay As You Go Fund and CIP/Bond Construction Fund for the twenty-three month period ended May 31, 2015 were $73.8 million (42%) and $101.8 million (58%), respectively.
Cash and Investments
As of May 31, 2015 and April 30, 2015, the overall balance in the Water Authority’s cash and investments was $472.3 million and $458.4 million, respectively (Attachment F). Of the May 31, 2015 overall cash and investments balance, approximately 49% of funds were unrestricted with the remaining 51% of funds restricted for specific purposes. To maximize investment returns, the Water Authority pools the cash of the Pay As You Go Fund with unrestricted funds. As of May 31, 2015, the Rate Stabilization Fund was funded at $86.9 million, approximately 80% of the maximum approved level of $109.0 million.

Rod Greek, Controller
*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 2014 Cumulative Water Sales (AF)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-14</th>
<th>Aug-14</th>
<th>Sep-14</th>
<th>Oct-14</th>
<th>Nov-14</th>
<th>Dec-14</th>
<th>Jan-14</th>
<th>Feb-14</th>
<th>Mar-14</th>
<th>Apr-14</th>
<th>May-14</th>
<th>Jun-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>55,314</td>
<td>160,795</td>
<td>238,398</td>
<td>269,960</td>
<td>298,321</td>
<td>322,118</td>
<td>349,402</td>
<td>384,217</td>
<td>423,881</td>
<td>471,509</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>49,314</td>
<td>100,674</td>
<td>158,363</td>
<td>206,462</td>
<td>241,948</td>
<td>273,250</td>
<td>311,940</td>
<td>341,823</td>
<td>373,484</td>
<td>416,706</td>
<td>470,879</td>
<td>522,453</td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>(6,000)</td>
<td>(9,960)</td>
<td>(2,432)</td>
<td>2,264</td>
<td>3,559</td>
<td>13,619</td>
<td>19,705</td>
<td>24,082</td>
<td>32,489</td>
<td>46,994</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-11%</td>
<td>-9%</td>
<td>-2%</td>
<td>1%</td>
<td>1%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>8%</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Fiscal Year 2015 Cumulative Water Sales (AF)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-14</th>
<th>Aug-14</th>
<th>Sep-14</th>
<th>Oct-14</th>
<th>Nov-14</th>
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<th>Feb-14</th>
<th>Mar-14</th>
<th>Apr-14</th>
<th>May-14</th>
<th>Jun-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>55,867</td>
<td>162,403</td>
<td>272,659</td>
<td>301,033</td>
<td>325,338</td>
<td>352,895</td>
<td>388,059</td>
<td>428,120</td>
<td>476,225</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>56,177</td>
<td>161,732</td>
<td>277,465</td>
<td>307,230</td>
<td>339,295</td>
<td>377,456</td>
<td>420,086</td>
<td>455,034</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>310</td>
<td>(2,022)</td>
<td>(671)</td>
<td>2,762</td>
<td>11,512</td>
<td>4,806</td>
<td>5,927</td>
<td>13,957</td>
<td>24,561</td>
<td>32,027</td>
<td>26,914</td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>1%</td>
<td>-2%</td>
<td>0%</td>
<td>1%</td>
<td>5%</td>
<td>2%</td>
<td>4%</td>
<td>7%</td>
<td>8%</td>
<td>6%</td>
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</tr>
</tbody>
</table>

### Budget Versus Actual (in Acre-Feet) for the 23 Months Ended May 31, 2015

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>55,314</td>
<td>104,198</td>
<td>238,398</td>
<td>269,960</td>
<td>298,321</td>
<td>322,118</td>
<td>349,402</td>
<td>384,217</td>
<td>423,881</td>
<td>471,509</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>49,314</td>
<td>100,634</td>
<td>158,363</td>
<td>206,462</td>
<td>241,948</td>
<td>273,250</td>
<td>311,940</td>
<td>341,823</td>
<td>373,484</td>
<td>416,706</td>
<td>470,879</td>
<td>522,453</td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>(6,000)</td>
<td>(9,960)</td>
<td>(2,432)</td>
<td>2,264</td>
<td>3,559</td>
<td>13,619</td>
<td>19,705</td>
<td>24,082</td>
<td>32,489</td>
<td>46,994</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-11%</td>
<td>-9%</td>
<td>-2%</td>
<td>1%</td>
<td>1%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>8%</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Fiscal Year 2014 through May-15 Total

- **Budget**: 471,509 AF
- **Actual**: 522,453 AF
- **Difference**: 50,944 AF
- **% Difference**: 11%
*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 2014 Cumulative Water Sales (in Millions $)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>59.0</td>
<td>118.0</td>
<td>172.3</td>
<td>220.2</td>
<td>259.9</td>
<td>296.6</td>
<td>332.2</td>
<td>363.6</td>
<td>398.8</td>
<td>441.1</td>
<td>488.4</td>
<td>542.8</td>
</tr>
<tr>
<td>Actual</td>
<td>54.7</td>
<td>110.6</td>
<td>171.6</td>
<td>223.3</td>
<td>264.8</td>
<td>302.6</td>
<td>348.9</td>
<td>386.9</td>
<td>425.6</td>
<td>475.6</td>
<td>535.9</td>
<td>593.7</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(4.3)</td>
<td>(7.4)</td>
<td>(0.7)</td>
<td>3.1</td>
<td>4.9</td>
<td>6.0</td>
<td>16.7</td>
<td>23.3</td>
<td>26.8</td>
<td>34.5</td>
<td>47.5</td>
<td>50.9</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>-7%</td>
<td>-6%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>7%</td>
<td>8%</td>
<td>10%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-7%</td>
<td>-6%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>7%</td>
<td>8%</td>
<td>10%</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

**Fiscal Year 2015 Cumulative Water Sales (in Millions $)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>61.5</td>
<td>122.9</td>
<td>179.5</td>
<td>229.5</td>
<td>270.8</td>
<td>309.0</td>
<td>345.8</td>
<td>378.3</td>
<td>414.7</td>
<td>458.5</td>
<td>507.4</td>
<td>563.8</td>
</tr>
<tr>
<td>Actual</td>
<td>61.6</td>
<td>121.2</td>
<td>179.0</td>
<td>232.9</td>
<td>281.7</td>
<td>314.8</td>
<td>353.0</td>
<td>394.3</td>
<td>441.1</td>
<td>492.4</td>
<td>535.7</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>0.1</td>
<td>(1.7)</td>
<td>(0.5)</td>
<td>3.4</td>
<td>10.9</td>
<td>5.8</td>
<td>7.2</td>
<td>16.0</td>
<td>26.4</td>
<td>33.9</td>
<td>28.3</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

**Fiscal Year 2014 Cumulative Water Sales (in Millions $)**

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15 through May-15</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>542.8</td>
<td>507.4</td>
<td>1,050.2</td>
</tr>
<tr>
<td>Actual</td>
<td>593.7</td>
<td>535.7</td>
<td>1,129.4</td>
</tr>
<tr>
<td>Difference</td>
<td>50.9</td>
<td>28.3</td>
<td>79.2</td>
</tr>
<tr>
<td>% Difference</td>
<td>9%</td>
<td>6%</td>
<td>8%</td>
</tr>
</tbody>
</table>
*Budgeted amounts are based on the adopted two year budget, as amended by the Board.

### Fiscal Year 2014 Cumulative Cost of Water Purchases and Treatment (in Millions $)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-14</th>
<th>Aug-14</th>
<th>Sep-14</th>
<th>Oct-14</th>
<th>Nov-14</th>
<th>Dec-14</th>
<th>Jan-14</th>
<th>Feb-14</th>
<th>Mar-14</th>
<th>Apr-14</th>
<th>May-14</th>
<th>Jun-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>42.8</td>
<td>85.5</td>
<td>124.6</td>
<td>159.0</td>
<td>187.1</td>
<td>212.8</td>
<td>237.4</td>
<td>258.8</td>
<td>283.0</td>
<td>312.6</td>
<td>345.9</td>
<td>399.1</td>
</tr>
<tr>
<td>Actual</td>
<td>34.4</td>
<td>78.9</td>
<td>122.7</td>
<td>159.7</td>
<td>187.5</td>
<td>214.3</td>
<td>247.3</td>
<td>274.0</td>
<td>305.2</td>
<td>338.7</td>
<td>382.1</td>
<td>422.7</td>
</tr>
<tr>
<td>Difference(b)</td>
<td>(8.4)</td>
<td>(6.6)</td>
<td>(1.9)</td>
<td>0.7</td>
<td>0.4</td>
<td>1.5</td>
<td>9.9</td>
<td>15.2</td>
<td>22.2</td>
<td>26.1</td>
<td>36.2</td>
<td>23.6</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>-20%</td>
<td>-8%</td>
<td>-2%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
<td>10%</td>
<td>6%</td>
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### Fiscal Year 2015 Cumulative Cost of Water Purchases and Treatment (in Millions $)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-14</th>
<th>Aug-14</th>
<th>Sep-14</th>
<th>Oct-14</th>
<th>Nov-14</th>
<th>Dec-14</th>
<th>Jan-14</th>
<th>Feb-14</th>
<th>Mar-14</th>
<th>Apr-14</th>
<th>May-14</th>
<th>Jun-15</th>
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<tbody>
<tr>
<td>*Budget (a)</td>
<td>44.3</td>
<td>88.4</td>
<td>128.9</td>
<td>164.5</td>
<td>193.8</td>
<td>220.4</td>
<td>246.6</td>
<td>269.2</td>
<td>294.9</td>
<td>326.1</td>
<td>361.2</td>
<td>401.9</td>
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<tr>
<td>Actual</td>
<td>45.3</td>
<td>89.1</td>
<td>130.4</td>
<td>166.1</td>
<td>196.9</td>
<td>225.9</td>
<td>253.6</td>
<td>276.4</td>
<td>311.5</td>
<td>347.0</td>
<td>382.2</td>
<td>-</td>
</tr>
<tr>
<td>Difference(b)</td>
<td>1.0</td>
<td>0.7</td>
<td>1.5</td>
<td>1.8</td>
<td>3.1</td>
<td>5.5</td>
<td>7.0</td>
<td>7.2</td>
<td>16.6</td>
<td>20.9</td>
<td>21.0</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>-</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>Total</th>
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</thead>
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<td>399.1</td>
<td>361.2</td>
<td>760.3</td>
</tr>
<tr>
<td>Actual</td>
<td>422.7</td>
<td>382.2</td>
<td>804.9</td>
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<tr>
<td>Difference</td>
<td>23.6</td>
<td>21.0</td>
<td>44.6</td>
</tr>
<tr>
<td>% Difference</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>
### San Diego County Water Authority

**Fiscal Years 2014 and 2015 Budget Status Report**

**For the 23 Months Ended May 31, 2015**

<table>
<thead>
<tr>
<th>[A]</th>
<th>[B] = [A * 96%]</th>
<th>[C]</th>
<th>Revenues = [B + C]</th>
<th>[C / A]</th>
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<tbody>
<tr>
<td><strong>FY 14 &amp; 15 Amended Budget</strong></td>
<td><strong>FY 14 &amp; 15 Budget Period-to-Date</strong></td>
<td><strong>FY 14 &amp; 15 Actual Period-to-Date</strong></td>
<td><strong>Variance with Amended Budget</strong></td>
<td><strong>Actual/ Amended Budget</strong></td>
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<tr>
<td><strong>Net Water Sales Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$1,106,663,719</td>
<td>$1,050,249,420 (b)</td>
<td>$1,129,421,276</td>
<td>$79,171,856</td>
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<tr>
<td>Water Purchases &amp; Treatment</td>
<td>800,949,019 (r)</td>
<td>760,324,737 (b)</td>
<td>804,889,555</td>
<td>(44,564,818)</td>
</tr>
<tr>
<td><strong>Total Net Water Sales Revenue</strong></td>
<td>$3,057,714,700</td>
<td>$2,899,224,957 (a)</td>
<td>$3,244,910,831</td>
<td>$34,607,038</td>
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<tr>
<td><strong>Revenues and Other Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure Access Charges</td>
<td>59,054,000</td>
<td>56,946,074 (m)</td>
<td>56,568,752</td>
<td>622,678</td>
</tr>
<tr>
<td>Property Taxes and In-Lieu Charges</td>
<td>22,320,000 (c)</td>
<td>22,046,747 (m)</td>
<td>22,201,312</td>
<td>164,565</td>
</tr>
<tr>
<td>Investment Income</td>
<td>12,715,000 (d)</td>
<td>12,206,400 (m)</td>
<td>8,626,153</td>
<td>(3,580,247)</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>5,440,000 (e)</td>
<td>5,133,282 (m)</td>
<td>7,288,687</td>
<td>2,155,405</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>20,390,000</td>
<td>20,064,390</td>
<td>13,156,663</td>
<td>(6,907,727)</td>
</tr>
<tr>
<td>Build America Bonds Subsidy</td>
<td>22,605,916</td>
<td>21,701,679</td>
<td>19,871,543</td>
<td>(1,830,136)</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,504,970</td>
</tr>
<tr>
<td><strong>Capital Contributions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Charges</td>
<td>29,784,000 (f)</td>
<td>26,469,072 (m)</td>
<td>30,700,007</td>
<td>4,230,935</td>
</tr>
<tr>
<td>Water Standby Availability Charges</td>
<td>22,549,000 (g)</td>
<td>22,198,037 (m)</td>
<td>22,086,304</td>
<td>(111,733)</td>
</tr>
<tr>
<td><strong>Contributions in Aid of Capital Improvement Program (CIP)</strong></td>
<td>15,860,000 (h)</td>
<td>15,225,600 (m)</td>
<td>7,106,417</td>
<td>(8,119,183)</td>
</tr>
<tr>
<td><strong>Total Revenues and Other Income</strong></td>
<td>$211,228,322</td>
<td>$200,990,281</td>
<td>$191,119,808</td>
<td>(9,870,473)</td>
</tr>
<tr>
<td><strong>Net Water Sales Revenue and Revenues and Other Income, net</strong></td>
<td>$516,943,022</td>
<td>$490,914,964</td>
<td>$515,651,529</td>
<td>$24,736,565</td>
</tr>
</tbody>
</table>

| **Expenditures** | | | | |
| Stored Water Purchases | 30,090,000 (i) | - (m) | - | - | 0% |
| Debt Service | 281,531,000 (i) | 272,931,960 (m) | 262,475,295 | 10,456,665 | 93% |
| QSA Mitigation | 16,417,000 (j) | 13,477,000 (m) | 13,477,190 | (190) | 92% |
| Hodges Pumped Storage | 4,133,000 | 3,967,680 | 3,245,743 | 721,937 | 79% |
| Equipment Replacement | 3,353,000 (r) | 3,218,880 | 2,614,202 | 604,678 | 78% |
| Grant Expenditures | 20,900,406 | 20,064,390 | 10,023,569 | 10,040,821 | 48% |
| **Other Expenditures** | - | - | 4,451,824 | (4,451,824) | --- |
| **Operating Departments (see detail below)** | 98,563,969 (p),(r) | 94,699,038 | 80,870,669 | 13,828,369 | 82% |
| **Total Expenditures** | $454,988,375 | $408,358,948 | $377,158,492 | $31,200,456 | 83% |
| **Net Revenues Before CIP** | $61,954,647 | $82,556,016 | $138,493,037 | $55,937,021 | 224% |

| **CIP Expenditures** | $207,302,357 (o),(r) | $199,010,263 | $175,595,553 | $23,414,710 | 85% |

| **CIP Expenditures by Funding Source** | | | | |
| Pay As You Go Fund | | | | | $73,798,801 |
| CIP/Bond Construction Fund | | | | | 101,796,752 |

| **Total CIP Expenditures by Funding Source** | $175,595,553 |

### Operating Departments Detail (see Attachment E)

| Administrative Services | $14,430,172 | $13,916,780 (m) | $12,151,450 | $1,756,330 | 84% |
| Colorado River Program | 2,822,421 | 2,723,337 (m) | 2,030,642 | 692,695 | 72% |
| Engineering | 7,488,364 | 7,188,829 | 6,343,236 | 845,593 | 85% |
| Finance | 4,802,577 | 4,610,474 | 4,181,233 | 429,241 | 87% |
| General Counsel | 14,927,219 | 14,330,130 | 10,091,980 | 4,238,150 | 68% |
| General Manager & Board of Directors | 5,350,948 | 5,136,910 | 4,281,379 | 855,531 | 80% |
| MWD Program | 3,568,954 | 3,426,196 | 2,874,464 | 551,500 | 81% |
| Operations & Maintenance | 30,458,234 | 29,239,905 | 26,260,342 | 2,979,563 | 86% |
| Public Outreach and Conservation | 7,357,143 | 7,062,857 | 6,399,386 (n) | 663,471 | 87% |
| Water Resources | 7,357,937 | 7,063,620 | 6,256,375 | 807,245 | 85% |
| **Total Operating Departments** | $98,563,969 (k) | $94,699,038 | $80,870,669 | $13,828,369 | 82% |
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 23/24ths (96%) of fiscal years 2014 and 2015 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 $438,701 for fiscal year 2014 and $474,475 for fiscal year 2015 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 Rancho Penasquitos Pressure Control and Hydroelectric Facility (Rancho Hydro) and Lake Hodges Pumped Storage Facility (Hodges Hydro). Power generating from both locations are sold to San Diego Gas and Electric.

f) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue are recorded for the quarter ending June.

g) Water standby availability charges are primarily received in January and May.

h) Contributions in aid of capital improvement program include planned reimbursements for the Second Aqueduct Pipeline - Caltrans Highway 76 Realignment CIP Project and other miscellaneous projects.

i) Bonds and Certificates of Participation debt service payments due semi-annually on November 1 and May 1. Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1 debt service payments due semi-annually on 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) Amounts include capital equipment purchases.

l) Stored water purchases budgeted to purchase 50,000 acre-feet to begin the filling of San Vicente Dam upon significant completion of the Dam Raise project.

m) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.

n) Fiscal Year 2014 actual amounts for Public Outreach and Conservation excludes expenses of $71,548 funded by the approved prior year carryover of funds.

o) The Board amended the current Capital Improvement Program two-year appropriation and lifetime budget for the Carlsbad Desalination Project by an increase of $124,300 September 2013, $220,000 April 2014, and $1,300,000 April 2015, for a total of $1,644,300.

p) In March 2014, the Board amended the two-year operating department budget by $6,090,000 for services related to rate litigation.

q) In April 2014, Other Income increased $1 million due to the Lake Hodges Settlement Agreement.

r) In June 2014, the Board approved the mid-term budget adjustments.

s) The semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds were reduced under Congressionally-mandated sequestration; $898,585 for Fiscal Year 2014 and $825,116 for Fiscal Year 2015.
San Diego County Water Authority
Comparison of Amended Budget and Period-to-Date Amended Budget (96% Overall) to Actual Operating Expenditures by Departments
For the 23 Months Ended May 31, 2015

Actual Operating Expenditures to Amended Budget in Percentages (%)

Two-Year Amended Budget $98.6 Million
Period-To-Date Amended Budget $94.7 Million
Period-to-Date Actual Operating Expenditures $80.9 Million
### San Diego County Water Authority
#### Schedule of Cash and Investments
#### As of May 31, and April 30, 2015

<table>
<thead>
<tr>
<th>Fund</th>
<th>May</th>
<th>April</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$53,552,712</td>
<td>$35,812,002</td>
<td>$68,900,000</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td>86,667,094</td>
<td>86,653,055</td>
<td></td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>5,322,331</td>
<td>5,357,608</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>86,911,700</td>
<td>86,897,622</td>
<td>66,200,000</td>
</tr>
<tr>
<td><strong>Total Unrestricted Funds</strong></td>
<td><strong>$232,453,837</strong></td>
<td><strong>$214,720,287</strong></td>
<td><strong>66,200,000</strong></td>
</tr>
<tr>
<td>Pay As You Go Fund</td>
<td><strong>138,428,465</strong></td>
<td>136,131,535</td>
<td></td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
<td>89,197,279</td>
<td>95,319,173</td>
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<td>Debt Service Reserve Funds</td>
<td>12,240,775</td>
<td>12,240,775</td>
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<td><strong>Total Restricted Funds</strong></td>
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<td><strong>$243,691,483</strong></td>
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<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>$472,320,356</strong></td>
<td><strong>$458,411,770</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 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 131% of the targeted value of $66,200,000 and 80% of the maximum balance of $109,000,000.
July 15, 2015

Attention: Administrative and Finance Committee

Board of Directors’ Second Quarter 2015 Expenses and Attendance. (Information)

Discussion
The second quarter 2015 expenses report includes payments made during each month of the quarter, but not necessarily for all expenses incurred that quarter. Some Board members batch their claims and submit them all at once, while others submit them on a regular basis. As a result, some reimbursements include expenses incurred outside the reporting period. Board members are allowed up to ninety days to submit reimbursement for meetings attended, however no Board members have been paid per diem in excess of ten per month.

The Special Assignment column indicates Board officers and Board members who represented the Water Authority at outside boards during the second quarter 2015 such as: Doug Wilson at San Diego Area Wastewater Management District; Mark Muir, Jim Madaffer, and Christy Guerin at SANDAG; Elsa Saxod and Ken Olson at SANDAG Borders Committee and SANDAG Regional Planning Committee; Doug Wilson and Brian Brady at Colorado River Board; John Linden, Keith Lewinger and Frank Hilliker at the Water Conservation Garden JPA; Yen Tu and DeAna Verbeke at the Conservation Action Committee.

The attendance report shows the number of formal and special Board meetings held during the second quarter 2015 and the attendance record of each Board member.

Prepared by: Delecia Odavar, Accounting Assistant
Melinda Cogle, Clerk of the Board

Reviewed by: Rod Greek, Controller

Attachments: Board of Directors’ 2nd Quarter 2015 Expenses
Board of Directors’ 2nd Quarter 2015 Attendance
<table>
<thead>
<tr>
<th>Director</th>
<th>Per Diem Payments</th>
<th>Mileage &amp; Parking</th>
<th>Travels &amp; Meetings</th>
<th>TOTAL EXPENSES</th>
<th>MWD Rep</th>
<th>Special Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARANT, Gary</td>
<td>$750.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$750.00</td>
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<td></td>
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<tr>
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<td></td>
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<td>HEINRICHs, Charles A</td>
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<tr>
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<td>HOGAN, Michael</td>
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<td>KENNEDY, Tom</td>
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<tr>
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AUGUST 2015
• 12 MWD Delegates – 11:00 a.m.
• 13 Special LCO Committee Meeting on Conservation Opportunities in Disadvantaged Communities - 1:30 p.m.
• 27 Committees begin at 9:00 a.m. Formal Board meeting begins at 3:00 p.m.

SEPTEMBER 2015
• 09 MWD Delegates – 11:00 a.m.
• 10 No Special Board Meeting
• 24 Committees begin at 9:00 a.m. Formal Board meeting begins at 3:00 p.m.

OCTOBER 2015
• 07 MWD Delegates – 11:00 a.m.
• 08 Tentative Special Board Meeting – 1:30 p.m.
• 22 Committees begin at 9:00 a.m. Formal Board meeting begins at 3:00 p.m.
## IMPORTED WATER COMMITTEE

**AGENDA FOR**

**JULY 23, 2015**

Mark Watton – Chair
DeAna Verbeke – Vice Chair
Elsa Saxod – Vice Chair
David Barnum
Betty Evans
Christy Guerin
Tony Heinrichs
Michael Hogan

Jim Madaffer
Jim Murtland
Ken Olson
Dave Roberts
Fern Steiner
Mark Weston
Doug Wilson

1. **Roll call – determination of quorum.**

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

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

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

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### I. CONSENT CALENDAR

### II. ACTION/DISCUSSION

1. **MWD Issues and Activities Update.**
   1-A Metropolitan Water District Delegates Report. (Information) (Supplemental Materials)

   1-B Financial Review of Metropolitan Water District’s Mid-Term Biennial Budget. (Information)

2. **Colorado River Programs.**
   2-A Colorado River Board Representative’s Report. (Information) (Supplemental Materials)

3. **Bay Delta.**
   3-A Bay Delta Activities Update. (Information)
III. INFORMATION

1. Update on Salton Sea Task Force. Dan Denham
2. Metropolitan Water District Program Report. Amy Chen

IV. CLOSED SESSION

1. CLOSED SESSION: Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: SDCWA v. Metropolitan Water District of
   Southern California;
   Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004
   Dan Hentschke

2. CLOSED SESSION: Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: State Water Resources Control Board
   Petition of Imperial Irrigation District for Modification of Revised
   Water Rights Order 2002-0013
   Dan Hentschke

V. ADJOURNMENT
Melinda Cogle
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.
Financial Review of Metropolitan Water District’s Mid-Term Biennial Budget (Information)

Purpose
This report provides a mid-term financial review of the Metropolitan Water District’s (MWD) biennial budget for fiscal years 2015 and 2016.

Background
MWD began setting its budget and rates on a biennial basis in 2010, when it adopted its fiscal year 2011 and 2012 biennial budget and associated rates for calendar years 2011 and 2012. In April 2014, the MWD Board adopted its biennial budget for fiscal years 2015 and 2016, and the accompanying rates and charges for calendar years 2015 and 2016. With expenditures of $1.89 billion for fiscal year 2015 and $1.93 billion for fiscal year 2016, the budget was based on 1.75 million acre-feet of water deliveries\(^1\) and supported by average water rate increases of 1.5 percent in both calendar years 2015 and 2016.

MWD’s financial conditions during the 2014 budget process were dramatically different than they were during its prior budget cycle in 2012, when MWD struggled to secure enough revenue to cover expenses (see Attachment 1 “Recent History of MWD’s Budget and Financial Conditions” for more details). In 2012, MWD changed its budget and rates setting practice by intentionally lowering water sales assumptions so they would be exceeded seven out of ten years. When MWD set its 2015 and 2016 biennial budget and rates, it had collected about $340 million more in revenues than needed to cover expenses in fiscal years 2012 and 2013, and it was on track to end fiscal year 2014 with revenues exceeding expenses by $350 million. In fiscal years 2013 and 2014 the over-collections resulted in reserves exceeding their maximum target;\(^2\) in each of these occurrences the MWD Board spent the amount over maximum on unbudgeted expenses.\(^3\) In fiscal year 2014, MWD authorized the spending of the amount exceeding the reserve maximum target, on unbudgeted costs: deposit $100 million each into the Replacement and Refurbishment (R&R) Fund and the Other Post-Employment Benefits (OPEB) Trust, and place the reminder ($232 million)\(^4\) into the Water Management Fund. Before these unbudgeted fund transfers, MWD also spent about $57 million on other unbudgeted expenses in fiscal year 2014.\(^5\) Figure 1 below illustrates how excess revenues were spent in fiscal years 2013 and 2014.

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\(^1\) Includes the Water Authority’s Quantification Settlement Agreement supplies.

\(^2\) MWD’s maximum reserve target equates to the amount of cash needed to fund MWD’s fixed costs for 3.5 years.

\(^3\) At the close of fiscal year 2013, MWD exceeded its maximum reserve target by about $137 million; at the close of fiscal year 2014, MWD exceeded its maximum reserve target by about $452 million (of which, $352 million was due to revenues exceeding budget, $49 million due to reduced reserves requirement and another $49 million due to MWD starting fiscal year 2014 with reserves exceeding the maximum target).

\(^4\) In April 2014, MWD projected this amount would be $150 million based on revenues exceeding expenditures by $350 million. However, fiscal year 2014 ended with reserves $452 million over the maximum target (see also footnote 2).

\(^5\) MWD’s unbudgeted expenditures included: Conservation Program ($20 million), other demand management subsidy programs (about $10.8 million), and repayment of loans related to its portion of the costs to build the Hoover Dam Visitor Center (about $26.5 million).
During the 2014 budget process, concerned with MWD’s ad hoc spending on unbudgeted items, the Water Authority’s Delegates asked MWD to update its Long Range Finance Plan (LRFP), last revised in 2004, to place parameters on MWD’s financial planning. Rather than update the LFRP, MWD included a 10-year financial forecast in the biennial budget.\(^6\)

The Delegates suggested several financial policies during the 2014 budget process, including setting the budget based on realistic projections and creating balancing accounts. Since 2012, MWD has set rates based on artificially low sales levels, which according to MWD staff will be exceeded in seven out of 10 years. MWD also established its budgeted expenditures on unrealistic conditions; for example, the fiscal year 2015 budget is based on a SWP allocation of 50 percent, even though the calendar year 2014 SWP allocation was at a historic low of 5 percent. Because not all MWD member agencies rely on MWD for the same services, the Delegates also recommended that MWD create balancing accounts to track revenues and expenditures by individual rate categories to ensure revenues are spent on their intended purposes and to avoid cross-subsidies between rate categories. Additionally, considering MWD’s wild swings between over- and under- collecting revenues over the past five fiscal years, the Delegates suggested that MWD adopt budgets on a biennial basis but set rates on an annual basis, allowing MWD to better respond to changing conditions.

Despite the Delegates efforts, the MWD Board did not direct staff to return with potential polices to improve MWD’s long-term management of its finances. Rather, the Board approved the recommended budget actions, including the addition of a 10-year financial forecast, a departure from the LRFP, and authorized the expenditure of all reserves exceeding maximum reserve target (estimated then at $350 million) on unbudgeted expenditures for fiscal year 2014.\(^7\)

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\(^6\) MWD’s 10-year financial forecast differs from traditional long-range financial planning in several key ways. The forecast does not connect MWD’s long-term financial projections to its strategic plans, most notably its Integrated Resources Plan, which includes long-term demand forecasts, and supply strategies MWD and its member agencies will develop to meet forecasted demands. Furthermore, long-term financial planning is a collaborative and inclusive process that involves stakeholder participation. MWD’s financial forecast did not involve collaboration with stakeholders, including its member agencies. Finally, the forecast does not include scenario and risks analyses that describe MWD’s strategy to manage “what if” scenarios and to adjust to changing conditions.

\(^7\) In October 2014, MWD reported that reserves exceeded maximum target by $452 million at the close of fiscal year 2014 ($49 million of this amount was due to a decrease in required reserves and an additional $49 million was from MWD beginning fiscal year 2014 with reserves over the maximum target).
Discussion
This month MWD reported that in fiscal year 2015, without the Board’s May action to increase the Conservation Program budget, MWD over-collected $126 million in net revenues. Water sales exceeded budget by about 155,000 acre-feet, accounting for the majority ($93 million) of the excess revenues. Tax revenues were almost $12 million over budget, which staff attributed to fewer delinquencies. However, total revenues exceeded budget by a little less than $89 million because power sales, interest earnings, and other revenue sources fell below budget by about $16 million combined. The over-collection was magnified because expenses fell below budget before the May action. MWD’s State Water Project costs were less than budget by $46 million due to lower-than-budgeted deliveries and a credit from the prior year (these savings were partially offset by higher power rates and labor costs). Capital project spending and debt service costs were each below budget by about $32 million. Departmental O&M costs were under budget by almost $15 million due to reduced treatment and labor costs, while Colorado River Aqueduct power costs exceed budget by about $10 million because of supplemental power purchases. Over the course of fiscal year 2015, MWD authorized unbudgeted expenditures totaling $433 million, including about $41 million on its storage, transfer, and exchange programs, and $392 million on its Conservation Program, including its outreach efforts, for fiscal years 2015 and 2016 (See Figure 2).

In May 2015, when MWD increased its Conservation Program funding for the second time in fiscal year 2015, it had projected that $160 million of the unbudgeted $350 million spending would be funded through over-collected revenues that exceeded the maximum reserve target. This month, staff reported that MWD excess revenues are lower because water sales were lower than projected in May, requiring MWD’s reserves to drop below the maximum target by about $40 million to fund the Conservation Program.

In response to having a zero balance for its Water Management Fund and reserves dropping below the maximum target, in July, MWD approved an item to incur debt to finance its Capital Investment Plan (CIP) in fiscal year 2016. In fiscal years 2015 and 2016, MWD budgeted to 100 percent cash-fund its CIP through the use of current revenues and the General and Replacement Stewardship Fund ($50 million).

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8 In relation to MWD’s unbudgeted funding of its Conservation Program, the Delegates questioned the long-term supply benefits of the program, the cost of the program in relation to the supply benefit it will offer, and the structure of the program, while recommending changes to reduce the program’s expenditures (Attachment 2).
9 The remaining amount was funded through transfers from Water Management Fund ($140 million) and Water Stewardship Fund ($50 million).
and Refurbishment (R&R) funds. The July action allowed MWD to issue debt for its CIP, making cash in its R&R and General funds available for “water management activities,” such as purchasing storage replenishment, water transfer, and exchange supplies – activities previously defined as supported by the Water Management Fund. MWD depleted its Water Management Fund on unbudgeted items – the vast majority on turf replacement – despite the Delegates’ consistent requests for the MWD Board to engage in discussions on managing MWD’s storage supplies, including methods to fund their replenishment (Attachment 3). However, the Delegates’ requests went unanswered. Figure 3 depicts MWD’s unbudgeted expenditures and growth of reserves over fiscal years 2011 through 2015.

In July, MWD also provided a brief “outlook” of its fiscal year 2016 budget. MWD implemented its Level 3 Water Supply Allocation Plan starting July 1. Even at a Level 3 allocation, which MWD anticipates that member agencies will respond at a Level 4 reduction, MWD still projects that the reduced water sales will exceed budget by about 50,000 acre-feet. Even though MWD’s SWP-related costs fell below budget in the past four fiscal years (2012-2015), and its sales revenues consistently exceeded expenditures, MWD’s fiscal year budget includes the continued suspension of the Ad Valorem tax rate limit. MWD forecasts that CIP spending will be below budget for fiscal year 2016 by about $53 million due to favorable bids on construction projects. Just two weeks into fiscal year 2016, MWD is already predicting that it will over-collect revenues.

Considerations
To better manage unexpected changes in forecasted conditions MWD must adopt long-term financial plans and policies. Although MWD reports that it will rely on its financial forecast for long-term financial planning, its forecast differs from a traditional long range financial plan in several critical ways. MWD is currently updating its Integrated Resources Plan (IRP), but it is unclear how MWD intends to tie its supply development plans to its long-term financials, as the IRP is disconnected from MWD’s financial forecast and does not include a long-term financing component. It is critical when MWD updates its IRP that it also completes an updated LRFP to

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10 MWD exhausted the Water Management Fund, which began the fiscal year with about $232 million, in May 2015 to support the Conservation Program – most notably, turf replacement.
11 Level 3 intends to reduce MWD sales by 15 percent (each allocation level intends to reduce sales by 5 percent).
12 Per the MWD Act, the Ad Valorem tax rate is to decline over-time with MWD’s repayment of its portion of the bonds issued to fund the construction of the SWP, unless the MWD Board declares the suspension of the tax rate decline is needed for MWD’s “fiscal integrity.” Since 2013, the MWD Board suspended the tax rate limit; the Water Authority Delegates opposed the tax rate suspension in 2013 and 2014 (attachments 4 and 5).
13 In July 2015, MWD reported that the biennial budget for fiscal years 2017 and 2018 may need to consider funding requirements for its subsidy programs, the Local Resources Program and Conservation Credits Program, based on the outcome of the IRP update. However, MWD failed to describe how it will fund these programs or other supply development plans over the long-term.
outline financial policies and practices to set MWD on a fiscally sustainable path. The plan should involve MWD’s stakeholders, including its member agencies, and contain policies on how to pay for new supplies, manage over-collected revenues and adjust to changing conditions, including declining sales.

The Water Authority will continue to advocate that MWD complete comprehensive long-term financial planning and develop and implement robust financial policies, such as balancing accounts and annual rate setting. MWD should create financial policies that will outline how it will fund the replenishment of its depleted storage accounts, especially since it has fully exhausted the Water Management Fund on unbudgeted expenses. It should also include scenario analyses of how MWD will manage its finances if dry conditions persist or if the following years are wet.

To ensure its long term fiscal sustainability, MWD should also tackle its over-reliance on variable revenue, largely water sales. The majority (about 80 percent) of MWD’s expenses are fixed, while variable revenues account for about 80 percent of MWD’s revenues. MWD should contemplate long term firm commitments by its member agencies that tie directly to its cost-of-service study and afford MWD financial stability. Currently, MWD relies on Purchase Orders, which is not based on MWD’s cost-of-service study and fails to offer a price signal to promote conservation and local supply development. Additionally, MWD staff admitted that Purchase Orders offer MWD little financial stability. The Delegates expressed concerns with MWD’s purchase orders in a letter (Attachment 6).

The Water Authority will continue to advocate for sound financial policies that enhance MWD’s financially sustainability and resiliency. MWD should commence a collaborative financial planning process with the goal to establish financial policies and strategies that include scenario analyses and describe how MWD will respond to changing financial, supply, and demand conditions. In the near-team, as part of MWD’s current efforts to update its IRP, the Delegates suggested that MWD tie its long-term supply development plans to long-range financial strategies. Looking forward to 2016, when MWD begins its next biennial budget process, the Delegates will recommend that MWD set its budget on foreseeable conditions, consider annual rate setting, and establish financial practices to ensure that revenues are expended for their intended purposes.

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

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14 By the end of fiscal year 2016, MWD anticipates that it will have withdrawn about 1.9 million acre-feet of dry-year storage since 2012.
15 Additionally, firm commitments may incentivize the development of local resources projects and conservation efforts by member agencies because these projects and efforts help manage member agencies’ demands on MWD and keep them within their committed amounts.
16 Under the current Purchase Order terms, MWD would not assess Tier 2 charge on an agency until that agency’s cumulative 10-year MWD purchases exceed the Purchase Order amount.
Attachment 1: Recent History of MWD’s Budget and Financial Conditions, dated July 15, 2015
Attachment 2: Letter to MWD on Authorize Additional Funding for Conservation Incentives and Implementation of Modifications to the Turf Removal Program, dated May 25, 2015
Attachment 3: Letter to MWD on Water Supply Management Strategies Including Use of Storage, dated March 6, 2015
Attachment 4: Letter to MWD on Maintaining the Ad Valorem Tax Rate for Fiscal Year 2014, dated August 16, 2013
Attachment 5: Letter on MWD Public Hearing on Suspension of Ad Valorem Tax Rate Limitation, dated March 7, 2014
Attachment 6: Letter to MWD on Purchase Orders with Member Agencies and Proposed Changes to MWD’s Administrative Code, dated November 17, 2014
MWD adopted its fiscal years 2015 and 2016 biennial budget and rate increases for calendar years 2015 and 2016 in April 2014. At that time, MWD tier 1 treated rates had increased by 113 percent since 2004 (when MWD last updated its Long Range Finance Plan), while water sales (including exchanges) had dropped by 24 percent from calendar year 2004 to calendar year 2013 (see Figure 1). MWD’s water sales declined precipitously in 2010 when it imposed allocation due to limited supplies. Although MWD adopted a biennial budget for fiscal years 2011 and 2012, it adjusted its budget for fiscal year 2012 when water sales began tracking below the initially budgeted amount of 2.0 million acre-feet (shown in solid green line in Figure 1). MWD’s revised fiscal year 2012 budget was based on water sales of 1.8 million acre-feet (shown in dotted green line in Figure 1). Even with MWD’s reduced budget for water sales, fiscal year 2012 ended with revenues less than budget. However, because MWD’s expenditures, particularly related to its State Water Project (SWP) contract were also below budget, MWD ultimately collected $93 million more in revenues than needed to cover expenses. For fiscal years 2013 and 2014, MWD drastically shifted its approach and began setting its biennial budget and rates based on artificially low water sales estimates – reporting that it would meet, or exceed, budgeted water sales in seven out of 10 years (see Figure 2).

MWD’s financial conditions during the 2014 budget process were dramatically different than during its last budget cycle in 2012. During the 2012 budget process, MWD was projecting a bleak financial picture, with reserves barely above their minimum target levels over the next five years. In fiscal years 2010 and 2011 MWD did not collect enough revenues to cover expenses, and in fiscal years 2009 to 2011 water sales fell below budget. To manage these revenue gaps, MWD

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withdrew from reserves, and utilized funds budgeted for Pay-As-You-Go (PAYGo) for its Capital Investment Plan (CIP) to instead cover operating and maintenance expenses, or budgeted PAYGo lower than planned.\(^2\)

During the fiscal years 2013 and 2014 budget process, MWD staff recommended an average rate increase of 7.5 percent for calendar year 2013 followed by an average rate increase of 5 percent in 2014, both of which, according to staff, were necessary to fund key priorities. However, under growing public pressure, the Board ultimately adopted average rate increases of 5 percent in each year. Less than three months later, MWD ended fiscal year 2012 with $93 million in over-collected revenue, substantially adding to MWD’s reserves (see Figure 3). Fiscal year 2012 was the beginning of MWD’s recent practice of deliberately collecting more revenue than needed to cover expenses. This trend intensified when MWD changed its rate-setting practice, basing rates on a water sales budget that will be exceeded in seven out of 10 years. As a result, MWD over-collected $251 million and $354 million in revenues in fiscal years 2013 and 2014, respectively (see Figure 3). In fiscal years 2013 and 2014, the over-collected revenues sky-rocketed MWD’s reserves over the Board-adopted maximum reserve target\(^3\) by more than $137 million and $452 million, respectively (See Figure 3).\(^4\)

Each time reserves exceeded their maximum target the MWD Board spent the amount over maximum on unbudgeted expenses. In June 2013, the MWD Board authorized the then projected $75 million\(^5\) in reserves over the maximum to be equally distributed into three funds: the Replacement and Refurbishment (R&R) Fund, Other Post-Employment Benefits (OPEB) Trust, and the Water Management Fund (a newly created reserve intended to fund water management and supply programs).

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\(^2\) MWD funds its PAYGo via water sales revenues. By diverting funds collected for PAYGo for operating expenses, MWD essentially used PAYGo revenues as a reserve to stabilize rates.

\(^3\) MWD’s maximum reserve target equates to the amount of cash needed to fund MWD’s fixed costs for 3.5 years.

\(^4\) In October 2013, MWD reported that reserves exceeded maximum target by $452 million at the close of fiscal year 2014. Of this amount, $354 million was from revenues exceeding expenses, $49 million was due to a decrease in required reserves, and the remaining $49 million was because MWD began fiscal year 2014 with reserves over the maximum target.

\(^5\) In October 2013, MWD reported that despite spending $75 million of its reserves it still began the fiscal year with about $62 million in funds over the maximum reserve target, which was caused by the one-time adjustment of MWD moving from cash to accrual basis that took place on July 1, 2012.
May 25, 2015

Randy Record 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 5-1: Authorize: (1) Additional funding for conservation incentives; and (2) Implementation of modifications to the Turf Removal Program

Chair Record and Members of the Board:

We submit for the record the following comments to supplement our May 8, 2015 letter and address Board Memo 5-1. A copy of our May 8 letter is attached and incorporated by reference.

We support turf removal in Southern California. We also understand why the public would respond enthusiastically to a program it is being told is "free." However, MWD's program, even with the modest changes described by staff, is neither sustainable nor fiscally responsible.

- First, the program is not "free." As the General Manager stated at our last meeting, every $100,000,000 in program costs represents a 7 percent rate increase.

- Staff’s recommendation to increase conservation program expenditures to $450 million is more than ten times the $40 million budget the board adopted for the current budget cycle. By staff’s own estimate, even this extraordinary amount of funding will only pay for the MWD program for the next six months or so, through fall 2015. Staff’s proposal is silent on what it would recommend the board do at that point, or, what impact this spending will have on the budget or water supply availability next year.

- Board adoption of the staff recommendation will exhaust all of MWD’s water management reserves, leaving no funding available to purchase additional water transfer supplies should the drought continue in 2016 or to purchase water to refill our depleted storage, should additional water supplies become available.
MWD is not paying for this program with state bond money or "extra" money it has lying around. One hundred percent of the program is being paid for with water rates that have been set by this board to generate net revenues in excess of MWD's adopted budgets and maximum reserve targets. Since 2012, MWD has collected from ratepayers $795,000,000 more than necessary to pay 100 percent of its costs.

Rate increases to pay for the unprecedented expansion of this program are inevitable. Ratepayers are already at risk of facing stiff MWD rate increases in 2016 if the drought continues (as well as rate increases from retail water suppliers). Worse yet, these rate increases will hit Southern California's low-income ratepayers hardest, forcing them to pay for a program which benefits those who can better afford to pay for their own turf removal.

The MWD program needs an immediate overhaul that is not accomplished by the recommendations contained in Board Memo 5-1. The problems with MWD's program, including the fact it is clearly paying far more than is needed to "incentivize" turf removal, are apparent to any agency that has administered successful programs in the past. See Turf Removal & Replacement: Lessons Learned, California Urban Water Conservation Council (March 2015).

Our objections notwithstanding, the Water Authority and its member agencies will seek a fair share of any funds that are authorized by the board under Board Memo 5-1 since our ratepayers will be forced to pay roughly 25 percent of these increased costs and inevitable rate increases.

Sincerely,

Michael T. Hogan
Keith Lewinger
Fern Steiner
Yen C. Tu

Director
Director
Director
Director

Attachments:
May 8, 2015

Randy Record 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 8-2: Authorize (1) $150 million in additional funding for conservation incentives from the Water Stewardship Fund and the Water Management Fund; and (2) Implementation of modifications to the Turf Removal Program -- OPPOSE

Chair Record and Members of the Board:

As you know, the Water Authority and its member agencies have an outstanding record of leadership in water conservation planning, programs and implementation. The San Diego region’s per capita water use has dropped by 22 percent since 2007. More than a year ago, in response to the current drought, the Water Authority launched its When in Drought, Save Every Day, Every Way campaign to further increase public awareness. Through our continuous efforts, a recent poll shows 87 percent of San Diegans believe saving water is a civic duty, 85 percent are aware the drought is very serious, and 81 percent have taken additional actions to reduce water use since mandatory water use restrictions were implemented in San Diego County last August. It is clear that San Diegans are doing our part to reduce water use, and we will continue to support the Governor’s call for increased water conservation and strive to meet the State Board’s newly adopted regulations. Against this backdrop, we must oppose staff’s recommendation for the following reasons:

- **Lack of accountability.** In spite of repeated requests, MWD has failed to demonstrate actual near-term water savings resulting from the turf removal program. At an estimated cost of almost $1,500 per acre-foot (AF), which staff has amortized over ten years, the near-term cost of any water savings would be substantially more than $1,500/AF and well in excess of MWD’s current spot market transfers. Short term, there has been no demonstration of meaningful water savings as a result of these subsidies, and certainly no demonstration of water savings that would not otherwise have occurred, either as a result of the high cost of water or state mandates limiting the amount of water retail agencies and their ratepayers may use on ornamental landscapes. Long term, MWD’s program includes no measures to ensure that turf that someone is paid to remove today won’t be reestablished in the future. Without
such accountability, this program constitutes a waste of ratepayer dollars and a gift of public funds.

- **Lack of transparency.** MWD has not even provided an accounting of the participants who have received the more than $77 million that has already been spent on the program. No further public rate dollars should be allocated or spent without an accounting of past expenditures. We renew our request for an immediate audit of this program, including identification of fund recipients, evidence of the turf removal or other "conservation" improvements that have been made with these public funds, and disclosure of any consultants or business entities that have benefitted from the implementation of this program by MWD.

- **Lack of available funding to pay for this massive, unbudgeted program expansion.** It appears that there are insufficient funds available to pay for the staff recommendation; and it is therefore highly probable that rate increases will be required for which there has been no public notice. In a PowerPoint presentation to the Finance and Insurance Committee last month, staff reported a Water Management Fund balance of $32.2 million as of March 31, 2015. This month, staff is requesting to use $9.975 million of that remaining balance to purchase transfer supplies from Yuba County Water Agency, leaving only $22.25 million available in the Water Management Fund. This means that the rest of the funding - $127.8 million - must come from the Water Stewardship Fund. But in order for the Water Stewardship Fund to generate that level of funding, **MWD would have to sell 3.12 million acre-feet of water (MWD must also make payments due on long term contracts paid for with Water Stewardship Rate dollars).** Since MWD’s water sales are obviously going to be much lower than 3 million acre-feet, there is no identified source from which to generate the $150 million needed for this program. MWD is running this program as an “open checkbook,” but it has not planned or budgeted for these expenditures.

- **The conservation program is being funded with rates the Superior Court has already ruled are illegal.** MWD is continuing to collect the Water Stewardship Rate even though the Superior Court has already ruled that it is an illegal tax. In addition, San Diegans are being excluded from full participation in the member agency program as a result of MWD’s inclusion of the "Rate Structure Integrity" clause, as to which the Court has also ruled substantively in San Diego's favor, subject only to the question of standing.

- **The turf removal program is a regressive tax.** Many low income ratepayers allowed their lawns to die many months if not years ago due to the cost of water. Now, they are being forced to subsidize turf replacement by private golf clubs and other commercial and residential high water users.
Chair Record and Members of the Board  
May 8, 2015  
Page 3

We have stated our deep concerns about the turf replacement program and MWD’s water conservation programs generally, due to the absence of accountability actually measuring conservation results or accounting for the ratepayer dollars being spent on these programs. We have provided suggestions and made requests for information and for an audit on many prior occasions. A copy of our most recent letter dated December 8, 2014, is attached.

Instead of adopting staff’s recommendation, we urge the board to: 1) order an immediate audit of the $77 million that has been spent to date, including the information described above; and 2) request that staff bring back a detailed report including (a) data and analysis demonstrating the near-term and long-term benefit of these programs, (b) a recommendation and firm budget cap for any proposed expanded conservation program, and (c) identify the source of available funding to pay for it. Staff should also report on the demand reduction impacts from permanent landscape ordinances and/or code changes limiting outdoor water use and how such changes should contribute to phasing out subsidies as a primary means to achieve water conservation.

For these reasons, we oppose staff’s recommendations.

Sincerely,

Michael T. Hogan  
Keith Lewinger  
Fern Steiner  
Yen C. Tu  
Director  
Director  
Director  
Director

Attachments:  
1. Water Authority’s December 8, 2014 Letter to MWD Board re 8-1

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1 We have been asked, for example, what role MWD’s past General Manager, Ron Gastelum, has played in the development and implementation of the turf removal program and whether he has benefitted financially from it on behalf of his client “Turf Terminators.” In addition to his former role as General Manager of MWD, Mr. Gastelum also represents a number of MWD member agencies.

2 MWD’s budgeted conservation program funding for fiscal years 2014/15 and 2015/16 totaled $40 million; the staff recommendation in this month’s Board Memo 8-2 will increase that budget more than six-fold to $250 million.

3 In this month’s presentation, the projected balance of the Water Management Fund is shown as $141.9 million as of June 30, 2015; no explanation is provided how the balance will increase by more than $100 million from March to June 2015.

4 This is all the money that is left in the Water Management Fund of the $232 million transferred there from the almost **$500 million MWD has over-collected from ratepayers since June 2013.**
December 8, 2014

Randy Record 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: Authorize: (1) increase of $40 million for conservation incentives and (2) increase to contract authority of the five-year agreement with Electric and Gas Industries Association for administration of Metropolitan’s regional conservation rebate program – OPPOSE

Chair Record and Members of the Board:

The Water Authority and its member agencies strongly support and have an outstanding record of leadership in water conservation planning, programs and implementation. Through our collective efforts, the San Diego region’s per capita water use has been reduced by almost 25 percent since 2007. In response to the current drought, we launched our *When in Drought, Save Every Day, Every Way* campaign in order to further increase public awareness. As a result of these efforts, a recent poll shows that more than 80 percent of San Diegans now believe saving water is a civic duty. While we continue to support the Governor and State Board’s call to increase conservation, we must oppose staff’s recommendation due to the manner in which ratepayer dollars are being spent and the absence of any accountability or demonstration that the expenditure of these funds is actually achieving the intended purpose.

Staff’s recommendation is to spend five times more than its adopted budget on conservation programs in this fiscal year alone (leaving no conservation funding for the following fiscal year). Funding would come from money MWD has over-collected from ratepayers over the last two fiscal years. This money could have been invested directly at the local level, on water conservation and supply programs that would not only alleviate the impacts of drought, but also provide long term water supply benefits. Instead, MWD is proposing to spend a significant portion of this money, over-collected from all ratepayers, on turf replacement on commercial properties including private golf courses. At MWD’s $2 per square foot rebate, this costs MWD ratepayers more than $1,500 per acre-foot.
Chair Record and Member of the Board  
December 8, 2014  
Page 2

Against this backdrop, we find it ironic that the MWD board just last month adopted a purchase order policy that allows MWD member agencies to increase purchases of low priced Tier 1 water (and avoid the higher Tier 2 rate on an annual basis as costs are incurred), completely eliminating the pricing signal Tier 2 was originally intended to send. MWD's "pricing signals" and behaviors - including this water conservation program - are completely upside down and inconsistent.

MWD is simply burning through ratepayer dollars irresponsibly in the name of water conservation. It could accomplish much more by structuring its rates according to its cost of service and sending true price signals about the value of water. At a minimum, before approving any further funding, MWD should redesign this program to place a cap on the amount of rebate applicants may receive so that conservation rebates are possible involving the general public and a wider range of applicants.

Given the proposed unprecedented level of spending associated with money being paid to private business, we request the General Auditor conduct a financial audit of all rebate programs, starting with a specific emphasis on the turf removal program. For the same reason, we request that the contract authority for EGIA be extended only to match the biennial budget, rather than through 2017. We believe this is absolutely essential to ensure that the MWD board of directors is being a responsible steward of ratepayer dollars.

Sincerely,

Michael T. Hogan  
Keith Lewinger  
Fern Steiner  
Yen C. Tu

Director  
Director  
Director  
Director

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1 The staff letter states that the current proposed increase is “intended to address immediate issues in the conservation program for the current fiscal year.” MWD’s adopted biennial budget for conservation for fiscal years 2014/15 and 2015/16 was $40 million. With the addition of $20 million in February and this request to add another $40 million, the conservation budget for the current year alone would total $100 million.
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~Acknowledgements~

Thank you to all Council member agencies for making this report possible through your annual dues. Thank you also to the ten water agencies that contributed data and invaluable anecdotal lessons to inform this report. Your contributions will help guide water distributors looking to start or improve their own turf removal programs.
Turf Removal & Replacement: Lessons Learned

Introduction

A thirsty California uses over half of its urban water deliveries on landscape irrigation. Water intense turf grasses are the historical foundation of California landscaping. Water shortages, among other catalysts, are pushing California away from traditional turf grass landscapes towards sustainable landscaping. Sustainable landscaping intends a holistic, watershed-based approach to landscaping that transcends water-use efficiency to address the related benefits of cost savings, run-off reduction, green waste reduction, pesticide and fertilizer reduction, habitat improvement, and energy/greenhouse gas (GHG) reductions.

The transition from a turf-based landscape involves two steps. Turf removal is the first step, turf replacement the second. Customers’ aesthetic preferences, geographic location, and bank accounts, along with product market availability, influence both turf removal and turf replacement decisions. Statewide, water agencies are managing turf removal programs that stipulate replacement requirements, incentivizing a California landscaping transformation. These programs vary in size, scope, and specifications. The following report takes both a closer look at lessons learned from existing turf removal programs as well as a cursory glance at turf replacement options and implications.

Turf Removal Programs

Turf Removal Rebate Programs

Turf removal rebate programs offer rebates to end-users for removal and replacement of water-intensive turf lawns. Local and regional agencies are adopting these turf removal programs, anticipating that their upfront investment in rebates will yield long-term outdoor water savings dividends for years to come. For example, the Metropolitan Water District (MWD) spearheads a large-scale regional ‘Cash for Grass’ lawn conversion program. Currently, MWD provides water distributors within its service area a $2 per square foot (sq. ft.) turf rebate subsidy. Agencies can add to this rebate as they desire. MWD has earmarked over $85 million in funding for the rebate programs. Statewide, rebates range from $0.50/sq. ft. to $3.75/sq. ft.

Rebate Program Strategies

In general, rebate programs offer customers a dollar amount per square foot of turf removed. More specifically, individual programs require compliance with any number of turf replacement specifications;

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1 This report only includes information from local government water suppliers, referred to throughout as ‘agencies.’
from pre- and post-removal inspections, to updated irrigation systems; in order to qualify for the rebate. To maximize the ‘bang for their buck,’ agencies invoke rebate qualification strategies to foster program growth and sustainability and to maximize water savings. Common rebate qualification policies include:

- Requiring well-documented rebate applications with historical water bills, landscape ‘before’ photos, and other documentation of maintained turf landscape
- Requiring attendance at a landscaping/irrigation workshop/class before submitting an application
- Requiring landscape design submission before property inspection
- Prohibiting re-installation of turf on rebated property under the same owner
- Prohibiting spray irrigation on converted landscapes
- Requiring drip or point source irrigation, micro-spray irrigation, low precipitation-rate nozzle spray irrigation, or hand-watering; requiring pressure regulators and filters for point source irrigators; requiring a smart irrigation controller
- Rebating only properties with evidence of living, maintained turf within a specified number of months prior to turf removal
- Rebating only properties that use sprinkler irrigation systems
- Rebating only areas that are visible to the public
- Requiring a specific percentage (e.g., 25%) of replacement landscape to be re-planted with water-efficient, or drought-tolerant plants
- Requiring sheet mulching to a specified number of inches (e.g., 2-4 in.) on all landscaped ground
- Rebating parkways (the strips of land between sidewalk and curb) separately and under different rebate terms and conditions
- Offering partial rebates for lawn removal, irrigation updates, and sheet mulching; offering complete rebates after planting appropriate plants in appropriate seasons (i.e., not mid-summer)
- Requiring replacement landscape to be made up of native, climate appropriate, or California-Friendly plants
- Requiring a specified percentage of pre-conversion property, or landscaped area (sq. ft.), to be made up of turf in order to qualify for a rebate
- Requiring California-licensed landscape contractors to convert landscapes if the property owners do not re-landscape themselves
- Requiring design consultation for do-it-yourselfers
- Prohibiting or restricting specific turf replacement options such as synthetic turf, concrete, permeable hardscapes, and gravel
- Setting a dollar or square foot rebate minimum
- Setting a dollar or square foot rebate maximum
- Requiring pre- and post-replacement inspections
- Setting a due date for landscape replacement completion
- Accepting only residential properties
- Accepting only CII properties.
Water distributors employ any number of these strategies with the intention of maximizing program cost-effectiveness and long-term water savings, while maintaining or increasing program participation. In the following section, data collected from water agencies across the state reveal a number of quantitative turf rebate program results, as calculated or estimated by the water agencies themselves.

**Rebate Program Data Summary**

Turf removal rebate program data collected from nine agencies are summarized in the table below. The data presented in the following table come from the following agencies, variable in size and geographic location: City of Long Beach, City of Roseville, City of Sacramento, City of Santa Cruz, City of Santa Rosa, Contra Costa Water District, Los Angeles Department of Water and Power, Municipal Water District of Orange County, and San Diego County Water Authority. These agencies are neither a random sample nor a statistically significant grouping; rather they are agencies that run well-known turf rebate programs and that have a wealth of insights to share.

The data collected, presented in Table 1 below, covers the following parameters: year started, rebate cost then, rebate cost now, total removals to date, average expected water savings, rebate costs to date, customer participation and breakdown by customer category, minimum and maximum rebates, and large landscape participation.

Table 1 demonstrates the challenge of objectively and quantitatively reviewing turf rebate removal programs. Fundamentally, this challenge stems from the absence of widely shared, consistent data collection standards. Additional variability comes from other factors. For example, not all agencies submitted data for all parameters presented below. In addition, both retail and wholesale agencies participated. The size and geographic location of participating agencies varies broadly, as well as the program years for which data was available. And finally, agencies use different calculation methodologies to report their program results, even for the same program parameter. Keep these caveats in mind while reviewing Table 1.

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2 The Metropolitan Water District of Southern California (MWD) shared its program information, but its service area includes other water agencies that volunteered data for this report. Consequently, MWD’s data is not included in Table 1 to prevent double-counting rebate data.
Table 1: Average, median, minimum, and maximum turf rebate program statistics from nine California water agencies.  

<table>
<thead>
<tr>
<th>Year Started</th>
<th>Rebate Then ($/sq. ft.)</th>
<th>Rebate Now ($/sq. ft.)</th>
<th>Total Removals to date (sq. ft.)</th>
<th>Total Removals to date (# program participants)</th>
<th>Average Expected Water Savings (gal/sq.ft./yr)</th>
<th>Rebate Cost to Date</th>
<th>Total Program Cost to Date</th>
<th>Average $/AF saved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>2010</td>
<td>$1.00</td>
<td>$1.44</td>
<td>2,316,107</td>
<td>1,308</td>
<td>31</td>
<td>$1,754,187</td>
<td>$1,798,895</td>
</tr>
<tr>
<td>Median</td>
<td>2010</td>
<td>$1.00</td>
<td>$1.00</td>
<td>543,838</td>
<td>883</td>
<td>34.0</td>
<td>$721,517</td>
<td>$931,692</td>
</tr>
<tr>
<td>Min</td>
<td>2007</td>
<td>$0.50</td>
<td>$0.50</td>
<td>57,556</td>
<td>138</td>
<td>13.5</td>
<td>$33,461</td>
<td>$478,472</td>
</tr>
<tr>
<td>Max</td>
<td>2014</td>
<td>$2.50</td>
<td>$3.75</td>
<td>11,872,491</td>
<td>4,103</td>
<td>46</td>
<td>$3,800,000</td>
<td>$3,986,520</td>
</tr>
<tr>
<td>Response Rate</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>89%</td>
<td>56%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Table 1 offers a general quantitative context for existing turf rebate programs. It is evident that turf rebate programs are relatively new to California, launching within the last decade. Though average rebate value has increased over time and though the maximum rebates offered are roughly 50% higher now than at the start of these programs, there are still successful programs that offer the minimum $0.50 rebate. In fact, median rebate value has stayed consistent over time for this sample of agencies. Cumulative program turf removals by area and by participants vary widely and correlate strongly with agency size and available funding. Anticipated water savings trend with agency climate—the warmer the climate, the greater the water savings—and range from 13.5 to 46 gallons per square foot of turf removal per year. Associated rebate costs and overall program costs vary by rebate levels, program participation, and cost calculation methodology. Agencies estimate that their costs for every acre-foot (AF) of water saved on account of the rebate program, pro-rated over an assumed 10-year program life, are anywhere from $354 to $5,840 (see Rebate Program Cost-Effectiveness below for further details on the $/AF metric). Program participation breakdowns hover around 90% residential and 10% commercial, as measured by number of participants and not by rebated area. In general, large landscapes make up less than 10% of overall program participants. Minimum and maximum rebated areas typically increase for commercial customers when

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3 Note the following five data annotations: 1) of the nine agencies, seven are retail, two are wholesale; 2) of the nine agencies, four receive external program funding, five do not receive external program funding; 3) no statistically significant outliers were found in the data used to develop Table 1; 4) no numeric data was entered for the ‘Minimum and Maximum Rebate’ categories for agencies with no defined minimum or maximum rebate restrictions; 5) ‘Total Program Cost to Date’ had the lowest parameter response rate—agencies did not have the information available, they were unwilling to share the information, and/or their information did not include third-party contractor time, pre- and post-rebate inspection time, and/or retail agency administration time.

compared with residential customers. These general data conclusions are to be taken with a grain of salt given the inconsistent data quality and verification; to draw any further detailed and specific quantitative conclusions from the presented data would be imprudent given the quantity, quality and consistency of available data.

**Rebate Program Challenges & Risks**

The wide variability in the data reported in Table 1 makes it difficult to draw precise, quantitative lessons. Nevertheless, the program managers interviewed for this survey have developed a body of anecdotal information regarding the array of expected and unexpected challenges and risks they have faced while administering turf rebate programs. Agencies contemplating a new, expanded or simply continued program can take advantage of this information to anticipate the challenges and risks and to design their programs to improve the odds of success. The following list details the ten most prevalent challenges and risks faced by existing rebate programs.

1. **Rebate Funding** – Approximately half of the agencies interviewed depended on external funding to run their turf rebate program. External funding has pros and cons. On the positive side, it enables a water agency to run a program that it otherwise might have been unable to run. On the flip side, once the funding has run out, the program must be put on hold. Indeed, the more popular the program, the sooner the funds run out. External funding also requires compliance with grant terms. Funders can impose restrictions or requirements on funding that complicate a program’s implementation or popularity. For example, a grant might require all converted landscapes to include specific features like drip irrigation or 50% plant coverage.

   Things are not necessarily easier for the half of surveyed agencies that rely solely on internal funding. On the positive side, internal program management streamlines funding processes and allows program managers to pace the distribution and continuation of funding as they deem fit. On the negative side, it can be difficult to find the money for rebate programs, especially absent sufficient political will.

2. **Non-Savers** – One risk common to all turf rebate programs is the chance that participants will undertake lawn transformations that ultimately do not save water. See Non-Savers below for an elaboration.

3. **Behavioral Limitations on Water Savings** – Regardless of the number of requirements and stipulations an agency establishes to maximize water savings, the actual water savings realized are subject to a factor out of agency control – end user behavior. Even super efficient irrigation systems are prone to improper use or failure absent proper maintenance.

4. **Staff Time & Resources** – Considering the standard stages of a rebate process – customer application, review, and acceptance; pre-inspection; customer guidance; and post-inspection – an internally managed rebate program is time-intensive. For example, one agency designates one
Full Time Equivalent staff person solely to its turf rebate program. To mitigate these staff costs, some agencies hire third party management consultants to help run the programs. While most of the agencies that follow this path still formally approve refund applications internally, the ability to outsource many of the rebate program tasks has proved cost effective for larger agencies.

5. **Growth Capacity** – Overall rebate program participation appears largely predictable, but managing the sometimes dramatic fluctuations in participation requires foresight. Agencies consistently note big jumps in program participation over periods as short as a few months. For example, one agency experienced a 600% increase in participation from one month to the following (50 to 300 participants). See Application Trends in the following section for participation triggers.

6. **DIY Landscapers** – Eager participants that wish to convert their lawns but lack sustainable landscaping knowledge and the will or funds to hire a designer or contractor can produce aesthetically displeasing landscapes. These landscapes leave negative impressions on neighbors and the public and can deter others from participating. Of course, not all do-it-yourselfers are guilty of ‘ugly’ outcomes, but agencies throughout the survey consistently identified ‘ugly’ outcomes that hurt rather than helped their programs.

7. **Savings Calculations** – Quantifying water savings attributable to the rebate program can challenge water agencies, especially those without Automated Meter Infrastructure (AMI). To accurately capture water savings, an agency must account both for weather variations and for water use patterns that are not directly attributable to the rebate program. In addition, irrigation patterns immediately before and after a landscape conversion produce their own water use anomalies. Just before the conversion, outdoor water use generally declines, as property managers tend to quit watering their old lawns. In contrast, just after the conversion, outdoor water use tends to increase as the same property managers frequently overwater their new plants until the plants establish themselves. To compensate for water use variability and obtain statistically significant water savings calculations, water distributors need to analyze both historical water use records and records several years after the conversion. Without sophisticated metering, let alone designated landscape meters, attributing water savings directly to turf replacement can be nearly impossible.

8. **Replacement Plant/Landscaping/Irrigation Materials & Requirements** – Programs across California lack a consensus on what to allow in replacement landscapes. Ultimately, a program encouraging holistic, sustainable landscaping may have stricter stipulations than a program simply seeking maximum water savings. Where each agency decides to land on the spectrum of replacement landscape requirements is left to a number of factors. These include funding obligations, geographic restrictions, customer and political will, and individual program managers. Managers face particularly hard decisions when deciding program requirements that require due-diligence research. For example, one Southern California agency removed permeable hardscapes from its...
list of acceptable replacement options because it was observing the failure of certain permeable pavers. Other agencies continue to permit permeable pavers. They point to research that shows long-term infiltration benefits, even accounting for degradation and clogging over time. Similarly, one agency found that the plants it was recommending were not available in its region, causing undue stress on landowners trying to find responsible plant materials.

9. **Collaboration** – Overlap between or proximity to other turf rebate programs can cause confusion in customers, especially when replacement requirements and rebate values vary drastically. Without proper agency alignment, ‘double-dipping’ is also a concern (when crafty customers seek double the rebate – one rebate from a local agency, one from a regional agency). For example, one Southern California regional distributor offered a rebate program at the same time as a city of within its jurisdiction. The agencies diligently worked together to align expectations and preempt complications; however, inevitable variation in rebate values and specifications and ultimately the abrupt end and re-start of the city’s program led to customer confusion.

10. **Customer Communication** – In an effort to set clear expectations, achieve maximum water savings, and offer comprehensive customer support, agencies often overwhelm turf rebate customers with information. On the one hand, an agency’s posting of detailed turf removal documents on its website (e.g., program requirements, terms and conditions, design advice, and tax warnings) risks shutting customers down with information overload. On the other hand, not posting these materials risks unclear messaging and legal vulnerabilities.

**Rebate Program Take-Aways: What to Expect & How to Manage for Success**

To create and manage successful turf rebate programs, agencies must learn from their peers and anticipate the trends and patterns that can predict or pre-empt program issues. The following list details 14 reasonable program expectations and management tips for mitigating associated program challenges and risks.

1. **Application Trends** – Agencies consistently observe spikes in program applications and participation immediately following three events: a drought emergency declaration; a rebate increase; and a special, landscape-focused agency event. Agencies also note that participation has held relatively high ever since the governor’s emergency drought declaration in January, 2014 and the State Water Board’s promulgation of emergency drought regulations in the summer of 2014.

2. **Rebate Value** – While the decision on the dollar-value of a program’s rebate has real implications for customer attraction and retention, it alone does not dictate participation. For example, an agency with an eight-year-old turf rebate program recently cut its rebate value in half when funding was getting low, from $1 to 50 cents per square foot, yet the program did not see a drop in participation. Since then, the agency has even grown its program participation and has effectively doubled its impact (i.e., the agency can double the...
landscape conversion area supported by the program using the same remaining funds).
Understanding local/regional costs for landscaping replacement, the marginal value of the anticipated water savings to your agency, and target customer demographics’ willingness to ‘pay’ can help with rebate selection. Rebate levels can always be changed (unless specified otherwise by a funding entity), and many successful rebate programs have increased their rates temporarily as a ‘drought’ special, indicating a flexibility to adapt the value as needed.

3. **Marketing** – Agencies employ a range of marketing strategies to get the word out about turf rebate programs. These include bill inserts, direct mailings, social media, radio tags during weather and traffic announcements, Google ad-words, garden tours and landscape events and workshops, program-specific websites, and word of mouth. Most agencies indicate that three outreach and advertising strategies are most effective: a) bill inserts and direct mailings; b) annual spring garden tours or landscape workshops; and c) word of mouth via existing and aesthetically pleasing landscape conversions.

4. **Customer Care and Communication** – Many customers are completely new to landscaping, let alone to turf conversion. They require significant handholding on the program application, the landscape design, and the landscape installation. How a program ‘holds’ customers’ hands varies from indirect strategies such as “check the website for information,” to direct strategies such as “call the turf rebate program manager when needed.” Though water agencies vary on how they manage continual customer need, an emerging theme suggests that kind and flexible customer service that rewards good intentions is key to successful landscape conversions and program longevity. For example, a delayed landscape conversion that fails to meet a program deadline because the customer was concerned about watering new plants in the summer may save more water than an incomplete conversion that fell-through because the customer did not comply with the program timeline and the rebate offer was revoked.

Maintaining flexibility with customers can come at the cost of increased program administration time. Streamlining and minimizing customer communication and standardizing customer expectations reduces program staff time. Agencies must seek an internal balance between customer intervention and customer independence that considers the impact on targeted outcomes such as successful conversions and water savings. Persuading customers to read available rebate parameters and conversion expectations before calling agencies with questions is a key strategy to streamline customer interaction, but as previously noted, turf rebate information can be overwhelming and daunting to the landscape novice. Clear and concise rebate program informational materials, easily understood by customers, will contribute to program efficiencies. Some agencies require customers to check a box indicating that the customer has thoroughly read and understood all the program terms and conditions before applying. This strategy may decrease agency liability, but many internet-users have been conditioned to check that box regardless of whether they have actually
reviewed the content. Implementing innovative strategies that encourage customers to do their own program research and that address multiple customer questions and concerns at the same time may pay back dividends in the rebate process by saving staff time. For example, one agency hosted a twitter chat when it first launched its program, answering many would-be participants’ questions in one concerted effort.

5. **Customer Demographic Breakdown** – Generally speaking, agencies that offer rebates to both residential and commercial customers draw roughly 90% of their participants from the residential sector and 10% from the commercial sector. Spatially and financially, however, results vary, and commercial customers can far exceed residential customers in terms of acres of turf converted and rebates received. Depending on program goals (e.g., landscape awareness, magnitude of conversions, or customer relationship-building), an agency may delegate specific proportions of available funding to the residential or commercial sectors. For example, a water agency that wants to increase engagement with the CII sector can allocate more rebate funds to that sector than to the residential sector. Agencies have also noted a breakdown of roughly 15% do-it-yourself participants versus 85% hire-a-contractor participants, though this ratio is prone to vary significantly by region, program requirements, and customer demographics.

6. **The Design Phase** – Agencies have found that the landscape design component of rebate programs is instrumental in eliciting positive transformations and that most customer drop-outs occur upon facing program design hurdles. Most programs require some sort of landscape design submission to be eligible for the rebate. Some agencies will not even inspect properties until a landscape design is submitted, because they observe up to a 50% drop-out rate during the design phase. To empower customers and to encourage excellent designs, agencies adopt different strategies. Two of these are; a) customer class requirements where customers participate in a landscaping class before they apply to the program; and b) discounted design consultations where customers can receive a two-hour landscape architect consultation for a heavily reduced price.

7. **Rebate Timeline** - From the application to the final inspection, rebate processes can last anywhere from 45 days to over 4 months. Customer and agency enthusiasm can wane during this time, and participant paper trails can get lost and confused. An agency needs a consistent approach to managing the lengthy conversion processes. It also needs to capitalize on the increased customer contact that a rebate program generates by encouraging long-term customer commitments to landscape maintenance that extend beyond the rebate time-frame. For context, the average, healthy, California native garden takes two years to fully establish. Customer communication and education during the rebate time-frame is critical to the future establishment and management of replacement landscapes after the rebate process concludes.
8. **Customer Fallout** – Turf rebate program attrition rates are consistently high. Three reasons for this are: a) the lengthy conversion timeline; b) the rigorous replacement requirements; and c) landscaping’s complexity. Agencies observe anywhere from 25-45% of applicants pulling out of the rebate process before they receive their rebate check – typically the last step of the process. Applicants will be rejected by the program or drop out of the rebate process for multiple reasons. These include: fatal flaws in their applications, failure to comply with the turf replacement requirements, and simple process fatigue. Programs with strict deadline cycles see most of their drop-outs leave the program right before the final deadline, because they were unable to stay on track. Programs with an involved design component see most drop-outs during the design submission phase.

Agencies use a range of strategies to minimize drop-out rates. Some agencies explicitly confirm that the customer is aware of all the program requirements by requiring attendance to a sustainable landscape class or workshop that sets explicit expectations as an application pre-requisite. Others provide design advice, tools, or professional services to applicants who are do-it-yourselfers, as these customers struggle the most with program design components.

9. **Lawn Acceptance Status** – Traditionally, agencies require lawns to be well-maintained prior to a rebated conversion in order to realize real water savings. California’s lasting drought, however, has stressed lawns. Agencies can no longer expect perfectly watered and manicured lawns upon rebate program pre-inspection. With drought watering restrictions and increased conservation ethics, it is more common to find homeowners these days who are willing to ‘let their lawn go.’ Some agencies realize that to follow the watering restrictions is to see some decrease in lawn health. Other agencies do not wish to punish homeowners for good behavior. Still others view lawn conversions as a long-term investment that may not yield immediate savings, but will ultimately realize long-term water conservation. For all these reasons, some agencies have relaxed their pre-inspection lawn status requirements and are accepting rebate applications for less-than-perfect lawns. Agencies are particularly willing to overlook a stressed lawn during pre-inspection if seasonal and historical billing data or aerial imagery is available to prove that the property was recently fully irrigated. Accessing historical water use data to support claims of historic irrigation is easier for districts with automated metering infrastructure and dedicated irrigation meters. Even then, the records must be normalized for weather.

10. **Replacement Requirements** – What an agency chooses to allow or prohibit within its turf replacement requirements can determine the cost and feasibility of successful conversions. Agencies who make the requirements too strict will find that fewer people will apply to the program or comply with the terms and conditions. Those who make them too loose will find that the resulting landscapes will not meet agency expectations. When designing rebate program requirements, agencies with existing turf rebate programs suggest five points: a) align
with near-by rebate program requirements; b) focus on the aesthetics of early conversions to boost program popularity; c) offer specific climate-appropriate and native plant suggestions and work with local nurseries and plant retailers to make sure suggested plants are available; d) require irrigation system upgrades; and e) specifically address - through required educational opportunities - the behavioral and educational barriers to water conservation. These include irrigation management and sustainable landscaping practices.

11. **Social Norms** – Powerful in their ability to attract or dissuade customers to a rebate program, social norms can make or break a program’s success. For example, agencies have seen that one to two stunning conversions in a neighborhood can catalyze an entire neighborhood’s transformation. Conversely, a single ugly conversion can discourage a neighborhood from participating in a rebate program. Agencies suggest that managers of new programs do whatever it takes to promote a neighborhood’s beautification, and not its ‘uglification.’

12. **From Early Adopters to High Water Users** – Existing turf rebate programs have shown that a water district’s most water-conscious customers will undertake the initial lawn conversions. Over time and with successful conversions, agencies have found that the program ultimately attracts the less-conscious, high-water users.

13. **Cross-Agency Collaboration** – Two rebate program situations involving multiple agencies in the same geographic area have lead to customer confusion. First, some retail water agencies fall within the jurisdiction of a regional wholesaler. Second, many retail agencies have service area boundaries contiguous with one or more other retailers. In either case, customers can be confused by the existence of multiple turf rebate programs, and agencies can experience cross-agency program conflict. To minimize confusion and avoid conflict, regional programs must generate buy-in from member agencies and stakeholders early on in the program design process. Similarly, independent retailer rebate programs should seek alignment with other regional or proximate agency programs to provide their customers with consistent and clear expectations.

14. **Wisdom Over Time** – As with any new program, there is a learning curve to turf rebate programs. Though this report hopes to help flatten that curve, existing programs are learning new ‘lessons’ daily. Agencies starting new programs should consult directly with well-established turf rebate programs. Additionally, agencies with existing programs recommend trying small scale pilots before launching large scale rebate programs. These pilots allow agency staff to work out program hiccups and save significant time and money down the road. For example, one agency piloted its turf rebate program with a small subset of customers before implementing it on a large scale. Based on the pilot, this agency ultimately decided to only require commercial entities to submit conversion plans, not residential homes; that agency had found that the otherwise required conversion plan ‘homework’ significantly deterred residential participation.
Landscape Conversion Water Use Impacts

Water Savings

Water savings attributable to landscape conversions - with or without irrigation system upgrades - vary between regions and between neighbors. Geographic climate differences, programmatic variability in landscape and irrigation replacement options, and capricious human behavior complicate water savings predictions and reduce the transferability of reported results. Studies across California measure, model, and/or predict average turf-replacement water savings of anywhere from 18% to 83%. In gallons per square foot converted area per year (g/sq ft/yr), agencies estimate and calculate a water savings metric that ranges from 13 to 70+ g/sq ft/yr. Southern California agencies consistently report savings of around 45 g/sq ft/yr. Table 1 below summarizes percent water savings attributable to landscape conversions as measured, modeled, or predicted by a variety of California and non-California sources and studies.

Table 2: Percent water savings attributable to landscape conversions; Single Family (SF), Commercial Institutional and Industrial (CII)

<table>
<thead>
<tr>
<th>Source</th>
<th>Water Savings Average</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Davis Study</td>
<td>60% City-Wide</td>
<td>Student model of replacing turf areas with native plants, City of Davis, CA</td>
</tr>
<tr>
<td>Metropolitan Water District Study</td>
<td>18% SF 24% CII</td>
<td>Sample of CII and SF turf conversions within MWD Cash for Grass rebate program; water usage from agency billing data</td>
</tr>
<tr>
<td>Santa Monica City Garden-Garden Case Study</td>
<td>83% SF</td>
<td>Controlled, side-by-side, Single Family Residence case study in Santa Monica, CA</td>
</tr>
<tr>
<td>Council ‘Turf Removal PBMP’</td>
<td>35-75% per capita use</td>
<td>Range identified via literature review of ‘typical residential’ site replacing cool season turf grass in CO and NV</td>
</tr>
<tr>
<td>AWE Outdoor Water Savings Research Initiative</td>
<td>33-76%</td>
<td>Range identified via literature review of landscape conversions in FL and NM</td>
</tr>
</tbody>
</table>

Water Savings Caveats

Replacing turf grass with low water-demand ground cover is not solely responsible for the quantifiable changes in outdoor water use before and after landscape conversion. In part, water savings may be attributable to other factors such as fluctuating climates, customer behavioral change, decaying irrigation system upgrades, expanded knowledge and awareness of landscape managers, and decreased ET from a reduced canopy cover immediately following a conversion. Some of these factors are intentionally captured in program design to reduce water use. It would be informative to separate out the quantitative value of water savings attributable to each program requirement, but for water distributors, it is often more important to include as many water-saving program requirements as is realistic to maximize program value. An improved understanding of the percentage of conversion water savings attributable to specific program results such as irrigation system updates or behavioral change would help to refine program...
design and to achieve the highest water saving potential. For example, if a rebate program’s plant coverage replacement requirement yielded negligible water savings, and 99% of actualized water savings were attributable to customer behavioral change, then rebate programs could increase their cost-effectiveness by emphasizing the components of their programs that most impact property owner behavior. Of course, water savings are not the only benefit achieved from landscape conversions. Indeed, the multiple benefits associated with turf replacement projects such as GHG emission reduction and native habitat creation will complement water savings in the bigger watershed picture.

**Non-Savers**

As mentioned above in *Rebate Program Challenges & Risks*, some rebate customers see no water savings despite replacing their turf. Anecdotally, water agency employees observe negligible initial water savings on many turf conversions. They note that while climate appropriate and native landscapes require different irrigation techniques, they still use roughly the same quantity of water as efficiently-watered turf grasses upon installation. Once established, however, they need less water.

The Southern Nevada Water Authority (SNWA) presented on this ‘non-saver’ phenomenon during the 2014 WaterSmart Innovations conference. In SNWA’s presentation, ‘The Non-Savers: An Evaluation of Turf Conversion Properties That Don’t Save Water,’ presenters concluded that approximately 10% of customers increase their water use after a landscape conversion and 10% neither increase nor decrease their water use after a landscape conversion. The study found few statistically significant factors predicting differences between non-savers and savers. It did, however, note three interesting differences: 1) non-savers converted a lower percentage of their landscaped area or house lot area; 2) non-savers had a higher minimum percent plant cover pre-conversion; and 3) non-savers had newer home construction and/or more valuable property. Qualitatively, sites ranked as having ‘very poor’ pre-conversion turf quality were also more likely to fall into the non-saver category than program participants with higher pre-conversion turf quality.

These results are intuitive – smaller conversion projects on plots with significant pre-existing plant coverage and newer construction (and therefore newer irrigation) with stressed turf conditions may show lower water savings post conversion than their counterparts. Creatively designed rebate program requirements can help to minimize the number of non-savers and maximize water savings. Even non-savers, however, can still benefit programs by expanding the visibility of sustainable landscapes and increasing the level of customer awareness of sustainable landscaping practices.

**Turf Replacement Cost-Effectiveness**

Both turf rebate programs and third parties have quantified the value of water savings attributable to rebated conversions. Their results show that for every acre-foot (AF) of water saved, pro-rated over an assumed program lifetime of 10 years, water distributors and their funders typically pay anywhere from...
$1,000 to $1,700\textsuperscript{4}. Quantified cost outliers approach $400/AF and $5,900/AF. Among other factors, this cost-effectiveness metric ($/AF saved over 10 years) depends on rebate values, program administrative costs, regional water savings potential, and end user behavior. Compared with other conservation strategies, an average lawn conversion rebate program, as it is valued now, is one of the most costly conservation and supply augmentation approaches that a water agency can undertake (see Appendix A for details).

The $/AF saved ratios may change over time. On the one hand, savings attributable to conversions may increase over time as the climate appropriate plants mature and require less water or as hotter and drier climates increase turf grass water needs disproportionately to drought-tolerant-plant water needs. On the other hand, water savings attributable to rebate programs may decrease over time due to property management changes, irrigation system decay, or decreased end-user water consciousness in post-drought years. Waters savings may also stay constant over time. A Nevada-based study on xeriscape lawn conversions (see Climate Appropriate Landscapes below for the meaning of Xeriscape) found that water savings did not significantly change over time. This study used only Nevada Xeriscapes limiting the transferability of the study results, but it does suggest stabilized water savings as a third possible outcome.\textsuperscript{v}

The degree of change over time in water savings will ultimately determine the return on turf rebate program investments. Extensive program cost analyses that capture additional externalities from turf conversions, positive or negative, such as waste generation, maintenance time, and habitat value, are not readily available. Future studies should consider the multiple effects of landscape conversion when calculating cost-effectiveness metrics.

The Future of Turf Replacement Rebate Programs

Turf rebate programs have an uncertain future. Program success over the past year, as measured by dramatic participant growth, could foreshadow a future in which the programs continue to grow exponentially, both expanding in popularity and shaping social norms. On the flip side, the rapid growth could give way to saturated target demographics, insufficient funding for continued programming, or calculated cost-benefit decisions to end programs.

In the long term, California cannot afford to spend $3 per square foot to replace the roughly 2.5 million acres of turf grass ($1.089e+11 square feet) in the state. Given that current expenditures are unsustainable, existing programs should be considered loss-leaders. They should seek a defensible and repeatable proof of concept that substantiates the value (economic, aesthetic, environmental, and health) of turf removal and sustainable landscaping on a state-wide scale. The following seven program considerations stand out as top priority program improvements to support water savings, improve fiscal investments, increase program defensibility, and generate streamlined rebate processes:

\textsuperscript{4} These values were calculated and estimated using a wide range of methodologies. From statistical evaluation capturing several years of water use data before and after participant conversions and controlling for confounding factors such as weather, to simplified calculations that multiply an average water savings number (e.g., 45 gallons per square foot per year - approximated and adopted by many Southern California agencies) by the area of conversions completed.

\textsuperscript{v} This study used only Nevada Xeriscapes limiting the transferability of the study results, but it does suggest stabilized water savings as a third possible outcome.
1. From the start of a turf rebate program, collect the necessary data to defensibly calculate and statistically analyze the water savings attributable to conversions. Commit to a standardized and transferable calculation methodology for measurement and verification of program outcomes.

2. Offer and/or require hands-on landscape design and irrigation guidance through classes or other means to educate and engage homeowners and to realize high-quality and sustainable conversions that expand beyond turf removal to embrace the principles of the watershed approach. (See Appendix B for an explanation of the watershed approach.)

3. Design, test, and implement innovative strategies to maximize conversion impact. Strategies could include varying rebate levels to correspond with microclimates; increasing rebates for simultaneous neighborhood conversions; or acknowledging successful conversions with yard signs that attribute beautiful new landscapes to the turf rebate program. These strategies should simultaneously maximize water savings while attracting participants and establishing social norms.

4. Use multiple post-conversion inspections to determine how conversions hold-up or change over time. For example, check the landscape immediately after a conversion completion, then check it again one year later to evaluate plant health, aesthetic appearance, and irrigation system decay. Additional inspections will also remind property owners to continually manage their own landscapes.

5. Design program finances and rebate levels to achieve the desirable degree of participation, water savings, and longevity. This process requires studying participation trends over time from similar agencies and determining how an agency can manage available funding and staff resources to implement and sustain a program. This design process may also require including additional water-saving criteria in rebate terms and conditions.

6. Emphasize long-term customer behavioral changes throughout the rebate process by:
   - seeking customer commitment to water conservation ethics;
   - educating participants on the multiple benefits of landscape conversion and on the practicalities of landscape maintenance;
   - reminding customers of these topics throughout the project; and by
   - positively reinforcing customer progress and program participation.

   Importantly, a (sometimes large) portion of water savings post conversion is attributable to the increased customer knowledge and understanding of landscape irrigation and maintenance needs. Consistent customer contact and prompts that extend beyond the conversion project timeline will reinforce behavioral change and maximize water savings impacts.

7. Motivate a shift to the watershed approach to landscaping by coupling turf rebate programs with additional holistic landscape considerations and incentives. Incentivize on-site stormwater capture...
and retention through all-inclusive or tiered rebates that encourage rainwater harvesting and stormwater retention in addition to turf replacement and irrigation upgrades. Seek funding from mutually benefited organizations such as stormwater agencies. Consider soil health improvements and/or the use of compost for rebate requirements or additional rebate incentives to ultimately increase water retention capacity and reduce the need for supplemental irrigation. Design variable or tiered rebates that incentivize planting new landscapes during the appropriate season. For example, offer an initial, nominal rebate for sheet-mulching a lawn during spring or summer months. Then, offer an additional rebate for new landscape planting during the fall months.

Challenging questions about rebate programs remain: do these programs only reward wasteful water users or well-off home owners who could afford the conversions without rebates? Is there social equity in rebate programs? Should California water agencies be implementing comparatively non-cost-effective conservation programs in a drought? Are there cost-effective, alternative approaches to incentivize landscape conversion (see Appendix C)? These are thought-provoking, valuable questions to ask. Given the current popularity of these programs, they are likely to remain until they simply become too expensive for water distributors. Only time and a continued commitment to improving region-specific program design and data collection will reveal the true impact and potential of turf removal rebate programs.

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5 For ideas on incentivizing stormwater retention, check out Portland Oregon’s ‘Clean River Rewards’ program and ‘Downspout Disconnect’ program, or Seattle’s RainWise Rebates.
Turf Replacement Specifications

Different rebate programs permit a range of replacement ground covers. Three primary material replacements are available: climate appropriate plants, permeable hardscapes, and synthetic turf. Where one rebate program allows any of the three, another program allows only one. The following section briefly covers what each of these replacement options entail and lists their pros and cons including water use; maintenance; retention, runoff, and erosion; ecosystem services such as habitat creation, fire control, and cooling; GHG emissions and waste generation; public health; and cost effectiveness. (Please see References & Resources at the end of the report for further research.)

Climate Appropriate Landscapes

Climate appropriate, drought tolerant, and/or native plants and planting materials are a preferred turf replacement option for many water distributors. Most rebate programs require that a certain percentage of replaced landscape area consists of climate appropriate plants. Dubbed ‘climate-appropriate,’ these plants are better adapted to California climate zones than their water-intense peers, and therefore, they require less irrigation. Drought tolerant plants are those specifically recognized for their ability to survive extended periods of time with little to no rain or irrigation. Not to be confused with climate-appropriate or drought tolerant plants, native plants are plants indigenous to a specific region, as identified during a specific period of history. California native plants, generally thought of as plants that existed in California prior to European settlement, are by definition climate-appropriate because they exist naturally in a climate that suits their needs. These plants have co-evolved with native animals, fungi, and microbes over long periods of time, and therefore they provide the additional benefit of habitat creation for native animals. Not all climate appropriate or California native plants, however, are drought tolerant simply because not all California climates commonly experience (or used to experience) repeated droughts. Thus, landscapers must ensure that their choice of native is appropriate for their specific micro-climates.

Among recognizable climate-appropriate landscape brands are: Xeriscape™, California-Friendly™, Bay-Friendly, River-Friendly, and Garden-Friendly. Xeriscaping, the first widely-recognized turf alternative, gained its popularity in the arid southwestern United States. For many, it conjures images of gravel, adobe, succulents, and cactuses. In actuality, however, Xeriscaping encompasses a broader array of plant varieties selected for water efficiency and soil health. The wide array of ‘Friendly’ brands indicates California climate-appropriate and native plants. They are growing in popularity, especially since the 2014 drought emergency declaration and the growth of turf rebate programs. Gardens built using climate-appropriate plants are often also designed around watershed-approach principles such as decreased water use and...
increased percolation, healthier soils, habitat creation, and hydrozones that cluster plants with similar water and sun requirements and help minimize erosion and unused runoff.

Critics dissaprove of climate-appropriate and native gardens as a viable turf replacement options for four principal reasons:

1. **Cost** – Compared to turf grasses, native and climate appropriate gardens are typically more expensive to purchase and install.

2. **Maintenance** – Heterogeneous gardens often require a greater depth of landscaping knowledge and understanding; even if resulting gardens ultimately require less maintenance, the initial learning curve is steep.

3. **Aesthetics** – Some landscape conversions designed with native or climate-appropriate plants do not result in aesthetically pleasing front yards, offending neighbors and discouraging further conversions.

4. **Property Value** – The market value for homes may decrease based on the absence of a turf grass lawn.

In contrast, supporters give seven reasons for favoring climate-appropriate and native gardens as a viable turf replacement option:

1. **Cost** – Long term cost analyses suggest that money saved on maintenance, waste removal, and water costs yield a reasonable return on investment, particularly when landscape conversions are large-scale commercial projects or when property managers receive rebates.

2. **Maintenance** – Property owners and managers spend fewer hours maintaining an established native or climate appropriate garden than a turf lawn.

3. **Aesthetics** – The plants available to native and climate-appropriate gardens vary in size, shape, and color, and can yield beautiful landscapes when designed properly.

4. **Property Value** – Market value for homes may increase based on the presence of a water efficient landscape based on native or climate-appropriate plants.

5. **Water, Waste, and Energy Savings** – The decreased water, fertilizer, and pesticide needs, and the decreased maintenance time associated with native and climate-appropriate gardens saves water while reducing chemical use, green waste, and GHG emissions when compared with ‘mow-blow-and-go’ turf grass maintenance.

6. **Habitat Creation and Soil health** – Native plants can create habitat for native animals, such as bees, that are key species in keeping our watersheds healthy. Native plants can also help to restore soil health through habitat creation by incorporating animal byproducts into the soil.

7. **Stormwater Management** – Well-designed native gardens retain stormwater, allowing it to percolate to subsurface aquifers, filter pollutants, and avoid at-capacity sewer lines.
Permeable Hardscapes

Permeable hardscapes are ground covers constructed above drainable soils or stone aggregates. When compared to traditional solid concrete, brick, or asphalt pavers, permeable hardscapes reduce runoff and erosion. Permeable hardscapes vary widely in permeability. They include: gravel; gridded or interlocking pavers with gravel or dirt infill; cobblestones; and porous, pervious, or permeable pavers (e.g., porous asphalt and pervious concrete).

Critics disapprove of permeable hardscapes as a viable turf replacement option for five reasons:

1. **Failure Over Time** – Anecdotal evidence has led some agencies to remove permeable hardscapes as an allowable alternative to turf grass. These agencies note that property managers/owners report a decrease of permeability over time, as percolation pores and grooves clog with compacted dust and grit. Research shows that after a few years of use or after poor installation practices, percolation from some ‘permeable pavers’ can decrease by orders of magnitude.

2. **High-Maintenance** – Porous pavers require a stone aggregate detention basin below the pavement surface. To maintain infiltration rates, this basin must be periodically washed out to prevent dirt and particulate build up. Some porous surfaces require vacuum sweeping to maintain infiltration rates; certain old porous surfaces can only be reclaimed as ‘permeable’ by drilling half-inch holes in the surface to allow water to reach the stone aggregate basin.

3. **Climate- and Soil-Sensitive** – Climates that experience freeze-thaw cycles frequently see damaged pavers. They crack after partially clogged pores fill with water, freeze, and then expand. Sanding surfaces for snow traction also quickly renders porous pavers ineffective by clogging pore spaces. Similarly, snow-plow piles with high sediment content can melt into pavers and clog them. Finally, regardless of a hardscape’s permeability, high clay-content soils limit infiltration into aquifers and can cause pooling and runoff.

4. **Heat Island** – Some porous pavers are dark surfaces (e.g., porous asphalt) that increase heat absorption and contribute to the urban heat island effect.

5. **Limited Environmental Benefits** – In contrast to other turf replacement alternatives like climate appropriate plants, permeable hardscapes do not offer ecosystem services such as GHG sequestration, air filtration, or habitat creation.

Supporters give seven reasons for favoring permeable hardscapes as a viable turf replacement option:

1. **Reduced Runoff / Increased Percolation** – At least upon installation, the runoff coefficients of most porous pavers are more similar to grass (and some in far excess of grass) than to non-porous

Image Credit: http://www.santacruz.watersavingplants.com/
pavements. These lower runoff coefficients mean increased infiltration into the soils and increased subsurface water storage.

2. **Low-Maintenance and Functional** – In contrast with plant and turf grass ground covers, hardscapes require little to no maintenance or chemical application. They also serve as a functional space for many activities.

3. **Water Savings** – With little to no watering requirements after installation, permeable hardscapes can reduce outdoor water usage by almost 100%.

4. **Water Filtration** – Stormwater pollutants are removed by filtration through the paver pores and/or in the permeable ground underneath or in-between permeable hardscape surfaces.

5. **Efficient Construction** – In comparison with traditional pavements, porous pavements take less time to construct and install.

6. **Durability** – Properly constructed pavers can last 20-40 years and maintain infiltration rates orders of magnitude higher than turf grass throughout their lifetime.

7. **Low Cost** – Well-installed and designed permeable pavers or other permeable hardscapes can save money over a landscape’s lifetime through water savings, landscape materials applications, and maintenance opportunity cost savings. Indeed, considering just installation costs, permeable pavers are cost-competitive with both plant and synthetic turf alternatives. Permeable pavers are also cost-competitive with traditional pavers when storm water management systems are included in the cost calculations. Alternative permeable hardscapes like gravel beds cost significantly less than plant and synthetic turf coverage of a similar area.

**Synthetic Turf**

Artificial grasses have been around since the mid to late 1900’s. Consisting of synthetic fibers, rubbery infill, and subsurface layers designed to pad, drain, filter, and ground the fibrous artificial turf, this groundcover was originally popularized in sporting arenas. It offered water and maintenance cost and time savings. Synthetic grass design has evolved over time to combat its negative reputation in the environmental and public health world, though artificial grass critics remain skeptical. Improved technologies have bettered the ergonomics of synthetic grasses to decrease the threat of athletic injury. New materials limit lead-contaminated infill and minimize heat dangers. Recently, spurred by ongoing drought and decreased water and maintenance costs, synthetic turf has gained popularity among California single family homeowners.

Critics disapprove of synthetic turf as a viable turf replacement option for six reasons:

1. **Heat Risks** – Surface temperatures on synthetic fields have been documented as high as 199 °F, increasing potential for heat-related health hazards and increasing the urban island effect.
2. **Health Hazards** – Beyond heat injuries, researchers have documented increased incidence of sports injuries, increased risk for bacterial infections, and increased asthma triggers. They have hypothesized connections between heavy metals and toxic compounds found in synthetic turf infills (and their cleaning agents) and diseases such as cancer.

3. **Waste Generation** – At the end of its 6-15 year lifetime, synthetic turf typically ends up in a landfill, even if it is technically recyclable.

4. **Aesthetics** – Wear and tear on synthetic turf materials creates damaged-looking and faded groundcover; unlike natural grasses, artificial turf cannot regenerate itself.

5. **Environmental Impact** – Artificial turf does not offer several environmental benefits offered by turf grass and living plant alternatives such as biofiltration, cooling effects, carbon sequestration, and habitat creation. Instead, the synthetic turf can increase runoff, leach toxins into soils, and cause soil compaction and loss of microbes.

6. **Limited Water & Maintenance Savings** – Hot or dirty synthetic turf surfaces require irrigation and cleaning maintenance. This increases water and time costs and occasionally requires costly specialized equipment and toxic chemical cleaning solutions. These maintenance factors can lengthen the return on investment time for synthetic turf installation well beyond the industry-supported claims of three to five years.

Supporters offer six reasons for favoring synthetic turf as a viable turf replacement option:

1. **Convenience** – Artificial turf can be used continuously as a functional space; no “down time” has to occur for fertilizing and cutting. In addition, synthetic lawns can be enjoyed year-around in climates that do not support continuous natural turf growth.

2. **Health Benefits** – Industry supporters claim modern synthetic turf technologies reduce sports injuries and control for bacteria growth.

3. **Waste Reduction** – Some artificial turfs are now 100% recyclable. In addition, artificial turf manufacturers themselves integrate into their product post-consumer, recycled materials such as tire rubber that would otherwise be sitting in a landfill.

4. **Aesthetics** – Fade-resistant, durable artificial turf products resemble a perfectly manicured lawn, year-around.

5. **Environmental Impact** – Artificial turf eliminates the need for fertilizers and pesticides that can run off in stormwater and leach into water tables. Artificial turf also reduces GHG emissions and green waste by eliminating ‘mow-and-blow’ maintenance.

6. **Water & Maintenance Savings** – Artificial turf requires little to no water or maintenance. This saves property owners and managers money and time. These savings mean property owners can see their purchase and installation expenses paid back within three to five years.
Conclusions

The limited quantity and quality of turf removal program data undermines conclusive program evaluation and recommendations, but anecdotal lessons learned can inform agencies as they manage new and expanding turf removal programs. Common challenges faced by program managers include limited time and money resources, customer unfamiliarity with landscaping, and undesirable conversion outcomes. Key strategies to overcome these challenges and to realize water-saving, aesthetically-pleasing landscape conversions include educational customer outreach, thorough conversion monitoring, and carefully designed program requirements.

A central component of turf removal program design are the turf replacement options. Without a complete life cycle analysis of all natural turf alternatives – i.e., climate-appropriate plants, permeable hardscape, and synthetic turf - it is difficult to quantitatively and conclusively compare the impacts of these groundcovers on financial resources as well as environmental impact. It is simpler; however, for agencies and property managers to consider the above qualitative pros and cons and choose based on what is most valuable to them as a water agency or as an individual.

Even if turf rebate programs are not a cost-effective method to augment urban water supply, there are substantial positive externalities associated with them. These include end-user education, multiple benefits from climate-appropriate landscapes, and encouragement of a general cultural shift towards understanding and accepting environmentally beneficial alternatives to turf grass. For agencies considering these programs, these non-quantifiable benefits may tip the scale and justify the investment in limited rebate programs. Program popularity with homeowners and program timeliness given California’s ongoing drought indicate that these programs have the potential to catalyze broad transformations on a state-wide scale. Program design and limitations must be carefully considered to manage expectations and to generate desirable results for water agencies, customers, and the state as a whole.
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Appendix A: Conservation Program Cost Effectiveness

The following chart, presented by Joe Berg from the Municipal Water District of Orange County at the WaterSmart Innovations Conference 2014, details the relative cost per acre foot (AF) of water saved for various water conservation programs. The turf rebate program value is found at the bottom of the chart, indicating that it is the most expensive program alternative evaluated in this study with a cost of $1,679/AF water saved. It should be noted that since 2014, cost effectiveness numbers may have changed.

The following are California water source costs as calculated by the Public Policy Institute of California:
Appendix B: The Watershed Approach

A watershed approach intends an integrated, holistic approach to landscape design, construction, and maintenance that transcends water-use efficiency to reflect a site’s climate, geography, and soils and to address the related benefits of cost savings, run-off reduction, green waste reduction, pesticide and fertilizer reduction, habitat improvement, and energy/GHG reductions.

California’s landscapes provide essential functions throughout our urban environment. They are where we recreate; capture, clean and recharge groundwater; shade and cool our buildings; enhance property values; provide wildlife habitat; create space to grow food locally; provide a sense of place and much more. The optimal design, installation, and management of these spaces are critical to enhancing California’s quality of life while protecting our limited natural resources.

The transition to the watershed approach will be a system-wide upgrade to the urban environment. In addition to reducing outdoor irrigation, the transformation promotes multiple environmental benefits for municipalities:

- Increased rainwater and graywater capture, storage, and reuse
- Increased stormwater capture and infiltration, decreased stormwater runoff
- Reduced synthetic pesticide and fertilizer application and runoff
- Reduced “green waste” production
- Increased soil health and water retention capacity
- Reduced energy consumption and greenhouse gas emissions and improved air quality, and
- Increased food production and habitat for beneficial insects and wildlife, and the restoration of native biodiversity

The transformation also promotes benefits for individual property owners:

- Increased cost savings (lower water bills and upkeep costs)
- Reduced landscaping maintenance
- Healthier neighborhoods and communities
- Increased sense of place and appreciation for local resources
- Improved stewardship ethics and associated positive feelings towards self and neighborhood, and
- Increased shared values between neighbors via increased community participation in a social-norm-defining transformation.
Appendix C: Other Turf Conversions – Demonstration Gardens

Turf rebate programming is not the only approach to catalyzing landscape conversions in California. There is a need for parallel efforts that leverage shifts in cultural preferences towards sustainable landscapes.

Among existing programmatic efforts to encourage turf removal, and more specifically to redefine social norms, is the installation and advertisement of demonstration gardens. These educational garden spaces replace turf in well-visited locations. Their beautifully-designed and functional landscapes attract the passersby and their informative signage educates garden explorers. Though less tangible than cash incentives, demonstration gardens can re-define public perception of unorthodox landscapes and gradually shift the current California landscaping paradigm from turf grass towards sustainable alternatives.

A series of California-Friendly® garden examples are hyperlinked through the Metropolitan Water District’s BeWaterWise website. Though, some are designated botanical gardens, many are specifically demonstration gardens found in public spaces like libraries and water agencies. Numerous other demonstration gardens are scattered throughout the state on public and private property. These garden spaces often host gardening tours and workshops, school field trips, and other educational events. Beyond providing educational venues in pleasant and sustainable landscapes, these gardens increase public familiarity with non-turf landscaping alternatives. This familiarity breeds comfort and acceptance. Though demonstration garden impact on turf removal is not directly quantifiable, the gardens are readying the population of California for a landscaping paradigm shift.

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March 6, 2015

Randy Record and
Members of the Board of Directors
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

RE: Water Planning and Stewardship Committee Agenda
Water Supply Management Strategies Including Use of Storage

Chair Record and Members of the Board,

As we find ourselves in a fourth-consecutive drought year, and look ahead to 2016 and beyond, we must again express our extraordinary concern, not only about MWD’s unprecedented withdrawal of water from storage in 2014 to meet demand (more than 1 million acre feet), but with the status of MWD’s water management strategies and storage programs generally. We have repeatedly requested a comprehensive staff report and board review analyzing MWD’s water management and storage strategies, including put, take and funding issues, as well as the relationship to potential water supply allocation. These requests have been dismissed by staff under the banner of “needed flexibility” in operations. The Water Authority has never advocated against operational flexibility. But, operational flexibility should not be used as an excuse for a failure to adopt sound water management policies and strategies, and thoughtful, informed decision-making by this board of directors.

Many board members may not know that MWD’s storage programs have taken on an increasingly important - indeed, critical - role over the last 20 years as MWD’s Colorado River and State Water Project supplies have become less plentiful and less reliable. But the board lacks a coherent strategy for management of these storage reserves, including how management of storage ties into decisions about water supply allocation and the need for replenishment of storage. Similarly, it is impossible to understand how discreet water management recommendations by staff tie into any storage, allocation or investment strategy. Given its seriously outdated Integrated Resources Plan, MWD is reduced to making ad hoc decisions on a case-by-case basis.

The MWD board must look ahead now, to 2016 and beyond, to plan how to best manage the limited remaining supplies MWD has in storage, as well as address other operating concerns (including the unique issues presented in the State Water Project (SWP)-Exclusive...
Chair Record and Member of the Board
March 6, 2015
Page 2

Area where jeopardy is greater than any other region). Looking ahead, we cannot say with any credibility that we were "surprised" by the drought or that it might continue; we have to assume that it will continue and plan accordingly. That's our responsibility as board members to the more than 18 million people who live and work in Southern California.

We ask that a Special Board Workshop be set at the earliest possible date to review a detailed staff report (to be made available at least ten days in advance of the meeting), deliberate our options and potential actions, and set sound policies to guide this agency.

Sincerely,

Michael T. Hogan
Director

Keith Lewinger
Director

Fern Steiner
Director

Yen C. Tu
Director

Attachments:
1. Water Authority Letter, dated April 25, 2011
2. Water Authority Letter, dated May 6, 2011

cc: Jeff Kightlinger, General Manager
Dawn Chin, Office of the Board of Directors

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The Water Authority's board members have been requesting a staff report and board policy discussion for more than one year, including requests made at the March, April, May, June, September and November committee/board meetings and at both the January and February meetings this year. Decisions about water supply allocation cannot reasonably be made without an understanding how MWD plans to withdraw water from storage and the impacts that will have on water supply balances in subsequent years.

Briefly stated, MWD has lost access to 662,000 AF of surplus Colorado River supplies that it had relied upon for decades, as Arizona and Nevada increased their use of Colorado River water. The Water Authority's firm Imperial Irrigation District water transfer and canal lining water will make up for 280,000 AF of this loss, but is still ramping up, leaving a remaining gap of almost 300,000 AF annually, only a portion of which MWD has been able to fill. During this same time, MWD's State Water Project (SWP) supplies have also become more vulnerable and susceptible to annual hydrologic variations, as this board is well aware.

Examples include:
1) MWD's staff recommendation in April 2011 to sell MWD water at a discount rather than place the water into MWD's own storage reserves. At the time of that recommendation by staff, it was clear that MWD had ample storage and put capacity available to store all of the available water. Had that water been stored by MWD, storage reserves would be greater today than they are now and thus offset the need for MWD to take the kind of extraordinary measures it is taking, including spending almost $100 million replacing turf on private golf courses at a cost of more than $1,600 per AF (see also Board Memos 8-2, 8-3 and 8-10). Copies of the Water Authority's board letters dated April 25, 2011 and May 6, 2011 objecting to MWD's staff recommendation to sell rather than store the water are attached.
2) MWD’s staff decision in 2014 to not pursue Sacramento Valley water transfer supplies - even though the board had already approved action to acquire such water, which was available. At the January 2015 board meeting, staff informed the board about the decision it had made, stating that its decision was based upon a “combination of factors,” including carriage losses and that the cost of the water was between $500-600/AF.

“"The Water Authority has written numerous letters objecting to MWD’s continued reliance upon its factually outdated 2010 Integrated Resources Plan; the 2015 update has only just begun and is now being proposed to trail into 2016.

"This is one of the reasons why the Water Authority board members voted in December 2014 against the MWD staff recommendation to create a special new water supply allocation for groundwater basins as such. At the same time, we intended to be clear that all agencies paying the full service water rate should be treated equally. We also note that the existence of MWD’s SWP-Exclusive Area has received very little attention by this board and is not described or even noted in the IRP or other MWD planning documents.

"As requested previously, the staff report should provide the data needed to have a meaningful policy discussion, including put, take and funding strategies. The staff report should note specific contractual and other limitations on the use of storage limiting its access to water (e.g., limitations on MWD’s access to Central Valley storage accounts and Desert Water Coachella Valley account). Further, the timing and impact of the “pay-back” terms and conditions of MWD’s various storage agreements must be understood (e.g., MWD’s agreement to pay back 219,000 AF of “flex storage” from DWR reservoirs and 168,000 AF of borrowed water from Southern Nevada Water Authority). In short, the details very much matter in the board’s review and deliberation of next steps in meeting the water supply challenges confronting Southern California this year, and in following years as the hydrologic and regulatory challenges continue.
April 25, 2011

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

Re: Board Memo 5-1 – Sale of discounted water

Dear Chairman Foley:

We have reviewed Board Memorandum 5-1 regarding the sale of discounted water by MWD and would like the following comments to be placed in the record by this letter and its attachment. The sale of discounted water by MWD at this time raises many questions and concerns, which we have organized and discuss in detail in Attachment 1 to this letter. We request that the staff respond in writing to these questions and concerns prior to the board taking any action.

Given the staff’s own analysis, which describes its concerns about the performance and equity of the existing Replenishment Service Program (replenishment program) – it acknowledges that there is an “imbalance” between MWD costs and benefits under the Program (page 4) – we are surprised that the staff recommendation is nonetheless to support the sale of discounted water under the replenishment program.

While the recommended action takes into account the budgetary and fiscal constraints the member agencies have, it does not analyze or meaningfully address the unprecedented budgetary and fiscal constraints plaguing MWD. Our board’s fiduciary duty is to MWD – not the member agencies. We fail to meet that duty if we vote to sell discounted water under a program that does not provide commensurate benefits to MWD. This is all the more important at a time when we are confronting a nearly $200 million budget shortfall in the current fiscal year.

The board memo is clear on its face that the replenishment program does not provide a proper foundation for the sale of discounted water. The Water Authority does not support the sale of discounted water by MWD under these conditions. But if the board chooses to do so in order to generate sales in the current fiscal year, then it should be made available to all of MWD’s member agencies, rather than limited to replenishment sales.

Sincerely,

Jim Bowersox
Director

Lynne Heidel
Director

Keith Lewinger
Director

Fern Steiner
Director

Attachment 1: Issues Associated with the Sale of Discounted Water by MWD

cc: Jeff Kightlinger, General Manager

A public agency providing a safe and reliable water supply to the San Diego region
1. The real issue before the board is price – not local water storage.

The board memo talks about “optimizing the reliability of water supply into the service area,” but it is apparent that the real issue before the board is the price. MWD has already adopted a 2010/11 Water Management Program for local storage that allows member agencies to purchase additional water for local storage while protecting them from Water Supply Allocation Plan (WSAP) penalties. Some member agencies have purchased supplies under this program, but others have held out in hopes of receiving discounted replenishment water.

2. MWD should be fully utilizing its own dry-year storage portfolio, rather than selling water at a discount to its member agencies.

The board memo states that MWD is facing the “unexpected challenge” of managing and storing water in 2011. This is a very perplexing statement and calls into question MWD’s water supply management capabilities. Storing water in good years is at the very heart of the water supply reliability program MWD developed through its Integrated Resources Plan (IRP).

Nine years ago, when MWD lost 662,000 AF of surplus water on the Colorado River annually, it shifted to a water supply reliability strategy that depends heavily on storing water in wet years in order to meet water demands during subsequent dry years. When this strategy was initially employed, MWD was counting on having water supplies that were “surplus” to its needs and available for storage seven out of every 10 years. To implement this strategy, MWD established rates and collected revenues from its member agencies and paid billions of dollars to create the dry-year storage accounts that today are in excess of 5 MAF. The Water Supply and Drought Management (WSDM) plan attached to the board memo shows a 2011 storage put capacity of more than 1 MAF.

More recently, MWD staff has consistently stated that the constraints in the Delta now mean that MWD can count on wet-year supplies being available for storage in only three of every 10 years; this is one of those three years. But rather than filling its own storage accounts, MWD staff is recommending selling this water at a discount to its member agencies.

We also find it troubling that for the first time – and in the context of a recommendation to sell water at a discount – the board has been informed that “some of the storage programs and locations” are “less desirable choices” for storage management. Further, that there are “increased risks of future losses from those programs, potential cost implications, and concerns about future dry-year performance.” Given this description, it is difficult to understand why MWD made these “less desirable” dry-year storage investments in the first place. We request that a complete review of the dry-year storage program be placed on the agenda at the next board meeting and before the board takes action to sell the water that is available for storage at a discount.

A final note on MWD’s dry-year storage portfolio relates to the budget. It is not possible to manage a dry-year storage account without incurring costs associated with the put and take of water into and from storage. The fact that MWD failed to adequately budget these costs is
certainly no excuse to sell discounted water now in order to generate cash-flow. We request an analysis of how staff has budgeted these costs in the past and how it proposes to budget the costs associated with its dry-year storage program in the next and subsequent budget years. We also request a schedule of all costs and capital investments associated with developing new water supplies that will be needed to replace the water now proposed to be sold at a discount.

3. The sale of discounted water will displace full-service sales and exacerbate MWD’s current budget and fiscal crisis.

The board letter is completely silent on the most damaging consequence of selling discounted water: every acre foot sold at the proposed discount will displace an acre-foot sale of water out of MWD’s dry-year storage program at the full-service rate. The promise that this discounted water sales program will increase revenues to MWD focuses only on the revenues from discounted water sales and associated near-term fiscal consequences. Ignored in the board memo entirely is the indisputable truth that agencies that would have purchased water at the full service rate – either this fiscal year or in a subsequent year – will instead purchase that water at a discount through the direct discount of up to $143 per acre-foot and by avoiding future full service rate increases. MWD will not “make money” by selling water at a discount, it will lose money – 200,000 acre-feet of discounted water sales results in the loss of potentially more than $28 million in revenues. The impact of the lost revenues may not be fully realized in FY 2012, but will certainly be felt in the future.

It is apparent that the reason some MWD member agencies are holding back from purchasing water at the full service rate is precisely because they are waiting to buy it at a discount. That’s a smart move for the member agency, but is certainly not in MWD’s best interest.

The MWD board is legally required annually to adopt a cost of service and revenue requirement and fix rates that, taken together with other revenue sources, will be sufficient to pay MWD’s fixed costs and other expenses. The MWD board has failed to do this and, instead, continues to rely upon inflated sales projections to support its water rates, budget and overspending. At its last meeting, the board was presented with information that projected MWD sales in the current fiscal year are trending to be 291,300 acre-feet below budget. At its meeting on the budget, MWD staff also assessed the value of its water in storage using full service rates. There is no way to reconcile the board’s actions in adopting cost of service and revenue requirements with the proposed sale of discounted water.

4. The board memo does not provide a policy or legal basis for the sale of discounted water for replenishment.

The board memo presents a detailed list of concerns with the replenishment program (page 2), notably:
- Questionable and unquantifiable performance and expectations;
- Potential of shifting water sales within a year as opposed to generating true longer-term storage;
- Potential offset of full service sales;
• Unequal distribution of costs and benefits among participating and non-participating agencies;
• Questions on whether water was being stored for future use as opposed to being purchased to refill overdraft;
• Difficulties in measuring and verifying in-lieu deliveries to storage; and
• Cash-flow and budgeting issues associated with the frequency under which replenishment supplies are available.

Each of these seven concerns should be significant enough to dissuade the board from approving discounted replenishment sales. Taken together, however, the seven concerns represent perhaps the most troubled program in MWD’s recent history. It is a confounding disconnect, therefore, that the board is being asked to forge ahead with the program without regard to these concerns. The board memo, as written, is very clear that there are significant questions about the performance and equity of the replenishment program. We request that the staff present a further analysis and respond to the “disconnect” between the information provided in the board memo and the staff recommendation for action.

5. **The sale of discounted water sends the wrong message at a time when MWD is promising to pay substantial costs associated with a Delta Fix.**

If MWD’s member agencies are – as is clear from the board memo – unable or unwilling to pay for MWD’s current fixed costs, how can MWD credibly commit to pay the additional costs associated with a Delta Fix? Will MWD’s member agencies not be subject to the same “budgetary and fiscal constraints” when faced with the costs of a Delta Fix and other IRP investments? If this is indeed the economic reality – that current full service rates are too expensive to encourage MWD water sales to its member agencies – then the MWD board must reconsider MWD’s entire water resources strategy. If we can’t afford to pay our current fixed costs then it is difficult to see how we can afford to pay the billions of dollars of investment outlined in the 2010 IRP, including the Delta Fix being negotiated by management, seawater desalination projects and a host of other projects.

The continued disconnect between the board’s decisions to spend money and the member agencies’ willingness to pay for MWD projects is threatening MWD’s very financial viability.
May 6, 2011

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

Board Memo 5-1 – Sale of Discounted Water

Dear Jeff,

Thank you for responding to our April 25, 2011 letter regarding MWD’s proposed sale of discounted water to selected member agencies. We appreciate that water supply conditions in 2011 have improved significantly; however, the question before the board is what to do with the water that is now available to MWD.

You state in your letter that MWD will maximize the use of its storage assets in 2011 to store available supplies. Director Steiner has requested and you have agreed to provide detailed information how MWD will do that. Past MWD board reports show that MWD has ample storage and put capacity available to store all of the available water in MWD storage facilities. Indeed, by our calculation, even if all of the available water is stored by MWD – as we believe it should be – MWD’s storage will remain less than half full.

You also state that MWD will likely end the year with its regional storage reserves at the “highest levels in history”; however, this observation fails to take into account the fundamental shift in MWD’s water supply reliability planning which – unlike past history – now relies heavily upon the withdrawal of water from storage in dry years. That is why the Water Authority has supported MWD’s multi-billion dollar investment in storage facilities and agreements, which provide more than 5 million acre feet of storage capacity. Given this water supply strategy and investment, it is difficult to understand why MWD now has no intention of maximizing its investment in storage in a year like this, when water is available. MWD is barely out of a multi-year allocation, yet instead of filling its storage reserves, it wants to sell it at a discount.

The problems with the replenishment program have been previously documented and we will not repeat them here. MWD has been well aware of these concerns for many years but has failed to address the problems in any revised board policy or otherwise. Suffice it to say that the program does not provide benefits to MWD commensurate with the cost to MWD of the program. If MWD is intent on selling discounted water, then it should be made available to all MWD member agencies equally, not just to select agencies on the purported basis of a clearly flawed water supply management program.

On the financial side, the board memo and your letter are clear that under the discounted sales
Mr. Kightlinger  
May 6, 2011  
Page 2

Proposal, MWD will not recover its fixed costs. This month’s staff report shows MWD’s FY 2011 sales have further dropped to 1.6 million acre feet (MAF), from the budgeted 1.93 MAF. Although short term cash flow may be improved by the proposed sale of discounted water, it has a deleterious effect on MWD’s financial position overall. We believe you know that MWD’s fiscal crisis is real – we would welcome the opportunity to work with you on finding real solutions.

Regarding your comments on the member agencies’ willingness to pay for current and future fixed costs, our comments were taken directly from the MWD board memo citing the member agencies’ “budgetary and fiscal constraints” as the reason they are not buying MWD water now at the full price that was assumed in the current fiscal year budget. Clearly, the sale of water at full price would be the preferred option because the region would achieve the same storage and water supply benefits and MWD would come closer to hitting its own budget, which is more than $150 million short that also threatens to leave reserves precariously low.

Finally, we believe you know that the Water Authority’s litigation has nothing to do with challenging State Water Project costs – the only question is how those costs should be allocated between supply and transportation. The Water Authority expects to remain one of MWD’s largest customers and to pay its fair share of MWD’s costs under its State Water Project supply contract. Indeed, to our knowledge, the Water Authority is the only MWD member agency that has actually offered to enter into a long-term contract with MWD for the purchase of State Water Project water and other supplies and services. With firm contracts, MWD could count on being able to cover its fixed costs, now and in the future. We would be happy to make a presentation to the board on the history of that offer as well as make a proposal for the future. We agree that MWD is in a fiscal crisis and the gimmicks being employed this year – including a “fire sale” of discounted water – will not solve or even address the real problem.

Sincerely,

Jim Bowersox  Lynne Heidel  Keith Lewinger  Fern Steiner  
Director  Director  Director  Director

cc: Jack Foley, MWD Board Chairman
August 16, 2013

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

RE: Board Memo 5G-2: Adopt resolution maintaining the tax rate for fiscal year 2013/14 – OPPOSE

Dear Chairman Foley:

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

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

Sincerely,

Keith Lewinger
Director

Vincent Mudd
Director

Fern Steiner
Director

Attachment: Water Authority letter to MWD on MWD June 2013 actions re 8-1 and 8-2, dated June 5, 2013

A public agency providing a safe and reliable water supply to the San Diego region
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 adoption 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>$</th>
<th>75,000,000</th>
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<td><strong>100.00%</strong></td>
<td><strong>$75,000,000</strong></td>
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Note: Totals may not foot due to rounding

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

- Reserves*
- Maximum Reserve
- Minimum Reserve

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F&I Committee
April 2013

* Includes Water Stewardship Fund

FY2013 and beyond are based on modified accrual

Updated Forecast

- Reserves*
- Maximum Reserve
- Minimum Reserve

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F&I Committee
April 2013

* Includes Water Stewardship Fund

FY2013 and beyond are based on modified accrual
March 7, 2014

The Honorable Darrell Steinberg
President pro Tempore
California State Senate
State Capitol, Room 205
Sacramento, CA 95814

The Honorable John A. Pérez
Speaker
California State Assembly
State Capitol, Room 219
Sacramento, CA 95814

Re: METROPOLITAN WATER DISTRICT PUBLIC HEARING ON SUSPENSION OF TAX RATE LIMITATION

Dear President pro Tem Steinberg and Speaker Pérez:

We represent the San Diego County Water Authority on the board of directors of the Metropolitan Water District of Southern California (MWD or district). We are in receipt of MWD’s letter advising you of the public hearing on its recommendation to suspend the tax rate restriction for the next two years, based on a finding that a tax rate in excess of the restriction is “essential to the fiscal integrity of the district.”

We strongly support MWD’s desire to increase its fixed revenues, which are currently less than 20% of total revenues, while its fixed costs are more than 80% of its total costs. However, we do not support the ad hoc suspension of the tax rate given the absence of a long range finance plan (MWD’s finance plan was last updated in 2004). The Legislature has given MWD the specific authority to impose other fixed charges, including a standby charge, and we believe that should be considered at the same time as suspension of the tax rate restriction. Indeed, MWD’s Chief Financial Officer confirmed at our last board meeting that MWD has many revenue funding options and that suspension of the tax rate limitation is not essential to maintain MWD’s fiscal integrity.

There will certainly be no harm to MWD this year if it takes the time to develop a long range finance plan; by June 30, MWD’s own projections show that it will have cash reserves of $800 million. Over the past two years alone, MWD collected $600 million more from its ratepayers than it needed to fund all of its planned and budgeted spending, as a result of underestimating sales and overestimating its expenses.

Finally, you should be aware that, on February 25, San Francisco Superior Court Judge Curtis Karnow issued a tentative ruling that MWD’s 2011, 2012, 2013 and 2014 rates violate the California Constitution (Proposition 26), California statutes (including the wheeling statutes) and common law that all require MWD set its rates based upon cost-of-service. That decision is expected to be finalized within the next few weeks. These rates, now invalidated by the Court, are the very rates that MWD relies upon for more than 80 percent of its revenues and that are responsible for MWD’s over-collection of hundreds of millions of dollars from its ratepayers.

For all of these reasons, we do not believe that suspension of the tax rate limitation is essential to the fiscal integrity of the district; however, we do believe that a long range finance plan is essential to the fiscal integrity of the district. In order to responsibly plan for the future, including a Delta fix, MWD’s fiscal house must be in order.

Very truly yours,

Fern Steiner
Director

Vincent Mudd
Director

Keith Lewinger
Director

Michael T. Hogan
Director

cc: San Diego Legislative Delegation
MWD Board of Directors
SDCWA Board of Directors

A public agency providing a safe and reliable water supply to the San Diego region
November 17, 2014

Randy Record 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 - Approve the proposed terms for Purchase Orders with Member Agencies; authorize the General Manager to execute Purchase Orders with Member Agencies consistent with the proposed terms; and approve the Proposed Amendments to the Administrative Code – OPPOSE

Dear Chair Record and Board Members,

We have reviewed Board Memo 8-3, the November 17, 2014 PowerPoint Presentation and documents provided to the Board at the July 7, September 8 and October 13 Finance and Insurance Committee meetings. No other information or data has been provided by staff at the three Member Agency Manager Meetings listed on page 2 of the PowerPoint (July 11, September 12 and October 17) to support the conclusions stated in the Board Memo.

New board members may not be aware that the two-tiered pricing structure and Purchase Order date back to the October 16, 2001 board action approving the rate structure proposal that remains in place today (a copy of the October 16, 2001 Board Memo 9-6 (Rate Structure Board Memo) is attached for ease of reference). At that time, MWD management stated that the purpose of the two-tiered pricing structure was to encourage efficient water resource management and conservation (Rate Structure Board Memo at page 1). Further, the board action specified that the Tier 2 Supply Rate "would be set at a level that reflects Metropolitan's cost of acquiring new supplies" (Rate Structure Board Memo at page 2, paragraph A; Attachment 1, Page 4 of 6, paragraph A; and Attachment 1, page 6 of 6 at paragraph A [Addressing New Demands]). The Board Memo further stated that the benefits of the rate structure included:

Tiered supply rates provides (sic) pricing signals for water users with increasing demands and incentives to maintain existing local supplies.

Tiered water supply rates: (1) reflect higher costs of new MWD supply development; (2) signals users when local resources development and conservation might be more cost-effective; and (3) passes appropriate costs
of new supply development to those member agencies that rely on MWD for growing demands (Rate Structure Board Memo at Attachment 1, Page 2 of 6).

The Purchase Order request form was also part of the new rate structure adopted by the board as a means to implement the tiered pricing structure.

This month's Board Memo 8-1 describes the Purchase Orders as an "adjunct" to the cost-of-service study, "in that they implement MWD's tiered supply pricing structure." But there is no reference whatsoever in MWD's cost of service study to substantiate any linkage between cost of service and the newly proposed terms of the Purchase Order. Indeed, the newly proposed terms stand in stark contrast to the terms and objectives described in 2001. Now, instead of recovering the cost of acquiring new supplies through the Tier 2 rate, MWD proposes to allow its member agencies to buy more water than it has available to sell at the lower Tier 1 rate.

The Purchase Order is clearly not based on cost of service, because the costs of acquiring new water supplies that Tier 2 was intended to recover have not just disappeared; they are simply being shifted -- without any data or cost-of-service analysis -- to MWD's other rates and charges (for which no cost-of-service study has been performed).

Lastly, and regrettably, the Purchase Order does nothing to provide any meaningful level of financial stability for MWD as it embarks on expensive new water supply development programs. MWD's own staff has admitted as much. This is noteworthy given that the MWD board suspended its tax rate limitation twice in the past few years claiming it was necessary to ensure MWD's "fiscal integrity." Rather than developing a long-term finance plan and rates that can provide the financial stability MWD needs, MWD is now moving in exactly the opposite direction.

It is long past time for MWD and its board of directors to return to the difficult, but necessary process of developing a real long-term finance plan to support MWD's future water supply investments. Execution of Purchase Orders with these terms by the member agencies, as recommended by MWD management, will do nothing to achieve that objective.

Sincerely,

Michael T. Hogan
Director

Keith Lewinger
Director

Fern Steiner
Director

Yen C. Tu
Director

Attachment: MWD Board Memo 9-6, dated 10/16/01
MWD has adamantly maintained that it has not changed its rate structure or rates since they were adopted in 2001; however, for the reasons stated in this letter, it is not possible to reconcile the 2001 objectives of the Tier 2 rates (and the associated costs) as described in the Rate Structure Board Memo with the Purchase Order terms recommended in Board Memo 8-1.

Total sum of Tier 1 maximum for member agencies would be 2.05 MAF, according to this month’s memo.

In September Finance and Insurance committee, CFO Gary Breaux said that the purchase order “from a year-to-year standpoint, it doesn’t provide that much stability.”
Board of Directors

October 16, 2001 Board Meeting

Subject

Approve Rate Structure Proposal

Description

Background

On September 10, 2001, the Subcommittee on Rate Structure Implementation (Subcommittee) considered a proposal by several member agency managers (Calleguas Municipal Water District, Eastern Municipal Water District, the City of Los Angeles, Central Basin Municipal Water District and West Basin Municipal Water District) to implement Metropolitan’s new rate structure in a manner consistent with the Rate Structure Action Plan that was adopted by the Board in December 2000. This proposal addressed many of the concerns raised by Board members during the past nine months as the Subcommittee reviewed the December Action Plan, including the use of property taxes, financial impacts, the relative burden of financial risk, financial commitment and water resource management. The details of the Member Agency Managers’ Proposal (Proposal) is included in Attachment 1.

The Subcommittee then reviewed staff’s evaluation of the Proposal at the Subcommittee’s September 18, 2001 meeting. On September 25, 2001, the Board held a Board Workshop on the Proposal. At that meeting, the Board considered a number of questions raised by the Subcommittee (see Attachment 2), as well as the Board, and directed staff to agendize the Proposal for Board action at the October 16, 2001, Board meeting.

The proposed rate structure is consistent with the Board’s Strategic Plan Policy Principles, which were adopted in December 1999. The Proposal furthers Metropolitan’s strategic objectives, supports and encourages sound water resource management, accommodates a water transfer market, enhances fiscal stability and is based on cost-of-service principles. An analysis of the Proposal and its consistency with the Board’s Principles from December 1999 is shown in Attachment 3.

Summary of Proposal

Tiered Rate Structure. The Proposal retains the two-tiered pricing structure included in the Rate Structure Implementation Plan from December 2000. Such a pricing structure encourages efficient water resource management and conservation. The amount of water supply that a member agency may purchase in any one year at the lower Tier 1 rate is determined by two factors – the amount of firm water (basic and shift) purchased since fiscal year 1989/90 and the member agency’s election to submit a voluntary purchase order for a ten-year supply of water.

A base level of consumption will be established for each member agency equal to the member agency’s highest fiscal year firm demand since 1989/90. Member agencies will be able to submit a voluntary purchase order to purchase a minimum amount of water over the next ten years equal to 60 percent of this base times 10. The member agency has ten years to purchase this minimum quantity and can vary its purchase amounts from year to year. But, the member agency would be obligated to pay for the full purchase order, even if it did not use the full amount at the end of the ten-year period. In exchange for this minimum commitment, the member agency will be able to purchase an amount of water supply equal to ninety-percent of the base in any given year at the lower Tier 1 rate. Agencies that determined that a purchase order was not in their interest would be able to purchase up to 60 percent of their base at the lower Tier 1 rate.
Unbundled Rates and Charges. As described in the December Action Plan, rates and charges would be unbundled to reflect the different services provided by Metropolitan. Specifically, the following rate elements would be part of the Proposal:

a. **Tier 2 supply rate.** The Tier 2 Supply Rate would be charged on a dollar per acre-foot basis for system supply delivered in excess of 90 percent of a member agency's base for member agencies with purchase orders. The Tier 2 Supply Rate would be charged for system supply delivered in excess of 60 percent of a member agency's base for member agencies without purchase orders. The Tier 2 Supply Rate would be set at a level that reflects Metropolitan's cost of acquiring new supplies.

b. **Tier 1 supply rate.** The Tier 1 Supply Rate would be charged on a dollar per acre-foot basis for system supply delivered to meet firm demands that are less than 90 percent of a member agency's base for member agencies with purchase orders. The Tier 1 Supply Rate would be charged to system supply deliveries that are less than 60 percent of a member agency's base for member agencies without purchase orders. The Tier 1 Supply Rate would be set to recover all of Metropolitan's supply costs, except those paid through the Tier 2 Supply Rate and a portion of the long-term storage and agricultural water sales.

c. **System Access Rate.** The System Access Rate would be charged on a dollar per acre-foot basis and collect the costs associated with the conveyance and distribution system, including capital, operating and maintenance costs. The System Access Rate would be charged for every acre-foot of water conveyed by Metropolitan. All users (including member agencies and third-party wheeling entities) of the Metropolitan system would pay the same rate for conveyance.

d. **Water Stewardship Rate.** A Water Stewardship Rate would be charged on a dollar per acre-foot basis to collect revenues in support of Metropolitan’s financial commitment to conservation, water recycling, groundwater recovery and other water management programs approved by the Board. The Water Stewardship Rate would be charged for every acre-foot of water conveyed by Metropolitan.

e. **System Power Rate.** The System Power Rate would be charged on a dollar per acre-foot basis to recover the cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance and distribution system for Metropolitan's member agencies. The System Power Rate will be charged for all Metropolitan supplies. Entities wheeling water would continue to pay the actual cost of power to wheel water on the State Water Project, the Colorado River Aqueduct or the Metropolitan distribution system, whichever is applicable.

f. **Treatment Rate.** Metropolitan would continue to charge a treatment rate on a dollar per acre-foot basis for treated deliveries. The treatment rate would be set to recover the cost of providing treated water service, including capital and operating cost.

g. **Capacity Reservation Charge and Peaking Surcharge.** Member agencies would pay a Capacity Reservation Charge (set in dollars per cubic feet per second of the peak day capacity they reserved). The Capacity Reservation Charge is a fixed charge levied on an amount of capacity reserved by the member agency. The Capacity Reservation Charge recovers the cost of providing peak capacity within the distribution system. Peak-day deliveries in excess of the reserved amount of capacity chosen by the member agency would be assessed a Peaking Surcharge. Peaking Surcharge revenue collected by Metropolitan for the three fiscal years ending on June 30, 2005, would be refunded to that member agency to implement specific capital projects and programs to avoid peaking charges in the future. The Capacity Reservation Charge and Peaking Surcharge are designed to encourage member agencies to continue to shift monthly demands into the winter months and avoid placing large daily peaks on the Metropolitan system. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Reservation Charge and Peaking Surcharge will include all deliveries made by Metropolitan to a member agency or member agency customer including water transfers and agricultural deliveries.

h. **Readiness-to-Serve Charge.** Metropolitan’s Readiness-to-Serve Charge would recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge would be allocated among the member agencies on the basis of each agency’s ten-year rolling average
of firm demands (including water transfers wheeled through system capacity). This allocation would be revised each year. At the request of the member agency, revenues equal to the amount of Standby Charges would continue to be credited against the member agency’s Readiness-to-Serve Charge obligation.

i. **Long-term storage service program.** The current long-term storage service program used by the member agencies for storage replenishment purposes would continue as is. The long-term storage rate would also remain a bundled rate. The long-term rate would be reviewed annually by the Board as part of the regular rate cycle. Although the Proposal recommends that the long-term storage service program remain in place for at least the next ten years, the Board retains the ability to reexamine this program as needed.

j. **Agricultural water program.** The current surplus water agricultural service program used by the member agencies for agricultural purposes would remain in place. The agricultural rate would also remain a bundled rate. The agricultural rate will be reviewed annually by the Board as part of the regular rate cycle. Although the Proposal recommends that the current agricultural program remain in place for at least the next ten years, the Board retains the ability to reexamine this program as needed.

**Addressing New Demands.** The Proposal addresses the impact of new demands on the cost of water supply through the tiered rate structure. Agencies that have increasing demands on Metropolitan would pay more, since they would purchase a greater share of the water sold at the higher Tier 2 rate. In addition, the Proposal provides that a mechanism to recover costs for Metropolitan’s infrastructure associated with increasing system demands will be developed and in place by 2006.

**Financial Impact**

**Financial Impact to Member Agencies.** While the Proposal includes a number of changes to Metropolitan’s existing structure, the initial financial impacts as a result of the change are estimated to be less than three percent (plus or minus), on any one member agency when compared to the existing rate structure. These impacts are estimated in fiscal year 2002/03 and assume normal demand conditions. Over time, it is expected that agencies using more Metropolitan supplies will purchase a greater share of water at the higher Tier 2 rate and would pay more.

**Financial Impact to Metropolitan.** The total amount of revenue generated under the Proposal would be the same as that under the proposed structure. The introduction of the purchase order helps to provide additional certainty regarding Metropolitan’s base supply. But, the purchase order is flexible enough that member agencies do not take on undue financial risk. In addition, the Capacity Reservation Charge adds to fixed revenues.

**Impact on Water Transfers.** The Proposal provides clear price signals that reflect Metropolitan’s costs (both to develop new supplies and to transport water). As such, cost-effective water transfers by Metropolitan and others would be facilitated by this rate structure.

**Implementation Plan**

If the Board approves the Proposal, a report would be prepared describing each of the above rate design elements in detail, including the cost of service used to develop the rates and charges. The Chief Executive Officer would recommend the rates and charges to the Board in January of 2002. A public hearing on the rates and charges implementing the Proposal would be held at the February 2002 Board meeting. The Board would take action to adopt the rates and charges in March of 2002. The rates and charges as described in the report and recommended by the Chief Executive Officer would be effective January 1, 2003. A Resolution to Adopt the Rate Structure Proposal is provided as Attachment 4.

**Policy**

The Proposal is consistent with the Board's Strategic Plan Policy Principles and addresses concerns raised by the Board regarding the December 2000 Rate Structure Action Plan.
CEQA

The proposed action, i.e., approval of the Proposal, is not defined as a project under the California Environmental Quality Act (CEQA), because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA per Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1
Adopt the CEQA determination and Resolution approving the Proposal and direct staff to take the necessary steps to implement rates and charges as defined by the Proposal to be effective January 1, 2003.

Fiscal Impact: Increased fixed revenue and financial commitment from member agencies. Total amount of revenue recovered from the member agencies will be the same.

Option #2
Defer consideration of the Proposal until further discussion by the Board.

Fiscal Impact: None

Staff Recommendation

Option #1

Brian G. Thomas
Chief Financial Officer

10/9/2001

Ronald R. Gastelum
Chief Executive Officer

10/9/2001

Attachment 1 - Member Agency Managers' Proposal MWD Rate Structure

Attachment 2 - Subcommittee on Rate Structure Implementation Responses to Subcommittee Questions

Attachment 3 - Comparison between Member Agency Managers' Rate Structure Proposal and Metropolitan’s Board Principles

Attachment 4 - Resolution to Adopt Rate Structure Proposal

BLA #1374
MEMBER AGENCY MANAGERS' PROPOSAL
MWD RATE STRUCTURE
(PROPOSAL)

(AS SUBMITTED TO THE BOARD SEPTEMBER 25, 2001)
OVERVIEW

Objectives

The proposed rate structure is a pricing mechanism to achieve the following objectives:

- Maintain MWD as the regional provider of imported water – MWD, working collaboratively with its member agencies, will secure necessary water supplies and build appropriate infrastructure to meet current and future needs of its member agencies.

- Support cost-effective local resources development and water conservation – MWD will continue to help fund cost-effective water recycling, groundwater recovery, and water conservation.

- Accommodate a water market – By unbundling its water rate, MWD will accommodate a water market.

Proposed Rate Structure

In order to support MWD’s strategic vision, member agencies have developed a rate structure proposal, which is consistent with MWD’s Board’s December 2000 action plan. This rate structure has the following components:

1. Unbundles water rate into five separate commodity rates: (1) supply; (2) system access, for conveyance and distribution; (3) water stewardship; (4) power; and (5) treatment.

2. Supply rate has two tiers.

3. Two fixed charges: (1) Readiness to Serve Charge (RTS), to help pay for emergency storage and standby for conveyance; and (2) Capacity Reservation Charge, to help pay for peaking for distribution.

4. Voluntary Purchase Order requests for firm water deliveries.

5. Surplus water, when available, for local long-term storage replenishment and agricultural deliveries.

Benefits of Rate Structure

The proposed rate structure offers the following benefits:

- Unbundled rates charge all users for system access on same basis. Separating supply costs enables MWD to treat everyone on equal basis (member agencies, retail providers, third parties), and is the first step in accommodating a water market.

- Tiered supply rates provides pricing signals for water users with increasing demands and incentives to maintain existing local supplies. Tiered water supply rates: (1) reflect higher costs of new MWD supply development; (2) signals users when local resources development and conservation might be more cost-effective; and (3) passes appropriate costs of new supply development to those member agencies that rely on MWD for growing demands.

- Voluntary Purchase Orders provide for commitment while protecting regional reliability to all. Purchase Orders are: (1) voluntary; (2) offer price incentives to member agencies by allowing more water deliveries to be purchased in lower-priced supply tier rate; (3) offer an additional level of financial
commitment to MWD; and (4) are not tied to reliability (i.e., supply reliability for all member agencies is the same).

- **Framework for future water management while avoiding significant cost impacts in the near term.**
  The proposed rate structure offers a framework for future water management of imported and local water supplies without creating significant cost impacts to member agencies in the near-term.

**Implementation**

- The proposed rate structure will be implemented on January 1, 2003.

- The rate structure is a pricing mechanism designed to support a continued collaborative planning effort between MWD and member agencies used to determine MWD’s future water supply and infrastructure needs.

**DETAILS**

**General Overview**

- Proposed rate structure is consistent with: (1) MWD Board Strategic Plan Policy Principles (adopted in December 1999); and (2) the intent and elements of MWD Board Action Plan for the rate structure (adopted in December 2000).

- Supply reliability is the same for all member agencies, i.e., not tied to contracts.

- Rates and charges unbundled, allowing for choice in services and providing the basis for a wheeling rate.

- Areas with increasing demands on MWD will pay proportionately more for their water through second tier of the water supply rate.

- Member agencies may request Purchase Orders for firm water supplies, offering pricing benefits for member agencies and more financial security for MWD.

**Specific Elements**

**Unbundled Commodity Rates**

A. Current commodity rate for water will be unbundled into five separate commodity rates:

- Supply Rate – two tiers, and recovers costs associated with water supply (discussed in more detail in following section)
- System Access Rate – recovers costs associated with system capacity for conveyance and distribution
- Water Stewardship Rate – is used to help fund local water recycling, groundwater, and conservation programs
- Power Rate – recovers MWD’s melded power cost for pumping SWP and Colorado River supplies
- Water Treatment Rate – recovers costs for treatment.
**Water Supply Rate**

A. The water supply rate will have two tiers, which reflect MWD’s existing and future costs for acquiring and storing supplies.

B. Tier 2 rate will be set by MWD’s Board each year, to reflect MWD’s incremental cost of providing water supply to its member agencies. Tier 1 rate will be set to recover remaining supply costs.

C. Tier 2 rate is currently estimated to be about $100 to $125/AF greater than the Tier 1 rate. Tier 2 rate will provide a pricing signal for local water management and water marketing.

D. A two-tier water supply rate will also address increasing demands placed on MWD.

E. An initial base (Base) for each member agency is established using that agency’s highest firm water delivery from MWD from FY 1990 to FY 2002 (see Figure 1).

F. If a member agency chooses not to submit a Purchase Order request, then the Tier 1 rate would apply to firm water deliveries up to 60 percent of the Base, and the Tier 2 rate would apply to firm water deliveries above 60 percent of the Base, on an annual basis (see Figure 1).

G. If a member agency chooses to submit a Purchase Order request, then that agency agrees to purchase a minimum of 60 percent of its Base times 10, over the ten-year period.

H. Upon execution of the Purchase Order, the member agency is eligible to purchase up to 90 percent of its Base at the Tier 1 rate, and the Tier 2 rate would apply to firm deliveries above 90 percent of its Base, on an annual basis (see Figure 1).

I. In the future, the Base will be the greater of a member agency’s historical maximum firm delivery from FY 1990 to FY 2002, or the ten year rolling average of firm deliveries (Figure 2).

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**Figure 1.**

Two-Tiered Water Supply Rate:
Establishing the Initial Base

* Member agency agrees to purchase at least 60% of Initial Base times 10, over next ten years.
A. In addition to the commodity rates, member agencies would also pay the following fixed charges:

- RTS Charge – covers costs for MWD’s emergency storage and conveyance standby, which is allocated to each member agency based on its 10-year rolling average of firm demands
- Capacity Reservation Charge – recovers costs for peak capacity on MWD’s distribution system.
  
  Each member agency reserves summer (May through September) peak capacity and pays the charge based on capacity reserved on a cfs basis.

B. Standby charges, for those member agencies that elect to have MWD continue to assess the MWD Standby charge, will be deducted from member agencies’ allocated RTS charges—as is currently done.

C. Property taxes will be used to offset capital costs for conveyance on the SWP and MWD’s distribution system—as is currently done.

Figure 3 illustrates how the property taxes, fixed charges, and the System Access Rate will be used to recover costs for conveyance and distribution.
Local Storage Replenishment and Agricultural Deliveries

A. Surplus water supply, when available, can be purchased for long-term local storage replenishment and agricultural deliveries.
B. The current operating rules for surplus water purchases under the long-term seasonal storage and interim agricultural programs will continue.

Wheeling Services

Wheeling pays the following commodity charges:
- System Access Rate
- Water Stewardship Rate
- Power at actual (not melded) cost
- Water Treatment Rate (if necessary)
- Appropriate member agency costs

Implementation

This rate structure, with the elements described above, will be implemented on January 1, 2003. The rate structure is a pricing mechanism designed to support good water management and continued collaborative planning efforts between MWD and member agencies.

Addressing New Demands

A. The rate structure addresses the water supply portion of new demands on MWD, by including these costs in the Tier 2 Water Supply Rate.
B. MWD will utilize year 2005 Urban Water Management Plans from the member agencies and retail providers to identify MWD’s new supply and infrastructure needs.
C. A mechanism to recover costs for MWD’s infrastructure associated with increasing system demands will be developed and in place by 2006.
On September 18, 2001 staff presented the Member Agency Managers' rate structure proposal (Proposal) to the Subcommittee on Rate Structure Implementation (Subcommittee). The Subcommittee had several questions and asked staff, in consultation with the member agency managers, to respond prior to the September 25, 2001 Board workshop on the rate structure.

**Question 1: What is the impact of reducing the maximum amount of Tier 1 water that a member agency with a purchase order can buy from 90 percent of its Base down to 80 percent of its Base?**

**Response:** The 90 percent limit on supply purchases at the lower Tier 1 rate was chosen to minimize the initial financial impact and risk to all member agencies resulting from the Proposal and to encourage conservation and investments in local resources. If the limit on the amount of supply that can be purchased at the lower Tier 1 Supply Rate is reduced from 90 percent to 80 percent of a member agency's Base, more member agencies will immediately purchase a greater amount of their supply at the higher Tier 2 Supply Rate. This is particularly true during dry years when member agencies need more supply from the system. Lowering the amount of supply that can be purchased at the lower Tier 1 supply rate from 90 to 80 percent of a member agency's Base will result in substantial impacts during dry years and higher degrees of volatility in the average rate paid by the member agencies. Figure 1 illustrates the difference in the total amount of supply sold at the higher Tier 2 Supply Rate if 80 rather than 90 percent is used to define the amount of supply sold at the lower Tier 1 Supply Rate. The increase in the number of member agencies that would purchase supply at the higher rate is shown in Figure 2.

![Figure 1. Total Amount of Supply Purchased At Higher Tier 2 Rate](image-url)
Question 2: What is the impact of a cap on the differential between the Tier 1 and Tier 2 supply rates?

Response: The purpose of the Tier 2 Supply Rate is to reflect Metropolitan's cost of acquiring additional supply and encourage water conservation and investments in local resources. A cap on the differential between the Tier 1 and Tier 2 Supply Rates may result in a cap on the Tier 2 Supply Rate and potentially distort the price signal and its desired outcomes. However, each year as part of the annual rate setting process, the Board will review the supply conditions and the cost to set the Tier 1 and Tier 2 Supply Rates.

Question 3: Assuming that surplus water is available, how long will the current Long-term Seasonal Storage Service Program and Interim Agricultural Water Program be continued?

Response: The Proposal retains these programs to mitigate the initial financial impacts to the member agencies and their customers due to the change in the Metropolitan rate structure. The Proposal contemplates these programs would remain in place for the next ten years. As is the case today, the Board would set the rates for the Long-term Storage Service Program and Interim Agricultural Water Program.
Question 4: If a member agency increases its use of local supplies and decreases its use of Metropolitan system water, is its Base reduced?

Response: Under the Proposal, a member agency's Base would not be adjusted downward in order to avoid exposure to purchasing additional supplies at the higher rate. If the Base were adjusted downward member agencies that implemented conservation and more efficiently managed local resources would be penalized because they may have to purchase more water at the higher Tier 2 rate in the future.

Question 5: Does a member agency that unexpectedly loses local supply (e.g., groundwater contamination) have to pay the higher Tier 2 supply rate?

Response: A member agency that loses local supply production due to a system outage or a regulatory event may have to purchase supply at the higher Tier 2 rate. Over time, if the member agency is not able to reclaim its local supply and its use of Metropolitan supplies continues to increase, its Base will eventually increase as its ten-year rolling average of firm demand increases. As a result, the member agency would not continue to purchase more supply at the higher Tier 2 rate.

Question 6: How is the SDCWA/IID Transfer accounted for in the Base calculated for the San Diego County Water Authority?

Response: The initial Base used for purposes of determining the annual limit on Tier 1 purchases is defined as the maximum annual purchase since fiscal year 1990 and does not include the SDCWA/IID transfer. Under the Proposal, the calculation of the ten-year rolling average used to reset the Base in the future does not include the SDCWA/IID Transfer because the supply cost for this water would be paid by SDCWA. The SDCWA/IID Transfer is expected to begin in fiscal year 2003 at 20,000 acre-feet and increase by 20,000 acre-feet per year until reaching 200,000 acre-feet in 2012.

Question 7: Should there be a discounted rate (similar to the long-term replenishment rate) for deliveries used for seawater barrier purposes?

Response: Deliveries used for seawater barrier purposes cannot be interrupted during a drought or for any other reason. Metropolitan charges the full service rate for seawater barrier deliveries. Under the Proposal this practice would continue.
Question 8: If a member agency that has used less than its purchase order commitment requests more water from Metropolitan in the final year of the purchase order that Metropolitan cannot supply, is the member agency still obligated to pay for the entire purchase order commitment?

Response: The member agencies are obligated to pay for the entire purchase order commitment.

Question 9: What happens if not all of the supply available to the member agencies at the lower Tier 1 supply rate is purchased in a single year?

Response: The purchase order is a pricing tool only. If all of the supply that may be purchased at the lower Tier 1 rate is not used in a given year then that supply may be sold at the higher Tier 2 supply rate, available as surplus, stored for future use, or lost from the system.

Question 10: Can member agencies pool their purchase orders together or sell their purchase order to another member agency that wants to avoid the higher Tier 2 supply rate?

Response: The purchase order is a pricing tool. It does not confer a contractual right to system supply to a member agency. The Proposal does not accommodate the exchange or sale of purchase order quantities between member agencies.

Question 11: Can a member agency enter into a purchase order at any time?

Response: Under the Proposal, all member agency purchase orders would extend over the same ten-year period. Member agencies would execute purchase orders so that they would be effective January 1, 2003.

Question 12: What are the rules and formulas used to calculate the rates and charges?

Response: In January 2002, as part of the annual rate cycle and prior to adopting any rates and charges associated with the Proposal, the Board will receive a report on the Proposal. The report will include a detailed cost of service study, which will discuss the cost of service process.

An industry standard embedded cost of service process has been used to identify Metropolitan's revenue requirements by the various service functions (e.g. supply, conveyance, distribution, etc.) and to determine how much cost should be classified as being for peak, average and standby purposes. The classified service function costs are
then allocated to the rate design elements. The following provides a brief description of each of the rate design elements.

- **Tier 2 Supply Rate ($/af)** - cost of acquiring additional supply.

- **Tier 1 Supply Rate ($/af)** - total supply revenue requirement less Tier 2 supply rate revenues and other revenue offsets, divided by projected Tier 1 deliveries.

- **System Access Rate ($/af)** - capital costs incurred to meet average demands and operations maintenance and overhead costs for the conveyance and distribution service functions divided by projected total deliveries.

- **System Power Rate ($/af)** - power costs for pumping on the State Water Project and Colorado River Aqueduct divided by the projected Metropolitan deliveries in acre-feet.

- **Water Stewardship Rate ($/af)** - Local Resources Program and Conservation Credits Program costs as well as other water management costs as determined by the Board divided by projected total deliveries.

- **Treatment Rate ($/af)** - cost of providing treated water service divided by projected treated water deliveries.

- **Readiness-to-Serve Charge (RTS)** - system emergency storage and conveyance and distribution standby costs not paid by property taxes. The RTS is allocated among the member agencies based on a ten-year rolling average of firm demands.

- **Capacity Reservation Charge (CRC) ($/cfs)** - distribution capital costs incurred to meet peak day demands divided by the total amount of capacity requested by the member agencies in cubic feet per second (cfs).

**Question 13: Can Metropolitan implement the alternative rate structure in July of 2002?**

**Response:** At the request of many of its member agencies, Metropolitan's rates currently become effective in January of each year. The January effective date provides enough time for the member agencies and their customers that typically budget on a July - June fiscal year basis to set their own rates and charges and prepare their own budgets. Even though the new rates and charges in the Proposal would not be effective until January of 2003, consistent with Metropolitan's current rate cycle, the Board would consider the new rates and charges recommended by the Chief Executive Officer in January of 2002, hold a public hearing on these rates and charges in February and then adopt the rates and charges in March of 2002.
A January effective date provides sufficient time for the member agencies and their customers to deal with implementation issues, including how to pass the Tier 1 and Tier 2 pricing on to their customers.
### Comparison Between Member Agency Managers Rate Structure Proposal and Metropolitan’s Board Principles
(Prepared by Metropolitan Staff)

<table>
<thead>
<tr>
<th>Board Principles</th>
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<tbody>
<tr>
<td><strong>Strategic Plan Policy Principles (Adopted in December 1999)</strong></td>
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<tr>
<td><strong>Regional Provider</strong></td>
<td>Supports the Regional Provider Principle</td>
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</tbody>
</table>
| Metropolitan is a regional provider of water for its service area. In this capacity, Metropolitan is the steward of regional infrastructure and the regional planner responsible for drought management and the coordination of supply and facility investments. Regional water services should be provided to meet the needs of the member agencies. Accordingly, the equitable allocation of water supplies during droughts will be based on water needs and adhere to the principles established by the Water Surplus and Drought Management Plan. | • Metropolitan, working collaboratively with its member agencies, will secure necessary water supplies and build appropriate infrastructure to meet existing and future needs of its member agencies.  
• There would be no difference in reliability for firm supplies purchased at Tier 1 and Tier 2 rates. |
| **Financial Integrity** | Supports the Financial Integrity Principle |
| The Metropolitan Water District Board will take all necessary steps to assure the financial integrity of the agency in all aspects of operations. | • Through voluntary purchase orders, Metropolitan could have an assured level of firm water purchases up to 1.2 mafy (60% of maximum annual firm water sales) over ten years.  
• Through voluntary purchase orders, Metropolitan provides a pricing incentive for member agencies to purchase up to 1.7 mafy of firm water in 2003 (90% of maximum annual firm water sales).  
Compared to the current rate structure, fixed revenue is estimated to increase. |
| **Local Resources Development** | Supports the Local Resources Development Principle |
| Metropolitan supports local resources development in partnership with its member agencies and by providing its member agencies with financial incentives for conservation and local projects. | • Financial incentives for conservation and local projects are provided in two ways: (1) Tier 2 price is set at Metropolitan’s cost of securing new supply and sends a price signal for alternative supply development and (2) water stewardship charge is established to help fund existing and future local water recycling, groundwater, desalination, and conservation programs. |
## Comparison Between Member Agency Managers Rate Structure Proposal and Metropolitan’s Board Principles
(Prepared by Metropolitan Staff)

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<tr>
<td><strong>Strategic Plan Policy Principles - Continued</strong></td>
<td></td>
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<tr>
<td><strong>Imported Water Service</strong></td>
<td>Clarifies the Imported Water Service Principle</td>
</tr>
<tr>
<td>Metropolitan is responsible for providing the region with imported water, meeting the committed demands of its member agencies.</td>
<td>• Based on collaborative planning with member agencies, Metropolitan would secure and deliver imported water to meet existing and future supply needs.</td>
</tr>
<tr>
<td><strong>Choice and Competition</strong></td>
<td>Supports the Choice and Competition Principle</td>
</tr>
<tr>
<td>Beyond the committed demands, the member agencies may choose the most cost-effective additional supplies from either Metropolitan, local resources development and/or market transfers. These additional supplies can be developed through a collaborative process between Metropolitan and the member agencies, effectively balancing local, imported, and market opportunities with affordability.</td>
<td>• Member agencies may choose the most cost-effective additional supplies from among Metropolitan, local resources development and/or market transfers. In addition, the unbundling of rates and charges allows choice in services.</td>
</tr>
<tr>
<td><strong>Responsibility for Water Quality</strong></td>
<td>Supports the Water Quality Principle</td>
</tr>
<tr>
<td>Metropolitan is responsible for advocating source water quality and implementing in-basin water quality for imported supplies provided by Metropolitan to assure full compliance with existing and future primary drinking water standards and to meet the water quality requirements for water recycling and groundwater replenishment.</td>
<td>• Metropolitan’s responsibilities for source quality and in-basin water quality for imported supplies are unchanged. The cost of source quality is recovered through the tiered supply rates. The cost for in-basin water quality is recovered through the treatment surcharge, which is the same as status quo.</td>
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<td><strong>Cost Allocation and Rate Structure</strong></td>
<td>Supports the Cost Allocation and Rate Structure Principle</td>
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<tr>
<td>The fair allocation of costs and financial commitments for Metropolitan’s current and future investments in supplies and infrastructure may not be reflected in status quo conditions and will be addressed in a revised rate structure:</td>
<td>• Committed demand by member agencies is established by voluntary purchase orders.</td>
</tr>
<tr>
<td>(a) The committed demand, met by Metropolitan’s imported supply and local resources program, has yet to be determined.</td>
<td>• The allocation of cost and unbundling of services are based on standard cost-of-service methodology.</td>
</tr>
<tr>
<td>(b) The framework for a revised rate structure will be established to address allocation of costs, financial commitment, unbundling of services, and fair compensation for services including wheeling, peaking, growth, and others.</td>
<td>• The existing full service rate is unbundled into:</td>
</tr>
<tr>
<td></td>
<td>➢ Tiered supply rates (reflecting Metropolitan’s existing and future costs of supplies),</td>
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<tr>
<td></td>
<td>➢ System access rate (wheeling),</td>
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<td></td>
<td>➢ Capacity reservation charge (peaking),</td>
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<td></td>
<td>➢ RTS (standby),</td>
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<td></td>
<td>➢ Water stewardship rate (local resources management),</td>
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<td></td>
<td>➢ System power rate, and</td>
</tr>
<tr>
<td></td>
<td>➢ Treatment surcharge.</td>
</tr>
</tbody>
</table>

### Steering Committee Guidelines (Approved in January 2000)

<table>
<thead>
<tr>
<th>“Needs-Based” Allocation</th>
<th>Supports the guideline</th>
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<tbody>
<tr>
<td>• Dry-year allocation should be based on need</td>
<td>• There would be no difference in reliability for firm supplies purchased at Tier 1 and Tier 2 rates.</td>
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</table>
## Comparison Between Member Agency Managers Rate Structure Proposal and Metropolitan’s Board Principles

(Prepared by Metropolitan Staff)

<table>
<thead>
<tr>
<th>Board Principles</th>
<th>Member Agency Managers Rate Structure Alternative</th>
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</thead>
</table>
| **No Significant Disadvantage and Fair**  
  - Rate structure should not place any class of people in the position of significant disadvantage.  
  - Rate Structure should be fair. | **Supports the guidelines**  
  - Member agencies are treated equally.  
  - All supplies would be allocated during droughts based on the water needs of member agencies.  
  - Financial impacts to the member agencies in year 2003 are estimated to be minimal. The financial impacts henceforth are dependent on the collaborative planning between Metropolitan and member agencies and the ability of member agencies to develop cost-effective alternative supplies and manage peak deliveries. |
| **Simple**  
  - Rate structure should be reasonably simple and easy to understand. | **Meets the guideline**  
  - The proposal is easy to understand and is based on uniform rates and charges that recover costs of services. |
| **Metropolitan Revenue Stability**  
  - Rate structure should be based on stability of Metropolitan’s revenue and coverage of costs. | **Supports the guideline**  
  - Compared to status quo, fixed revenue is estimated to increase by 50%. Fixed revenues are collected through property taxes, voluntary purchase orders, capacity reservation charge, and readiness-to-serve charge. |
WHEREAS, the Board of Directors (“Board”) of The Metropolitan Water District of Southern California (“Metropolitan”), pursuant to Sections 133 and 134 of the Metropolitan Water District Act (the “Act”), is authorized to fix such rate or rates for water as will result in revenue which, together with revenue from any water stand-by or availability service charge or assessment, will pay the operating expenses of Metropolitan, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by Metropolitan, and provide for the payment of the interest and principal of its bonded debt; and

WHEREAS, in July 1998 the Board commenced a strategic planning process to review the management of its assets, revenues and costs in order to determine whether it could conduct its business in a more efficient manner to better serve residents within its service area; and

WHEREAS, after conducting interviews with its directors, member agencies, business and community leaders, legislators and other interested stakeholders, and having public meetings to solicit public input, the Board developed and adopted Strategic Plan Policy Principles on December 14, 1999 (the “Strategic Plan Policy Principles” which document is on file with the Board Secretary) to guide staff and the member agencies in developing a revised rate structure; and

WHEREAS, the Board has received and reviewed several rate structure proposals developed during the strategic planning process and after thorough deliberation adopted a Composite Rate Structure Framework on April 11, 2000 (the “Rate Structure Framework” which document is on file with the Board Secretary); and

WHEREAS, the Board adopted a Rate Structure Action Plan on December 12, 2000 (the “Action Plan” which document is on file with the Board Secretary) and endorsed in concept a detailed rate design proposal (the “December 2000 Proposal” which document is on file with the Board Secretary) developed from the Rate Structure Framework and directed staff to work with
the Board and member agencies to resolve outstanding issues identified during the implementation of this rate design; and

WHEREAS, on September 10, 2001 an alternative Rate Structure Proposal was originally presented to the Board’s Subcommittee on Rate Structure Implementation (the “Subcommittee”) for its review and consideration; and

WHEREAS, on September 18, 2001 the Subcommittee evaluated and considered the alternative Rate Structure Proposal (see Attachment 1 to Board Letter 9-6, dated the date hereof and hereinafter referred to as the “Proposal”), together with staff analysis of the Proposal and other information and comments received from member agencies; and

WHEREAS, on September 25, 2001, the Proposal, together with a staff review thereof, was further discussed and considered by the Board of Directors; and

WHEREAS, each of said meetings of the Board were conducted in accordance with the Brown Act (commencing at 54950 of the Government Code), at which due notice was provided and quorums were present and acting throughout; and

WHEREAS, the Proposal is consistent with the Board's Strategic Plan Policy Principles, supports efficient water resources management, encourages water conservation and facilitates a water transfer market;

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

1. The Board finds that the Proposal is consistent with the Board's Strategic Plan Policy Principles, addresses the issues raised during the consideration of the December 2000 Proposal, furthers Metropolitan’s strategic objectives to ensure the region’s long term water supply reliability, supports and encourages sound and efficient water resources management, supports and encourages water conservation, facilitates a water transfer market and enhances the fiscal stability of Metropolitan.

2. The Board hereby directs the Chief Executive Officer, in consultation with the General Counsel, to take all actions necessary in order to further implement the Proposal in accordance with the terms set forth in this Resolution.

3. The Board approves the Proposal and directs the Chief Executive Officer, in consultation with the General Counsel, to (i) prepare a report on the Proposal describing each of the rates and charges and the supporting cost of service process and (ii) utilize the Proposal as the basis for determining Metropolitan’s revenue requirements and recommending rates to become effective January 1, 2003, in Metropolitan’s annual rate-setting procedure pursuant to Section 4304 of the Administrative Code. Under the procedure set forth under Section 4304, a public hearing on the rates and charges implementing the Proposal shall be held at the February
2002 Board meeting (or such other date as the Board shall determine) and the Board will take final action to adopt the rates and charges in March of 2002 (or such other date as the Board shall determine).

4. The Chief Executive Officer, the Chief Financial Officer and the 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.

5. This Board finds that approval of the Proposal as provided in this Resolution is not defined as a Project under the California Environmental Quality Act (CEQA), because the proposed action involves the creation of government funding mechanisms or other government fiscal activities which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the CEQA Guidelines).

6. If any provision of this is held invalid, that invalidity shall not affect other provisions 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 October 16, 2001.

_______________________________
Executive Secretary
The Metropolitan Water District
of Southern California
July 15, 2015

Attention: Imported Water Committee

Bay-Delta Activities Update (Information)

Purpose
The purpose of this memo is to provide a brief background of Bay-Delta issues, recent actions related to the Bay-Delta activities, and an estimated timeline of anticipated activities.

Discussion
Over the past several years, the Board guided staff in an extensive review and assessment of the Bay-Delta Conservation Program (BDCP)1 and other Bay-Delta matters that may impact the San Diego region. The Sacramento-San Joaquin Delta’s (Delta)2 ecosystem has deteriorated and species, such as the delta smelt and salmon, have become jeopardized, leading to biological opinions (BiOp) that restrict pumping at the Delta’s export facilities.3 Because the California State Water Project (SWP) is a major source of imported water for Southern California,4 the predictability – how much water can be relied upon and under what conditions – of SWP is important for Southern California’s water supply planning.

The Rise of CalFed and the Bay-Delta Accord. The BDCP’s dual objectives – water supply conveyance and habitat restoration – can be traced back to the 1994 establishment of the CalFed Bay-Delta Program (CalFed), a collaborative effort between State and Federal agencies formed with

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1 The BDCP is a multi-species habitat conservation plan and a natural community conservation plan under the federal and state endangered species acts, with a goal to provide “a comprehensive strategy for the Sacramento-San Joaquin River Delta designed to restore and protect ecosystem health, water supply, and water quality.” By providing a plan that seeks to recover listed species, state and federal water management agencies will be able to obtain the permits necessary to build necessary infrastructure in the Delta over the 50-year permit timeframe.

2 The Delta is an important ecosystem and water source located near San Francisco Bay and south of Sacramento. As an estuary, the Delta and its islands create a habitat for hundreds of aquatic and terrestrial species. The Delta region also supports critical infrastructure -- in addition to the water delivery systems (California’s State Water Project and Federal Central Valley Project) that supplies drinking water to 25 million people and irrigation water to 4 million acres of farmland -- that includes energy transmission lines, transportation routes for ships, trains and trucks.

3 Following U.S. District Judge Oliver Wanger invalidating the Delta smelt BiOp that had guided the SWP and the CVP operations in 2007, the United States Fish and Wildlife Services released a BiOp on the impacts of the SWP and Central Valley Project (CVP) on Delta smelt in 2008, which contained water supply restrictions that impacted SWP and CVP deliveries, which was challenged by Metropolitan Water District (MWD) and other entities. In 2011 the Eastern District Court ruled in the water agencies’ favor, calling the federal BiOp on Delta smelt as “arbitrary and capricious.” In March 2014, the 9th U.S. Circuit Court of Appeals reversed the lower court ruling and said that it should have paid more heed to the BiOp and that federal wildlife officials had a duty to take “reasonable and prudent” measures to protect the fish. Further, in January 2015, the Supreme Court decided it would not hear the appeal related to the Delta smelt, which means that the circuit court ruling stands. Similarly, in 2009, the National Marine Fisheries Service released a BiOp for salmonid species, which further restricted the operations of SWP and CVP. The salmon BiOp was also challenged by MWD and other entities. In December 2014, the 9th Circuit held that the 2009 BiOp for salmonid species is valid and lawful.

4 The SWP consists of reservoirs, aqueducts, and power and pumping plants owned and operated by the California Department of Water Resources. Because of the SWP’s relatively small storage system (5.8 million acre-feet (MAF) as compared with the Colorado River system’s 60 MAF, for example), the quantity of SWP water available for annual delivery is more influenced by hydrology and operational considerations.
the explicit goal of developing a science-based proposal for water quality standards. The agencies, recovering from the six-year (1987-1992) drought that obstructed water deliveries and impacted water quality and subsequently certain fish species, signed a document titled “Principles for Agreement on Bay-Delta Standards between the State of California and the Federal Government.” This agreement became known as the Bay-Delta Accord (Accord), and it initiated a long-term planning process to improve the Delta and increase the reliability of its water supply, which resulted in the completion of CalFed’s management plan. 5 Almost a decade after the release of CalFed’s management plan, discord continued to exist on resolving the issues in the Delta. The State Legislature created the California Bay-Delta Authority (Authority) to implement the CalFed management plan; however, several years after the Authority undertook its efforts, the Little Hoover Commission issued an independent report, which found CalFed’s management plan to be “costly, underperforming, unfocused, and unaccountable.” Shortly thereafter, in 2006, the Legislature dissolved the Authority and moved all Delta-related activity to the California Natural Resources Agency (formerly the California Resources Agency).

A “New” Delta Vision and the Bay Delta Conservation Plan. In 2006, then-Governor Arnold Schwarzenegger established by Executive Order a Delta Vision process as stakeholders continued to seek a solution to the Delta issues. In 2008, the Delta Vision Blue Ribbon Task Force, formed as a result of Governor Schwarzenegger’s Delta Vision process, issued a Delta Vision Strategic Plan that provided 12 integrated and linked recommendations for long-term sustainable management of the Bay-Delta. In an effort to meet the recommendation to restore habitat within the Delta in a way that reliably delivers water, the California Natural Resources Agency (Resources Agency) initiated the preparation of the BDCP. While the BDCP is managed by the Resources Agency, the development of the Environmental Impact Report and Environmental Impact Statement (EIR/EIS) is led by the California Department of Water Resources (DWR). The Bureau of Reclamation (Reclamation), the United States Fish and Wildlife Service and the National Marine Fishery Service are the federal co-leads on the EIS.

In 2009, the State passed Senate Bill X7-1, known as the Sacramento-San Joaquin Delta Reform Act (Delta Reform Act). The Water Authority, a strong advocate for a sustainable Bay-Delta solution, actively encouraged passage of the 2009 measure, among other bills that comprised a comprehensive water package of legislation. The Delta Reform Act directed that the Bay-Delta be managed with dual goals of water supply reliability and ecosystem protection. The legislation also created the Delta Stewardship Council, charged with adopting and overseeing implementation of a comprehensive Bay-Delta management plan (Delta Plan). 6 To be incorporated into the Delta Plan,

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5 The CalFed management plan created under the Bay-Delta Accord included the CalFed Framework, Record of Decision, final Programmatic EIS/EIR and California Bay-Delta Act were adopted; the Bay-Delta Public Advisory Committee was formed and Congress authorized federal CalFed participation. The Framework document formalized cooperation among state and federal agencies with management and regulatory responsibility in the Bay-Delta. Signatories to the Framework agreed to work together to formulate water quality standards, coordinate operations of the SWP and the federal CVP and work toward long-term solutions to problems in the estuary. The Bay Delta Accord created programs that would address four urgent but interconnected problems related to water: water supply reliability, water quality, ecosystem restoration and Bay-Delta levee system integrity. MWD paid $30 million of the $32.2 million to “kick-start” water agency funding for the Accord’s ecosystem restoration program.

6 The Delta Plan is a comprehensive, long-term management plan for the Delta that creates new rules and recommendations to further the state’s coequal goals for the Delta in a manner that preserves, protects and enhances the unique agricultural, cultural, and recreational characteristics of the Delta. The Delta Plan is enforceable through regulatory authority and requires state and local agencies’ actions or projects to be consistent with the Delta Plan. The Delta Plan was unanimously adopted by the Delta Stewardship Council on May 16, 2013 and its 14 regulatory policies.
the BDCP must meet the statutory criteria in the Delta Reform Act. In 2012, Governor Jerry Brown and U.S. Secretary of the Interior Ken Salazar outlined a BDCP framework focused on achieving the dual goals. Meanwhile, the Water Authority’s Board also reaffirmed its longstanding support for a sustainable “Delta fix,” by adopting a set of policy principles relating to the Bay-Delta and outlining critical issues that must be resolved in the BDCP process (See Attachment 1).

In spring 2013, several chapters of the Administrative Draft BDCP were released to the public as a preview of the BDCP Draft EIR/EIS before it was made available for public comment. It was followed, in December 2013, by the Consultant Administrative BDCP Draft EIR/EIS and later the Draft Implementing Agreement (IA) in May 2014. Over the course of 2013 and 2014, and using the Bay-Delta policy principles and the Water Authority’s 2010 Urban Water Management Plan as a framework and context for analysis, the Water Authority embarked on an extensive, multi-disciplinary review of the BDCP and its associated documents. The effort culminated in formal comment letters on the Draft EIR/EIS and Draft IA (See Attachments 2, 3 and 4). Chief among the Water Authority’s concerns are the need for state and federal agencies to be more transparent and detailed in water supply benefits and the financing of the proposed BDCP, including its funding sources and cost and supply allocation to allow participants to evaluate the cost-benefit of the project or reasonably limit their ratepayers risks assumed.

In August 2014, after receiving reportedly more than 10,000 comments on the BDCP and associated documents, DWR and the other state and federal lead agencies announced the expected publication of a Recirculated Draft BDCP, EIR/EIS, and IA in early 2015. The announcement implied the recirculated documents would address concerns expressed over habitat restoration measures, the nature of climate change, and the level of scientific uncertainty about future conditions. The announcement followed concerns expressed by federal fish and wildlife agencies concerning scientific uncertainty to support a 50-year permit as proposed in the BDCP (Alternative 4, the “preferred alternative”). In December 2014, a notice describing refinements to the BDCP was released. The refinements included a modified pipeline tunnel alternative – Alternative 4A, which is intended to reduce construction impacts on communities and the environment, improve long-term reliability and operation of the tunnels, and allow for gravity flows under certain river conditions. These modifications, along with others, are anticipated to be part of the recirculated draft.

Emergence of a New Bay-Delta Approach. On April 30, 2015, Governor Brown unveiled a new approach that involved separating the BDCP’s water conveyance and ecosystem restoration objectives into two discrete efforts – California WaterFix and California Eco Restore. As reason
for the new approach, the Governor stated that bifurcating the objectives would “accelerate the restoration of the Delta’s ecosystem and fix the state's aging water infrastructure.”

Subsequent to the Governor’s re-branding of the BDCP, Reclamation and DWR described in a Federal Registry notice released in mid-June plans to pursue a BiOp pursuant to the Federal Endangered Species Act Section 7 and a corresponding State permit for the California WaterFix, rather than the endangered species compliance through the Habitat Conservation Plan (Federal) and Natural Community Conservation Plan (State). By doing so, the new water conveyance facility will function under the same permit standards and uncertain long-term regulatory conditions as the SWP is currently being operated, and the California WaterFix project will no longer pursue the 50-year permit as envisioned under the original BDCP.

California WaterFix. On July 9, 2015, DWR announced the release of a Partially Recirculated Draft EIR/EIS to the public beginning July 10, 2015 for a 45-day public comment period. This Recirculated Draft EIR/EIS include engineering refinements made to the water conveyance facilities and introduce new sub-alternatives – Alternatives 4A (dubbed the California WaterFix and the new California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) Preferred Alternative), 2D and 5A. The documents also explore multiple regulatory approaches and include updated environmental analyses that reportedly respond to some issues raised in comments received on the earlier draft documents.

The California WaterFix includes three new intakes along the Sacramento River and dual-bore tunnels to convey water to the existing state and federal pumping facilities and operation elements similar to the BDCP’s Alternative 4. It also includes habitat restoration measures and other environmental commitments required to fulfill State and Federal environmental laws while incorporating the Governor’s regulatory approach for obtaining the necessary permits and authorizations to implement the project. According to the announcement, the Recirculated Draft EIR/EIS only includes sections requiring additional public review according to CEQA and NEPA.

Next Steps. The Water Authority has long advocated for a “right-size” fix for the Delta that stabilizes the ecosystem and provides predictability for water supplies and is supported by a broad range of stakeholders to ensure it is implementable. Additionally, it has advocated that the water contractors that expect to finance the solution demonstrate the ability to finance and maintain the improvements by obtaining firm financial commitment from their member units or member agencies. The Water Authority staff will review and assess the recirculated documents upon their release to determine whether and how the issues and concerns identified under the prior review have been addressed. The recirculated documents will also be reviewed against the backdrop of the Board approved Bay-Delta policy principles and the recently adopted 2015-2016 Bay-Delta Workplan (see Attachment 5). An invitation has been extended to a State representative to the August Imported Water Committee meeting to present on the Governor’s new approach. Staff will provide an in-depth analysis of the recirculated draft EIR/EIS at the September IWC meeting.
Attachment 2: Water Authority Comment Letter, dated February 5, 2014
Attachment 3: Water Authority Comment Letter, dated May 30, 2014
Attachment 4: Water Authority Comment Letter, dated July 28, 2014
San Diego County Water Authority

February 15, 2012

Attention: Imported Water Committee

Adopt Delta Policy Principles. (Action)

Staff recommendation
Adopt Delta Policy Principles to guide staff in evaluating Bay-Delta initiatives and the Water Authority’s advocacy to ensure a successful implementation of a Delta solution.

Alternatives
1. Modify one or more draft principles.
2. Do not adopt Delta Policy Principles.

Fiscal impact
None.

Background
The Sacramento-San Joaquin Bay Delta is an important water supply source for Southern California. Metropolitan Water District (MWD) purchases water from the Department of Water Resources through its State Water Project (SWP) contract. MWD is the SWP’s largest customer, providing more than 50 percent of its revenues. As such, MWD is the principle source of revenue under the current SWP as it will be for any proposed Bay Delta solution. As the largest steady purchaser of MWD water, the Water Authority has a vital interest in assuring that any Bay Delta solution is financially sustainable. The Water Authority has advocated for a number of changes in the MWD rate structure, including securing take-or-pay contracts with its member agencies or other firm commitments to pay the fixed costs of a Delta conveyance project.

Discussion
The Water Authority has been a strong advocate for a sustainable Bay Delta solution. The Water Authority actively engages in Bay Delta issues at the MWD board and other forums including the State Capitol, where it lobbied for passage of the 2009 comprehensive Bay Delta bill package. The 2009 bill package approved as state policy the co-equal status of restoring the Delta ecosystem and creating a more reliable water supply for California. Recently, the Water Authority held two Bay-Delta workshops receiving input from stakeholders on their views of the issues and a Bay Delta solution. The Water Authority also participates directly on three Bay Delta Conservation Plan (BDCP) working groups on Conveyance, Governance, and Finance.

The Water Authority has consistently advocated for a “right-size” solution in the Delta that is also supported by a broad range of stakeholders in order to reduce challenges to implementation. A central point of the Water Authority’s advocacy position in determining the “right size” of a Bay
Delta solution is clear commitments to pay through take-or-pay contracts or legal equivalent to pay the fixed costs of a project.

The Delta Policy Principles will help guide staff as they evaluate the BDCP and other projects and actions relating to the Bay Delta solution. Draft principles were presented to this committee for review last month; the attached recommended principles reflect comments received on the prior draft.

Prepared by: Debbie S. Discar-Espe, Senior Water Resources Specialist
Reviewed by: Jeff Volberg, Government Relations Manager
Amy I. Chen, MWD Program Chief
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment: Delta Policy Principles
San Diego County Water Authority
Delta Policy Principles

The San Diego County Water Authority Board of Directors supports a Bay Delta solution that will meet the co-equal goals and provide San Diego County with a reliable, high-quality supply of affordable, imported water consistent with the Water Authority’s Urban Water Management Plan and Regional Facilities Optimization and Master Plan. The adopted policy principles will guide staff in evaluating projects and actions concerning the Bay-Delta.

Water Supply Reliability
- Continue to support the co-equal goals of water supply reliability and environmental restoration embodied in the 2009 Delta bill package.
- Support deliberative processes that are designed to ensure a meaningful dialogue with all stakeholders in order to reduce future conflicts and challenges to implementation of a Bay Delta solution.
- Provide regulatory certainty and predictable supplies to help meet California’s water needs in the long-term.
- Encourage a Bay Delta solution that acknowledges, integrates and supports the development of water resources at the local level including water use efficiency, seawater and brackish water desalination, groundwater storage and conjunctive use, and recycled water including direct and indirect potable reuse.
- Improve the ability of water-users to divert water from the Delta during wet periods, when impacts on fish and ecosystem are lower and water quality is higher.
- Encourage the development of a statewide water transfer market that will improve water management.
- Support improved coordination of Central Valley Project and State Water Project (SWP) operations.

Ecosystem Restoration
- Restore the Bay-Delta ecosystem consistent with the requirements established under the state Natural Community Conservation Plan and the federal Habitat Conservation Plan, taking into account all factors that have degraded Bay-Delta habitat and wildlife.
- Work with all stakeholders to ensure a meaningful dialogue and that ecosystem restoration issues are addressed in an open and transparent process.

Finance and Funding
- Encourage and support a Bay Delta solution and facilities that are cost-effective when compared with other water supply development options for meeting Southern California’s water needs.
- Require the total cost of any Bay Delta solution be identified before financing and funding decisions are made. The total cost must include the cost of facilities, mitigation and required or negotiated ecosystem restoration.
- Allocate costs of the Bay-Delta solution to stakeholders in proportion to benefits they receive.
• Seek and support independent financial analyses of Bay-Delta solution including the ability of all parties to pay their proportional costs.
• Require a firm commitment and funding stream by all parties to pay for the fixed costs associated with the proportional benefits they will receive from a Bay Delta solution, through take-or-pay contracts or legal equivalent.
• Condition financial support on provisions allowing access to any water conveyance or storage facilities that are included in the Bay Delta solution.
• Support the use of public funds to support specific projects and actions with identified costs that protect and restore the environment and provide broad-based public benefits.
• Oppose water user fees to fund ecosystem restoration and other public purpose, non-water-supply improvements in the Delta that benefit the public at large.

Facilities
• Require independent technical analysis of proposed key elements of the Bay-Delta solution, including forecasting future urban and agricultural demands and size and cost of any proposed conveyance facility, to ensure the solution realistically matches statewide needs.
• Support “right-sized” facilities to match firm commitments to pay for the Bay Delta solution.
• Allow access to all SWP facilities to facilitate water transfers.

Governance
• Support continued state ownership and operation of the SWP as a public resource.
• Support improved efficiency and transparency of all SWP operations.
• Oppose any transfer of operational control of the SWP or any of its facilities to MWD, the State Water Project Contractors, Central Valley Project Contractors, the State and Federal Contractors Water Agency, any entity comprised of MWD or other water project contractors, or any other special interest group.
February 5, 2014

BDCP Comments
Ryan Wulff, National Marine Fisheries Service
650 Capitol Mall, Suite 5-100
Sacramento, CA 95814

Dear Mr. Wulff:

This letter raises a number of questions related to the funding and financing issues embodied within the Public Review Draft Bay-Delta Conservation Plan (BDCP). In addition to these questions, which are submitted as part of the BDCP open house in San Diego on February 6, 2014, the Water Authority intends to submit a more comprehensive comment letter on the Public Review Draft BDCP and associated Draft EIR/EIS documents prior to the April 14, 2014 comment deadline and close of public review.

As the largest member agency of the largest State Water Contractor, the Metropolitan Water District of Southern California (MWD), the Water Authority and its ratepayers are being counted upon to pay the second-largest share of BDCP costs in the state (among MWD member agencies, and second only to the Kern County Water Agency). Accordingly, we have requested – on multiple occasions – the opportunity to directly engage in the BDCP cost allocation discussions and negotiations process. Those requests have gone unanswered. We renew that request with this letter. The stakes are so high for the San Diego region that the Water Authority should clearly be afforded the opportunity to directly participate in the cost allocation negotiations and be provided the information we need to assess whether the preferred alternative advocated by the BDCP program will provide water supply benefits commensurate with the billions of dollars our ratepayers are being counted upon to pay. We also must ensure that our ratepayers are not at risk of paying costs for BDCP water supplies of other MWD member agencies or other state or federal water contractors, and that costs are allocated to the participants based on proportion of benefits received. To date, we have received no assurances to allay these concerns.

Over the past several years, I have sent several letters to officials with the California Natural Resources Agency raising a number of questions regarding the proposed project. To date, the Water Authority has received no responses to those questions. I incorporate those letters, attached, and the questions they raised, with this letter. We renew our request for answers raised in those letters with this letter.

We strongly believe that each participant in the BDCP must have clearly delineated capital and operations and maintenance cost responsibility identified, and be provided sufficiently detailed information to evaluate the cost-benefit (or feasibility) of participating in the project. The Water Authority has previously heard Dr. David Sunding report to the MWD Board of Directors that
cost-benefit analyses have been produced by BDCP for all urban and agricultural water contractors, and that include cost-benefit analyses for each MWD member agency, including the Water Authority. The Water Authority has made multiple requests for this information. These requests have been ignored. We renew that request with this letter.

As we have consistently stated in a variety of public venues, the Water Authority believes that any BDCP financing plan must include enforceable agreements to pay for the project, not only from state water contractors directly, but also from the member agencies or units that provide revenues to their respective state water contractor. The stakes are far too high to simply rely on the hope that the contractors’ variable water sales revenues will be adequate over the long-term to pay the project’s costs.

Equally important, the Water Authority is also concerned that future progress of the BDCP and efforts to resolve seemingly intractable conflicts in the Delta will falter, especially if the cost allocation for those expected to be participants in the BDCP is not expected to be resolved before the BDCP environmental review process concludes. Without the cost allocation explicitly agreed upon, how does BDCP expect water agencies to evaluate the cost-benefit of the various alternatives or reasonably limit the risk that their ratepayers will be expected to assume?

The attachment to this letter outlines a series of issues and questions that the Water Authority believes should be thoroughly resolved in the context of the BDCP public review process. We are requesting formal, written responses to each of these items. We are concerned that the Public Review Draft BDCP does not comprehensively or adequately conduct due diligence on all of the facts and circumstances highlighted in the attachment. We remain concerned that a potential cascading collapse of funding could occur if information that should be included in a proper due diligence analysis is not provided, in a timely manner, to those who are expected to fund the program.

We appreciate the opportunity to provide these initial comments on the Public Review Draft BDCP. We remain committed to working with all parties to evaluate, address, and resolve these critical financing issues. We look forward to your written responses to our questions.

Sincerely,

Maureen A. Stapleton,
General Manager

Attachment 1: BDCP Financing and Economic Issues and Questions
Attachment 2: October 7, 2013 letter to California Natural Resources Secretary John Laird
Attachment 3: July 30, 2013 letter to California Natural Resources Agency Deputy Secretary Gerald Meral
Attachment 4: August 28, 2012 letter to California Natural Resources Agency Deputy Secretary Gerald Meral
BDCP Financing and Economic Issues and Questions

Take-Or-Pay Contracts/Enforceable Commitments
As the Water Authority has pointed out during discussions and written correspondence over the past two years, MWD – which, as the largest state water contracting agency, is the foundation for financing the BDCP project – relies on a financial rate structure that is not sustainable to pay its long-term financial obligations. While more than 80 percent of MWD’s costs are fixed, less than 20 percent of MWD’s revenues are paid from fixed charges. MWD’s heavy reliance – more than 80 percent -- on variable water sales to meet its financial obligations causes its water rates to be highly volatile. Since 2007, water rates at MWD have increased by more than 86 percent while sales have declined by 31 percent.

Although MWD sales have increased this year due to dry conditions, they are nowhere near the historically high water sales level. Region-wide, MWD’s per-capita water use in 2012 reduced by about 15.5 percent from its 2005 10-year average baseline. MWD’s member agencies are not required to purchase any water from MWD. The variability of water sales – and thus uncertain future water sales revenues – coupled with Southern California water agencies’ current and future planned actions to implement the State’s policy to improve water use efficiency and invest in local water resource development, raises significant question regarding MWD’s capability to provide the financial backing needed to fund long-term BDCP obligations. This should be a major concern for the State of California, whose full faith and credit will be expected to back up the financing of the project. And yet, Chapter 8 makes no mention of this material, foundational risk to BDCP financing.

The Water Authority believes that, at a minimum, state water contractors that are wholesale water agencies must demonstrate that their customers have take-or-pay contracts or other enforceable long-term financial commitments to pay the fixed costs of the BDCP program corresponding to the term of the contractor’s BDCP obligation. The Water Authority continues to be prepared to make such a commitment to MWD, as long as the Water Authority gets the water supplies in return for its payments. We also believe that the willingness to make such a firm financial commitment to a Delta solution will determine the true demand for Delta water supply, and therefore help inform the best sizing for the conveyance facility. It would not be in the state’s best interest to construct a facility only to have it stranded because no one is willing or able to pay for it, or hoped-for water sales necessary to pay for it do not materialize.

“Step-Up” Provisions
Existing State Water Project contracts contain provisions under which non-defaulting contractors can be assessed to cover payments not made by defaulting contractors, up to 25 percent of the defaulting contractors’ obligations. Additionally, the East Branch Extension of MWD’s State Water Project contract has a provision obligating MWD to cover default by any and all other participants. These State Water Project contract stipulations are known as “step-up” provisions. We are informed that bond underwriters for the BDCP project are expected to require a “step-up” provision by which each BDCP participant in BDCP-related bonds pledges to assume the obligations of defaulting participants. In fact, the Public Review Draft BDCP Chapter 8, at Section 8.3.3 (page 8-71) suggests amending the existing contracts as a potential funding source:
“Existing water contracts would need to be amended to include the new costs of the BDCP assigned to the state water contractors and the repayment schedule.”

Since “step-up” provisions are already embodied within, and apply to, MWD’s existing State Water Project contract, it would appear that such provisions would apply to the “new costs of the BDCP assigned to the state water contractors.” Given those “step-up” provision obligations, we remain concerned that the Public Review Draft BDCP does not fully analyze the possible financial effects of the “step up” provisions on MWD and the other participants in the BDCP.

Property Taxes
The Public Review Draft BDCP suggests that property taxes may be used as back-up security for BDCP payment obligations of individual state water contractors. However, there are very clear and significant limitations in MWD’s existing taxing authority under the provisions of the MWD Act:

- The Act limits MWD’s ability to levy taxes to pay its State Water Project obligations. MWD is limited to levying taxes for “the composite amount required to pay (1) the principal and interest on general obligation bonded indebtedness of the district and (2) that portion of the district’s payment obligation under [the SWP contract] which is reasonably allocable, as determined by the district, to the repayment by the state of principal and interest on ISWP bonds] as of [January 1, 1985] and used to finance construction of facilities for the benefit of the district.”

- Although the Act contains override ability in the event of a fiscal crisis, as determined by the MWD board, the override is limited to only one year at a time. In such an event, the State of California and bondholders would be relying upon an annual vote of MWD’s Board of Directors in which it “...finds that a tax in excess of these restrictions is essential to the fiscal integrity of the district....”

- It is unclear whether, or to what extent the MWD board would override this taxing limitation to back its BDCP obligation. The Public Review Draft BDCP should address and answer these questions.

Given these limitations and uncertainties, it is difficult to consider MWD’s or other contractors’ existing taxing authority as a meaningful back-up security for BDCP payment obligations. It is also highly questionable whether the financing of BDCP can be – or should be – backed by taxing authority that was authorized by voters decades ago, when the program was much different than is being discussed today. A careful legal analysis of MWD taxing authority should be included in the BDCP due diligence process if taxes are going to be relied upon as additional back-up security for BDCP project debt. The Public Review Draft BDCP is silent on this issue.

Funding Sources
Both state and federal regulations are clear in terms of their requirement for funding assurance before issuance of permit under the habitat conservation plan. The federal Endangered Species Act requires that a habitat conservation plan applicant ensure that adequate funding for the plan will be provided. The case law under ESA provides that:
• The plan must “ensure” funding over the lifetime of the permit
• The HCP cannot rely on federal funding to “ensure” funding of the plan in light of the “Anti-Deficiency Act and the availability of appropriated funds”
• The HCP must provide “remedies for failure to meet funding obligations by signatory measures”
• The HCP “cannot rely on speculative funding actions of others” for funding
• The HCP effectively must be backed by a guarantee by applicant to ensure funding for all plan element

Yet, the BDCP appears to rely on federal funding that has yet to be appropriated and voter passage of future state water bonds to finance the habitat restoration costs. In fact, footnote “a” in Table 8-37 of the Public Review Draft states:

“In most cases, funding amounts are estimates only based on funding history... Funding estimates from state and federal agencies do not represent commitments and are subject to grant awards, annual appropriations from Congress, and passage of water bonds by voters of California...”

The BDCP must address whether the regulatory agencies will accept BDCP’s reliance on public funding sources yet to be approved as sufficient funding assurance before issuance of permits.

While the Public Review Draft BDCP goes to great lengths to explain the various funding sources and the responsibilities of the parties to fund components of BDCP implementation, Section 8.4.2 discusses the actions that will be taken or required in the event of a shortfall in state or federal funding. Specifically, the Public Review Draft BDCP states that: “The Authorized Entities will not be required to provide land, water, or monetary resources beyond their commitments in this Plan in the event of a shortfall in state or federal funding.” This statement appears to directly conflict with “step-up” provisions in existing State Water Project contracts, and which will likely be included in amended contracts.

This statement found in Section 8.4.2 also appears inconsistent with the BDCP public messaging regarding what will occur in the event of a shortfall in state or federal funding. The graphic below – taken directly from a BDCP presentation – demonstrates the reliance on water contractors to also provide some or, potentially all funding for BDCP program components beyond implementation of Conservation Measure 1.
Cost Allocation
Even though the bulk of the BDCP will be paid by the federal and state water contractors, we are disappointed to learn that the actual funding share between the federal and state contractors will not be determined until it is “near the time that permits are issued for BDCP.” If this timeline, as described in the Public Review Draft, holds true, each contractor’s share of BDCP’s cost obligation will not be known until many months after the closing of the public comment period. How would water agency policy makers be in a position to assess whether BDCP is cost effective for their own unique jurisdictions? Relying on an overarching declarative statement that “the costs of CM1 and associated mitigation and construction are affordable by ratepayers of the urban and agricultural agencies...” is simply insufficient, and is certainly no guarantee that funding will materialize.

Even assuming that the BDCP, as a whole, would provide a statewide net positive benefit, how the costs are allocated and benefits apportioned could impact individual water agencies differently. Without a clear description of how costs are allocated, it is simply impossible to assess the cost-benefit of BDCP to individual water agencies and their ratepayers. Without this important piece being concluded or disclosed, what is the assurance that individual contractors will all find the BDCP cost effective when it is finally disclosed? And if not all contractors sign up to pay for the BDCP, how would that impact the costs that the remaining contractors must bear?

Postponing the cost allocation discussion to after the public commenting period is concluded is not acceptable. The BDCP must address this issue and keep the public commenting period open until this issue is resolved to afford the public an opportunity to comment on this critically important element.
Mr. Ryan Wulff  
National Marine Fisheries Service  
650 Capitol Mall, Suite 5-100  
Sacramento, California 95814  
ATTN: BDCP Comments


Dear Mr. Wulff:

The San Diego County Water Authority (Water Authority) is submitting the following comments on the joint Draft Environmental Impact Report (EIR) Draft Environmental Impact Statement (EIS) prepared by the U.S Department of Interior, Bureau of Reclamation (Reclamation), and U.S. Department of Interior, Fish and Wildlife Service; the U.S Department of Commerce, National Oceanographic and Atmospheric Administration, National Marine Fisheries Service; and the California Department of Water Resources (DWR) for the proposed Bay Delta Conservation Plan (BDCP). The BDCP has been developed to support issuance of long-term incidental take permits that meet the requirements of Section 10(a)(1)(B) of the federal Endangered Species Act, as well Section 2800 et seq. of the California Fish and Game Code, for certain actions proposed within the statutorily defined Sacramento-San Joaquin Delta (Delta) for a term of 50 years.

The BDCP proposes to make physical and operational improvements to the State Water Project (SWP) system in the Delta necessary to restore and protect ecosystem health, water supplies of the SWP and Central Valley Project (CVP) south-of-Delta, and water quality within a stable regulatory framework, consistent with statutory and contractual obligations. This comprehensive species conservation strategy generally consists of 22 separate conservation measures that will contribute to the preservation and recovery of 56 species of plants and animals.

The Water Authority is a local governmental entity responsible for providing a safe and reliable imported water supply to 24 member agencies serving the San Diego region’s $191 billion economy and its approximately 3.1 million residents. The Water Authority, by State legislative mandate, is the authoritative expert on the San Diego regions’ water supply reliability and long-term water supply planning. The Water Authority imports up to 90 percent of the water used in the San Diego region through...
five larger diameter pipelines. The source of imported water is the SWP and Colorado River. Highly dependent on imported supplies, the Water Authority has historically and consistently been a strong advocate for the Delta and for the co-equal goals of providing a more reliable water supply for California, while protecting, restoring and enhancing the Delta ecosystem.

The Water Authority’s goal for providing written comments is to ensure that the Final EIR/EIS, Final BDCP, and any resulting incidental take permits, provide a comprehensive and lasting solution to the conflicts between water supplies and ecosystems in the Delta that have made water supplies less reliable. However, the Water Authority is also convinced that any solution to Delta conflicts must be cost-effective, that the costs be shared equitably among beneficiaries of the improvements, and that beneficiaries be required to make firm commitments to pay their share of constructing and maintaining improvements to the Delta.

GENERAL COMMENTS

1. As has been noted in previous BDCP correspondence to the California Natural Resources Agency dated August 28, 2012, July 30, 2013, and October 7, 2013 (attached and incorporated as additional comments), the Water Authority remains concerned that the financing components of the BDCP have not been explicitly described. As the largest customer of the largest state water contractor – the Metropolitan Water District of Southern California – the Water Authority’s ratepayers have a great deal at stake in the BDCP process and its financing plan. Chapter 8 of the current BDCP does not provide the detailed information necessary for potential participating agencies to evaluate individual agency cost-benefit (or feasibility) of the proposed project. The Final BDCP should contain details on: how participating water contractors intend to guarantee the revenue necessary to pay for the BDCP; the provisions for “step-up” should individual water contractor’s default on funding obligations; and a legal analysis of relying on property taxes as a back-up security for project debt.

2. A necessary component that is missing from BDCP public review documents is the proposed Draft Implementing Agreement, which will be signed by the U.S. Fish and Wildlife Service, National Marine Fisheries Service, California Department of Fish and Wildlife, California Department of Water Resources, and certain water contractors (Authorized Entities). Public review of this document is crucial to understanding exactly what assurances and commitments are being agreed to, and how the various financial and implementation obligations will be distributed among the signatories and, ultimately, ratepayers. The proposed Draft Implementing Agreement should be distributed for a minimum 60-day public review period. If necessary, the public comment period for the Draft EIR/EIS and BDCP documents should be extended, or re-opened, to include sufficient time for public review of the Implementing Agreement.
DETAILED COMMENTS

Draft EIR/EIS Document

Executive Summary

1. Page ES-6, Table ES-1 lists Lead, Cooperating, Responsible, and Trustee Agencies.

Comment: The table listing is incomplete. All water contractors will be required to consider the Final EIR as part of their decision to participate in BDCP implementation as permittees (Authorized Entities). The Final EIR/EIS should list the water contractors that must approve the Final EIR/EIS as responsible agencies.

2. Page ES-8, line 22 lists Mirant LLC as an applicant for an incidental take permit, yet a footnote states they are no longer an active participant.

Comment: To avoid confusion, all references to Mirant LLC as a BDCP participant should be deleted from the Final EIR/EIS.

Chapter 4 – Approach to Environmental Analysis

3. Page 4-4, line 33 states that the CEQA baseline consists of those “facilities and ongoing programs that existed as of February 13, 2009 (publication date of the most recent NOP...).”

Comment: While this approach is consistent with CEQA Guidelines, the exclusive use of this baseline is confusing when the Draft EIR/EIS analysis is compared to the baseline and analysis presented in BDCP Chapter 9 (Economic Analysis Report). We understand that the development and use of these two very different baselines is for different purposes: one to meet CEQA requirements, and the other to reflect assumed additional, potentially severe, regulatory agency restrictions on water exports that will greatly affect the financial viability of the BDCP. However, the much more restrictive conditions in Chapter 9 could actually represent the future “without BDCP” based on preliminary indications from the regulatory agencies. It would be helpful if the Final EIR/EIS also included an impact analysis, for reference only, using a baseline that matched the conditions assumed in the BDCP Economic Analysis Report. This would allow easy comparisons of the potential environmental impacts of the less restrictive CEQA baseline to the more restrictive BDCP Economic Analysis baseline. Such a comparison would highlight the true potential impacts and benefits of the BDCP.
Chapter 30 – Growth Inducement and Other Indirect Effects

4. Page 30-126, line 19 states that “...unavoidable impacts would still be expected to occur”.
Comment: The basis for this statement is unclear. Neither DWR nor Reclamation have land use authority and cannot approve or deny development projects other than their own. Planning for, and approving, future public and private growth and development in areas served by SWP or CVP contractors is the responsibility of various land use agencies (e.g., cities or counties). The Draft EIR/EIS conclusion that unavoidable impacts would occur, especially when the location, magnitude, and timing of future development is unknown, is unsupported by the included information. The Final EIR/EIS should be revised to conclude that future development decisions are the responsibility of appropriate land use jurisdictions and that, in the absence of specific development proposals, it is speculative to make a determination as to the significance of environmental impacts resulting from any future growth in areas served by SWP and CVP contractors.

Draft BDCP Document
Chapter 1 – Introduction

5. Page 1-8, lines 23-25 state that “The BDCP is intended to meet the regulatory requirements for the issuance of Section 10 permits... to allow for the incidental take of the species... resulting from implementation of covered activities by DWR and certain SWP and CVP contractors (e.g., the Authorized Entities).”

Comment: It is unclear if SWP and CVP water contractors that decline to participate in BDCP implementation will continue to receive water under terms of existing contracts pursuant to existing Biological Opinions. It is also not clear if existing contractors deciding to “opt out” of the BDCP can obtain “third party beneficiary” status (and receive the benefits of HCP coverage) through a separate agreement with an entity that does receive a HCP take authorization through BDCP participation. The Final BDCP should explain what happens to any existing in-Delta Biological Opinions (e.g., remain in force, terminate, etc.) should the BDCP be approved, as well as the ability of non-participating entities to obtain HCP coverage through execution of side agreements with a BDCP permittee, or through a separate Section 7 consultation process.

6. Page 1-11, lines 17-18 state that “… DWR and certain water contractors are seeking permits from CDFW that authorize the take of species covered under the Plan...”

Comment: It is unclear if SWP and CVP water contractors that decline to participate in BDCP implementation will continue to receive water under terms of existing contracts pursuant to existing CESA authorizations. It is also not clear if existing contractors deciding to “opt out” of the BDCP can obtain “third
party beneficiary” status (and receive the benefits of NCCP coverage) through a separate agreement with an entity that does receive a NCCP take authorization through BDCP participation. The Final BDCP should explain what happens to any existing in-Delta CESA permits (e.g., remain in force, terminate, etc.) should the BDCP be approved, as well as the ability of non-participating entities to obtain NCCP coverage through execution of side agreements with a BDCP permittee, or through a separate Section 2081 permit process.

Chapter 3 – Conservation Strategy

7. Page 3.4-2, line 26 states that a “structured scientific approach” will be taken to reduce uncertainty about the fall and spring outflow decision trees.

Comment: The specific timing and description of the research necessary to test the fall and spring outflow uncertainties is lacking. The process by which the decision tree outflow and export yield will be determined is important in understanding the value of the BDCP to water contractors. The Final BDCP should include a detailed description of the specific scientific research hypotheses, proposed methods, and schedule that will be undertaken to address the flow uncertainties incorporated into the decision tree.

8. Page 3.D-2, Table 3.D.1, CM1 Water Facilities Operation, Compliance Monitoring Action will “Document compliance with the operational criteria using flow monitoring and models implemented by the Implementation Office. [Details of monitoring to be developed...]”.

Comment: The details of compliance monitoring to document flow criteria are lacking. The importance of outflow monitoring cannot be overstated as it forms the basis for the decision tree export yield. The water contractors must have a clear understanding of the research deemed necessary to resolve the fall and spring outflow uncertainties. Stating that “details of monitoring to be developed” is inappropriate given its importance in helping frame whether water contractor participation in the BDCP is warranted. Outflow requirements are the most important issue for water contractors; to defer development of this essential research to a later time does not provide the information needed by water contractors to evaluate the science proposed to resolve decision tree uncertainty. The Final BDCP should provide greater detail on the likely magnitude and scope of research contemplated for the decision tree process.

9. Page 3.D-28, Table 3.D.3, CM1 Water Facilities Operation, Potential Research Actions states that “[Studies necessary to evaluate this uncertainty.... have not yet been determined.]”

Comment: Similar to Comment #7 above. The research necessary to determine the outcome of the decision tree is of the utmost importance to water
contractors. At a minimum, the general scope of these studies should be developed and included in the Final BDCP so water contractors can more fully evaluate the benefits and risks of participation.

Chapter 6 – Plan Implementation

10. Page 6-5, Table 6-2 provides a very aggressive implementation schedule for CM3 (24,396 acres), CM4 (19,150 acres), CM9 (98 acres), and CM10 (900 acres) during the near-term, especially the first 5 years.

Comment: The level of information included in the BDCP does not provide adequate support that restoration of these very large acreages can be achieved within the established time frames. For example, it is very difficult to envision how over 9,500 acres of tidal natural community restoration can be completed within 5 years given the time needed to properly plan, design, permit, and construct this habitat type. At a minimum, additional specific information on the location of identified parcels and conceptual design/planting plans for these near-term lands should be included in the BDCP and FEIR/EIS document to validate the assertion that these acreage targets can be achieved within the identified schedule. If the BDCP intends to rely on one or more interim action projects listed in Table 6-4 (page 6-14) to meet the implementation schedule, then the BDCP should identify those projects where a firm funding commitment has been, or will likely be made. Should restoration take longer than anticipated, legally binding assurances must be provided to permittees that water yields will not be reduced below the minimum described in the decision tree process.

11. Page 6-8, CM4 Tidal Natural Communities Restoration, states that the initial 4,000 acres will take “less time to plan and permit... because... is likely to be implemented first on public lands.”

Comment: We believe this timing assumption to be overly optimistic. The Water Authority’s experience for a 40 acre wetland restoration project on public land took three years just to obtain all necessary federal, state, and local approvals to commence construction. Because tidal natural community habitat type is critical to fish species being considered in the decision tree process, the BDCP and FEIR/EIS should examine the effects on ultimate BDCP success if a longer implementation schedule is required for this initial restoration increment. Should restoration take longer than anticipated, legally binding assurances must be provided to permittees that water yields will not be reduced below the minimum described in the decision tree process.

12. Page 6-29, lines 6-7 state that “…these measures do not involve additional financial commitments or resource restrictions without the consent of the Permittee...”
Comment: This text should be changed to read “...these measures do not involve additional land, water, or financial compensation commitments, or additional restrictions on the use of land, water, or other natural resources restrictions without the consent of the Permittee...”. This change is consistent with the regulatory assurances provided by the “no surprises” rule.

Chapter 7 – Implementation Structure
13. Pages 7-3 and 7-4, Table 7-1: A significant level of decision-making authority would be granted to the Authorized Entity Group under the proposed BDCP governance framework. For many of the decisions outlined in Table 7-1, the Authorized Entity Group is identified as having a primary decision-making authority role. Additionally, for many BDCP implementation issues, it appears that the Authorized Entity Group is being granted substantial decision-making authority. Even for those decisions where the Authorized Entity Group is not identified as the party making decisions on implementation issues in Table 7-1, the dispute resolution process proposes to grant substantial deference to the Authorized Entity Group.

Comment: Given that the Authorized Entity Group is granted such broad decision-making deference, it would seem that a significantly larger group than is currently contemplated within the BDCP governance framework is warranted. A more inclusive governance model – providing for all permittees to be members of the Authorized Entity Group – would ensure more balanced decision-making by the body. The Final BDCP should revise membership of the Authorized Entity Group to include all BDCP permittees.

14. Page 7-10, line 39 states that “The Authorized Entity Group will consist of the Director of DWR, the Regional Director for Reclamation, and a representative of the participating state contractors and a representative of the participating federal water contractors...”

Comment: Similar to Comment #13 above. The four-member Authorized Entity Group is inadequate to fully represent the interests of all Authorized Entities. As stated on page 7-9, line 14, Authorized Entities includes “…those state and federal water contractors that receive take authorizations...”. The relationship between the very limited membership of the Authorized Entity Group and the much larger group of SWP and CVP Authorized Entities is unclear. Because SWP and CVP Authorized Entities will have been issued permits and maintain a substantial direct financial interest in BDCP implementation, the Authorized Entity Group should include every SWP or CVP contractor that receives a take authorization. An example of this more-inclusive governance model can be found by examining the functions of the Steering Committee for the Lower Colorado River Multi-Species Conservation
Program administered by Reclamation. The Final BDCP should expand membership of the Authorized Entity Group to include all SWP and CVP Authorized Entities.

15. Page 7-12, lines 17-21 state that “The Authorized Entity Group will institute procedures with respect to public notice of and access to its meetings and its meetings with the Permit Oversight Group… All meetings will be open to the public.”

Comment: The Water Authority appreciates that all meetings of the Authorized Entity Group will be conducted in public. However, the BDCP is silent with respect to the requirements under California’s open meeting and records laws, the Federal Advisory Committee Act, the California Public Records Act and the Federal Freedom of Information Act (FOIA), and the applicability of those statutes to the activities and undertakings of the Authorized Entity Group. The Final BDCP should clearly delineate the state and federal statutes relevant to the activities of the Authorized Entity Group.

16. Pages 7-13, lines 9-27 state that “The Permit Oversight Group will be composed of the state and federal fish and wildlife agencies … will be involved in certain decisions relating to the implementation of water operations, and other conservation measures, actions proposed through the adaptive management program or in response to changed circumstances, approaches to monitoring and scientific research.”

Comment: The BDCP document is completely silent with respect to whether or not the Permit Oversight Group must comply with state or federal public meeting and records laws. The Final BDCP should clearly delineate the state and federal statutes relevant to the activities of the Permit Oversight Group.

17. Page 7-13, line 37 states that the Permit Oversight Group will have “decision making regarding real-time operations”. This section goes on to state that the “roles … are still under consideration and will be addressed in Chapter 3, Conservation Strategy”.

Comment: We could not find a detailed explanation of the Permit Oversight Group role in Chapter 3. Understanding the role of the regulatory (i.e., HCP/NCCP permits) agencies during implementation of the BDCP is critical. Most HCP/NCCP’s that the Water Authority is familiar with have the regulators as strictly advisory, without the ability to impose unilateral actions unless the species are in danger of extinction. This places sole responsibility for BDCP success on the permittees. If the regulators have unilateral decision making authority for one or more aspects of BDCP implementation, they then accept some level of responsibility for the ultimate outcome by virtue of any decisions they impose. Keeping the regulators outside the decision process, but in a close
advisory role, allows the permittees to freely implement the BDCP that they voluntarily developed. If the regulators believe the permittees are not acting in compliance with BDCP permits, the Implementing Agreement would normally contain provisions to suspend or revoke the HCP and/or NCCP permits (however, as noted above, there was no Implementing Agreement included in review documents). The Final BDCP should remove all BDCP implementation decision making authority from the Permit Oversight Group.

18. Page 7-16, line 40 through Page 7-17, line 2 states that “The Adaptive Management Team will hold public meetings... noticed and open to the public.”

Comment: The Water Authority appreciates that all meetings of the Adaptive Management Team will be conducted in public. However, the BDCP is silent with respect to the requirements under California’s open meeting and records laws, the Federal Advisory Committee Act, the California Public Records Act and the Federal Freedom of Information Act (FOIA), and the applicability of those statutes to the activities and undertakings of the Adaptive Management Team. The Final BDCP should clearly delineate the state and federal statutes relevant to the activities of the Adaptive Management Team.

19. Page 7-17, line 17 states that “In the event that the Authorized Entity Group and the Permit Oversight Group are unable to resolve the issue at hand, the entity with decision-making authority... will make the final decision”.

Comment: Similar to Comment #17 above regarding the appropriate role of the permitting agencies. Regulatory agencies should not be in a decision making role unless they are prepared to accept responsibility for the eventual outcome of the BDCP. Once the regulatory agencies issue the HCP and NCCP authorizations (i.e., permits), their role is to verify compliance with the BDCP and Implementing Agreement. If permittees are not in compliance, the regulatory agencies can initiate permit suspension or revocation procedures (which should be detailed in the Implementing Agreement). Therefore, all decisions related to BDCP implementation should be made by the Authorized Entity Group (composed of all permittees), in consultation with the Permit Oversight Group. The Final BDCP should be revised to clarify that regulatory agencies provide guidance and advice to the Authorized Entity Group, but do not have BDCP implementation decision making authority.

20. Page 7-20, lines 21-22 state that “Stakeholder Council meetings will be open to the public.”

Comment: The Water Authority appreciates that all meetings of the Stakeholder Council will be conducted in public. However, the BDCP is silent with respect to the requirements under California’s open meeting and records laws, the
Federal Advisory Committee Act, the California Public Records Act and the Federal Freedom of Information Act (FOIA), and the applicability of those statutes to the activities and undertakings of the Stakeholder Council. The Final BDCP should clearly delineate the state and federal statutes relevant to the activities of the Stakeholder Council.

21. Page 7-21, lines 6-26 state that “Any member of the council, however, will have the right to object to any proposal of the Program Manager... If the dispute is not resolved within the 60 day period, the issue will be elevated to the Authorized Entity Group... If the issue remains unresolved... for over 90 days, it will be referred for decision by the entity with the locus of responsibility... recognizing that multiple entities may have some relevant responsibility.”

Comment: This provision needs additional clarification and structure to ensure that the dispute resolution process does not become a de facto delay process for those opposed to BDCP implementation. Gridlock could easily occur if not only prospective, but also prior implementation actions may be challenged at any time. The Final BDCP should include provisions to ensure that multiple or repeated objections do not result in significant disruption of the program.

22. Page 7-27, lines 29-31 state that “The Program Manager, through the Implementation Office... will generally be responsible for the planning, oversight, implementation of actions set out in the conservation strategy.”

Comment: While charged with implementing the BDCP, there is no discussion of the appropriate legal framework within which the Implementation Office, proposed BDCP governance structure, and associated coordinating and dispute resolution mechanisms would be effectuated. Would the legal framework require legislation, a memorandum of understanding/agreement, bylaws, a joint powers authority, or some other structure? The Final BDCP should explain the legal documentation and processes necessary to allow participating entities to fund and implement the BDCP. Again, Reclamation’s Lower Colorado River MSCP provides an example of a legal framework that is working to successfully implement a complex multiple species conservation plan.

Chapter 8 – Implementation Costs and Funding Sources

23. Page 8-1, lines 36-39 state that “Consistent with the ‘beneficiary pays’ principle and in recognition of public benefits associated with environmental restoration of this important region, it is assumed that a state and federal investment will be available and necessary to implement the BDCP, as described in Section 8.3, Funding Sources.”
Comment: BDCP was conceived as a “beneficiary pays” project. However, the BDCP does not include a detailed financial plan. Instead, the public draft relies on the projected benefits afforded to the exporters to gauge funding support for the conveyance facilities (i.e., CM1). Until a detailed financial plan is finalized and cost allocation formula agreed upon by participants, there will continue to be questions and concerns regarding what “beneficiary pays” means in terms of precise cost obligations. Is “beneficiary pays” based on the value the water provides to a specific contractor? Does “beneficiary pays” mean every contractor pays the same unit cost for water received? As envisioned by the BDCP, the water quantity available for export will vary depending on hydrology; how would the benefits be calculated and unit costs be derived for each “beneficiary” under constantly changing hydrological conditions? Many water suppliers in Southern California are seeking to reduce their demand for imported water from the Delta. What happens if contractors’ needs for the water decrease in the future? How would the costs be allocated then? More importantly, how would costs be allocated pursuant to state and federal laws— including, without limitation, the cost-of-service requirements of California Constitution Article XIIB and C (Proposition 26)? Both the HCP and NCCP regulations require the BDCP to demonstrate that it has funding assurances from those expected to pay— including the state and federal governments— rather than relying on assumptions. The Final BDCP should address these issues to ensure the BDCP’s ability to be funded.

24. Page 8-2, lines 22-24 state that the chapter is not a financing plan… “nor does it establish the final allocation of cost or repayment responsibility; rather financing plans will be prepared separately by various funding agencies and through future discussions between state and federal agencies.”

Comment: The final BDCP must make fiscal sense and also be both affordable and financeable. Potential participants in the BDCP must have sufficient detailed information to evaluate the cost-benefit (or feasibility) of participating in the project on the individual participant level. Lack of disclosure on how costs will be shared by beneficiaries does not allow existing water contractors to make an informed decision to invest in the BDCP. This analysis should be included in the Final BDCP.

25. Page 8-66, Footnote “a” states that “…funding estimates from state and federal agencies do not represent commitments and are subject to grant awards, annual appropriations from Congress, and passage of water bonds by the voters of California.”

Comment: The reliance on the funding history of yet to be appropriated federal sources and future water bonds makes it unclear if the project will receive an adequate public share of the funding. To match the comprehensiveness of
BDCP as a planning process, it is important to identify how the public share of the funding source may be composed and from whom the funds may be derived. The Final BDCP should provide greater detail and explain how funding assurances required by HCP/NCCP permits will be achieved given the uncertain nature of future state and federal funds.

26. Page 8-73, lines 5-7 state that “State and federal water contractors that are participating in the development of the BDCP have committed to fund construction, operation, and construction-related costs for implementation of CM1 Water Facilities and Operation, the new water conveyance facilities.”

Comment: Contrary to this statement, there is nothing in the EIR/EIS or BDCP documents that confirms that any state or federal water contractor has made a commitment to fund the project. The Water Authority is not aware of any such commitments. In fact, the Board of Directors of the Metropolitan Water District of Southern California – the largest State Water Project contractor, with an approximate 46-percent share of the existing State Water Project – has never voted to fund construction of any portion of the proposed project (CM1). Necessary contractual agreements for individual SWP and CVP contractors to fund CM1 are unclear and the process for revising SWP and CVP cost allocations if individual contractors decline to participate, or drop out later, is not defined. To ensure the BDCP is fully funded, any BDCP financing plan must include enforceable agreements to pay for the project, not only from state and federal water contractors directly, but also from the member agencies or units that provide their revenues. It is unclear whether the SWP contractors can rely on the taxing authority afforded to them under the existing SWP project to pay for the BDCP. The projected costs are too high to have confidence that the contractors’ water sales are adequate to cover the BDCP’s costs now or in the future. Specific areas requiring more detail in the Final BDCP include:

- Contractors that are wholesale water agencies should demonstrate that their customers will pay for the project, either through take-or-pay contracts or other enforceable, long-term financial commitments to pay the fixed costs of the project commensurate with the term of the contractors’ BDCP obligation;
- Analysis is needed on the impacts of “step-up” provisions – pledges that require other BDCP participants to assume the debt obligations of defaulting participants;
- Legal analysis should be undertaken to examine the feasibility and appropriateness of relying upon property taxes as additional back-up security for contractors’ BDCP debt; and
- Legal and financial analyses should be undertaken to examine the financial risks to the state of California if bonds issued to fund construction of the project (CM1) are backed by the full faith and credit of the state.
27. Page 8-84, lines 18-21 state that “…the BDCP is expected to secure a large portion of the funds allocated to Delta sustainability, as well as smaller portions of funds allocated to conservation and watershed protection. The water bond will support the public benefits of Plan implementation, particularly natural community restoration and other stressors conservation measures.”

Comment: Firm commitments to ensure state and federal funding for CM 2-22 are lacking. The BDCP expects almost 90 percent of the costs for ecosystem restoration and program administration to be shared by state and federal funding. Most state funding is anticipated to be provided by future water bonds, including one or more bonds scheduled for the November 2014 ballot. A majority of federal funding is expected to be provided by congressional appropriation, which has uncertain support. The uncertainty that voters and Congress would approve the water bonds and federal appropriation, respectively, leads to the question as to whether, and how much, the contractors will be expected to help pay for the costs to obtain the envisioned water supply benefits. If the public funding envisioned does not materialize, will the contractors be expected to fund these costs? If funding is unavailable for restoration, would CM1 operations be changed from those presented in the BDCP? The Final BDCP needs to include a discussion of alternate funding sources, as well as potential impact on available exports, should bonds for CM 2-22 not be approved by the voters.

28. Page 8-80, lines 16-17 state that “Contractors more distant from the Delta provide more funding than contractors close to the Delta because of the capital cost of the California Aqueduct and increased pumping and O&M costs.”

Comment: While this statement may be true for existing SWP contractors, it is unclear whether this same logic is being applied to BDCP funding. Since all Delta improvements will occur upstream of the Banks Pumping Plant at Clifton Court Forebay and will not affect existing south-of-Delta facilities or operations, distance from the Delta has no bearing on BDCP implementation cost. The Final BDCP should clarify that funding obligations for water contractors south of Banks Pumping Plant will not contain any differential based on distance from the Delta.

29. Page 8-99, lines 17-21 state that “…potential federal funding sources are divided into four categories. First, existing federal appropriations relevant to BDCP are expected to continue in amounts and for durations described below. Second, new federal appropriations would be needed to support BDCP. Third, several federal grant programs are expected to provide funding to support BDCP actions. Finally, other federal funding sources are described.”

Comment: See above comment #27.
30. Page 8-122, lines 13-15 state that “...the Authorized Entities will not be required to provide land, water, or monetary resources beyond their commitments in this Plan in the event of a shortfall in state or federal funding.”

*Comment:* Provisions to ensure adequate funding by participants required for HCP/NCCP approval are lacking. It is unclear how CM 1 would be operated as a result of a shortfall in public funding. What operational scenarios and how much export water would be made available absent public funding (and associated reduction in restoration) should be disclosed in the Final BDCP and before HCP/NCCP permits are issued.

**Appendix 9A – Economic Benefits of the BDCP and Take Alternatives**

31. Page 9.A-7, line 36 states that “Seawater desalination is another supply that is relied on during drought periods.”

*Comment:* The Water Authority concurs with the acknowledgement that seawater desalination can be an important and reliable water supply during both normal and drought periods, as well as with the incorporation of the Carlsbad Desalination Project in the analysis.

32. Page 9.A-12, lines 9-13 and Footnote 5 state that “…models incorporate projections… provided by… San Diego Association of Governments (SANDAG)”

*Comment:* The SANDAG Series 12 growth forecasts used in the analysis are outdated and do not account for updated Census data and the 2007 recession. Utilizing old growth forecast information likely results in a higher water demand forecast in the initial years. Analysis in the Final BDCP should incorporate the updated SANDAG forecast released last year (Series 13). This forecast incorporates data from the 2010 Census and captures the effects of the 2007 recession.

33. Page 9.A-14, Footnote 6 states that “…SANDAG employment projections were developed before the 2007 recession…”

*Comment:* The employment projections use an outdated SANDAG growth forecast (Series 12), which doesn’t take into account the updated Census data and 2007 recession. Utilizing old growth forecast information likely results in a higher employment (and water demand) forecast in the initial years. Analysis in the Final BDCP should incorporate the updated SANDAG forecast released last year (Series 13). This forecast incorporates data from the 2010 Census and captures the effects of the 2007 recession.
34. Page 9.A-28, lines 36-40 state that “...historical consumption and rate data...were collected directly from retailers with the exception of... San Diego County Water Authority, for which data was acquired from annual surveys conducted by the wholesale member agencies.”

Comment: The Water Authority has not prepared an annual survey of water rates since 2004. The Final BDCP should clarify how the Water Authority’s service area retail rate information was derived, and include the date and title of any reference document in the literature cited section.

35. Page 9.A-33, lines 8-14 state that “The cost of the water supply increase resulting from the BDCP Proposed Action is also well below the cost of other alternative supply alternatives. ...the implicit water supply cost... ranges from $238 to $321 per acre foot.”

Comment: Although we understand that the range of unit costs represents the cost of the incremental yield for the BDCP Proposed Action High-Outflow and Low-Outflow Scenarios relative to the Existing Conveyance High-Outflow and Low-Outflow Scenarios, it is unclear how the $238/AF to $321/AF unit costs were derived or what the exact meaning of “implicit water supply cost” is. We recognize Appendix 9A is an economic analysis to quantify BDCP benefits on an average yield basis. However, the reliance on incremental yield in calculating those economic benefits should be placed into the context of what contractor allocations under Table A will look like post-BDCP implementation. Actual unit costs will vary widely given the expected swings in yield and the fixed cost nature of the contracts. It is also unclear why unit costs are being included in the water supply alternatives discussion because, (as noted in Footnote 9) the costs cannot be used to directly compare other supply alternatives. If the intent of the included alternatives analyses is to compare the implicit water supply cost of the BDCP Proposed Alternative to local supplies, the Water Authority suggests that a unit cost can be developed that is comparable to the local supply cost being cited. Such a unit cost can be calculated based on the following:

\[
\text{Unit Cost} = \frac{\text{Annual amortized capital cost for CM1}}{\text{Expected yield expressed in the same year dollars as the local supply cost}} + \text{Annual operating cost}
\]

This approach would allow the BDCP to more adequately benchmark its cost to local supply costs, and is more consistent with the method water suppliers (like the Water Authority) use to compare alternative supplies. The Final BDCP should provide more detailed information on the derivation of the unit costs, a definition of implicit water supply costs, and describe why they are being included in this section, especially if the cited unit costs cannot be used to
compare the supply alternatives. To support the analytical conclusions, the Final BDCP should provide a unit cost that can be used to compare supply alternatives.

36. Page 9.A-36, lines 7-11 state that "...costs of... short-term conservation are at the low end of... water supply alternative costs. Because short-term conservation is a feasible option, and because the costs of alternatives cannot be known with precision for any individual agency, for planning purposes it is appropriate to measure BDCP benefits using mandatory short-term conservation costs."

Comment: It is unclear why other alternative water supply costs are discussed in this section when short-term conservation is assumed as the appropriate measure of BDCP benefits. The Final BDCP should clarify the purpose of Section 9.A.2.4.4 and how the alternative water supply volumes and costs are utilized in the economic benefits analysis.

37. Page 9.A-36, lines 14-15 state that "... the analysis of urban water supply benefits... is based on an assumed build-out of alternative water supplies."

Comment: It is unclear how build-out of alternative water supplies is utilized in the BDCP economic benefits analysis. The Final BDCP should clarify how the costs for alternative water supply build-out and mandatory conservation were used in the economic benefits analysis, and the distinction between the two uses.


Comment: There is no backup information to support the assumptions on water supply availability under post-earthquake conditions. The Final BDCP should provide information to support the supply yields assumed to be available from existing conveyance, BDCP Proposed Action, and other take alternatives under post-earthquake conditions.

Draft Conceptual Engineering Report

The Conceptual Engineering Report (CER) does not lend itself to the "page and line" comment format as in the above documents. Therefore, the following comments have been grouped in general topical areas. Because these topics are not confined to a single location and are scattered throughout the report, any comment should be considered applicable to every appearance of that topic in the report.

Schedule

39. The project’s schedules included as part of the CER’s Executive Summary and Appendix C are not the same.
Comment: These schedules need to be reconciled and the text clarified to discuss any assumptions used in the schedule.

40. The Appendix C schedule contains a number of fixed, or constrained, task completion dates.

Comment: The CER does not include the schedule logic to determine if these constrained dates are achievable or reasonable. At the preliminary engineering stage of a project, completion dates should not be constrained so it can be determined if the schedule is reasonable. All constraints should be removed from the task completion dates and the schedule logic should be provided to determine whether that logic, and therefore the schedule, is appropriate and reasonable.

41. Appendix C of the CER includes an item for property acquisition necessary to complete the project.

Comment: Appendix C provides no detail on how the BDCP team intends to acquire land rights from the hundreds of impacted property owners along the route of the tunnels, at the forebays, the intake facilities, and impacted by the installation or relocation of utilities and roads necessary for the project. A comprehensive property acquisition plan should be included to identify the nature of property rights to be acquired, the schedule for doing so, and the staff or consultant resources necessary to complete this task.

Project Risks

42. The BDCP infrastructure is subject to a considerable number of risks that could negatively impact the project’s cost and schedule.

Comment: While mostly identified in the CER, these risks must be adequately addressed during the design and construction of the project. The most significant of these risks include:

- Lack of geotechnical information. The CER repeatedly states that additional geotechnical information is needed to adequately design the project’s tunnels, intake pumping facilities, levees, tunnel muck disposal sites and forebays.
- Tunnel construction methodology. The tunnel methodology is highly dependent on the geologic conditions along the tunnel routes but must address the likelihood of variable soil conditions.
- Available Resources. The project as proposed and ancillary efforts such as utility relocation will require numerous specialized engineers, geologists, right of way agents, tunnel boring machines, tunnel boring machine operators, specialized underground contractors, lawyers, court resources (in support of right of way acquisition efforts) and various technical experts. It
is unclear if these resources can be obtained in a timely manner to meet the project’s schedule.

- **Power requirements.** The CER is undecided on how the power will be provided to the project both during construction and during operations and by how many electrical companies. The CER indicates power may be provided to each site by multiple electrical companies. The cost and time associated with a second power source to each project location has not been addressed.

- **Access and utility conflicts.** The project will require the relocation of roads and utilities. It is uncertain whether those conflicts will be addressed by the BDCP or the utility or public agency that owns the utility. The extent of relocations, their cost and how long it will take to resolve utility and road conflicts are not thoroughly defined in the CER.

- **Property rights acquisition.** See item under Schedule above. Property acquisition via the eminent domain process allows the property owner to challenge the project proponent’s right to take their property via eminent domain. Linear projects, such as the BDCP infrastructure, are particularly vulnerable to costly reroutes and delays if a right to take challenge is upheld by the courts. The value of the rights to be acquired can also vary greatly. This uncertainty should be thoroughly detailed in the CER.

- **Recent Court rulings.** On March 13, 2014 the Third Appellate District Court of Appeal ruled the BDCP’s efforts to obtain additional geotechnical and environmental information resulted in a permanent property acquisition (take) from impacted property owners. This contradicts long-standing law that allows public agencies access to private property for study purposes and pay the owner if there are any damages. This ruling, if not overturned, will result in unknown and potentially significant delays to the project.

A comprehensive Risk Registry that identifies risks that could adversely impact the project’s schedule, and cost and how those risks will be mitigated during future design or construction, should be included in the final CER and updated on a regular basis as the design and construction progresses.

**Estimate Accuracy and Project Contingency**

43. The CER (Chapter 8) notes the accuracy of the construction estimate ranges from is $+50\%$ to $-25\%$; however, the project cost estimate includes only a 36% contingency.

*Comment:* The CER is unclear on the rationale used to determine the cited accuracy range or the selection of the specific cost estimate contingency. Subsequent communication (February 26, 2014 letter from Mr. Charles R. Gardner Jr., CEO Hallmark Group) noted the construction estimate accuracy had been improved to $+30\%$ to $-20\%$ and therefore the contingency of 36% was more than adequate. However, no information on how the “more accurate” cost
estimate was prepared has been provided since the October 2013 release of the CER. The final CER should disclose the methodology, including an analysis of project risks, used to derive a project contingency of 36%. It should also disclose and explain the information that allowed a more accurate cost estimate to be prepared. Absent this information the Water Authority believes the project contingency should be set at 50% based upon the upper range of the cost estimate’s accuracy.

The Water Authority appreciates the opportunity to review the proposed project and provide comments on the Draft EIR/EIS and associated documents. As noted above, the Water Authority requires additional information to determine if the BDCP Proposed Action as described and analyzed in the Draft EIR/EIS is a cost-effective long-term solution to Delta water supply and ecosystem conflicts.

Please retain the Water Authority on your mailing list to receive future notifications or documents regarding this project. If you have questions or wish to discuss any of the above concerns in greater detail, please contact Larry Purcell, Water Resources Manager at (858) 522-6752, or by email at lpurcell@sdcwa.org.

Sincerely,

Maureen A. Stapleton
General Manager

Attachments:  
(1) Meral ltr of 08/28/12  
(2) Meral ltr of 07/30/13  
(3) Laird ltr of 10/07/13
August 28, 2012

Dr. Gerald Meral
Deputy Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Jerry:

Thank you for visiting with us on Wednesday. We enjoyed our discussion, and appreciate the information you shared on the progress of the Bay-Delta Conservation Plan. We very much appreciate the efforts by you, Secretary Laird, Governor Brown, Secretary Salazar and all of the state and federal agencies in bringing the BDCP to this point.

We promised to send you the Water Authority’s comments on BDCP Chapter 8. We understand that work is under way to produce a new draft of Chapter 8. It is our hope that the issues outlined below will be considered and addressed.

Introduction
The San Diego County Water Authority is a wholesale water agency providing a safe and reliable water supply to 24 public agencies in San Diego County, supporting our region’s $186 billion economy and the quality of life of 3.1 million Californians. Highly dependent on imported water supplies, the Water Authority has historically and consistently been a strong advocate for the Delta and for the co-equal goals of providing a more reliable water supply for California, while protecting, restoring and enhancing the Delta ecosystem. The Water Authority’s board of directors reaffirmed this longstanding support at its February 2012 board meeting. The board also adopted an updated set of policy principles relating to the Bay-Delta outlining the critical issues that must be resolved in the BDCP process; a copy of these Policy Principles is enclosed.

Chief among the Water Authority’s concerns is the need to define the various components of the financing plan for the BDCP and the recently announced decision-tree concept in a manner that allows potential participants to evaluate the cost-benefit (or feasibility) of participating in the project. We believe the financing plan must include enforceable agreements to pay for the project, not only from state water contractors directly, but from the member agencies or units...
that provide their revenues. The costs are simply too great to rely on the hope that there will be enough water purchasers over the long-term to pay the project’s costs.

As the largest customer of the largest state water contractor — the Metropolitan Water District of Southern California (MWD) — the Water Authority’s ratepayers have a great deal at stake in the BDCP process and its financing plan. The Water Authority must be able to assess not only that the project will provide sufficient benefits to be affordable by our ratepayers, but also that they are not at risk of paying BDCP costs associated with the water supplies of other MWD member agencies or state contractors. The Water Authority is already in litigation with MWD over how it allocates its current State Water Project costs.

The Water Authority is concerned that all of the progress that has been made in bringing the BDCP to this point will be stymied, and that the BDCP will fail if participants are not able to evaluate the cost-benefit of the project or reasonably limit the risk their ratepayers are being asked to assume. It is in this light that we offer the following brief comments on the administrative draft of Chapter 8 — Implementation Costs and Funding Sources.

Comments
As the largest state water contractor, MWD is the foundation for financing the project. And yet, MWD itself has been struggling over the past several years to pay its current fixed costs — let alone a substantially larger cost associated with the BDCP. The reason is simple: more than 80 percent of MWD’s costs are fixed while less than 20 percent of its revenues are paid from fixed charges. More than 80 percent of MWD’s revenues come from water sales. Yet, MWD’s member agencies are not required to purchase any water from MWD. With its member agencies unwilling to sign take-or-pay contracts or make any other firm financial commitments to MWD to cover its fixed obligations, the agency remains heavily dependent on revenues from variable water sales. MWD’s water sales have declined approximately 30 percent since 2008, with its firm sales declining to less than 1.3 million acre-feet in fiscal year 2012. MWD’s member agencies — including the Water Authority — have also experienced significant reductions in sales. A direct consequence of these declining sales is sharply higher imported water rates that have made additional local water supply investments economically competitive. As a consequence, MWD’s member agencies — and their sub-agencies — are doing what they have been asked to do over the past 20 years: reducing reliance on water supplies imported from the Delta.
Dr. Gerald Meral
August 28, 2012
Page 3

We are concerned that the BDCP will become the kind of "big ticket project" that MWD board members vocally and enthusiastically support – at the same time their agencies are unwilling to make enforceable commitments to pay for the project.

A final note on the subject of risk: because the project is anticipated to be financed through project revenues, we are informed that bond underwriters are expected to require a "step up" provision by which each BDCP participant in BDCP-related bonds pledges to assume the obligations of defaulting participants.¹ The current draft of Chapter 8 is silent on this issue, yet it is conceivable that some of the BDCP participants may default, which would cause remaining participants, including MWD, to assume a greater portion of the debt. It is important that Chapter 8 analyze the possible effects of the "step up" provisions on MWD and the other participants in the BDCP.

Some have suggested that property taxes may provide the ultimate security for BDCP payment obligations of individual contractors. Putting aside the question whether property taxes levied under the authorization of the Burns-Porter Act may be used to pay for new projects contemplated by the BDCP, it is important to remember that MWD's taxing authority is further limited by the provisions of the MWD Act.² Although the Act contains override ability in the event of a fiscal crisis as determined by the MWD board (one year at a time⁴), it effectively limits MWD's ability to levy taxes to pay its SWP obligations. It is also unclear whether changes to this limit would require voter approval. Thus, a careful legal analysis of MWD taxing authority should be included in the BDCP due diligence process if taxes are contemplated as additional back-up security for project debt.

To effectively evaluate the finances available for the BDCP, the drafters of Chapter 8 need to conduct comprehensive due diligence on all of the facts and

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¹ Under Section 50(h) of MWD's current State Water Project contract, non-defaulting contractors can be assessed to cover payments not made by defaulting contractors, up to 25 percent of the payment not made. Under Section 48(i) of its East Branch Extension of the State Water Project contract, MWD is obligated to cover a default by any and all other participants.
² Section 124.5 of the Metropolitan Water District Act limits MWD's property tax levy to "the composite amount required to pay (1) the principal and interest on general obligation bonded indebtedness of the district and (2) that portion of the district's payment obligation under [the SWP contract] which is reasonably allocable, as determined by the district, to the repayment by the state of principal and interest on [SWP bonds] as of [January 1, 1985] and used to finance construction of facilities for the benefit of the district."
³ In such an event, the State of California would be relying upon an annual vote of MWD's Board of Directors in which it "...finds that a tax in excess of these restrictions is essential to the fiscal integrity of the district...."
circumstances described in this letter. Without such due diligence, the BDCP faces a potential cascading collapse of funding. At a minimum, state water contractors that are wholesale water agencies must demonstrate that their customers – the member agencies or units that buy their water and provide their revenues – have take-or-pay contracts or other enforceable commitments to pay the fixed costs of the project commensurate with the term of the BDCP obligation. The Water Authority continues to stand ready to make such a commitment to MWD that provides benefits commensurate with its payments.

Ultimately, the full faith and credit of the State of California will back up the bonds issued to build the conveyance project. Failure to secure enforceable financial commitments from the member agencies or units of water wholesale contractors could place all of California at significant risk of having tens of billions of dollars of new outstanding debt without sufficient water contractor payments to cover the debt service. This is why all California taxpayers have a stake in ensuring that there is a solid foundation and financing plan for the BDCP going forward.

Thank you again for providing the opportunity to comment on the administrative draft of Chapter 8 of the BDCP. We are committed to working with you and all parties to address and resolve these issues.

Sincerely,

[Signature]

Maureen A. Stapleton
General Manager

Enclosure: Water Authority Bay-Delta Policy Principles
July 30, 2013

Dr. Gerald Meral
Deputy Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Jerry:

Thank you for the efforts that you, your state and federal agency colleagues, and the Administration have made to bring the BDCP to the point where it stands today. We appreciate the opportunity that the release of an administrative draft of the BDCP affords us to provide comments and questions that should be addressed in the next draft. This letter is a follow-up to the Water Authority’s previous correspondence on BDCP Chapter 8, and conversations we have had with you over the past year.

Like many other stakeholders, the San Diego County Water Authority anticipated the May 29 release of the final chapters of the administrative draft of the BDCP document and believed, based upon earlier representations, it would address the questions and concerns the Water Authority has raised over the past several years over project financing. In particular, we were anxious to review the new draft of Chapter 8 in light of the correspondence we sent you 11 months ago (attached), in which we raised a series of BDCP financing issues and concerns. Our subsequent conversations led us to believe these concerns would be addressed in the most current iteration of Chapter 8. Instead, and disappointingly, Chapter 8 begins with this jarring admission:

“Details of the financing... are still being determined through on-going discussion between the state and federal governments and between the government, the state and federal water contractors and other interests.”

After reviewing the newly-revised Chapter 8 of the BDCP administrative draft, seven years into the BDCP planning process, and nearly a year after commenting on the prior draft, the most critical financing issues confronting the BDCP have yet to be addressed.

As we shared with you previously, potential participants in the BDCP must have sufficiently detailed information to evaluate the cost-benefit (or feasibility) of participating in the project. We recently heard David Sunding report to the Metropolitan Water District of Southern California’s (MWD) Board of Directors that a cost-benefit analysis has been produced for all urban and agricultural water contractors, and that it includes an urban cost-benefit analysis for all MWD member agencies. Would you please send a copy of the complete report to me in advance of Dr. Sunding’s Sept. 12 appearance before our Board’s Imported Water Committee?
As we have consistently stated, the Water Authority believes that any BDCP financing plan must include enforceable agreements to pay for the project, not only from state water contractors directly, but also from the member agencies or units that provide their revenues. The costs are far too high to simply rely on the hope that the contractors’ water sales will be adequate over the long-term to pay the project’s costs.

As the largest customer of the largest state water contractor – MWD – the Water Authority’s member agency ratepayers have a great deal at stake in the BDCP process and its financing plan, its risks and contingencies. The Water Authority must be able to assess that the preferred alternative advocated by the BDCP program will provide sufficient benefits to be affordable for our member agency ratepayers. We also must ensure that our ratepayers are not at risk of paying BDCP costs associated with the water supplies of other MWD member agencies or other state or federal water contractors. The Water Authority is already in litigation with MWD over how it allocates its current State Water Project costs.

The Water Authority is concerned that future progress of the BDCP and efforts to resolve seemingly intractable conflicts in the Delta will falter if those expected to be participants in the BDCP are not able to evaluate the cost-benefit of the various alternatives or reasonably limit the risk that their ratepayers will be expected to assume. In this context, we renew our request that our comments and concerns raised in our August 28, 2012 correspondence regarding Chapter 8 of the BDCP administrative draft – Implementation Costs and Funding Sources – be addressed in the next draft.

Comments
In our August 28, 2012 correspondence, we identified three specific issue areas as lacking necessary discussion within Chapter 8:

- State water contractors that are wholesale water agencies should demonstrate that their customers – the member agencies or units that purchase their water and provide their revenue – have take-or-pay contracts or other enforceable, long-term commitments to pay the fixed costs of the project commensurate with the term of the BDCP obligation.

- It is important to analyze the possible effects of “step up” provisions – those bond pledges that may require other BDCP participants to assume the obligations of defaulting participants – on MWD and other participants in the BDCP.

- A careful legal analysis should be undertaken of MWD taxing authority within the BDCP due diligence process, to examine the feasibility and appropriateness of relying upon property taxes as additional back-up security for project debt.

Take-Or-Pay Contracts/Enforceable Commitments
As we have previously pointed out in discussions with you, MWD – which, as the largest state water contracting agency, is the foundation for financing the BDCP project – has been struggling over the past several years to pay its current fixed costs, let alone a substantially larger new cost associated with the BDCP. More than 80 percent of MWD’s costs are fixed – however, less than 20 percent of MWD’s revenues are paid from fixed charges. Conversely, more than 80 percent of MWD’s revenues are from water sales – a variable revenue source – and those sales have
declined by 30 percent since 2007. Furthermore, MWD’s member agencies are not required to purchase any water from MWD. The variability of water sales – and thus uncertain future water sales revenues – coupled with Southern California water agencies’ current and future planned actions to implement the State’s policy to reduce reliance on water supplies imported from the Delta, creates significant uncertainty regarding long-term financing of BDCP obligations. This should be a major concern for the State of California, whose full faith and credit will be expected to back up the financing of the project. And yet, Chapter 8 makes no mention of this material, foundational risk to BDCP financing.

The Water Authority believes that, at a minimum, state water contractors that are wholesale water agencies must demonstrate that their customers have take-or-pay contracts or other enforceable long-term commitments to pay the fixed costs of the BDCP project corresponding to the term of the BDCP obligation. The Water Authority continues to be prepared to make such a commitment to MWD as long as the Water Authority gets the water supplies in return for its payments. We also believe that the willingness to make a financial commitment to a Delta solution will largely determine the demand for Delta water supply, and therefore help inform the best sizing for the conveyance facility. It would not be in the state’s best interest to construct a facility only to have it stranded because no one is willing to pay for it, or hoped-for water sales necessary to pay for it do not materialize.

“Step-Up” Provisions
Existing State Water Project contracts contain provisions under which non-defaulting contractors can be assessed to cover payments not made by defaulting contractors, up to 25 percent of the defaulting contractors’ obligations. Additionally, the East Branch Extension of MWD’s State Water Project contract has a provision obligating MWD to cover default by any and all other participants. These State Water Project contract stipulations are known as “step-up” provisions.

We are informed that bond underwriters for the BDCP project are expected to require a “step-up” provision by which each BDCP participant in BDCP-related bonds pledges to assume the obligations of defaulting participants. In fact, the newly-released Chapter 8, at Section 8.10.1.1.1 (page 8-81) provides that:

“Existing water contracts would need to be amended to include the new costs of the BDCP assigned to the state water contractors and the repayment schedule.”

Since “step-up” provisions are already embodied within, and apply to, MWD’s State Water Project contract, it would appear that such provisions would apply to the “new costs of the BDCP assigned to the state water contractors.” Given those “step-up” provision obligations, we renew our request that Chapter 8 fully analyze the possible financial and economic effects of the “step-up” provisions on MWD and the other participants in the BDCP.

Property Taxes
Some have suggested that property taxes may be contemplated as back-up security for BDCP payment obligations of individual state water contractors. There are very clear and significant limitations in MWD’s existing taxing authority under the provisions of the MWD Act:

- The Act limits MWD’s ability to levy taxes to pay its State Water Project obligations.
MWD is limited to levying taxes for "the composite amount required to pay (1) the principal and interest on general obligation bonded indebtedness of the district and (2) that portion of the district's payment obligation under [the SWP contract] which is reasonably allocable, as determined by the district, to the repayment by the state of principal and interest on [SWP bonds] as of [January 1, 1985] and used to finance construction of facilities for the benefit of the district."

- Although the Act contains override ability in the event of a fiscal crisis, as determined by the MWD board, the override is limited to only one year at a time. In such an event, the State of California and bondholders would be relying upon an annual vote of MWD's Board of Directors in which it "finds that a tax in excess of these restrictions is essential to the fiscal integrity of the district...."

- It is unclear whether changes to the limitations provided under the MWD Act would require voter approval and/or new legislation. Chapter 8 should address and answer these questions.

Given these limitations and uncertainties, it is difficult to consider MWD's existing taxing authority as a meaningful back-up security for BDCP payment obligations. It is also highly questionable whether the financing of BDCP can be – or should be – backed by taxing authority that was authorized by voters decades ago, when the program was much different than is being discussed today. A careful legal analysis of MWD taxing authority should be included in the BDCP due diligence process if taxes are going to be relied upon as additional back-up security for BDCP project debt. The newly-released version of Chapter 8 is silent on this issue.

Based on the assurances that you previously provided to the Water Authority, we expected that the full consideration and analysis of the issues we have raised would be integrated in to the Chapter 8 analysis and conclusions. And yet, the current version of Chapter 8 of the BDCP administrative draft does not comprehensively or adequately conduct due diligence on all of the facts and circumstances described in this letter and our previous correspondence. We remain concerned that a potential cascading collapse of funding could occur if the proper due diligence is not undertaken in a timely manner.

We appreciate the opportunity to provide comments on the newly-released Chapter 8 of the BDCP administrative draft. We remain committed to working with you and all parties to evaluate, address, and resolve these critical financing issues.

Sincerely,

Maureen A. Stapleton
General Manager

Attachment: August 28, 2012 letter
October 7, 2013

Secretary John Laird
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Secretary Laird:

On behalf of the San Diego County Water Authority (Water Authority), thank you for your September 11, 2013 letter to Chair Wornham and me responding to a January 2013 multi-agency letter requesting analysis of the Natural Resources Defense Council’s portfolio approach to statewide water management and the Bay-Delta Conservation Plan (BDCP).

We look forward to working with you to help develop a BDCP project that achieves the co-equal goals and is affordable. As the largest member agency of the largest State Water Contractor, the Metropolitan Water District, the Water Authority and its ratepayers are being counted upon to pay the second-largest share of BDCP costs. Yet, we have been relegated to the status of an outside observer who may have no financial stake in the BDCP. Accordingly, we request the opportunity to become more directly engaged in the BDCP cost allocation discussions and negotiations process – and be part of the solution. The stakes are sufficiently high for the San Diego region to be afforded the opportunity to be at the cost allocation negotiating table.

As you know, the Water Authority has not endorsed any alternative that has been considered by the BDCP program or advanced by others, including the Natural Resources Defense Council’s Portfolio Alternative and the Delta Vision Foundation’s BDCP-Plus. However, we firmly believe that a thorough and comprehensive analysis of Delta fix alternatives is critical to help inform the ultimate selection of an implementable plan for achieving the co-equal goals.

The Water Authority is committed to helping find a Delta solution, and to that end, is continuing its multi-year effort to inform our Board of Directors and civic and business leaders in our region on a variety of issues associated with the Delta. In addition, over the past several months, the Water Authority Board and staff have been engaged in an intensive, comprehensive review of BDCP-related alternatives to assess how various options may improve the San Diego region’s water supply reliability along with risks associated with each. This review process is ongoing, and is scheduled to continue into 2014. We were disappointed to learn from Natural Resources Agency Deputy Secretary Jerry Meral at our September 12 Board workshop that determinations regarding the cost allocation among contractors will not be concluded when the BDCP and its environmental documents are released for public review next month. Although we plan to

1 Among MWD’s member agencies, and second only to the Kern County Water Agency.

A public agency providing a safe and reliable water supply to the San Diego region
A public agency providing a safe and reliable water supply to the San Diego region

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submit a formal comment letter during the BDCP environmental review process, the allocation of BDCP costs and the resultant rate impacts on San Diegans will remain a central element in our Board’s consideration of which option to support.

While we had hoped that your Agency’s evaluation of the Portfolio Alternative would be helpful to the Water Authority’s ongoing review and analysis, some of the information contained in your September 11 letter raises more questions than it answers.

- The letter states that a single-tunnel, 3,000 cfs conveyance facility (which is proposed in the Portfolio Alternative) would cost $6 billion less than the BDCP preferred alternative (9,000 cfs twin tunnels) - $8.5 billion compared to $14.5 billion. However, on September 16, a corrected version of the evaluation was posted on the BDCP website, which indicates that the 3,000 cfs single-tunnel conveyance facility would only cost $3 billion less than the BDCP preferred alternative. Further, none of these numbers match Dr. David Sunding’s economic benefit analysis, which he shared with us at our September 12 Board of Directors workshop, which identified the cost at $10 billion.

Many entities that are undertaking review and analysis of the Delta fix options, like the Water Authority, would benefit from reliable cost estimates for the conveyance features of the Portfolio Alternative. The lack of clarity in the cost estimate has made it challenging to have a meaningful cost comparison of the various conveyance feature sizes. Could you please provide an apples-to-apples cost comparison of the 3,000 (single tunnel), 6,000 and 9,000 cfs conveyance project sizes?

- In terms of the benefit cost ratio of alternatives, your evaluation indicates that “the 3,000-cfs tunnel has a negative benefit cost ratio, largely because the cost of the 3,000-cfs tunnel is approximately two thirds of building the proposed 9,000-cfs twin tunnels but the water yield is much smaller.” The evaluation may be accurate; we are not attempting to dispute or refute the calculations and findings. However, with the numerous cost estimates for the conveyance features included in your own evaluations it is difficult to definitively understand the benefit cost ratio at which the evaluation arrives. A more comprehensive evaluation and identification of the appropriate assumptions would be valuable for those seeking to undertake independent analysis of cost-related information.

- The evaluation regarding the potential water supply yield in water recycling and water use efficiency projects that could be achieved from a $3B investment in local and regional water supply projects requires additional analysis. Your evaluation indicates, that with respect to investments in local and regional water recycling projects and water conservation projects, “it is doubtful that a $3 billion investment would produce even 100,000 acre-feet of reliable new water supply in urban areas, and would do nothing for agricultural users.” This evaluation appears at odds with the Department of Water Resources’ California Water Plan Update, which provides an analysis from which it may be concluded that a $3 billion investment in water recycling projects could actually
produce approximately 400,000 acre-feet of new water supplies (2009 Water Plan Update, Page 11-10). In addition, data developed by the Water Authority on local project costs and implementation also indicates that BDCP’s estimate is very low. We believe this warrants additional analysis to better understand how your evaluation arrived at a potential yield of 100,000 acre-feet or less. We would be happy to share the Water Authority’s data and our observations on local supply development with your staff.

- The evaluation with respect to the ability to export water from the south Delta following a significant seismic event stated that, “It may take from one to 10 years to rebuild enough Delta levees to once again allow substantial exports from the south Delta.” While certainly more work remains to be completed in terms of the efforts that have been undertaken through the Delta Emergency Rock and Transfer Facilities Project and the Delta Emergency Response Program to secure water supply reliability following a significant seismic event, it is our understanding that significant progress has been made to reduce the worst-case export outage. A more comprehensive analysis on this issue would be beneficial.

We look forward to working with you to consider a BDCP project that is implementable, achieves the co-equal goals, and improves water supply reliability and is affordable within the San Diego region and the rest of the state. In addition, we look forward to arranging a meeting with you in the near-term to explore avenues for additional information sharing and the Water Authority’s participation in the cost allocation negotiation process.

Sincerely,

Maureen A. Stapleton
General Manager

Attachments:

1. January 2013 multi-agency letter regarding NRDC Portfolio Alternative
2. September 11, 2013 correspondence and Portfolio Alternative evaluation from Secretary John Laird
July 28, 2014

Mr. Ryan Wulff
National Marine Fisheries Service
650 Capitol Mall, Suite 5-100
Sacramento, California 95814
ATTN: BDCP Comments


Dear Mr. Wulff:

The San Diego County Water Authority (Water Authority) is submitting the following additional comments on the joint Draft Environmental Impact Report (EIR) Draft Environmental Impact Statement (EIS) prepared by the U.S Department of Interior, Bureau of Reclamation (Reclamation), and U.S. Department of Interior, Fish and Wildlife Service (USFWS); the U.S Department of Commerce, National Oceanographic and Atmospheric Administration, National Marine Fisheries Service (NMFS); and the California Department of Water Resources (DWR) for the proposed Bay Delta Conservation Plan (BDCP).

While these comments are directed to the Draft Implementing Agreement (IA) dated May 30, 2014, the inter-related nature of the Implementing Agreement, the BDCP and the Draft EIR/EIS make these comments equally applicable to all three documents. Therefore, this letter should be considered a supplement to the previous Water Authority letter dated May 30, 2014.

GENERAL COMMENTS

1. While the extension of the review period to accommodate release of the Draft Implementing Agreement is appropriate and appreciated, the Water Authority believes there is a substantial lack of specificity regarding the financial commitments required to approve the BDCP and issue any necessary incidental take permits. The IA provides no additional clarity on how these legally binding funding commitments are expected to be made and the timeline by which they are expected to be executed. We believe the IA should address whether existing water contracts will contain such language, or whether some other type of
funding agreement (that includes back-stop and assurances for long-term financial commitments) will be developed and executed by the BDCP participants. The Final IA should specify how firm funding commitments with all participants will be assured.

2. The commitment of individual State Water Project (SWP) or Central Valley Water (CVP) contractors to participate in the BDCP has not been determined, and it is possible that some contractors will decline. The Final IA should specify the criteria to be used by DWR and Reclamation in determining how to coordinate and allocate water between the SWP and CVP, and among the BDCP participants and non-participants.

3. The Draft IA specifically notes that neither the state nor federal government can commit to providing funds in the amounts expected or within the established BDCP implementation schedule. Yet, state and federal funding contributions remain crucial to overall BDCP success. Without such commitments, it remains unclear how the funds required to fully implement the BDCP will be obtained. The Final IA should explain the process that will be followed to make up for any sporadic or prolonged shortfall in BDCP funding by the state or federal governments.

DETAILED COMMENTS

1. Page vi: The Table of Contents lists the exhibits attached to the BDCP Draft IA.

Comment: None of the listed exhibits were attached to the public review draft. The exhibits form an integral part of the commitments and assurances made by the participants. Please attach the completed exhibits to the Final IA.

2. Page 1, Section 1: Lists the parties to the IA, but does not list the individual State Water Contractor or Central Valley Project contractor agencies that would be signatories.

Comment: It is not possible to determine BDCP financial impacts or overall viability without the full list of participating agencies. The Final IA and Final BDCP should list the individual contractor agencies that have financially committed to, and their level of financial participation in the BDCP.

3. Page 2, Section 2.1.6: States that “Reclamation is not a permit applicant… under the ESA or NCCPA”.

Comment: This position is further reinforced by the statement on page 1, section 1 that Reclamation has “no obligations” established in the IA. It is
unclear how an agency can participate in the BDCP, yet not be bound by implementation commitments established in the IA. This would seem to suggest that Reclamation can act independent of implementation actions taken by BDCP participants. The Final IA needs additional clarification describing Reclamation’s commitments to conform to the terms of the BDCP while not being a signatory to the IA.

4. Page 3, Section 2.1.8: States that “…the BDCP…provides an allocation of responsibility among the Parties for BDCP requirements…….”

*Comment:* The term “Parties,” especially as it relates to individual SWP or CVP contractors, is not specifically defined. Does it mean the signatories to the IA, or is there some broader list of agencies that will participate in BDCP implementation without signing the IA? This term should be defined in the Final IA, and include the list of agencies that have committed to sign the IA. Additionally, the “allocation of responsibility” presumably includes funding obligations. To date, no state or federal water contractor has formally committed, in writing, to fund any aspect of the BDCP. As such, the structure of financing the underlying credit for long term debts, and the sources of funds for day-to-day operations are not defined. Without such legally binding commitments, it is unclear how the BDCP can be approved and long-term endangered species act permits can be issued.

5. Page 3, Section 2.1.10: States that “DWR and the participating SWP/CVP Contractors have submitted the BDCP….”

*Comment:* This indicates that individual SWP/CVP contractors have executed and submitted the appropriate permit applications to the federal and state wildlife agencies on behalf of their respective agencies. If so, the individual SWP/CVP agencies that are requesting HCP/NCCP permits should be listed in the Final IA.

6. Page 5, Section 3.1: Describes the membership and roles of the Adaptive Management Team (AMT), including voting members.

*Comment:* It is unclear exactly what the AMT will “vote” on or if the “vote” is expected to be binding on the IA signatories. Implementation of the BDCP is the sole responsibility of those entities receiving incidental take authorizations through the ESA and NCCPA permit process (i.e., an expanded Authorized Entity Group consisting of all permit holders). It is one thing to have the AMT vote to submit a proposed management change to the Authorized Entity Group (the permittees) for consideration. It is quite another if the AMT can unilaterally impose management changes without the consent of the permit holders. The
Final IA and Final BDCP should clarify that the AMT acts strictly in an advisory capacity to the permit holders.

7. Page 7, Section 3.18: States that: “Coordinated Operation Agreement means the agreement... for the coordinated operation of the Central Valley Project and the State Water Project dated November 24, 1986.”

*Comment:* Given that both the SWP and CVP operations will be modified under the BDCP, the Final IA should describe how operations under the BDCP will be coordinated between the two projects and how the Coordinated Operation Agreement will be modified as a result.

8. Page 9, Section 3.46: States that “Permittees means DWR and SWP/CVP Contractors”.

*Comment:* Since the permit applications have been submitted to the wildlife agencies (see Section 2.1.10 above), the individual contractor agencies that have requested incidental take authorization should be listed in the Final IA.

9. Page 10, Section 3.55: States that “Supporting entity...performs task at the request of the Program Manager...”.

*Comment:* Since a supporting entity will not be a BDCP permit holder, implementation of BDCP actions will need to be authorized by a permit holder. Yet, the Program Manager is not a signatory to the IA and is not a permit holder. The Final IA will need to explain how the non-permitted Program Manager can authorize permit coverage for another non-permitted entity.

10. Page 10, Section 3.56: States that “SWP/CVP Contractors means the individual water agencies that hold water delivery contracts... and that have executed this Agreement.”

*Comment:* The listed definition of “SWP/CVP Contractors” also includes joint exercise of power agencies that execute the IA. However, it is unclear how a joint exercise of power agency can be granted a permit unless it has also submitted a permit application and committed to fund, on behalf of all its member agencies, BDCP implementation. In this case, the member agencies of the joint exercise of powers agency will need to have developed and executed a legally binding cost-sharing agreement to ensure adequate funding as required by the ESA and NCCPA permit processes. The Final IA should clarify if any joint exercise of power agency has formally committed to fund and participate in BDCP implementation and include a copy of the actual funding agreement.
11. Page 15, Section 7.1: States that "... Authorized Entities will fulfill all of their respective obligations." 

"• Participating in the Authorized Entity Group....".

Comment: As noted in our May 30 comment letter, because permit holders are funding BDCP implementation and are responsible for ultimate success, the Authorized Entity Group should consist of all permit holders, not just the limited subset currently defined in the Draft BDCP and Draft IA. The Final BDCP and Final IA should be revised to state that the AEG includes all individual permit holders.

"• Conferring with the... Permit Oversight Group... and obtaining approval ...where required.”

Comment: As noted in our May 30 comment letter, the POG should not have any unilateral BDCP implementation decision authority. Implementation is rightfully the sole obligation of the BDCP permit holders. The POG role is limited to ensuring compliance with the BDCP and permits, and providing implementation advice to the Authorized Entity Group. The Final IA and Final BDCP should be revised to reflect this more appropriate compliance oversight role for the POG.

12. Page 17, Section 8.1.1: States that "...take authorizations will cover the Permittees, including all of their respective officers, directors, employees, agents, subsidiaries, member agencies, contractors, and the Supporting Entities ....who engage in any Covered Activity. All contracts... will require compliance with the Permits...”.

Comment: While this addresses permit compliance for contractual relationships, it is silent on other relationships. For example, what sort of written documentation, if any, is required for an agent, subsidiary, member agency, or Supporting Entity to claim permit coverage? The Final IA should clarify that to obtain take authorization coverage through an existing permit holder, an entity must have a legally binding agreement stating that the entity is acting directly for, and on behalf of the permittee.

13. Page 18, Section 8.2: States that "An Other Authorized Entity will receive take authorization... after executing a Certificate of Inclusion that meets minimum requirements... set forth in Exhibit C... to ensure compliance with... Plan and Permits.”
Comment: Exhibit C was not attached to the Draft IA, so it is not possible to comment on the specifics contained in the “Certificate of Inclusion” or its applicability to covered activities contemplated by non-SWP/CVP contractors. In particular, it is not clear if the Certificate of Inclusion is the only mechanism available to non-SWP/CVP contractors to allow the use of SWP or CVP facilities for water transfers. The Final IA needs to address the process for non-SWP/CVP contractors to implement water transfers; specifically from willing sellers north of the Delta to willing buyers south of the Delta.

14. Page 20, Section 8.9: The third paragraph duplicates text in the first two paragraphs.

Comment: The Final IA should be revised to delete redundant text.

15. Page 21, Section 9.1: States that “Covered Activities and Associated Federal Actions encompass all actions that are proposed for coverage under Take Authorizations to be issued by the Fish and Wildlife agencies on the basis of the BDCP.”

Comment: It is unclear, since Reclamation is not a signatory to the IA, how a federal agency can, or even needs to obtain state take authorizations under the NCCPA. It is typical for federal agencies to obtain take coverage for their actions through a federal ESA Section 7 process; for the BDCP, this has been described as the Integrated Biological Opinion. The BDCP permits to be issued pursuant to the IA will provide take authorizations to non-federal agencies pursuant to ESA Section 10 and NCCPA Section 2835. The Final IA should explain how Reclamation will obtain state and federal ESA coverage through issuance of the BDCP permits when that agency is not signatory to the IA.

16. Page 22, Section 9.5: States that “… If CDFW determines….”

Comment: The entire section should be revised to replace all occurrences of “CDFW” with “the fish and wildlife agencies”, and the remaining text modified accordingly. The current text is specific to the CDFW process, with no mention of a parallel process for the federal wildlife agencies. This text change is suggested to make it clear that both the state and federal wildlife agencies are included in the conference process. Alternately, a new IA section that mimics this wording, but focuses specifically on the federal agencies (USFWS and NMFS) should be added.

17. Page 25, Section 10.2.1.1: States that “… the applicants propose a project with operational and flow criteria intended to achieve the biological goals and
objectives...". It further states that "It is expected that the USFWS, CDFW, and NMFS will issue Permits for...the high outflow scenario...".

Comment: While the range of outflow criteria proposed by the BDCP are intended to achieve the biological goals and objectives for the smelt, there is no certainty that those goals will be achieved, even with the proposed "decision tree" process. Page 23, Section 10.1 states that "failure to achieve biological goals and/or objectives shall not be a basis for a determination ... of non-compliance with the Plan or for the suspension or revocation of Permits....". The Final IA should specifically state that the high spring and fall outflow scenarios as described in the BDCP are the maximum and will not be increased even if biological goals and objectives are not met.

18. Page 26, Section 10.2.1.2 (3): States that "Completion and peer review...will be administered by the Implementation Office under the direction of the Adaptive Management Team."

Comment: The Implementation Office is the focal point for BDCP implementation. All implementation decisions need to be distributed from this single office. None of the support groups, whether it be the Permit Oversight Group or Adaptive Management Team, can have independent decision making authority for implementation or the BDCP is no longer that same one submitted by the permit applicants. For this reason, the following text should be revised as shown:

"This step will be administered by the Implementation Office in coordination with under the direction of the Adaptive Management Team".

19. Page 26, Section 10.2.1.2(4): States that "... the Implementation Office will provide the report... to the Authorized Entity Group and the Permit Oversight Group for decision pursuant to...)."

Comment: Once Permits are issued, the Permit holders are legally responsible for BDCP implementation. Consequently, this group retains sole decision making authority for all aspects of implementation. The POG should have no independent decision making authority when it comes to BDCP implementation. The role of the permitting agencies is to ensure compliance with the terms of the BDCP and Permits, and to provide advice and guidance to the Permit holders on implementation issues. The decision making role of the POG is a repeating theme throughout the Draft IA and Draft BDCP. The Final IA and Final BDCP should be changed to reflect a more limited Permit oversight and compliance role for the POG.
20. Page 26, Section 10.2.1.4: States that “The outflow criteria applicable to CM1 may be within the range of outflow criteria analyzed in the decision tree…”.

Comment: The BDCP was developed by the Permit applicants with a very specific range of proposed outflow criteria. No outflow should exceed the maximum contemplated in the BDCP. For this reason, the following text should be revised as shown:

“The outflow criteria applicable to CM1 will may be within the range of outflow criteria…."

21. Page 26, Section 10.2.1.5: States that “…changes to the outflow requirements of CM1 associated with these other fish species…”

Comment: This provision infers that the maximum outflows contemplated in the BDCP can be increased beyond those in the “decision tree” to encompass other fish species. As already noted in Section 10.1, “failure to achieve biological goals and/or objectives shall not be a basis for a determination … of non-compliance with the Plan or for the suspension or revocation of Permits…."

It is important that the outflows not exceed the amounts proposed in the BDCP, even if all biological goals are not achieved. The Final IA and Final BDCP should state that alternate management methods will need to be considered if flows beyond those in the BDCP are suggested.

22. Page 27, Section 10.2.2.1: States that “The primary BDCP agencies (CDFW, USFWS, NMFS, DWR, and Reclamation will collaborate in making real time operational adjustments.”

Comment: This approach excludes the permit holders from any decision making regarding implementation of this aspect of the BDCP. If Permit holders are excluded, then additional language needs to be added to the Final BDCP and Final IA that relieves the Permit holders of responsibility for any adverse effects on BDCP implementation that result from decisions in which they have been excluded from making.

23. Page 27, Section 10.2.2.2.1: States that “The RTO Team will also include one representative of the SWP contractors and one representative of the CVP contractors, who will serve as non-voting members.”

Comment: This organizational structure precludes the SWP and CVP contractors from meaningful involvement in deciding how the BDCP will be implemented. Yet, Permit holders are solely responsible for BDCP implementation success. As noted above, if Permit holders are excluded from
the decision making process, then additional language needs to be added to the Final BDCP and Final IA that relieves the Permit holders of any responsibility for any adverse effects on BDCP implementation that result from decisions in which they have been excluded from making.

24. Page 27, Section 10.2.2.2.2: Describes the functions of the RTO Team.

*Comment:* The RTO Team was not fully described in the Draft BDCP (as noted in the preamble to Section 3.4.1.4.5). Consequently, the applicability of state and federal open meeting laws that pertain to this Team have not been described. The Final BDCP should describe this Team in greater detail and reflect that it is bound by the same open meeting laws as all other groups that are assisting in BDCP implementation. It should also clarify how the 1986 Coordinated Operation Agreement will be modified as a result of RTO decisions.

25. Page 28, Section 10.2.2.2.3: States that “The RTO Team shall operate by consensus...”.

*Comment:* This is in conflict with Section 10.2.2.2.1 which lists SWP and CVP contractors as non-voting members. It is not clear if SWP/CVP contractor representatives on the RTO Team will be part of the consensus process or not. The Final IA needs to be revised to reflect that SWP and CVP contractors that are part of the RTO Team have the same roles and rights as other team members. It should also describe the process to follow if consensus could not be reached by the RTO members.

26. Page 29, Section 10.3.2.1: States that “The Adaptive Management Team....shall have authority to make decisions...”.

*Comment:* As noted repeatedly, the Permit holders (represented by an expanded Authorized Entity Group that includes all permit holders), are solely and legally responsible for the successful implementation of the BDCP and compliance with issued permits. Having the Adaptive Management Team function autonomously from the entities legally responsible for BDCP implementation is inappropriate and could undermine overall program success. The Adaptive Management Team should only provide implementation recommendations to the Authorized Entity Group (i.e. permit holders) for decision, and should not be authorized to make any decisions unilaterally. The Final BDCP and Final IA should be revised to reflect this supporting role.

27. Page 30, Section 10.3.2.3: States that “On a periodic basis, the Adaptive Management Team shall open its meetings to the Public.”
Comment: To maximize transparency and provide the greatest public involvement, all meetings of the Adaptive Management Team should be open to the public and follow all state and federal open meeting laws. The Final IA should be revised to reflect that all meetings will be open to the public.

28. Page 32, Section 10.3.5.1.1: States that "...decisions of the Adaptive Management Team shall not be subject to review and consideration of the Authorized Entity Group and Permit Oversight Group...".

Comment: See above comment 26. All decisions that can affect BDCP implementation must be made by those entities legally responsible for BDCP implementation and compliance with permits. No other group should be making unilateral decisions that affect the BDCP or the permits. Every group or team formed to assist in BDCP implementation, whether the Permit Oversight Group, Adaptive Management Team, RTO Team or any other body, are all supporting the permit holders in implementing the BDCP. The Final BDCP and Final IA should be revised to reflect that all BDCP implementation and permit compliance decisions must be made by the permit holders.

29. Page 33, Section 10.3.5.1.1: States that "...if the Authorized Entity Group and the Permit Oversight Group are unable to reach agreement, the Permit Oversight Group will decide the matter."

Comment: See above comments 26 and 28. The Permit Oversight Group should only be responsible for ensuring compliance with the permits. If the Authorized Entity Group (permit holders) takes an action that the permit issuing agencies believe violates permit terms and conditions, the IA contains specific permit suspension and revocation procedures to force compliance. Only the permit holders can, and should, make decisions regarding BDCP implementation; they are the ones legally and financially responsible. The Final BDCP and Final IA should be revised throughout to note this more limited role for the Permit Oversight Group.

30. Page 36, Section 10.3.5.1.1: States that "In the event that the Authorized Entity Group and the Permit Oversight Group are unable to reach agreement...the appropriate Fish and Wildlife Agency official with authority over the matter...shall decide...".

Comment: See above comments 26, 28, and 29. The Draft BDCP and Draft IA contain multiple and repeated references to groups, teams or individuals other than the permit holders being authorized to make decisions that affect BDCP implementation. This approach is entirely inappropriate. The BDCP is a voluntary plan prepared and submitted by the permit applicants. Therefore, the
only entities responsible for funding and implementing the BDCP are the permit holders. If another entity/agency demands decision authority, then that entity or agency must be willing to accept responsibility for the outcome of those decisions. However, by doing so, the permit holders will be relieved of any responsibility for future consequences of those decisions. The Final BDCP and Final IA should be revised to remove all references to decisions made by any entity other than the permit holders. If not, additional text needs to be added to the Final BDCP and Final IA that relieves the Permit holders of responsibility for any adverse effects on BDCP implementation that result from decisions not made by them.

31. Page 37, Section 10.3.7.3.2: States that “... the Supplemental Adaptive Management Fund may be used at any time, provided the following actions have occurred or determinations have been made....”.

Comment: The text then goes on to list six bulleted items necessary to trigger use of the supplemental fund. However, it is unclear if all six of the bullets have to be satisfied to access funds, or just one. Recommend changing the text as shown below:

“... may be used at any time, provided one or more of the following actions....”

32. Page 39, Section 10.4.2: States that “The Adaptive Management Team, shall have primary responsibility....”.

Comment: To reinforce that all entities working on BDCP implementation recognize the overall responsibility of the permit holders, the text change shown below is recommended:

“Under the direction of the Authorized Entity Group, the Adaptive Management Team shall have primary...”

33. Page 39, Section 10.4.3: States that “In the event the Authorized Entity Group and the Permit Oversight Group are unable to reach agreement,... the Permit Oversight Group will determine whether the proposed plan... will be adopted.”

Comment: See above comments 11, 19, 29, and 30. It is inappropriate for any entity other than the permit holders to make decisions regarding BDCP implementation.
34. Page 40, Section 11.1: States that “The Implementation Office will ensure that the Conservation Measures are implemented substantially in accordance with the Implementation Schedule, Exhibit D.”

Comment: None of the exhibits referenced, including Exhibit D, were included in the Draft IA. All exhibits should be included in the Final IA.

35. Page 40, Section 11.1.1: States that “If Conservation Measures are implemented in accordance with the Implementation Schedule..., Rough Proportionality will be considered by CDFW to be maintained...”.

Comment: Rough proportionality is only discussed in the context of CDFW NCCPA permits. The Final IA should also indicate if the USFWS and NMFS will also follow this Rough Proportionality standard in evaluating BDCP implementation under their ESA Section 10 permits. Further, it is unclear if Rough Proportionality can be maintained if federal or state funding commitments are not met. The Final IA should include text that suspends the Rough Proportionality requirement if state or federal funding obligations are not met.

36. Page 42, Section 11.4.1: States that “The Fish and Wildlife Agency(ies).... shall respond to the Implementation Office within sixty (60) days.”

Comment: To minimize potential implementation delays, text should be revised as shown below:

“The Fish and Wildlife Agency(ies).... shall respond to the Implementation Office within sixty (60) days or such revision shall be deemed approved.”

37. Page 45, Section 13.0: States that “… the State and federal governments have committed to provide additional funding to implement the Plan.”

Comment: It is unclear how the state or federal governments can legally commit to fund their portions of the BDCP in advance of actions by the Legislature or Congress to appropriate and allocate funds. Without such legally binding commitments, it is unclear how the BDCP can be approved and long-term endangered species act permits can be issued. The Final BDCP and Final IA should cite provisions in the NCCPA and ESA regulations that allow Permits to be issued in the absence of assured funding.

38. Page 46, Section 13.1.2: States in a note to reviewer that “… while the United States has been engaged in development of this draft Agreement, there is no
A federal position... regarding potential funding obligations... The Parties anticipate reaching agreement on a federal and state cost share.”

Comment: This sentence conflicts with the statement on page 45 where the state and federal governments have definitively committed to provide additional funds for the BDCP. The cost share eventually agreed to by the state and federal governments should be included in the Final IA, as well as a description of how long-term state and federal funding will legally be assured. Without such assurances, we are unsure how the BDCP can be approved and long-term endangered species act permits can be issued. The Final BDCP and Final IA should cite provisions in the NCCPA and ESA regulations that allow Permits to be issued when funding is uncertain.

39. Page 48, Section 14.0: States that “The State and federal agencies may use a variety of tools at their disposal... to ensure the needs of species affected by unforeseen events are adequately addressed.”

Comment: To provide assurances to the Authorized Entity Group (all permit holders) that no additional funds or resources will be required, the Final IA should include text that protects the Authorized Entity Group (permittees) from being subject to new or revised regulations or fees, the intent of which is to obtain the funding or resources necessary to address unforeseen events.

40. Page 53, Section 15.1: States that “The implementation of the BDCP will generally be effectuated through an Implementation Office, which will be... governed by the Authorized Entities through the Authorized Entity Group”.

Comment: Consistent with our prior comment letter, we strongly believe that all permit holders must be included in the Authorized Entity Group; a small subset cannot truly represent the interests of all permit holders or provide for the broadest public interest.

41. Page 53, Section 15.1: States that “Through the Permit Oversight Group, the Fish and Wildlife Agencies will be involved in certain specified implementation decisions...”

Comment: It is important that the POG and Fish and Wildlife Agencies provide input into relevant decisions, but they should not be making the actual decision. All decisions related to BDCP implementation are the purview of the permit holders. Once the permits are issued, the POG and wildlife agencies role is to ensure that the permit terms are met. The Final BDCP and Final IA should be clear that neither the POG nor Fish and Wildlife Agencies make decisions related to BDCP implementation.
42. Page 55, Section 15.2.1: States that “The Implementation Office shall not administer the Adaptive Management and Monitoring Program.”

Comment: While it is appropriate to have the Adaptive Management Team administer the monitoring program, the Implementation Office should provide overall direction for the adaptive management effort. The Adaptive Management and Monitoring Program is a key component of BDCP implementation. Having an entity other that the Implementation Office, which is charged with BDCP implementation through the Authorized Entity Group, direct this work is inappropriate and counterproductive to BDCP success. The Final BDCP and Final IA should be revised to reflect that the Implementation Office will provide overall direction in the administration of the Adaptive Management and Monitoring Program.

43. Page 58, Section 15.2.4.4: States that “The Implementation Office shall be responsible for... implementation of Conservation Measures... and will not require the approval... of the Authorized Entities, the Fish and Wildlife Agencies, or the Adaptive Management Group.”

Comment: The Implementation Office should not act unilaterally. The permit holders (i.e., Authorized Entities) are responsible for all aspects of BDCP implementation, including all the Conservation Measures. Consequently, no actions should be undertaken by the Implementation Office or any other group without the approval or concurrence of the Authorized Entities (permit holders). This presumably can be accomplished through approval of the annual work plan. The Final BDCP and Final IA should be revised to reflect Authorized Entities approval is required for any implementation action.

44. Page 60, Section 15.3.3: States that “The Authorized Entity Group will meet....at a minimum on a quarterly basis. ...On a periodic basis, the Authorized Entity Group will hold meetings that are open to the public.”

Comment: All, not just some, meetings of the Authorized Entity Group should be open to the public and comply with state and federal open meeting laws. The Final IA and Final BDCP should be revised to state that all meetings of the AEG will be open to the public and comply with open meeting laws.

45. Page 60, Section 15.4.1: States that “… the Fish and Wildlife Agencies will retain responsibility for monitoring compliance with the BDCP, approving certain actions, and enforcing the terms and conditions of their respective regulatory authorizations.”
Comment: Having the Fish and Wildlife Agencies responsible for monitoring BDCP compliance, and the terms and conditions of the permits is entirely appropriate once permits are issued. However, having them make unilateral decisions on BDCP implementation actions is not appropriate. As noted previously, once permits are issued, the sole responsibility for BDCP implementation belongs to the permit holders. Consequently, the permit holders should be making all decisions that affect BDCP implementation. If the Fish and Wildlife Agencies (issuers of the permits) disapprove of action taken by the permit holders, there are permit suspension and revocation procedures in the IA to ensure permits are not violated. The Final BDCP and Final IA should be revised to remove any reference to the Fish and Wildlife Agencies “approving certain actions”.

46. Page 61, Section 15.4.1: States that “The Permit Oversight Group will have the following roles…

- Participate in decision-making regarding real-time operations.…”.

Comment: It is appropriate for the Permit Oversight Group to provide guidance to the permit holders in the decision making process, but that involvement should strictly be advisory. The permit holders are ultimately responsible for all aspects of BDCP implementation. No other group should be making unilateral decisions regarding BDCP implementation. The Final BDCP and Final IA should be revised to make it clear that the permit holders make all decisions, with other groups providing guidance and advice.

47. Page 66, Section 15.8.1: States that “With respect to implementation matters for which the Authorized Entity Group and Permit Oversight Group have joint-decision making authority…”

Comment: There should be no joint-decision making authority when it comes to BDCP implementation. Once the permits are issued, the permit holders have sole and complete responsibility to meet the terms and condition of the permits. There are no further decisions for the Permit Oversight Group to make once the permits are issued. The POG’s role is to ensure compliance with terms of the permits. There is already a procedure in the IA for the Fish and Wildlife Agencies to follow if the permit holders are not in compliance with the permits. The Final BDCP and Final IA should be revised to note that the POG provides guidance and advice to ensure compliance with the permits.

48. Page 66, Section 15.8.2: States that “If… the matter remains unresolved, the entity with decision-making authority… will make the final decision.”
Comment: The only entity with decision making authority should be the Authorized Entity Group (i.e., permit holders). There should be no need for a review process to challenge a decision by the permit holders. The Permit Oversight Group can certainly provide advice and guidance to the permit holders, but the ultimate decision belongs to those who have been issued permits and are responsible for BDCP compliance. The Final BDCP and Final IA should be revised to delete any reference to any BDCP implementation decisions being made by the Permit Oversight Group. As a result, there is no need for Section 15.8 and it should be deleted in its entirety.

49. Page 72, Section 17.2.2: States that “... the Permit Oversight Group... will provide written concurrence...that the draft plan... makes adequate provisions for... joint decision of the Authorized Entity Group and the Permit Oversight Group or decisions of an agency with authority over the matter.”

Comment: As has been stated repeatedly throughout these comments, the only entity authorized to make BDCP implementation decisions should be the permit holders. They are the ones ultimately responsible for BDCP implementation and permit compliance. The Final BDCP and Final IA should be revised to state conclusively that the permit holders are the final decision making authority for all BDCP implementation actions.

50. Page 72, Section 17.2.3: States that “...implementation of the applicable joint decisions of the Authorized entity Group and the Permit Oversight Group or decisions of an agency with authority over the matter.”

Comment: See above comments 47 and 49. The only entity authorized to make BDCP implementation decisions should be the permit holders. They are the ones ultimately responsible for BDCP implementation and permit compliance. The Final BDCP and Final IA should be revised to state conclusively that the permit holders are the final decision making authority for all BDCP implementation actions.

51. Page 79, Section 21.4: States that “In the event of withdrawal by DWR, the Permits will be terminated.”

Comment: This proposal is unwarranted. It is unclear why withdrawal by DWR would trigger termination of all other permits, especially if the BDCP is being implemented by other permit holders in accordance with the permits. The DWR is only one of many permit holders; each has legal responsibility for BDCP implementation. Terminating all permits without cause may be in direct conflict with provisions of the “Permit Revocation Rule” and “assurances” authorized under ESA Section 10 and NCCPA permits. The withdrawal of DWR should be
handled no differently than the withdrawal of any other permit holder. The Final IA should be revised to allow all other permits to remain in force even if DWR withdraws.

**52.** Page 79, Section 21.4.1: States that “As a condition of withdrawal, the withdrawing Party(ies) shall remain obligated to ensure implementation of… Conservation Measures required under this Agreement, the BDCP and the Permits…”

*Comment:* It is appropriate for withdrawing parties to remain obligated for impacts of take caused by their actions prior to withdrawal. However, if DWR withdraws, and all permits are terminated as currently proposed in Section 21.4, then DWR should bear the sole burden of, and responsibility for, meeting all obligations of the permit holders that did not request to withdraw and had permits unilaterally terminated. The Final IA should be revised to reflect this additional obligation of DWR should it choose to withdraw without the concurrence of the other permit holders.

**53.** Page 80, Section 22.0: States that “... none of the parties will be liable in damages to any other Party or to any other person or entity for any breach of this Agreement…”

*Comment:* If there is no penalty for non-compliance, why would a participant place a priority on performing? If Parties fulfilling their obligations are hindered, or incur greater costs because one or more other Parties are not performing as expected, damages should be recoverable from the non-performing Parties. The Final IA should be revised to allow for damages claims against non-performing parties.

**54.** Page 80, Section 22: States that “The Authorized Entities use their best efforts to remedy their inability to; and”

*Comment:* This sentence is incomplete. Text should be revised as shown below:

“The Authorized Entities use their best efforts to remedy their inability to perform; and”

**55.** Page 86, Section 23.2.1: States that “The Fish and Wildlife Agencies… may submit comments on the proposed minor modification…. The Authorized Entities must agree to any proposed minor modification.”
Comment: This paragraph can be interpreted several ways. To make it clear that the Authorized Entities have approval authority for minor modifications, the text should be changed as follows:

“The Authorized Entities must agree to any proposed minor modification before it is incorporated into the Plan.”

56. Page 87, Section 23.3: States that “Formal amendments include, but are not limited to… • Changes to Biological Goals.”

Comment: Requiring a formal amendment for changes to biological goals directly conflicts with the conservation strategy (page 24, Section 10.1.2), which specifically allows biological goals to be modified through the adaptive management process. This is a significantly streamlined process when compared to the formal amendment process. In keeping with the relatively informal adaptive management process, the Final IA should move “Changes to Biological Goals” from the Formal Amendment process to the Minor Modification process.

57. Page 91, Section 24.15: States that “Nothing in this Agreement is intended or shall be construed to require the … expenditure of funds by the United States…Nothing in this Agreement will be construed by the Parties to require…expenditure of any money from the Treasury of the State of California…”

Comment: This section allows the State and Federal governments to avoid funding commitments if monies are not appropriated by their respective authorizing bodies. To make it clear that permits will not be revoked or suspended by the lack of state or federal funds, the Final IA should add language as follows:

“Failure of the federal or state to provide funds as required to implement the BDCP will not be justification to initiate permit suspension or revocation.”

The Water Authority appreciates the opportunity to review and provide comments on the Draft Implementing Agreement. As noted above and in a prior comment letter, the intention of our comments is to obtain additional information and clarification in the Final environmental documents to determine if the Proposed Action as described in the Draft BDCP and Implementing Agreement, and analyzed in the Draft EIR/EIS, is a cost-effective, long-term solution to Delta water supply and ecosystem conflicts.

Please retain the Water Authority on your mailing list to receive future notifications or documents regarding this project. If you have questions or wish to discuss any of the
Ryan Wulff  
National Marine Fisheries Service  
July 28, 2014  
Page 19 of 19

above concerns in greater detail, please contact Larry Purcell, Water Resources Manager at (858) 522-6752, or by email at lpurcell@sdcwa.org.

Sincerely,

Maureen A. Stapleton  
General Manager
February 18, 2015

Attention: Imported Water Committee

Adopt Proposed 2015-2016 Bay-Delta Workplan. (Action)

Staff Recommendation
Adopt the proposed 2015-2016 Bay-Delta workplan.

Alternatives
1. Modify the proposed Bay-Delta workplan.
2. Do not adopt the proposed 2015-2016 Bay-Delta workplan.

Fiscal Impact
There is no fiscal impact associated with this action.

Discussion
The Water Authority has been very active in matters pertaining to the Bay-Delta for the past several years, and has engaged in a years-long Board and staff education process on the Bay-Delta Conservation Plan (BDCP) proposal and its potential effects on the San Diego region. Since 2011, the Board has conducted more than 31 public meetings on Bay-Delta and BDCP-related issues. In addition, an intensive, multi-disciplinary staff analysis of the BDCP environmental and planning documents was undertaken and shared with the Board over the course of 2013 and 2014, culminating in formal Water Authority comment letters submitted on the BDCP effort in Spring and Summer 2014.

Over the course of 2015 and into 2016, significant activity is expected related to the BDCP. In April 2015, it is anticipated that the BDCP will recirculate the environmental documents, including the EIR and EIS, and Implementing Agreement, for further public comment. The BDCP program has identified September 2015 as the projected timeframe for release of the final EIR/EIS, and October 2015 is identified as the projected timeframe for issuance of the federal Record of Decision and the state Notice of Decision on the environmental documents, thereby allowing construction to proceed in the 2016 timeframe.

This report presents a proposed Bay-Delta workplan for calendar years 2015 through 2016. The Bay-Delta workplan is intended to guide staff and the Water Authority Board of Directors in its actions on Bay-Delta issues over the next two years.

Staff recommends that the Board adopt the proposed 2015-2016 Bay-Delta workplan.

Prepared by: Glenn Farrel, Government Relations Manager
Debbie Espe, Senior Water Resources Specialist
Amy Chen, MWD Program Director
Reviewed by: Dennis A. Cushman, Assistant General Manager

Attachment: Proposed 2015-2016 Bay-Delta Workplan
PROPOSED 2015-2016 BAY-DELTA WORKPLAN

Objective: The Water Authority will actively engage at various decision-making levels to ensure the development and implementation of a cost-effective Delta solution that will stabilize its environment and provide improved water quality and water supply reliability, and ensure that the Water Authority’s share of the financial obligations match with the benefits provided by the selected Delta solution. The Water Authority staff will provide timely information and recommendations about Bay-Delta and Bay-Delta Conservation Plan (BDCP) activities to the Board of Directors.

Oversight of Bay-Delta Activities

- Advise the Board on Bay-Delta activities through regular reports to the Imported Water Committee – hold Board workshops on specific issues, as appropriate.

- Monitor activities related to the Bay-Delta, such as the BDCP and the Delta Stewardship Council.

- Actively participate, to the extent possible, in the governance, oversight, finance and funding, ecosystem restoration, facilities operations, and public advisory structures that emerge as a result of the BDCP and related forums.

- Provide input to the Water Authority’s delegation to the MWD Board of Directors regarding decisions to be made about MWD’s participation in Bay-Delta actions and solutions.

Development of Water Authority Positions Related to the Bay-Delta

- Upon publication of BDCP cost allocation data, staff will review and analyze the fiscal and cost allocation data presented to evaluate the potential BDCP fiscal impact on San Diego ratepayers, and to evaluate the BDCP project’s cost-benefit to Water Authority ratepayers as compared to other supply alternatives.

- Review and provide comments on the BDCP re-circulated EIR/EIS and Implementing Agreement, as appropriate.

- Monitor the State Water Resources Control Board’s process to develop new flow objectives for the Delta and assess potential impact from that process to Delta export as it relates to supply benefit described in BDCP.

- Actively engage in the development of new BDCP governance structures and parameters to ensure balanced and fair representation of interests.
• Educate San Diego business, community, legislative, civic, and opinion leaders, and the media, regarding the Water Authority positions related to the BDCP.

**Bay-Delta Program Financing**

• Advocate that the costs and sources of funds of any Bay-Delta solution be identified and funding committed before project commences.

• Monitor BDCP pre-construction cost to ensure it is shared equally by all project proponents.

• Monitor and analyze development of any short- or long-term finance plan that:
  
  o Provides adequate and stable funding to accomplish the co-equal goals of providing a reliable water supply and restoring the Bay-Delta ecosystem.

  o Ensures Bay-Delta solutions proportionately allocate the costs to all those that benefit from the program’s actions, so that financial support for the program reflects benefits received.

  o Links water user funding to the accomplishment of specific water supply reliability and water quality goals.

• Work with other stakeholders to secure and maximize appropriations of state and federal funding for necessary Bay-Delta improvements.

• Educate San Diego business, community, legislative, civic, and opinion leaders, and the media, regarding financial implications and potential water supply and water quality benefits of BDCP to San Diego ratepayers.

• Continue to actively advocate for a BDCP financing model that requires firm financial commitments – through take-or-pay contracts or legal equivalent – from member agencies or units of the State Water Project and Central Valley Project contractors, to pay the fixed costs of BDCP, and that utilizes appropriate back-stop financing mechanisms to ensure payment, before bonds are issued and commencement of project construction.

**Advocacy for Near- and Longer-Term Bay-Delta Improvements Necessary to Restore and Improve Water Supply Reliability**

• Engage Water Authority directors in direct advocacy efforts in Sacramento and Washington, D.C. to communicate the San Diego region’s interests in a Delta solution and Bay-Delta improvements.
- Engage directly to secure the support of San Diego business, community, civic, and opinion leaders, and the media, for any Delta solution supported by the Water Authority.

- Monitor MWD’s positions and recommendations on Bay-Delta issues and provide recommendations to the Water Authority’s delegation to the MWD Board of Directors.

- Recommend to the Water Authority board positions of support or opposition to legislation concerning the Bay-Delta and the BDCP.

- Monitor and report the progress of Bay-Delta water rights hearings and settlement discussions as they affect the quality, reliability, and cost of State Water Project supplies.

- To the extent possible, participate in any forums related to BDCP to advance and protect the San Diego region’s interests.

**Participation and Outreach to Member Agencies and the Public**

- Advise the member agencies on Bay-Delta activities through periodic reports at member agency general manager meetings; make informational presentations at member agency Board meetings and interested community organizations, as requested.

- Represent Water Authority positions at meetings in public forums related to the Bay-Delta, as appropriate; inform Board members and member agency managers of opportunities for their participation in the process and assist in the development of letters and public testimony.

- Provide briefings and written updates, as appropriate, on Bay-Delta issues and San Diego region concerns to local legislators and elected officials, business and community groups, and other interested parties.
Attention: Imported Water Committee

Update on Salton Sea Task Force (Information)

Purpose
This report provides a list of short-term “no-regrets” projects with identified funding sources for the Governor’s Salton Sea Task Force (Task Force) to consider in managing the expedited construction of projects that immediately protect both wildlife habitat and air quality at the Salton Sea.

Background
In November 2014, the Imperial Irrigation District (IID) submitted a petition to the State Water Resource Control Board (SWRCB), requesting a hearing to establish a timeline and plan for Salton Sea restoration. In its Petition, IID further asked that both the water transfers from IID to the Water Authority and IID to the Coachella Valley Water District (CVWD), be conditional upon the State’s obligation to restore the Salton Sea.

The SWRCB granted a non-adjuratory workshop, which was held on March 18, 2015. The Water Authority provided written and oral testimony and reiterated its longstanding position that the commitment of the State to restore the Salton Sea was not obtained through the execution of the Quantification Settlement Agreement (QSA). Rather, decades-old pre-QSA conditions at the Salton Sea in tandem with the SWRCB’s own Decision 1600 regarding IID’s reasonable and beneficial use of water were substantial enough to compel a future State restoration effort. While IID’s efforts are viewed as commendable to bring attention to the larger Salton Sea issue, the Water Authority testified that the QSA transfers cannot be held accountable for impacts beyond those it has caused or will cause in the future.

As part of the Water Authority testimony, an alternative was presented that included the establishment of a Task Force to oversee the development and implementation of a feasible restoration program with discrete work “phases”. As part of this recommendation a list of projects was identified with the recommendation that Phase 1 work begin immediately to protect both wildlife habitat and air quality at the Salton Sea. Following the SWRCB workshop, the Governor’s Office announced the formation of a Task Force comprised of representatives from his administration, the California Natural Resources Agency and the California Environmental Protection Agency. The Task Force has met with stakeholders, including the Water Authority, and requested an update to the Water Authority’s proposed project list.

Discussion
This list of projects that accompany this report was compiled by the Water Authority with input from the three other Quantification Settlement Agreement (QSA) water agencies (IID, CVWD, and the Metropolitan Water District of Southern California) and provides a snapshot of the near-term mitigation and restoration work that can be accomplished within the next two to three years. The identified near-term projects are suggested as Phase 1 of a larger planning effort at the Sea and will lay the groundwork for how incremental restoration can move forward alongside QSA mitigation to create a smaller, but more sustainable Sea.
<table>
<thead>
<tr>
<th>Agency</th>
<th>Purpose</th>
<th>Acres</th>
<th>Cost Estimate</th>
<th>Potential Funding Source</th>
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<tr>
<td><strong>RESTORATION</strong></td>
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<td>Species Conservation Habitat</td>
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<td>Red Hill Bay</td>
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<td>Habitat creation/Air quality</td>
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<td>Geotube Pilot Project</td>
<td>Salton Sea Authority</td>
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<td>New and Alamo River Wetland Treatment Cells</td>
<td>U.S. Bureau of Reclamation, IID</td>
<td>Water Quality</td>
<td>Varies</td>
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<td>Torres Martinez Wetlands Enhancement</td>
<td>Torres Martinez Indian Tribe</td>
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<td>IID</td>
<td>Habitat creation</td>
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<td>&quot;C2 Water Transfer&quot;</td>
<td>CA Natural Resources Agency, CA Dept. of Water Resources, CA Dept. Fish &amp; Wildlife, SWRCB, IID, MWD</td>
<td>Revenue generation; up to $100 Million</td>
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<tr>
<td>Salton Sea Restoration and Renewable Energy Initiative</td>
<td>IID, County of Imperial</td>
<td>Revenue generation; up to $4 billion</td>
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# Short-Term Salton Sea Project List

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<tr>
<th>Agency</th>
<th>Purpose</th>
<th>Acres</th>
<th>Cost Estimate</th>
<th>Potential Funding Source</th>
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<td><strong>MITIGATION</strong></td>
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<td>Surface Amendment and Treatment Pilot Project</td>
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<td>Air Quality</td>
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<td>Best Available Control Measure (BACM) Pilot Projects</td>
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July 15, 2015

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 section provides a summary of key actions at the July 13 and 14 meetings of the MWD Board of Directors. The next committee and Board meetings will take place August 17 and 18.

Mid-Cycle Biennial Budget Review.
In April 2014, MWD approved its biennial budget for fiscal years 2015 and 2016. This month, during a mid-term review of MWD’s biennial budget, staff reported that it is anticipated to close fiscal year 2015 with revenues exceeding costs by approximately $120 million. Staff attributed this to water sales exceeding budget by $103 million and expenses falling below budget by $98 million after transferring $150 million from the Water Management Fund to cover MWD’s increased conservation and supply program spending. Staff also provided an outlook for fiscal year 2016, which reviewed key planning assumptions and included consideration of MWD’s implementation of the Water Supply Allocation Plan and updated capital spending forecast. For more information on MWD’s mid-cycle budget review, see this month’s board memo “MWD’s Fiscal Years 2015 and 2016 Biennial Budget Update.”

Adopt a Resolution Authorizing the Reimbursement of the Costs of Capital Investment Plan (CIP) Projects up to $300 Million.
The Biennial Budget for fiscal years 2015 and 2016 included funding all capital expenditures of MWD’s CIP from the General Fund and the Replacement and Refurbishment (R&R) Fund, meaning MWD intended to cash-fund its CIP in both fiscal years. As of May 31, $194 million in capital projects were funded from the General Fund, with approximately $10 million in additional funding expected by June 30, 2015. The fiscal year 2016 budget contains $268 million in CIP expenditures. This Resolution of Reimbursement would authorize the use of tax-exempt bond proceeds to reimburse the costs of CIP projects up to $300 million. The Internal Revenue Service regulations require MWD to declare its “official intent” to reimburse a capital expenditure no later than 60 days after the payment of the original expenditures, and reimbursements can be received three years after each capital expenditure is paid. MWD staff reported that debt-funding some of the CIP would afford MWD “financial flexibility” by leaving cash in its General and R&R funds to allow for water management activities such as replenishing storage and funding transfer and exchange programs. This action was preceded by MWD’s depletion of its Water Management Fund in May to support the increase in Conservation Programs spending by $350 million – funds that were spent on MWD’s turf replacement program.
The MWD Committees and Board also:
- Adopted Mitigated Negative Declaration for planned updates to Palos Verdes Reservoir;
- Heard a report on fiscal year 2016 State Budget and Trailer Bills;
- Received an update on social media components of advertising and outreach campaign related to water conservation;
- Received an update on Development of Education Strategic Plan;
- In closed session, received an update on MWD’s Infrastructure Security Program;
- In closed session, heard a report on State Water Contractors’ complaint against unlawful diversion of State Water Project stored water supplies filed with the State Water Resources Control Board by the State Water Contractors on behalf of itself and its member agencies on June 16, 2015 regarding water diversions in the Bay-Delta;
- In closed session, 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, No. CPF-12-512466, and No. CPF-14-514004;
- In closed session, received an update on salary negotiations;
- Heard a report on Water Supply Drought Management Plan;
- Received an update on the conservation program; and
- Received a report on the Palo Verde Irrigation District Land Fallowing Program.

Prepared by: Sarah Taylor, Assistant Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
July 15, 2015

Attention:  Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case:  SDCWA v. Metropolitan Water District of Southern California;
Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004

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 July 23, 2015 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
July 15, 2015

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board
  Petition of Imperial Irrigation District for
  Modification of Revised Water Rights Order 2002-0013

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 July 23, 2015 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
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.

JULY 23, 2015
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 meetings of the Administrative and Finance Committee of June 9, 2015 and June 11, 215 and the Formal Board of Directors’ meeting of June 25, 2015

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 Camp Pendleton Marine Corps Base Overview – John Simpson, P.E, Director, Water Resources Division

8. REPORTS BY CHAIRS

   8-A Chair’s Report: Chair Weston

   8-B Report by Committee Chairs
      Water Planning Committee
      Legislation, Conservation and Outreach Committee
      Engineering and Operations Committee
      Administrative and Finance Committee
      Imported Water Committee
      Director Tu
      Director Croucher
      Director Williams
      Director Arant
      Director Watton
9. CONSENT CALENDAR

9-1. Adopt positions on various state bills.
   1. Adopt a position of Support on AB 392 (Atkins).
   2. Adopt a position of Support on AB 1164 (Gatto).
   3. Adopt a position of Support on SB 7 (Wolk).
   4. Adopt a position of Oppose on SB 789 (Wieckowski).

9-2. Construction contract with Pulice Construction, Inc. for Package 4 - San Vicente Bypass Pipeline project.
   Accept Change Orders 1 and 2 to the construction contract with Pulice Construction, Inc. for an increase of $125,460; authorize the General Manager to execute change orders for up to $200,000 for Reach 2 differing site condition cost impacts increasing the authorized contract amount to $14,324,800.

   Note and file the monthly Treasurer’s report.

9-4. Special District Risk Management Authority Board Election.
   Adopt Resolution No. 2015-___, a resolution of the Governing Body of the San Diego County Water Authority for the election of Directors to the Special District Risk Management Authority.

10. ACTION / DISCUSSION

11. SPECIAL REPORTS
   11-A GENERAL MANAGER’S REPORT – Ms. Stapleton
   11-B GENERAL COUNSEL’S REPORT – Mr. Hentschke
   11-C SANDAG REPORT – Vice Chair Muir
      SANDAG Subcommittee: Borders/Regional Planning Committee – Director Saxod
   11-D AB 1234 Compliance Reports – Directors

12. CLOSED SESSION(S)

12-A CLOSED SESSION:
   Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: San Diego Coastkeeper v. SDCWA;
   San Diego Superior Court Case No. 37-2014-00013216-CU-JR-CT

12-B CLOSED SESSION:
   Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: Scripps Nob Hill Homeowners Association v. SDCWA;
   San Diego Superior Court Case No. 37-2015-00022131-CU-OR-CTL
12-C CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v. Metropolitan Water District of Southern California; Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004

12-D CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board Petition of Imperial Irrigation District for Modification of Revised Water Rights Order 2002-0013

12-E CLOSED SESSION:
Public Employee Performance Evaluation
Government Code §54957 - Title: General Manager

Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Manager

12-F CLOSED SESSION:
Public Employee Performance Evaluation
Government Code §54957 - Title: General Counsel

Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Counsel

13. ACTION FOLLOWING CLOSED SESSION

13-1 Approve amendments to employment agreements with General Manager and General Counsel.
Board Officers recommendation: Approve amendments to the employment agreements with the General Manager and General Counsel.

14. OTHER COMMUNICATIONS

15. ADJOURNMENT

Melinda Cogle
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 Arant called the Administrative and Finance Committee meeting to order at 1:35 p.m. Committee members present were Chair Arant, Vice Chair Razak and Directors Gallo, Hilliker, Verbeke, Watkins, and Watton. Vice Chair Wilson and Directors Fong-Sakai, Kennedy, Lewinger, Muir, Weston, Williams, and Wornham were absent. Also present were Directors Brady, Evans, Guerin, Heinrichs, Linden, Madaffer, Olson, Preciado, Saxod, and Tu. At that time, there was a quorum of the committee.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Administrative Services Brown, Director of Finance Harris, Director of Operations and Maintenance Eaton, Director of Public Outreach and Conservation Foster, Director of Water Resources Weinberg, and Financial Resources Manager Celaya.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
There was no Chair’s report.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

ACTION/DISCUSSION
Consideration of the General Manager’s Recommended Budget for Fiscal Years 2016 and 2017. (Information)

Chair Arant announced that the Board had received the budget document for review at the May 25, 2015 Board Meeting, and at that time the General Manager had provided an overview, a description of the document layout, and had encouraged Directors to direct questions to staff prior to the workshops. He reminded Directors that the Board would meet again on Thursday, June 11, 2015 from 1:30 - 4:30 p.m. for the second budget workshop. He reviewed logistics of how the workshops would run and turned it over to Ms. Stapleton.

Ms. Stapleton began the presentation with a budget overview, which included factors impacting the budget such as challenging water conditions; key components of the recommended budget; historical spending; and historical staffing. She also reviewed staff resources, provided
an overview of labor and benefits, and announced the workshop schedule for both June 9 and June 11, 2015.

Mr. Weinberg presented the Cost of Water segment of the workshop beginning with a background describing how the Water Authority conducted water use forecasts on a long-range demand basis and short-term budgetary forecast. He explained factors including short-term sales, trends in total water demand, member agency local surface water use and total water sales. He explained the agricultural program sales, current activities influencing potential drought response actions in 2015/2016 and the main assumptions for sales forecast in Fiscal Years 2016 and 2017. He touched on Water Supply sources, QSA costs in Fiscal Years 2016 and 2017 and explained the water purchase price agreement with Poseidon.

Mr. Eaton reviewed the Twin Oaks Valley Water Treatment Plant budget, including the planned decrease in plant production.

The Board asked several questions and made comments mostly related to energy options and energy costs.

Mr. Belock reviewed the Capital Improvement Program components of the Fiscal Years 2016 and 2017 Budget covering information from 2000-2020 and a review of completed projects such as the Olivenhain Dam, Coachella Canal Lining, Twin Oaks Treatment Plant, All-American Canal, San Vicente Pipeline, Lake Hodges Pumped Storage, San Vicente Dam Raise, Carlsbad Desalination Plant, and Pipeline 3 Relining Lake Murray to Sweetwater Reservoir. He explained the aqueduct system, asset management history and board policies as it related to asset management. He also explained the internal project review process involved with CIP projects. He stated the focus of the Water Authority’s CIP was now Asset Management. He explained the planning, design, and construction phases of ongoing projects and provided a thorough review of all steps in managing a project, including the Water Authority’s internal “eight gates”. He touched on staffing for CIP past and future; and capitalized overhead. He concluded with a summary and mentioned that the CIP had transitioned from constructing new facilities to managing them.

The Board asked several questions and made comments and staff provided answers.

Ms. Harris presented the Debt Portfolio and Debt Service segment of the budget workshop beginning with Capital Financing Plan targets including long-term debt, short-term debt, and PAYGO/Cash funds; explained how the senior lien coverage meets board policy target; reviewed the financing mix; and summarized the Water Authority’s existing debt service, prudent debt management and debt service expenditures.

Mr. Eaton presented the Hydro Power Revenues and Costs portion of the budget workshop including Lake Hodges hydroelectric and Rancho Penasquitos hydroelectric.
Mr. Eaton and Mr. Brown explained the Equipment Replacement Fund, which included business systems (computers), vehicles and Supervisory Control and Data Acquisition (SCADA). They reviewed costs and evaluation criteria.

Mr. Weinberg and Mr. Foster presented the Grants portion of the budget workshop by explaining the importance of grant support needed for essential water management projects for the next two fiscal years. They explained Proposition 1 funding availability and mentioned programs that the grants would support, including programs related to conservation and water management goals.

Ms. Stapleton announced that was the end of the budget workshop for day one and reminded the Board of the next scheduled workshop on Thursday, June 11, 2015.

Chair Arant thanked all staff for great presentations and reviewed the schedule for the upcoming Day 2 of budget workshop on Thursday, June 11, 2015.

**ADJOURNMENT**

There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 4:10 p.m.
CALL TO ORDER / ROLL CALL
Chair Arant called the Administrative and Finance Committee meeting to order at 1:30 p.m. Committee members present were Chair Arant, Vice Chairs Razak and Wilson, Directors Fong-Sakai, Hilliker, Verbeke, Lewinger, Muir Verbeke, Watkins, Watton and Wornham. Directors Kennedy, Weston and Williams were absent. Also present were Directors Boyle, Brady, Croucher, Evans, Guerin, Hall, Heinrichs, Hogan, Linden, Madaffer, Miller, Murtland, Olson, Preciado, Saxod, Steiner and Tu. 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 was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Administrative Services Brown, Colorado River Program Director Denham, Director of Engineering Rose, Director of Finance Harris, Metropolitan Water District Program Director Chen, Director of Operations and Maintenance Eaton, Water Resources Manager Purcell, and Financial Resources Manager Celaya.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
There was no Chair’s report.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

ACTION/DISCUSSION
Consideration of the General Manager’s Recommended Budget for Fiscal Years 2016 and 2017. (Information)

Chair Arant reminded Directors that the Board had met on Tuesday, June 9, 2015 for the first budget workshop and thanked all that had attended. He mentioned that at the May 25, 2015 Board meeting, they received the budget document for review, and at that time Ms. Stapleton had provided a budget overview, description of the document layout, and encouraged Directors to direct questions to staff prior to the workshops. He announced the Board would be taking action on the Budget adoption at the June 25, 2015 Board Meeting. He reviewed logistics of how the workshop would run and then turned it over to Ms. Stapleton.
Ms. Stapleton began the presentation with a recap of the workshop schedule and stated that the Operating Departments would be presenting their recommended 2016 and 2017 budgets. She also reviewed historical staffing, identified how the Water Authority managed staff resources over the years, and gave a brief overview of labor and benefits.

Mr. Denham presented the Colorado River Program department’s role in achieving the Water Authority’s mission which was to secure full allotment of QSA supplies, effectively implement required post-construction environmental mitigation projects, administer the QSA Joint Powers Authority, advocate and protect the region’s interest in Seven Basin States efforts, and continue community and regional outreach within the Imperial and Coachella Valleys. He reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

Ms. Chen presented the Metropolitan Water District Program department’s role in achieving the Water Authority’s mission which was to develop and implement strategies to achieve long-term supply reliability goals at MWD and ensure its financial sustainability; promote and advance policy issues impacting MWD supply reliability, quality and cost; ensure internal alignment on MWD-related activities; and support MWD delegation. She reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

The Board asked questions and staff provided answers.

Mr. Purcell presented the Water Resources department’s role in achieving the Water Authority’s mission which was to conduct water supply and facility planning; implement water shortage and drought response; provide Integrated Regional Water Management planning, conduct environmental planning; and engage in water-related regulatory policy development. He reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

Mr. Rose presented the Engineering department’s role in achieving the Water Authority’s mission which was to design and construct CIP projects, and be a steward of the Water Authority land rights. He reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

Directors asked questions and staff provided answers.
Mr. Eaton presented the Operations and Maintenance department’s role in achieving the Water Authority’s mission which was to operate and maintain the Aqueduct System, manage the Asset Management Program, maintain the Fleet Program, coordinate Contract Management and maintain regulatory compliance. He reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

Directors asked questions and staff provided answers.

Mr. Brown presented the Administrative Services department’s role in achieving the Water Authority’s mission which was to provide administrative support to the Board, maintain cost-effective business insurance, manage centralize purchasing functions, manage the human resources programs as well as information technology and facilities. He reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

Ms. Harris presented the Finance department’s role in achieving the Water Authority’s mission which included providing strategic financial management, conducting accounting and financial reporting, managing complex debt and investment portfolios, preparing the multi-year budget and long range financial plan, and to manage rates and charges. She reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

Directors made comments and asked questions and staff provided answers.

Mr. Hentschke presented the General Counsel department’s role in achieving the Water Authority’s mission which included providing legal support to the Board and General Manager, managing legal affairs, maintaining compliance with laws governing operation and with regulatory laws. He reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

Directors asked questions and staff provided answers.

Ms. Stapleton presented the General Manager department’s role in achieving the Water Authority’s mission which included providing leadership and oversight for the entire organization, advocating for favorable legislative and regulatory actions, overseeing final construction and operational commissioning of the Carlsbad Desalination Project, creating a comprehensive strategic energy plan, collaborating with the city of San Diego to complete the San Vicente Pump Storage Study Phase II, staying engaged in the Bay Delta Conservation Plan
process, and managing the disposition of MWD lawsuit and potential appeal process. She reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget. In addition, Ms. Stapleton introduced the Energy Program and mentioned it would be included in the General Manager’s budget going forward. She talked about the energy strategic plan, comprehensive energy analysis, regulatory compliance as well as community aggregation of power opportunities. She explained how the Water Authority planned to approach the energy program by addressing issues holistically, reducing and stabilizing energy costs, and enhancing bench strength on energy issues.

Directors asked several questions and staff provided answers.

Mr. Foster presented the Public Outreach and Conservation department’s role in achieving the Water Authority’s mission which included increasing public awareness and support of strategies, programs and projects, improving regional water use efficiency, supporting capital projects and operations, and ensuring small-business participation in procurements. He reviewed fiscal years 2014 and 2015 accomplishments; discussed specifics of how the department performed in the three categories of Leader, Partner and Operator; and concluded with the department’s resource modifications for the recommended fiscal years 2016 and 2017 budget.

Directors made several comments.

Ms. Stapleton addressed questions from day one of the budget workshops regarding desalinated water, debt service payments, funding for the realigning and pipeline replacement program, North County Pump Station rate category, and timing of pipelines 3 and 4 conversions.

Chair Arant thanked all the departments and staff for their presentations.

Director Wornham made a motion to “conceptually” approve the fiscal years 2016 and 2017 Recommended Budget and move the item to the consent calendar at the June 25, 2015 Formal Board meeting. Director Wilson seconded and the motion passed unanimously.

**ADJOURNMENT**

There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 4:30 p.m.
MINUTES OF THE FORMAL BOARD OF DIRECTORS’ MEETING
JUNE 25, 2015

ADMINISTRATIVE AND FINANCE COMMITTEE
CALL TO ORDER / ROLL CALL

Chair Arant called the Administrative and Finance Committee meeting to order at 9:00 a.m. Committee members present were Chair Arant, and Vice Chairs Wilson and Razak*, and Directors Fong-Sakai, Gallo* Hilliker*, Kennedy, Lewinger, Verbeke, Watkins, Weston, Williams, and Wornham. Committee members absent were Directors Muir and Watton. Also present were Directors Barnum, Boyle, Brady, Guerin, Hall, Heinrichs, Hogan, Linden, Madaffer, Miller, Olson, Saxod, and Tu. 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 was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer Harris, Director of Administrative Services Brown, Human Resources Manager Spaniol, Financial Planning Manager Shank, Financial Resources Manager Celaya, and Robert S. Grantham, Vice President of Carollo Engineers.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
There was no Chair’s report.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
1. Treasurer’s Report.
   Staff recommendation:  Note and file the monthly Treasurer’s report.

2. Water Authority Business Insurance.
   Staff recommendation: Authorize the General Manager to purchase property insurance from Travelers Property Casualty Company of America in the amount of $146,613, liability insurance from Alteris – Allied World Assurance Company in the amount of $321,896, and workers’ compensation from Special District Risk Management Authority (SDRMA) in the amount of $274,445 for a total amount of $742,954.

Staff recommendation: Staff recommends that the Board formally adopt the General Manager’s Recommended Budget for Fiscal Years 2016 and 2017. Approve adoption of Resolution No. 2015-14, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager’s Recommended Budget for Fiscal Years 2016 and 2017, for operations and capital improvements and appropriating $1,498,828,514 consistent with the approved budget.

Chair Arant stated that two Administrative and Finance Committee workshops had been held earlier in June, at which time, there was a “conceptual” adoption of the budget and the committee directed staff to place the item on the June 25, 2015 Administrative and Finance Committee consent calendar for adoption.

Director Wilson moved, Director Lewinger seconded, and the motion to approve staffs’ recommendations passed unanimously.

II. ACTION/DISCUSSION

1. Adopt the Water Authority’s rates and charges for calendar year 2016 and extend the Transitional Special Agricultural Water Rater Program.

Staff recommendations:

a) Conduct the Public Hearing;

b) Adopt Ordinance No. 2015-13 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, and extending the Transitional Special Agricultural Water Rater Program;

c) Adopt Resolution No. 2015-15 a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge; and

d) Find the actions except from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption.

* Vice Chair Razak, and Directors Gallo and Hilliker joined the meeting at 9:10 a.m.

Ms. Harris and Mr. Shank provided a presentation on proposed calendar year 2016 rates and charges, including: an overview of the rates and charges and fiscal sustainability recommendations; Carollo Engineers’ cost of service report, and recommended calendar year rates and charges drivers and highlights.

Mr. Grantham, Vice President of Carollo Engineers, provided a presentation on the cost of service study for calendar 2016 rates and charges, including: the scope of services; the calendar 2016 water rate and charge calculation process; and results of the independent review.

Directors asked questions and staff provided answers.
Chair Arant called the public hearing to order at 9:35 a.m. He asked if there were any members of the public who wished to speak and there were none.

Chair Arant closed the public hearing at 9:36 a.m.

Director Wornham moved, Director Wilson seconded, and the motion to approve staffs’ recommendations passed unanimously.

III. INFORMATION
The following items were noted and filed:
2. Board Calendar.

Chair Arant announced closed session would take place during the formal board meeting later in the day.

IV. CLOSED SESSION
1. CLOSED SESSION:
   Conference with Labor Negotiator
   Government Code §54957.6
   Agency Designated Representatives: Frank Belock, Sandy Kerl, Gretchen Spaniol, Lisa Celaya, Rick Bolanos
   Employee Negotiator: Teamsters Local 911

V. ADJOURNMENT
There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 9:40 a.m.

ENGINEERING AND OPERATIONS COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Williams called the Engineering and Operations Committee meeting to order at 9:50 a.m. Committee members present were Chair Williams, Vice Chairs Miller and Watkins, and Directors Arant, Boyle, Brady, Heinrichs, Hogan, Linden, Olson, Razak, and Simpson*. Committee members absent were Directors Ayala, Croucher, and Morrison. Also present were Directors Barnum, Evans, Fong-Sakai, Gallo, Guerin, Hall, Hilliker, Kennedy, Lewinger, Madaffer, Muir, Saxod, Steiner, Tu, Verbeke, Watton, Weston, 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 was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Operations and Maintenance Eaton, Director of Engineering Rose, Engineering Manager Reed, and Operations and Maintenance Managers Schuler, Fisher, and Faber.
ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

CHAIR’S REPORT
There was no Chair’s Report.

I. CONSENT CALENDAR
There were no Consent Calendar items.

II. ACTION/DISCUSSION
1. Amendment 3 to professional services contract with Delta Systems Engineering, Inc. for as-needed supervisory control and data acquisition software maintenance.

Staff recommendation: Approve Amendment 3 to the professional services contract with Delta Systems Engineering, Inc., to add one year to the term, changing the expiration date from June 30, 2016 to June 30, 2017 and adding $400,000 to the contract amount for a new contract amount of $1,350,000 for continued as-needed supervisory control and data acquisition software maintenance services.

Ms. Schuler gave a presentation regarding the contract with Delta Systems Engineering, Inc., including overview of supervisory control and data acquisition (SCADA) systems, SCADA maintenance, and as-needed contracts.

Director Arant moved, Director Heinrichs seconded, and the motion to approve staffs’ recommendation passed unanimously.

* Director Simpson arrived at 10:12 a.m., after the vote on the Action/Discussion item.

III. INFORMATION
1. Presentation on the Annual Aqueduct Operating Plan.

Mr. Fisher gave a presentation regarding the Annual Aqueduct Operating Plan including purpose for the plan, treated and untreated water projected demand vs. deliveries for fiscal year 2015, treated and untreated water delivery projections for fiscal year 2016, untreated water distribution priorities, aqueduct shutdowns and outages, and member agency shutdowns. He also reported on fiscal year 2015 energy production revenues, fiscal year 2016 projected energy production revenues, reservoirs and regional storage, and the plan schedule for the future. Mr. Faber then presented information regarding the Asset Management Program including last year’s
activities, next year’s planned activities, and a Google Earth flyover video showing results of pipeline condition assessment.

IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
There being no further business to come before the Engineering and Operations Committee, Chair Williams adjourned the meeting at 10:38 a.m.

WATER PLANNING COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Tu called the Water Planning Committee Meeting to order at 10:42 a.m. Committee members present were Chair Tu, Vice Chairs Brady and Evans, and Directors Boyle, Fong-Sakai, Hall, Kennedy, Lewinger, Linden, Miller, Preciado*, Simpson and Wornham. Directors Ayala and Murtland were absent. Also present were Directors Arant, Barnum, Croucher*, Gallo, Guerin, Heinrichs, Hilliker, Hogan, Madaffer, Olson, Razak, Saxod, Steiner, Verbeke, Watkins, Watton, Weston, Williams and Wilson. 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 was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Finance Director Harris, Water Resources Director Weinberg, Water Resources Managers Yamada and Friehauf, Principal Water Resources Specialist Stadler, and Water Resources Specialist Schnell.

ADDITIONS TO THE 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 Tu welcomed those present and reviewed the meeting agenda, remarking upon the diversity of committee responsibilities that would be involved: facilities planning; grant funding; and drought management. She announced that June 2015 would be the first month the State Water Resources Control Board would require member agencies to meet individual conservation target, and that staff would return at the July 23, 2015 committee meeting with an update on member agencies’ revised drought response ordinances and June 2015 water use numbers.

DIRECTORS’ COMMENTS
There were no Directors’ comments.
I. CONSENT CALENDAR
1. Professional Services Contract for additional planning for the Mission Trails and ESP-North County Pump Station Projects.
   Staff recommendation: Authorize the General Manager to award a professional services contract to CH2M, in an amount not-to-exceed $449,566, to complete planning studies for the Mission Trails and ESP-North County Pump Station projects.

Director Lewinger moved, Director Brady seconded, and the motion to approve staffs’ recommendation passed unanimously.

II. ACTION/DISCUSSION
1. Update on water supply conditions and drought response activities.

   Ms. Schnell provided a detailed report on State Water Project and Colorado River Aqueduct hydrology; potable water use in the Water Authority service area; historical and projected temperature data; NOAA’s El Niño forecast for the 2015-2016 winter; and the State Water Resources Control Board’s updated member agency conservation standards. Of note was the average daily temperature for May 2015, the first month below normal since October 2013. Ms. Harris provided remarks about the State Water Resources Control Board request for comments by July 1, 2015 on conservation water pricing. She also reviewed key points planned for Water Authority comments.

   Staff responded to questions and comments from Directors Arant, Razak, Steiner, and Watton.

2. Authorization to submit the 2015 Integrated Regional Water Management Final Round implementation grant application: accept awarded grant funds; and distribute awarded grant funds to project sponsors.
   Staff recommendation: Adopt Resolution No. 2015-_____ authorizing the General Manager to submit a 2015 Integrated Regional water management (IRWM) Final Round implementation grant application for $31,131,415, accept the grant funds that are awarded, and enter into contracts to distribute the funds to the project sponsors.

   Mr. Stadler presented a report that included a summary of San Diego IRWM Implementation Grants since 2008, and information on the 2015 IRWM Proposition 84 Grant Program, including a schedule that anticipated announcement of final awards in December 2015; the 2015 project selection process and criteria; and the recommended grant application package of $31,131,415 for 13 projects.

   Staff responded to questions and comments from Directors Guerin, Lewinger, Simpson and Steiner.
Director Brady moved, Director Evans seconded, and the motion to approve staffs’ recommendation passed unanimously.

III. INFORMATION
The following information item was received and filed:
1. Water Resources report

IV. CLOSED SESSION
Mr. Hentschke took the committee into Closed Session at 11:20 a.m.

* Directors Croucher and Preciado arrived at 11:40 a.m. and 11:45 a.m., respectively.

Mr. Hentschke brought the committee out of Closed Session at 11:50 a.m. and stated there was no reportable action.

V. ADJOURNMENT
Chair Tu adjourned the meeting at 11:50 a.m.

IMPORTED WATER COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Watton called the Imported Water Committee meeting to order at 1:00 p.m. Committee members present were Chair Watton, Vice Chairs Verbeke and Saxod, and Directors Barnum, Evans, Guerin*, Heinrichs, Hogan, Madaffer, Murtland, Olson, Roberts*, Steiner, Weston, and Wilson. Also present were Directors Arant, Ayala, Boyle, Brady, Croucher, Fong-Sakai, Gallo, Hall, Hilliker, Kennedy, Lewinger, Linden, Miller, Morrison, Preciado, Razak, Simpson, Tu, Watkins, and Williams. 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 included General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, MWD Program Director Chen, Colorado River Program Director Denham and Engineer P.E. Poursadighi.

The agenda was then taken out of order and at 1:02 p.m. Mr. Hentschke took the committee into Closed Session.

IV. CLOSED SESSION
1. 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; CPF-12-512466; and CPF-14-514004
2. CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board
Petition of Imperial Irrigations District for Modification of Revised Water Rights
Order 2002-0013

Mr. Hentschke brought the committee out of Closed Session at 1:45 p.m. and stated there was no reportable action.

* Directors Guerin and Roberts arrived during Closed Session.

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 Watton reported that the Governor had proposed a direction change for the Bay Delta Conservation Plan in late April, splitting the conveyance facility and habitat restoration measures into two separate efforts: California Water Fix, and California Eco Restore. As described in a Federal Registry notice rather than pursuing endangered species compliance through the Habitat Conservation Plan/Natural Community Conservation Plan that could provide a longer term permit assurance, a Biological Opinion pursuant to the federal Endangered Species Act section 7 and a corresponding State permit was being pursued for the California Water Fix. The Recirculated Draft Environmental Impact Report/Environmental Impact Statement of the California Water Fix and California Eco Restore was anticipated to be released in July 2015. Staff would evaluate the proposed changes once the documents became available and would report back to the committee.

He also reported that “Miracle May” brought much-needed rain to the Colorado River Basin. The Bureau of Reclamation forecasts indicated that May storms would result in an additional 2 million acre-feet of runoff to Lake Powell, which would help keep reservoir levels above critical elevations. Bureau predictions also indicated an above average release in 2016 from Lake Powell, which would help in keeping Lake Mead above its shortage level.

DIRECTORS’ COMMENTS
There were no comments by Directors.

I. CONSENT CALENDAR
1. Authorize an amendment to the cost-sharing agreement for Colorado River Board funding.

Staff recommendation: Authorize the General Manager to execute an amendment to the joint powers agreement that extends the exiting proportional funding shares
of the six member agencies of the Colorado River Board (CRB) for the next five years (from July 1, 2015 to June 30, 2020).

Director Weston moved, Director Steiner seconded, and the motion to approve staffs’ recommendation passed unanimously.

II. ACTION/DISCUSSION

1. Approve agreement with Brownstein Hyatt Farber Schreck, LLP, for special counsel services for fiscal years 2016 and 2017.
   Staff recommendation: Authorize General Counsel to execute an agreement for legal and other professional services with Brownstein Hyatt Farber Schreck, LLP, for fiscal years 2016 and 2017 in a not-to-exceed amount of $1,802,300 for retainer services, MWD rate litigation, and QSA related matters.

   Mr. Hentschke provided an oral report on services to be provided by Brownstein Hyatt Farber Schreck, LLP.

   Director Steiner moved, Director Murtland seconded, and the motion to approve staffs’ recommendation passed unanimously.

   2-A Metropolitan Water District Delegates report.

   The delegates reported on discussion and actions taken at the recent MWD board meetings. Following the report outs, Directors asked questions and made comments.

3. Colorado River Programs.
   3-A Colorado River Board Representative’s report.

   Director Wilson reported on discussions at the June Colorado River Board meeting.

   3-B Professional services contract with Amec Foster Wheeler Environment & Infrastructure, Inc. for As-needed Environmental Consulting and Habitat Restoration Services for the Coachella Canal Lining Post Construction Mitigation Projects.
   Staff recommendation: Approve a professional services contract for a five-year term with Amec Foster Wheeler Environment & Infrastructure, Inc. to provide As-needed Environmental Consulting and Habitat Restoration Services for the Coachella Canal Lining Post Construction Mitigation Projects in an amount not to exceed $3,000,000.

   Ms. Poursadighi provided a brief background of the canal lining projects and reported on the status of the required mitigation projects. Following the presentation, Directors asked questions and made comments.
Director Steiner moved, Director Murtland seconded, and the motion to approve staffs’ recommendation passed unanimously.

III. INFORMATION
The following information items were noted and filed:
1. Update on QSA JPA Modification of Payment Schedules.
2. Metropolitan Water District Program report.

V. ADJOURNMENT
There being no further business to come before the Imported Water Committee, Chair Watton adjourned the meeting at 2:21 p.m.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Croucher called the Legislation, Conservation and Outreach Committee to order at 2:25 p.m. Committee members present were Chair Croucher, Vice Chairs Guerin and Steiner, and Directors Barnum, Gallo, Hall, Hilliker, Morrison,Preciado, Saxod, Tu and Representative Roberts. Committee members absent were Directors Madaffer and Muir. Other Board members present were Directors Arant, Ayala, Brady, Fong-Sakai, Heinrichs, Lewinger, Linden, Miller, Murtland, Olson, Razak, Simpson, Verbeke, Watkins, Watton, Weston, Williams, Wilson and Wornham. At that time there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present were General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Public Outreach and Conservation Foster, Government Relations Manager Farrel, Principal Water Resource Specialist Michelon, Water Resources Specialists Shumate and Swanson, and Public Affairs Representative II Lee. Also present was legislative representative Steve Cruz.

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 Croucher reported that as part of the Water Authority’s Speakers Bureau program, and enhanced civic engagement efforts, the pace of presentations escalated this year, especially in the second quarter.

He announced the Water Authority’s water-efficient garden exhibit at the 2015 San Diego County Fair had won seven awards. The exhibit was a re-creation of the Alcazar Garden in Balboa Park which demonstrated the principles of water conservation, low maintenance, greater sustainability and climate-appropriate plants on a scale accessible to homeowners.
I. CONSENT CALENDAR
   1. Adopt positions on various state bills.
      Staff recommendation:
      1. Adopt a position of Support if Amended on SB 664 (Hertzberg).
      2. Adopt a position of Support on SB 758 (Block).

   Director Steiner moved, Director Hilliker seconded, and the motion to approve staffs’
   recommendation passed unanimously.

II. ACTION/DISCUSSION
   1. Legislative Issues.
      1-B Sacramento Report by Steve Cruz – Gonzalez, Quintana, Hunter & Cruz.

      Mr. Cruz provided a Sacramento update that included a summary of the recently
      approved $167 billion state budget. He provided updates on Water Authority sponsored bills AB
      149 (Assemblymember Chavez), SB 208 (Senator Lara) and AB 349 (Assemblymember
      Gonzalez).

      2. Turf Replacement and Other Alternatives for Drought Response and Supply
         Reliability.

      Staff presented an overview of regional turf replacement programs, contrasting details
      from the Metropolitan Water District of Southern California’s program and the Water
      Authority’s program. Several topics were highlighted, including administrative and financial
      controls, adequacy of turf replacement as a near-term vs. a long-term water-saving measure, and
      discussion of other near-term drought-response concepts to help water agencies meet the state’s
      February 2016 targets. Also discussed were risks from poorly executed turf replacement projects,
      and the multiple additional benefits that were possible with a more comprehensive approach
      consistent with the Water Authority’s grant-funded Sustainable Landscapes Program.

III. INFORMATION
   1. Presentation on Drought Response Communications and Outreach Update.

      Mr. Lee provided an update on drought response communications and outreach efforts
      and highlighted recent activities of the “When in Drought” campaign. He reported that ad buys
      had been extended through summer, and presented two examples of commercials that were
      running. He reported that staff continued to expand community partnerships, including a co-
      branded campaign with the Port of San Diego, and partnerships with Armstrong Garden Centers
      and Media Services Agency World Wide for free billboards and shopping center signage.

      He reported the Water Authority’s whenindrought.org webpage increased its traffic by
      400 percent over the prior two months, and added that the Water Authority had recently launched
      a bucket giveaway which was met with high demand.
Ms. Swanson reported the Water Authority had expanded landscape classes to include the WaterSmart Landscape Design for Homeowners, and was developing a program for landscape professionals. She reported that the Water Authority expanded its partnership with SDG&E for re-designed Residential Energy Savings Assistance Program which now included a home water education component.

She reported that staff was working on a regional water waste app and an online version of landscape classes for homeowners. She reported the Water Authority’s e-Guide to a WaterSmart Lifestyle had seen a 55 percent increase in activity compared to the same time last year.


Director Linden provided an update on the Water Conservation Garden. He reported that the Garden hosted six Mayors at a June 1, 2015 news conference, and the Garden’s classes had been at near full capacity since January 2015.

The following information items were received and filed:
4. Small Contractor Outreach and Opportunities Program (SCOOP) Committee Quarterly Report.
5. Government Relations Update.
7. Presentation on State Budget Update.

Mr. Farrel presented a summary of the recently approved state budget which included budget trailer bills. He also provided an update on Proposition 1 funding.

IV. ADJOURNMENT
There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Croucher adjourned the meeting at 3:40 p.m.

FORMAL BOARD OF DIRECTORS’ MEETING OF JUNE 25, 2015
1. CALL TO ORDER Chair Weston called the Formal Board of Directors’ meeting to order at 3:42 p.m.

2. SALUTE TO THE FLAG Director Wornham led the salute to the flag.

3. ROLL CALL, DETERMINATION OF QUORUM Secretary Madaffer called the roll. Directors present were Arant, Ayala, Barnum, Croucher, Evans, Fong-Sakai, Gallo, Guerin, Hall, Heinrichs, Hilliker, Hogan, Linden, Madaffer, Miller, Morrison, Murtland, Olson, Preciado, Razak, Saxod, Simpson, Steiner, Verbeke, Watton, Weston, Williams, Wilson, Wornham, and Representative Roberts. Directors absent were Brady, Boyle, Kennedy, Lewinger, Muir, Tu, and Watkins.
3-A **Report on proxies received.** No proxies were received.

4. **ADDITIONS TO AGENDA**
   There were no additions to the agenda.

* Director Watton left the meeting at 3:43 p.m., prior to the vote for approval of the minutes.

5. **APPROVAL OF MINUTES**
   Director Evans moved, Director Hogan seconded, and the motion carried at 82.47% of the vote to approve the minutes of the Special Board of Directors’ meeting of May 14, 2015 and the Formal Board of Directors’ meeting of May 28, 2015.

6. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD’S JURISDICTION**
   There was one member of the public who wished to speak. She addressed the Board regarding the State mandated water restrictions.

7. **PRESENTATIONS AND PUBLIC HEARINGS**
   There were no presentations or Public Hearings scheduled.

8. **REPORTS BY CHAIRS**
   **8-A Chairs report:** Chair Weston reported on various meetings and engagements that he attended in the month of June including the SDCWA hosted Legislative Roundtable with Assembly Member Brian Jones and Senator Marty Block on May 29, 2015, a meeting with The League of Women Voters in North County on May 30, 2015, and the San Diego Regional Economic Development Corporation 50th anniversary annual dinner at SeaWorld on June 4, 2015. He stated that Budget Workshops were held June 9 and 11, 2015 and thanked staff for the excellent work completed on the budget and budget presentations. He announced the third Water Citizens Academy Class was complete, he stated how valuable the classes were and announced that the fourth class was being scheduled. He also reported that on June 19, 2015 the Senate and Assembly took final votes on the Budget.

   Chair Weston concluded his report by announcing that the Board Officers and Legislation, Conservation and Outreach Committee Officers, were working together on developing additional meetings in Sacramento to build stronger relationships as the drought continues.

   **8-B Report by Committee Chairs.**
   **Administrative and Finance Committee.** Director Arant reviewed the meeting and the actions taken.
   **Engineering and Operations Committee.** Director Williams reviewed the meeting and the actions taken.
Water Planning Committee. Director Evans reviewed the meeting and the actions taken.
Imported Water Committee. Director Saxod stated there was no reportable action.
Legislation, Conservation and Outreach Committee. Director Croucher reviewed the meeting and the actions taken.

9. CONSENT CALENDAR
Director Lewinger moved, Director Wilson seconded, and the motion carried at 82.47% of the vote to approve the consent calendar. Directors voting no or abstaining are listed under the item number.

9-1. Treasurer’s Report.
The Board noted and filed the monthly Treasurer’s report.

9-2. Water Authority Business Insurance.
The Board authorized the General Manager to purchase property insurance from Travelers Property Casualty Company of America in the amount of $146,613, liability insurance from Alteris - Allied World Assurance Company in the amount of $321,896, and workers’ compensation from Special District Risk Management Authority (SDRMA) in the amount of $274,445 for a total amount of $742,954.

The Board adopted the General Manager’s Recommended Budget for Fiscal Years 2016 and 2017 and approved adoption of Resolution No. 2015-14, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager’s Recommended Budget for Fiscal Years 2016 and 2017, for operations and capital improvements and appropriating $1,498,828,514 consistent with the approved budget.

9-4. Adopt the Water Authority’s rates and charges for calendar year 2016 and extend the Transitional Special Agricultural Water Rate Program.
The Board conducted the Public Hearing; adopted Ordinance No. 2015-03, 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, and extending the Transitional Special Agricultural Water Rate Program; adopted Resolution No. 2015-15, a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge; and found the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorized the General Manager to file a notice of exemption.

9-5. Amendment 3 to Professional services contract with Delta Systems Engineering, Inc. for As-needed Supervisory Control and Data Acquisition Software Maintenance.
The Board approved Amendment 3 to the professional services contract with Delta Systems Engineering, Inc., to add one year to the term, changing the expiration date.
from June 30, 2016 to June 30, 2017 and adding $400,000 to the contract amount for a new contract amount of $1,350,000 for continued as-needed Supervisory Control and Data Acquisition software maintenance services.

9- 6. Professional Services Contract for additional planning for the Mission Trails and ESP – North County Pump Station Projects.
The Board authorized the General Manager to award a professional services contract to CH2M, in an amount not-to-exceed $449,566, to complete planning studies for the Mission Trails and ESP – North County Pump Station projects.

9- 7. Authorization to submit the 2015 Integrated Regional Water Management Final Round implementation grant application; accept awarded grant funds; and distribute awarded grant funds to project sponsors.
The Board adopted Resolution No. 2015-16, authorized the General Manager to submit a 2015 Integrated Regional Water Management (IRWM) Final Round implementation grant application for $31,131,415, accepted the grant funds that are awarded and enter into contracts to distribute the funds to the project sponsors.

9- 8. Authorize an amendment to the cost-sharing agreement for Colorado River Board funding.
The Board authorized the General Manager to execute an amendment to the joint powers agreement that extends the existing proportional funding shares of the six member agencies of the Colorado River Board (CRB) for the next five years (from July 1, 2015 to June 30, 2020).

9- 9. Approve agreement with Brownstein Hyatt Farber Schreck, LLP, for special counsel services for fiscal years 2016 and 2017.
The Board authorized General Counsel to execute an agreement for legal and other professional services with Brownstein Hyatt Farber Schreck, LLP, for fiscal years 2016 and 2017 in a not-to-exceed amount of $1,802,300 for retainer services, MWD rate litigation, and QSA related matters.

9- 10. Professional services contract with Amec Foster Wheeler Environment & Infrastructure, Inc. for As-needed Environmental Consulting and Habitat Restoration Services for the Coachella Canal Lining Post Construction Mitigation Projects.
The Board approved a professional services contract for a five-year term with Amec Foster Wheeler Environment & Infrastructure, Inc. to provide As-needed Environmental Consulting and Habitat Restoration Services for the Coachella Canal Lining Post Construction Mitigation Projects in an amount not to exceed $3,000,000.

9- 11. Adopt positions on various state bills.
1. The Board adopted a position of Support if Amended on SB 664 (Hertzberg).
2. The Board adopted a position of Support on SB 758 (Block).
10. **ACTION/DISCUSSION**

11. **SPECIAL REPORTS**
   11-A GENERAL MANAGER’S REPORT – Ms. Stapleton stated there was nothing to report.
   11-B GENERAL COUNSEL’S REPORT – Mr. Hentschke stated there was nothing to report.
   11-C SANDAG REPORT – Director Guerin reported on the actions and discussions at the last SANDAG Board meeting.
   SANDAG Subcommittee: Borders/Regional Planning Committee – Director Saxod stated there was nothing to report as the meeting was cancelled.
   11-D AB 1234 Compliance Reports – No reports were given.

12. **CLOSED SESSION(S)**
    Mr. Hentschke took the Board into Closed Session on item 12-A at 4:03 p.m.

   12-A **CLOSED SESSION:**
   Conference with Labor Negotiator
   Government Code §54957.6
   Agency Designated Representatives: Frank Belock, Sandra Kerl, Gretchen Spaniol, Lisa Celaya, Rick Bolanos
   Employee Negotiator: Teamsters Local 911

   Conference with Labor Negotiator
   Government Code §54957.6
   Agency Designated Representatives: Frank Belock, Gretchen Spaniol
   Unrepresented Employees: Executive, Senior Management, and Confidential Groups

   12-B **CLOSED SESSION:**
   Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: San Diego Coastkeeper v. SDCWA;
   San Diego Superior Court Case No. 37-2014-00013216-CU-JR-CTL

   12-C **CLOSED SESSION:**
   Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: SDCWA v. Metropolitan Water District of Southern California;
   Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004

   12-D **CLOSED SESSION:**
   Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: State Water Resources Control Board
   Petition of Imperial Irrigation District for Modification of Revised Water Rights
Order 2002-0013

Mr. Hentschke brought the Board out of Closed Session at 4:41 p.m.

13. **ACTION FOLLOWING CLOSED SESSION**

13-1. **Approve amendments to the consolidated Memorandum of Understanding with the represented employees, approve amendments to the compensation plan for represented and unrepresented employees, and approve corresponding Classification and Salary Schedules.**

Adopt Resolution No. 2015-__, a resolution of the Board of Directors of the San Diego County Water Authority approving amendments to and extension of the consolidated memorandum of understanding with the Teamsters Local 911 Union representing the technical/support, professional/administrative, and managerial/supervisory bargaining groups; approving compensation plan adjustments for executive, senior management, and confidential employees; and approving classification and salary schedules for the period from July 1, 2015 through June 30, 2019.

Director Wornham moved, Director Evans seconded, and the motion carried at 82.47% of the vote to approve Resolution No. 2015-17.

14. **OTHER COMMUNICATIONS**

15. **ADJOURNMENT**

The meeting was adjourned at 4:55p.m.

________________________________  _______________________________
Mark Weston, Chair                Mark Muir, Vice Chair

_______________________________
Melinda Cogle, Clerk of the Board
July 15, 2015

Attention: Board of Directors

General Counsel’s Report – June/July 2015

Purpose
This report discusses certain legal matters receiving attention during the months of June/July 2015.

Significant Developments in Pending Litigation

MWD Rate Cases
2010/2012 Rate Cases: Testimony in the Phase II trial was completed in these cases on April 29, 2015. The Phase II trial addressed all the remaining issues in the 2010 and 2012 rate cases, including the Water Authority’s claim for breach of contract and damages, MWD’s affirmative defenses, and the Water Authority’s preferential rights claim.

As previously reported, on June 5, 2015, Judge Karnow heard closing arguments for the Phase II trial, as well as argument on a motion by the Water Authority to strike portions of MWD testimony, and a Motion for Partial Judgment filed by MWD during the trial. On June 11, 2015, Judge Karnow requested that each party file a six-page supplemental brief addressing specific questions concerning preferential rights. Those briefs were filed on June 19, 2015. At this point, the case is submitted for decision. We expect Judge Karnow to issue a Preliminary Statement of Decision, which will address all Phase II issues later this month. After that, the parties will have an opportunity to file objections to the Preliminary Statement of Decision, and the Court will then enter a Final Statement of Decision. Final judgment is expected to be entered by late summer or early fall 2015, after which the parties are expected to pursue appeals of adverse rulings.

2014 Rate Case: The case filed on May 30, 2014 challenging MWD’s 2014 rates has been transferred to San Francisco Superior Court, assigned to Judge Karnow, and stayed by stipulation of the parties. The Water Authority has the option of moving to lift the stay at any time, or leaving the stay in place pending final resolution of the 2010 and 2012 cases.

CEQA Litigation
Briefing is complete. Hearing is set for July 21, 2015.
QSA Litigation
All federal and state court challenges to the QSA have been resolved in favor of the QSA and all challenges have been rejected. The only issues remaining relate to certain awards of costs to the prevailing parties.

Special Counsel Expenditures
Funds approved for payments to special counsel during June/July 2015 from the General Counsel’s Operating Budget totaled $444,358.05 for work related to the Metropolitan rate dispute, QSA litigation, San Diego Coastkeeper litigation, San Vicente Pumped Storage Study, and personnel issues. In addition, $28,449.57 was approved for payment from Colorado River Program’s Operating Budget for work related to QSA implementation and $6,649.34 was approved for payment from Human Resources’ Operating Budget for work related to labor negotiations. CIP expenditures during June/July 2015 were $622,574.56 for litigation expenses related to the San Vicente Dam Raise Project (Shimmick/Obayashi Joint Venture v. SDCWA), the San Vicente Tunnel Project (Traylor/Shea Joint Venture v. SDCWA), and the Nob Hill Improvements Project.

Prepared by: Daniel S. Hentschke

Attachment: Special Counsel Expenditure Report
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<td>$6,032,466.29 (OP)</td>
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<td>Liebert Cassidy Whitmore</td>
<td>Personnel Issues</td>
<td>$315,681.22 (OP)</td>
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<td></td>
<td>Labor Negotiations</td>
<td>$684.00 (OP)</td>
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<tr>
<td>McKenna Long &amp; Aldridge (now Dentons US LLP)</td>
<td>San Vicente Dam Raise Project</td>
<td>$320,200.59 (CIP)</td>
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<td>$1,16,690.32 (CIP)</td>
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<td>Olivenhain-Lake Hodges Pump House *</td>
<td>$2,924,176.33 (CIP)</td>
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<td>$1,592,012.58 (CIP)</td>
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<td>SDG&amp;E Contract</td>
<td>$68,840.15 (CIP)</td>
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<td>$2,712.50 (CIP)</td>
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<td>Orrick Herrington &amp; Sutcliff LLP</td>
<td>Bond Counsel Services</td>
<td>$13,673.72 (OP)</td>
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<td>$0.00 (OP)</td>
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<td>Bond Counsel Services/Desal *</td>
<td>$22,781.10 (CIP)</td>
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<td>$0.00 (OP)</td>
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<td>$0.00 (OP)</td>
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<td>Owen Wickersham &amp; Erickson</td>
<td>Copyright Matters *</td>
<td>$276.00 (OP)</td>
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<td>$0.00 (OP)</td>
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</tbody>
</table>

* Concluded matters or assignments.

1 These legal costs ($115,000 total) were reimbursed to the Water Authority by City of Los Angeles as part of the settlement in SDCWA v City of LADWP.

2 These legal costs ($95,808.26 total) were reimbursed to the Water Authority by Eastern Municipal Water District as part of the settlement in SDCWA v EMWD.

3 Not included in totals, these legal expenses related to QSA came out of Colorado River Program budget, not GC budget.

4 Not included in totals, these legal expenses related to San Vicente came out of Engineering budget, not GC budget.

5 Not included in totals, these legal expenses related to desalination came out of Water Resources budget, not GC budget.

6 Not included in totals, these legal expenses related to personnel issues/labor negotiations came out of Human Resources budget, not GC budget.

7 Not included in totals, these legal expenses related to bond counsel services came out of Finance budget, not GC budget.

8 Not included in totals, these legal expenses related to copyright matters came out of Conservation budget, not GC budget.
### Special Counsel Project

<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended FYs 12 &amp; 13 (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 14 &amp; 15 (Fees &amp; Costs)</th>
<th>Budget Allocation FYs 14 &amp; 15 for Legal Services</th>
</tr>
</thead>
</table>
| Pillsbury Winthrop Shaw Pittman | *Employee Benefit Matters*  
IRS Audit Matters *                                      | $15,434.25 (OP)  
$1,515.22 (OP)               |                                                  |                                                  | $7,809.50 (OP)  
$4,628.75 (OP)              |                                                  |                                  |
| Procopio Cory Hargreaves & Savitch | Traylor- Shea Joint Venture (TSJV)  
Multiple Tunnel Shift Pay *                      | $422,437.32 (CIP)  
$251,359.61 (CIP)               |                                                  |                                                  | $1,401,536.52 (CIP)  
$0.00 (CIP)              |                                                  |                                  |
| Van Ness Feldman       | San Vicente Pumped Storage Study  
FERC permit                                    | $2,800.50                                                   |                                                  | $69,714.76 (OP)              |                                                  |                                  |
| Winston, Dennis A.      | *Enforcing Requests for Public Records - LADWP* | $19,215.86 (OP)  
1                                                   |                                                  |                                                  | $12,263.00 (OP)              |                                                  |                                  |
| **Total:**              |                                              | $5,494,042.56 (OP)  
$4,991,337.34 (CIP)               | $444,358.05                                                   | $622,574.56                                                   | $8,639,657.14 (OP)  
$4,166,298.14 (CIP)              | **$12,724,000.00**                                             |                                  |

* Concluded matters or assignments.

1 These legal costs ($155,000 total) were reimbursed to the Water Authority by City of Los Angeles as part of the settlement in SDCWA v City of LADWP
July 15, 2015

Attention: Board of Directors

CLOSED SESSIONS:

Public Employee Performance Evaluation
Government Code §54957 - Title: General Manager

Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Manager

Purpose
This memorandum is to recommend closed sessions, pursuant to Government Codes §54957 and §54957.6, to discuss the above-referenced matters at the July 23, 2015 meeting.

Prepared by: Daniel S. Hentschke, General Counsel
July 15, 2015

Attention: Board of Directors

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