Proposed Staff Recommendation Consent Calendar for August 27, 2015

WATER PLANNING COMMITTEE
9- 1. Modification to Yuima Municipal Water District’s fiscal year 2016 Municipal and Industrial Supply Allocation.
Approve a modification to Yuima Municipal Water District’s fiscal year 2016 Municipal and Industrial Supply Allocation to provide an additional 2,529 acre-feet under the loss of local supply adjustment.

ENGINEERING AND OPERATIONS COMMITTEE
9- 2. Construction contract for the Nob Hill Improvements project.
Authorize the General Manager to award a construction contract to L.H. Woods and Sons, Inc. in the amount of $9,987,970 for the Nob Hill Improvements project.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE
9- 3. Adopt positions on various state bills.
Adopt a position of Support and Seek Amendments on S. 1894 (Feinstein).

ADMINISTRATION AND FINANCE COMMITTEE
Note and file the monthly Treasurer’s report.

9- 5. Resolution establishing amount due from the city of San Diego for the In-Lieu Charge as a condition of providing water service for fiscal year 2016.
Adopt Resolution No. 2015- ___ establishing an amount due of $1,999,945.77 from the city of San Diego for the In-Lieu Charge for fiscal year 2016.
SEPTEMBER 2015
• 10  No Special Board Meeting
• 15  MWD Delegates – 12:30 p.m.
• 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.

NOVEMBER 2015
• 04  MWD Delegates – 11:00 a.m.
• 12  Tentative Special Board Meeting – 1:30 p.m.
      No Formal Board Meeting
• 30  MWD Delegates – 4:30 p.m.

DECEMBER 2015
• 10  Combined November & December Board meeting
      Committees begin at 9:00 a.m.
      Formal Board meeting begins at 3:00 p.m.
August 25, 2015

Attention: Water Planning Committee

Modification to Yuima Municipal Water District’s Fiscal Year 2016 Municipal and Industrial Supply Allocation (Action)

Member Agency General Managers’ recommendation
Approve a modification to Yuima Municipal Water District’s fiscal year 2016 municipal and industrial supply allocation to provide an additional 2,529 acre-feet under the loss of local supply adjustment.

Alternative
Deny the request from Yuima Municipal Water District (Yuima MWD) to increase their fiscal year 2016 municipal and industrial (M&I) supply allocation.

Fiscal Impact
There is no fiscal impact associated with modifying Yuima MWD’s M&I supply allocation.

Background
On May 14, 2015, the Board approved M&I supply allocations for each member agency based on the methodology contained in the Water Authority’s Water Shortage and Drought Response Plan (WSDRP). This action was taken in response to supply cutbacks of 15 percent from the Metropolitan Water District (MWD). The Board also approved Transitional Special Agricultural Water Rate (TSWAR) supply allocations based on the 15 percent MWD cutback consistent with the TSAWR program.

In 2008, the Board adopted a resolution establishing policies and procedures for administration of the WSDRP M&I allocation methodology. Among other policies, the resolution outlined a procedure for member agencies to request a modification to their M&I supply allocation. Under the procedures, requests for modifications that total more than ten percent of the requesting agency’s allocation or greater than 500 acre-feet (AF) must be approved by the Board. All other modification requests are considered minor and may be approved by the general manager after consultation with the member agency general managers.

The steps outlined in the adopted procedure require a member agency to initiate a request for a modification to their allocation by providing written notice and supporting documentation to the general manager. Staff then reviews the request and prepares a response. Both the request and staff response are then considered by the member agency general managers, who recommend either approval or denial. With major modifications, if the member agency managers approve the allocation modification, the general manager forwards the modification request to the Board for their consideration and final action. If the member agency managers deny the request, the member agency can appeal the decision to the Board for final action.
Discussion
On August 18, 2015, the member agency general managers recommended approval of a request from the Yuima MWD to modify their M&I supply allocation in order to increase the loss of local supply adjustment, which is part of the WSDRP allocation methodology. The following provides information on the loss of local supply adjustment, Yuima MWD’s request, staff analysis and member agency general managers’ recommendation.

WSDRP Allocation Methodology – Loss of Local Supply Adjustment
In the WSDRP allocation methodology, the loss of local supply adjustment was developed to recognize the regional benefit of local supply development within the region and not penalize agencies for diminished local supplies during an allocation year. The long-term investments in local supplies have reduced reliance on imported supplies and increased reliability within the region.

The loss of local supply adjustment is calculated as the difference between an agency’s average local supply used over the base period and its projected allocation-year local supply use. This difference is then reduced by the Water Authority cutback percentage from MWD.

Yuima MWD’s Request for a Modification to their M&I Supply Allocation
On July 24, 2015, the general manager received a written request from the Yuima MWD to modify their M&I supply allocation to account for an increase in loss of local supply. Local groundwater supplies within Yuima MWD’s service area have decreased significantly due to the extended drought. This includes both the yield from Yuima MWD’s wells and private wells. Private well owners, primarily mutual water companies, with service agreements and connections to Yuima MWD’s system have requested deliveries from Yuima MWD to offset the loss in groundwater supplies.

In preparing the member agency supply allocations for Board approval, staff coordinated with the member agencies in collecting the data set necessary to calculate the allocations based on the WSDRP methodology. The data submitted by Yuima MWD for the loss of local supply calculation only contained data on groundwater yields from their wells. Yuima MWD is now requesting that their allocation be modified to: 1) identify the private well yields as a local supply and receive an adjustment for the loss of that supply, and 2) decrease the estimated allocation-year yield from their wells.

Table 1 below shows Yuima MWD’s current and requested modification to the loss of local supply adjustment. The table includes the modified allocation-year yield from Yuima MWD wells along with a list of the private well owners, which consist primarily of Mutual Water Companies. The requested modification to Yuima MWD’s loss of local supply adjustment is shown at the bottom of the table.
**Table 1: Yuima MWD Current and Requested Modified Loss of Local Supply Adjustment**

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C=A-B</th>
<th>D= C x 0.85</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Year FY 13 &amp; 14 Well Yield (AF)</strong></td>
<td><strong>Estimated Allocation Year Yield (AF)</strong></td>
<td><strong>Loss of Groundwater Supply (AF)</strong></td>
<td><strong>Loss of Local Supply Adjustment (AF)</strong>*</td>
</tr>
<tr>
<td><strong>Current Loss of Local Supply Calculation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YMWD Wells</td>
<td>999</td>
<td>350</td>
<td>649</td>
</tr>
<tr>
<td><strong>Requested Modified Loss of Local Supply Calculation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YMWD Wells</td>
<td>999</td>
<td>263</td>
<td>736</td>
</tr>
<tr>
<td>Rincon Oaks MWS</td>
<td>528</td>
<td>181</td>
<td>347</td>
</tr>
<tr>
<td>Rancho Estates MWC</td>
<td>497</td>
<td>319</td>
<td>178</td>
</tr>
<tr>
<td>Rancho Pauma MWC</td>
<td>2950</td>
<td>1,805</td>
<td>1,145</td>
</tr>
<tr>
<td>Lazy H MWC</td>
<td>101</td>
<td>55</td>
<td>46</td>
</tr>
<tr>
<td>Pauma Ridge MWC</td>
<td>458</td>
<td>157</td>
<td>301</td>
</tr>
<tr>
<td>Improvement District A</td>
<td>2,780</td>
<td>2,049</td>
<td>731</td>
</tr>
<tr>
<td>Sierra del Oro Farms</td>
<td>262</td>
<td>121</td>
<td>141</td>
</tr>
<tr>
<td><strong>Revised Loss of Local Supply Credit</strong></td>
<td><strong>8,575</strong></td>
<td><strong>4,950</strong></td>
<td><strong>3,625</strong></td>
</tr>
<tr>
<td><strong>Requested Modification to Yuima MWD’s Loss of Local Supply Adjustment</strong> (difference between current and revised Loss of Local Supply Adjustment):</td>
<td></td>
<td></td>
<td>2,529</td>
</tr>
</tbody>
</table>

MWS: Mutual Water System  
MWC: Mutual Water Company  
*The loss of local supply adjustment is calculated by taking the loss of local supply and reducing it by the MWD cutback level, which is 15 percent in fiscal year 2016.*

The modification to Yuima MWD’s loss of local supply adjustment increases their M&I allocation from 850 AF to 3,378 AF. In accordance with the Board adopted procedures for administration of the allocation methodology, because the modification request exceeds 500 AF, it must be presented to the Board for their consideration and final action.

**Staff Analysis on the Requested Allocation Modification**

The staff analysis of the request is based on the principles and description pertaining to the loss of local supply adjustment in the WSDRP. One of the areas of inconsistency between the WSDRP and Yuima MWD’s request is that when the allocation methodology was developed, the loss of local supply adjustment was envisioned to apply to member agency supplies. As shown in Table 1, Yuima MWD’s request includes groundwater supplies from private wells. To conduct a more thorough analysis, staff went through a series of questions to determine consistency with the WSDRP. Table 2 contains the questions and staff’s response.
Table 2: Staff Analysis of Yuima MWD’s Modification Request

<table>
<thead>
<tr>
<th></th>
<th>WSDRP</th>
<th>Yuima MWD Request</th>
<th>Yuima MWD Supply</th>
<th>Private Wells</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local supply within Water Authority service area?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Investment in local supply?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Reduce reliance on Water Authority?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Member agency local supply?</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Member agency can provide well yield data?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Do property owners pay Water Authority charges (Taxes, Standby, Capacity Charge and IAC)?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

In evaluating the responses to these questions, staff was able to support the modification request for the following reasons:

1. Even though it is not a member agency supply, the investment in groundwater supplies made by mutual water companies’ shareholders or private well owners still reduces a demand on the Water Authority. This is guaranteed when the mutual water company or private well owner has a connection with the member agency in the base period and is able to take delivery of Water Authority supplies.

2. The member agency is able to provide adequate local supply data that can be used in calculating the member agency’s loss of local supply credit.

3. The property owners experiencing the drop in groundwater yield have been paying the Water Authority’s charges associated with receiving water service from the Water Authority.

Member Agency General Managers’ Recommendation
The member agency general managers considered Yuima MWD’s request and staff’s response to support the request at their August 18, 2015 meeting. The managers unanimously recommended support of Yuima MWD’s modification request for the fiscal year 2016 allocation period. They also proposed working with Water Authority staff to develop a formal policy for Board consideration by early next year on potentially including private local groundwater yield supplies in the WSDRP allocation methodology.

With Board approval of the member agency managers’ recommendation, staff will request MWD increase the Water Authority’s allocation to take into account the modified groundwater supplies as a small appeal. Under MWD’s Water Supply Allocation Plan, small appeals pertain to modifications that would be less than ten percent of the Water Authority’s allocation or less than 5,000 AF and can be evaluated and approved or denied by MWD staff. Approval of the modification will result in a reduction in the other member agency’s M&I allocations of around 0.5 percent, on average, or less, depending on the outcome of the MWD allocation increase request.

Prepared by: Dana L. Friehauf, Water Resources Manager
Reviewed by: Robert R. Yamada, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager
August 25, 2015

Attention: Imported Water Committee

Presentation on the California WaterFix Plan and California EcoRestore -- Recirculated Bay Delta Conservation Plan Draft Environmental Impact Report and Environmental Impact Statement. (Discussion)

Discussion

An estimated 25 million Californians, including 3.2 million residents of San Diego County, rely on the Sacramento-San Joaquin Bay-Delta region (Delta) for at least a portion of their water supply. The Delta ecosystem, home to hundreds of aquatic and terrestrial species, is deteriorating and impacting the species that depend on it to thrive. As a result, courts have intervened and regulatory requirements were put in place restricting access to water in an attempt to protect threatened and endangered species. Over the years, federal, state and public water agencies, fishery agencies, environmental organizations, and other interested parties have been working on a solution, and in 2006 jointly signed a planning agreement that led to the development of the Bay Delta Conservation Plan (BDCP).

In late-2013, the California Department of Water Resources (DWR) released for public comment the draft BDCP and the Environmental Impact Report (EIR) and Environmental Impact Statement (EIS) followed by the release of the implementing agreement in May 2014. DWR reported that it received more than 10,000 comments through the environmental review process. On April 30, 2015, Governor Brown announced a new approach bifurcating the BDCP into two distinct efforts – California WaterFix and California EcoRestore.

In July, DWR along with other lead and cooperating agencies released a Partially Recirculated Draft EIR and Supplemental Draft EIS (PRDEIR/SDEIS) for public review and comment. The PRDEIR/SDEIS is intended to provide the public and interested agencies with updated environmental analysis to address certain revisions to the draft BDCP, to introduce new sub-alternatives, and to address certain issues raised in comments received on the draft BDCP EIR/EIS. Specifically, the recirculated documents also included engineering refinements made to the water conveyance facilities and introduced Alternative 4A, also known as the California WaterFix, and identified it as the new California Environmental Quality Act and National Environmental Policy Act’s preferred alternative. As revised, the California WaterFix will no longer seek 50-year operating permits under a federal Habitat Conservation Plan or state Natural Community Conservation Plan. Instead it will be operated under Section 7 of the Federal Endangered Species Act and corresponding state regulation, similar to what the existing State Water Project is being operated under. Public comments on the PRDEIR/SDEIS are due on October 30, 2015.

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1 The BDCP was originally proposed as 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.” As an HCP/NCCP, the plan had been intended to recover listed species, and in return, state and federal water management agencies hoped to obtain the permits necessary to build necessary infrastructure in the Delta over a 50-year permit timeframe.

2 California WaterFix is focused on the construction of a new water conveyance facility, and the California Eco Restore is centered on pursuing more than 30,000 acres of habitat restoration in the next five years.
The Water Authority has been a strong advocate for a sustainable Delta solution. It played an important role in the passage of the 2009 comprehensive Delta water policy legislation, which also set the state policy for the co-equal goals of restoring the Delta ecosystem and creating a more reliable water system for California. It also conducted a comprehensive review of the BDCP followed by submitting comment letters through the environmental review process. Central among the Water Authority’s identified issues were 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 risks to their ratepayers. Last month, staff provided an update on Bay-Delta issues, recent actions related to the Bay-Delta activities, and an estimated timeline of anticipated activities. Currently, the Water Authority staff is reviewing the PRDEIR/SDEIS to determine how the new preferred alternative addresses the issues previously identified.

This month, John Laird, Secretary of California Natural Resources Agency, and Ms. Karla Nemeth, Deputy Secretary will present to the Water Authority the state’s perspectives on the California WaterFix and California EcoRestore, which is centered on pursuing more than 30,000 acres of fish and wildlife habitat restoration in the next five years. This is an opportunity for the Board to learn directly from the state what the California WaterFix and California EcoRestore will offer to the San Diego region.

Prepared by: Debbie S. Discar-Espe, Senior Water Resources Specialist
Reviewed by: Glenn Farrel, Government Relations Manager
Amy I. Chen, MWD Program Director
August 25, 2015

Attention: Imported Water Committee

Colorado River Board Representative’s Report (Information)

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

Discussion
This report covers activities from the August 12, 2015 CRB meeting held in Ontario, California. The CRB meeting included a special presentation by U.S. Bureau of Reclamation (Reclamation) staff and informational reports from CRB staff on activities discussed below:

Special Presentation
Reclamation’s Mark Cook and Rich Eastland provided a presentation on current hydropower issues at Lake Mead including the impact of drought on Hoover power generation. Hoover dam power generation was developed as part of the Boulder Canyon Act and produced its first power to Los Angeles in 1936. The dam is currently running at approximately 1,500 megawatts of its 2,080 megawatt capacity and can produce power all the way down to dead pool elevation in the lake. As Lake Mead has reached record low levels with predicted further decreases in the near future, updates to the hydropower system to prepare for lower lake levels are being implemented. Updates include overhauling the turbines, changing the wicket gate design, replumbing the turbines, and automating of the unit controls. Efficiency upgrades have resulted in increased energy production of 105 megawatts—almost the equivalent to the operation of an entire turbine unit, with more to come from other planned updates. While these upgrades help offset power lost from lower lake levels, there are other issues associated with the decreasing water elevation including lost revenue for the Salinity Control Program and impacts on Hoover’s ability to provide “peaking power” that affects operations of other power generators.

Water Supply and Reservoir Conditions
A water supply and reservoir conditions update was provided with data from August 4 (Table 1). Most Upper Basin reservoir levels (other than Lake Powell) are close to full capacity due to above average precipitation since May. A more detailed water supply report is included as Attachment 1.

Table 1. Colorado River Reservoir Conditions

<table>
<thead>
<tr>
<th>Conditions as of August 4, 2015</th>
<th>Volume (million acre-feet)</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total System Storage</td>
<td>31.36</td>
<td>53%</td>
</tr>
<tr>
<td>Lake Powell</td>
<td>12.98</td>
<td>53%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>9.89</td>
<td>38%</td>
</tr>
<tr>
<td>Unregulated Inflow to Lake Powell for Water Year 2015</td>
<td>10.34</td>
<td>95% (of Average)</td>
</tr>
</tbody>
</table>
2016 Annual Operating Plan
Reclamation is expecting to release the August 24-month study on August 17, which will be used to determine the operating tier for Lake Mead in 2016, pursuant to the 2007 Interim Surplus Guidelines. The most recent projections indicate that there is zero chance that Lake Mead’s projected January 1 elevation will be below the shortage trigger of 1,075 feet, indicating that a shortage will not be declared for 2016.

The second consultation for the 2016 Annual Operating Plan was held on July 28. Reclamation confirmed that Lake Powell is still expected to release 9.0 million acre-feet in 2015. Tanya Trujillo, Executive Director of the Colorado River Board, provided an update on the status of California’s Colorado River Water Use Plan including implementation of the Quantification Settlement Agreement and other strategies in place to ensure California can meet its water needs relying on its normal Colorado River allocation of 4.4 million acre-feet per year. The CRB update is required as part of Section 5 of the 2007 Interim Surplus Guidelines. The final AOP consultation is scheduled for September 2.

Drought Update
On July 30, the State Water Resources Control Board announced California’s urban water suppliers had exceeded the statewide conservation goal of 25% reduction from 2013 water use.

Fire activity is well above average, with the Governor issuing a State of Emergency on August 7 in response to wild fires burning across the state.

The Department of Water Resources issued a fact sheet about El Nino in response to recent forecasts predicting El Nino conditions in 2016. The fact sheet notes that there is almost no correlation between precipitation and El Nino conditions in Northern and Central California.

Minute 319
A bi-national workgroup is scheduled to meet on August 13 for initial discussions on a successor minute to Minute 319.

Glen Canyon Dam Adaptive Management Program
The Glen Canyon Dam Adaptive Management Work Group (AMWG) attended a Grand Canyon river trip on July 17-27 where tribal representatives, Federal staff, and other stakeholders discussed river management issues.

The Department of Interior released a draft of the Long-Term Experimental and Management Plan Environmental Impact Statement to the cooperating agencies in June. The anticipated public release of the document is winter 2015.

Lower Colorado River Multi-Species Conservation Program (MSCP)
On September 1, the Arizona Supreme Court will begin review of the June 11 district court ruling that struck down the Arizona Department of Water Resources’ administrative decision approving the MSCP’s Planet Ranch acquisition in response to objections that Mojave County would be adversely impacted by the acquisition.
On August 8, wildfire broke out on the Havasu National Wildlife Refuge. As of August 10, the fire had grown to nearly ten square miles burning approximately 7,000 acres. It is unclear if the fire has affected the nearby MSCP Beal Lake Conservation Area.

**Announcements**

During an investigation of an abandoned mine near Durango, Colorado on August 5, the Environmental Protection Agency (EPA) triggered the release of contaminated water in the Animas River, a tributary to the San Juan River which is a major tributary to the Colorado River. The contamination is being closely tracked with more information on the incident available on EPA’s website.

On July 29, California senators introduced the California Emergency Drought Relief Act, which contains provisions that would apply to California and other Western states affected by drought conditions. A senate committee hearing is anticipated when the Senate reconvenes in September.

Prepared by: Kara Mathews, Water Resources Specialist
Reviewed by: Dan Denham, Colorado River Program Director
    Doug Wilson, CRB Representative

Attachment 1: CRB Water Supply Report
## LOWER COLORADO WATER SUPPLY REPORT

**River Operations**

**Bureau of Reclamation**

Questions: BCOOWaterops@usbr.gov  
(702)293-8373  
http://www.usbr.gov/lc/region/g4000/weekly.pdf

<table>
<thead>
<tr>
<th>Content Elev. (Feet)</th>
<th>PERCENT</th>
<th>1000 ac-ft (kaf)</th>
<th>7-Day Release</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT STORAGE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LAKE POWELL</td>
<td>53%</td>
<td>12,982</td>
<td>3612.48</td>
</tr>
<tr>
<td>* LAKE MEAD</td>
<td>38%</td>
<td>9,893</td>
<td>1078.57</td>
</tr>
<tr>
<td>LAKE MOHAVE</td>
<td>92%</td>
<td>1,669</td>
<td>641.91</td>
</tr>
<tr>
<td>LAKE HAVASU</td>
<td>94%</td>
<td>583</td>
<td>448.17</td>
</tr>
<tr>
<td><strong>TOTAL SYSTEM CONTENTS</strong></td>
<td>53%</td>
<td>31,355</td>
<td></td>
</tr>
<tr>
<td>As of 08/03/2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SYSTEM CONTENT LAST YEAR</strong></td>
<td>51%</td>
<td>30,441</td>
<td></td>
</tr>
</tbody>
</table>

* Percent based on capacity of 26,120 kaf or elevation 1219.6 feet.  
** TOTAL SYSTEM CONTENTS includes Upper & Lower Colorado River Reservoirs, less Lake Mead exclusive flood control space.

### Forecasted Water Use for Calendar Year 2015 (as of 08/04/2015) (values in kaf)

<table>
<thead>
<tr>
<th>State</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEVADA</td>
<td>245</td>
</tr>
<tr>
<td>SOUTHERN NEVADA WATER SYSTEM</td>
<td>215</td>
</tr>
<tr>
<td>OTHERS</td>
<td>30</td>
</tr>
<tr>
<td>CALIFORNIA</td>
<td>4,251</td>
</tr>
<tr>
<td>METROPOLITAN WATER DISTRICT OF CALIFORNIA</td>
<td>888</td>
</tr>
<tr>
<td>IRRIGATION DISTRICTS</td>
<td>3,225</td>
</tr>
<tr>
<td>OTHERS</td>
<td>138</td>
</tr>
<tr>
<td>ARIZONA</td>
<td>2,611</td>
</tr>
<tr>
<td>CENTRAL ARIZONA PROJECT</td>
<td>1,497</td>
</tr>
<tr>
<td>OTHERS</td>
<td>1,114</td>
</tr>
<tr>
<td><strong>TOTAL LOWER BASIN USE</strong></td>
<td>7,107</td>
</tr>
<tr>
<td>DELIVERY TO MEXICO - 2015 (Mexico Scheduled Delivery + Preliminary Yearly Excess1)</td>
<td>1,524</td>
</tr>
</tbody>
</table>

### OTHER SIGNIFICANT INFORMATION

**UNREGULATED INFLOW INTO LAKE POWELL - AUGUST FINAL FORECAST DATED 08/03/2015**

<table>
<thead>
<tr>
<th>Forecasted Water Year 2015</th>
<th>10.335</th>
<th>95%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Observed April-July 2015</td>
<td>6.713</td>
<td>94%</td>
</tr>
<tr>
<td>July Observed Inflow</td>
<td>1.072</td>
<td>98%</td>
</tr>
<tr>
<td>August Inflow Forecast</td>
<td>0.400</td>
<td>80%</td>
</tr>
</tbody>
</table>

### Water Year 2015 Precip to Date

<table>
<thead>
<tr>
<th>Watershed</th>
<th>Precip to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Colorado Basin</td>
<td>94% (25.4&quot;)</td>
</tr>
<tr>
<td>Salt/Verde Basin</td>
<td>94% (21.7&quot;)</td>
</tr>
</tbody>
</table>

**CURRENT BASIN SNOWPACK**

<table>
<thead>
<tr>
<th>Watershed</th>
<th>Snowpack</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Colorado Basin</td>
<td>NA% (NA)</td>
</tr>
<tr>
<td>Salt/Verde Basin</td>
<td>NA% (NA)</td>
</tr>
</tbody>
</table>

1 Delivery to Mexico forecasted yearly excess calculated using year-to-date observed and projected excess.
### ARIZONA, CALIFORNIA, NEVADA, MEXICO

**FORECAST OF END OF YEAR CONSUMPTIVE USE**

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

(ACRE-FEET)

<table>
<thead>
<tr>
<th>Use Forecast Approved Excess to To Date Use Use</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
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<td>WATER USE SUMMARY</td>
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1/ Incorporates Jan-Jun USGS monthly data and 80 daily reporting stations which may be revised after provisional data reports are distributed by the USGS. Use to date estimated for users reporting monthly and annually.

2/ These values reflect adjusted apportionments. See Adjusted Apportionment calculation on each state page.

3/ Includes unmeasured returns based on estimated consumptive use/diversion ratios by user from studies provided by Arizona Department of Water Resources, Colorado River Board of California, and Reclamation.

**NOTE:** Use to date values have been updated with June USGS Provisional data as well as monthly reported data. [7-27-2015]
## California Water Users

### Forecast of End of Year Consumptive Use

Forecast based on use to date and approved annual water orders.

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### California Adjusted Apportionment Calculation

| California Apportionment                    | 4,400,000       |
| Conservation for Salton Sea Restoration - 2010 1 | -23,273         |
| Creation of Extraordinary Conservation ICS (IID) | -25,000         |
| Creation of Extraordinary Conservation ICS (MWD) | -25,000         |
| Total State Adjusted Apportionment            | 4,351,727       |
| Excess to Total State Adjusted Apportionment  | -101,252        |

### ISG Annual Target Comparison Calculation

| Priorities 1, 2, 3b Use (PVID+YPRD+Island+PVID Mesa) | 450,675         |
| MWD Adjustment                                     | -30,675         |
| Total California Agricultural Use (PVID+YPRD+Island+IID+CVWD) | 3,224,612       |
| California Agricultural Paybacks                   | -23,273         |
| Miscellaneous PPRs Covered by IID and CVWD         | -14,500         |
| California ICS Creation (IID ICS)                  | -25,000         |
| Total Use for Target Comparison 2                  | 3,256,710       |
| ISG Annual Target (Exhibit B)                      | 3,448,000       |
| Amount over/under ISG Annual Target                | -191,290        |

### Notes

- Diversions and uses that are pending approval are noted in red italics.
- Water users with a consumptive use entitlement - Excess to Estimated Use column indicates overrun/underrun of entitlement.
- Excess to Approved Diversion column indicates overrun/underrun of entitlement.

---

[1] Pending approval by Imperial Irrigation District's Board of Directors.
[2] Includes MWD Adjustment, California Agricultural Use and Paybacks, IID-CVWD covered PPRs, and taking out the MWD-CVWD Exchange.
ARIZONA WATER USERS
FORECAST OF END OF YEAR CONSUMPTIVE USE
FORECAST BASED ON USE TO DATE AND APPROVED ANNUAL WATER ORDERS
Arizona Schedules and Approvals

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<th>WATER USER</th>
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<th>Estimated Use</th>
<th>Excess to Estimated Use</th>
<th>Diversion To Date</th>
<th>Forecast Diversion</th>
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ARIZONA ADJUSTED APPORTIONMENT CALCULATION
Arizona Basic Apportionment | 2,800,000 |
Payback of IDPP overruns - (Cocopah and Beattie) | -122 |
CAGRD/YMIDD Pilot Conservation Program |                               |
Total State Adjusted Apportionment | 2,799,878 |
Excess to Total State Adjusted Apportionment | -192,202 |
Estimated Allowable Use for CAP | 1,688,465 |

1/ CAWCD has agreed to forebear 9,000 acre-feet during phase one of the study, during which time CAGRD will refine the estimate of the actual conservation yield of the program.

NOTES: Click on Arizona Schedules and Approvals above for incoming diversion schedules and approvals.
### Nevada Water Users

**Forecast of End of Year Consumptive Use**

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

#### Historic Use Records (Water Accounting Reports)

<table>
<thead>
<tr>
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<tr>
<td>ROBERT B. GRIFFITH WATER PROJECT (SNWS)</td>
<td>243,373</td>
<td>426,714</td>
<td>467,935</td>
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<td>243,373</td>
<td>426,714</td>
<td>467,935</td>
<td>-41,221</td>
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<td>231</td>
<td>406</td>
<td>422</td>
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<td>-16</td>
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<td>LAKE MEAD NRA, NV - Diversions from Lake Mohave</td>
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<td>BIG BEND WATER DISTRICT</td>
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<td>3,074</td>
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<td>FORT MOJAVE INDIAN TRIBE</td>
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<td>-127,279</td>
<td>-211,724</td>
<td>-201,668</td>
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</tbody>
</table>

**Total Nevada**

132,410 | 248,107 | 300,000 | -38,329 | 262,626 | 465,633 | 510,000 | -47,212 |

#### Tributary Conservation & Imported Intentionally Created Surplus

- Total Requested Tributary Conservation Intentionally Created Surplus: 37,000
- Total Requested Imported Conservation Intentionally Created Surplus: 9,000
- 5% System Cut for Creation of Intentionally Created Surplus: -2,300
- Total Intentionally Created Surplus Left in Lake Mead: 43,700

#### Nevada Adjusted Apportionment Calculation

- Nevada Basic Apportionment: 300,000
- Excess to Total State Adjusted Apportionment: -51,893

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**Notes:**

- Diversions and uses that are pending approval are noted in red italic.
- Water users with a consumptive use entitlement - Excess to Estimated Use column indicates overrun/underrun of entitlement. Dash in this column indicates water user has a diversion entitlement.
- Water users with a diversion entitlement - Excess to Approved Diversion column indicates overrun/underrun of entitlement. Dash in this column indicates water user has a consumptive use entitlement.

---

**Charts:**

- Robert Griffith Forecast
- LV Wash Return Forecast

**Notes:**

Click on Nevada Schedules and Approvals above for incoming diversion schedules and approvals.
Upper Colorado Region Water Resources Group

River Basin Tea-Cup Diagrams

Data Current as of:
08/02/2015

Upper Colorado River Drainage Basin

Fontenelle
313832/3446000
91% Full as of 07/29

Flaming Gorge
35229708/3749000
94% Full as of 07/29

Morrow Point
113337/117190
97% Full as of 07/29

Blue Mesa
805014/829500
97% Full

Navajo
1462368/1596000
86% Full as of 07/31

Lake Powell
13033624/24322000
54% Full as of 07/29

Drainage Area 278,300 Square Kilometers
August 25, 2015

Attention: Imported Water Committee

Metropolitan Water District Delegates’ Report (Information)

Background
This report summarizes discussions held and key actions made at the Metropolitan Water District (MWD) committee and Board meetings, as reported by the MWD Delegates. The MWD committees and Board met on August 17 and 18, 2015. The next regular MWD Board and committee meetings are scheduled for September 21 and 22.

Discussion
The Water Authority Delegation supported nine of the 11 action items approved by the MWD Board. The two items the Delegates opposed were suspending the ad valorem tax rate (tax rate) limitation for fiscal year 2016 and approving amendments to the Intentionally Created Surplus (ICS) Agreement, which is in reality a water transfer between the parties. The Delegates opposed maintaining the tax rate for fiscal year 2016 because the MWD Board must find it “essential to the fiscal integrity” of MWD in order to do so. The Delegates could not make this finding given the over-collection of revenues over the past four fiscal years amounting to more than $800 million (that were spent on unbudgeted items). This concern and others are expressed in the Delegates’ letter to MWD (Attachment 1).

Although the ICS agreement amendments were characterized as a storage opportunity, MWD’s memo and staff’s report made it clear that the transaction is a water transfer. The amendments failed to include a California Environmental Quality Act (CEQA) review, which the Delegates believe is necessary to address potential impacts on the Salton Sea. Additionally, under the Water Authority’s exchange agreement with IID, the Water Authority has a right of first refusal for any additional transfer water IID makes available. For these two main reasons, the Delegates opposed amending the ICS Agreement. Attachment 2 is the Delegates letter articulating these concerns.

Attachment 3 is a copy of MWD’s August 2015 committee and Board meeting agendas and summary report.

Board Meeting
During public comment, the owner of the Accurate Weather Set Company urged MWD to re-evaluate the methodology used to assess water savings achieved from irrigation controllers that receive rebates through its Conservation Program because he believes MWD’s methodology inflates the savings. Additionally, the speaker suggested MWD adjust the formula to calculate the Conservation Program’s incentive amounts so that each rebate dollar equates to 1 percent of water savings to truly promote water conservation and encourage manufacturers to further enhance their devices’ water use efficiency. In closed session, the Board considered the fiscal year 2015 performance of the four direct reports (the General Manager, General Counsel, General Auditor, and Ethics Officer). However, the Board deferred action related to the direct reports’ compensation. Also, in recognition of Labor Day and Rosh Hashanah, the Board approved moving the September committee and Board meetings to September 21 and 22, with the special and Executive committees’ meetings moved to September 29.
**Communications and Legislation Committee**

Last month MWD staff presented federal drought legislation priorities (in addition to the MWD’s already adopted 2015 legislative priorities) for the Board’s consideration. The Board tabled the discussion and this month staff returned with revised priorities. MWD staff reported that the additional priorities are intended to act as guidelines for staff’s involvement in shaping federal drought legislation and individual bills will be brought to the Board for consideration. Despite staff’s refinements, Director Dake (Los Angeles) echoed concerns expressed last month that the proposed priorities did not clearly express MWD’s support for environmental laws and regulations. General Manager Kightlinger clarified that there may be future opportunities to change the Endangered Species Act (ESA) and the Biological Opinions that would benefit both water supply and ecosystems. Director Lewinger agreed with Dake, noting that previously in 2015 MWD staff engaged in efforts to shape drought legislation that would weaken the ESA (see Attachment 4 – News Article on MWD’s role in Feinstein Bill). Other directors provided recommendations to modify the priorities. Lewinger suggested adding language to protect local supplies. Directors Abdo (Santa Monica) and McKenney (Municipal Water District of Orange County) recommended MWD more clearly express its support to use sound and unbiased science to make regulatory and policy decisions. Directors Ackerman (Municipal Water District of Orange County), Blois (Calleguas), and Peterson (Las Virgenes) supported staff’s recommendation as presented. Lewinger moved to approve the recommended legislative priorities, in concept, with direction to staff to include the committee’s recommendations in an update of the priorities for consideration at the following day’s Board meeting. The committee approved Lewinger’s motion.

The following day during the Board’s consideration of the drought legislation priorities, Director Koretz (Los Angeles) expressed his concern that the revised priorities still afforded staff too much leeway with respect to environmental laws, citing the involvement of MWD staff in molding legislation that aimed to alter the Biological Opinions. Responding to this concern, Kightlinger said MWD would support altering the Biological Opinions based on updated scientific findings. Koretz moved, and Steiner seconded, to not adopt the additional priorities. The motion failed with 45.15 percent Board support. Director Barbre (Municipal Water District of Orange County) moved to adopt staff’s revised priorities, which was seconded and narrowly approved by the Board with 50.73 percent support.

Additionally, the committee received reports on current state and federal activities, and an update on MWD’s 2015 water conservation advertising and outreach campaign.

**Engineering and Operations Committee**

The committee and Board approved three items. The committee also received an update on MWD’s salinity management efforts. Staff reported that recent limited SWP supplies have caused MWD not to achieve its goal of maintaining the total dissolved solids below its 500 parts per million target. Considering future opportunities to manage salinity, Barbre asked about the potential for the Cadiz project to reduce Colorado River water’s salt content. Chief Operating Officer Man responded that MWD is still analyzing the long-term benefits of the Cadiz Project.

During the Capital Investment Plan (CIP) fiscal year 2015 summary report, MWD said that over the course of the fiscal year the Board approved 49 actions, appropriating a total of $213 million and awarding 22 construction contracts collectively worth $78 million. Fiscal Year 2015 CIP expenditures of $211 million were below budget by about $34 million.
Finance and Insurance Committee
The committee, and later the Board adopted a resolution finding that suspending the tax rate limitation for fiscal year 2016 is “essential to Metropolitan’s fiscal integrity,” and maintained fiscal year 2016’s tax rate at 0.0035 percent of assessed valuation, the same rate levied in fiscal year 2015. Without the suspension, MWD’s 2016 tax rate would have been 0.0016 percent of assessed valuation. MWD projects fiscal year 2016 tax revenues of $99 million, $7 million more than previously forecasted. Lewinger asked, and Chief Financial Officer Breaux confirmed that MWD has other options to generate fixed revenues. While Lewinger agreed that MWD should balance fixed revenues to fixed costs, he said because MWD may utilize other sources of fixed revenues maintaining the tax rate is not essential for MWD’s fiscal integrity. The committee approved staff’s recommendation to maintain fiscal year 2016’s tax rate.

At the following day’s Board meeting, MWD held a public hearing on suspending the tax rate limitation. One speaker, Conner Everts of the Environmental Water Caucus, voiced opposition to continuing the tax rate, expressed concern with how tax revenues are spent, and questioned MWD’s transparency. After the public hearing, the Board approved suspending the tax rate limitation. The Delegates and Director Ballin (San Fernando) voted no.

The committee also received an oral report on the tax assessment for fiscal year 2016. Overall, MWD’s service area assessed value increased by almost 6 percent. The assessed valuation for the San Diego region lagged behind the overall increase, as a result, the Water Authority vote entitlement dropped slightly to 17.44 percent (from 17.47 percent). An increase in the city of Los Angeles assessed value increased its vote entitlement to 20.11 percent, which affords Los Angeles an additional seat on the MWD Board.

Treasurer Marumoto reported that MWD’s short-term investment portfolio decreased by about $573 million from $1.2 billion to about $630 million due to large cash expenditures made in July for land acquisition, debt service, and operations and maintenance. Breaux said that water sales for July were about 20 percent below budget and that August sales are trending around 27 percent below budget. Fiscal year 2016 water sale revenues are tracking about $34 million below budget. Breaux said that MWD has financial reserves in place to “cover reductions in revenues.” Breaux also said, in response to Steiner, that MWD’s reserve balances are reduced by about $100 million from last month (due to MWD’s purchased of land in Palo Verde Irrigation District). He reported that reserves are between $350 million and $370 million (about $120 million to $140 million below the maximum level and approximately $145 million to $165 million above the minimum level).

Integrated Resources Planning Committee
MWD staff presented on the Integrated Resources Plan (IRP) draft results, which described MWD’s updated demand forecasts as compared to projected existing supplies through 2040. Staff reported that the goal defined in the IRP is to provide “100 percent reliability under foreseeable hydrological conditions.” For its analysis, staff concluded, “significant resource investments” are required to meet future demands. (More information on MWD’s IRP and the 2015 Update can be found in this month’s Board Memo “Metropolitan Water District 2015 Integrated Resources Plan Update.”)

Following staff’s presentation, McKenney questioned MWD’s conservation projections, noting that when conservation is added into MWD’s demand forecasts, demands do not decrease as dramatically as he expected. Water Resource Manager Upadhyay responded that conservation does significantly lower demand projections (staff earlier said that conservation reduces projected demands by about
15 percent), and noted that this decrease excludes water use efficiency savings that may be achieved through additional active conservation programs. Committee Chair Atwater (Foothill) noted that the projections also exclude future and recent water use efficiency standards, such as the newly approved outdoor landscape ordinance for new construction. Director Faessel (Anaheim) requested more information on the population numbers embedded in MWD’s assumptions. Man said that staff would provide a summary of how the population numbers were developed. Noting the importance that MWD placed on groundwater production in meeting future demands, Blois asked if MWD’s analysis includes groundwater recharge and replenishment. Upadhyay confirmed that the groundwater production projection included replenishment assumptions. In reference to local projects, McKenney asked if MWD would distinguish between projects that develop with and without MWD’s financial assistance. Man responded that first IRP targets need to be established, and then the Board will engage in discussions on how to achieve these targets. In reference to MWD’s goal to provide “100 percent reliability under all foreseeable hydrological conditions,” McKenney questioned the role of MWD’s Water Supply Allocation Plan (WSAP). When MWD’s dry-year storage totals approach 1.0 million acre-feet or less, Man said MWD may discuss implementing the WSAP. McKenney asked if implementing the WSAP indicated MWD’s failure in achieving the IRP goal. Man replied the plan’s implementation would require “MWD to take additional actions.” Peterson said that allocations are not “a way to deal with drought,” and suggested that MWD’s future demands will decline given the historic trend of MWD’s demands decreasing by hundreds of thousands of acre-feet.

Director Ramos (Burbank) asked about MWD’s IRP outreach efforts. Staff reported that IRP outreach is intended to explain to the public its purpose. MWD is taking two outreach approaches: the “traditional” method through printed material with “in-person briefings” and a “technology” emphasized effort, which includes MWD’s IRP website. Through MWD’s website the public can submit comments and questions on MWD’s IRP. Staff anticipates holding a public workshop in October at MWD’s Union Station headquarters, which will be accessible across MWD’s service area via webcast. Another outreach outlet staff identified is crowd-sourcing, which was described as an online forum used to collaborate on ideas. Director Gray (West Basin) asked how MWD will outreach to members of the public who lack access to technology. Staff replied that it will attend community meetings and provide printed fact sheets. Gray also asked if MWD is targeting certain groups, staff said that MWD’s government affairs representatives will be reaching out to various groups, such as homeowner associations.

The committee did not receive scheduled presentation on the California Water Fix and the IRP.

**Legal and Claims Committee**

In closed session and without the Delegates present, the committee heard a report on the rate litigation with the Water Authority.

In open session, General Counsel Scully reported on litigation filed by the Los Angeles Department of Water and Power (LADWP), on behalf of the city of Los Angeles against MWD. The litigation relates to a Public Records Act (PRA) request issued by The San Diego Union-Tribune, which requested the names and addresses, in addition to other information, of MWD’s turf removal subsidy recipients. LADWP filed a lawsuit to prevent MWD from releasing the names and addresses of recipients in its service area. Lewinger questioned why the committee did not enter closed session to discuss the litigation. Scully responded that she was providing a status update and unless there were any questions that would require a closed session then the update could be presented in open session.
LADWP received a Temporary Restraining Order, halting MWD from releasing names and address of LADWP customers. Another court hearing is scheduled for November 5. West Basin was also granted a Temporary Restraining Order, and both Foothill and Upper San Gabriel municipal water districts have hearings to obtain similar court orders. In response to questions from Director Dear (West Basin), Scully said MWD’s General Counsel’s Office determined that releasing the names and addresses of turf removal subsidy recipients are subject to the PRA; and therefore should be provided when requested.

**Organization, Personnel and Technology Committee**
Three speakers, the presidents of MWD’s main bargaining units (AFSCME Local 1902, MAPA, AFSCME 1010, and Supervisors Association), addressed the committee and urged the committee, and later the Board, to approve their proposed labor agreement. The units also said that although many MWD represented employees have “topped-out” and not received pay increases for serval years, Kightlinger issued more than $350,000 in bonuses to unrepresented employees since December 2011 (see union’s letter in Attachment 5). In closed session, the committee received an update on labor negotiations. Later that day, during public comment at the Board Meeting, 19 MWD employees and one member of the public continued the pleas for the Board to approve a “fair and equitable” pay increase for employees.

**Special Committee on Bay-Delta**
The committee received an update on the Bay Delta Conservation Plan (BDCP)/California Water Fix. In response to Lewinger, Bay-Delta Initiatives Manager Arakawa said that MWD believes that state and federal exports would continue to decline (reducing average annual exports from about 4.7 million acre-feet to 3.5 million acre-feet) with the BDCP’s proposed regulations without the addition of the North Intake. Noting the recent fish survey that found one delta smelt, Lewinger asked if the extinction of the fish would impact exports. Kightlinger replied that the fish’s extinction would change conditions, but would not result in significant increases in Delta exports.

Strategic Water Initiatives Manager Patterson reported that water contractors re-initiated discussions on the BDCP cost allocation and related financing discussions following the release of the revised environmental documents. Also, the Department of Water Resources (DWR) and Bureau of Reclamation will review the Coordinated Operations Agreement (COA) between the Central Valley Project (CVP) and the SWP. (This is the first review the agencies will undertake; although, the COA, which was executed in 1986, calls for a review every five years.) The COA defines how export water under existing conditions is split between the two projects and its review may alter the amount of water allocated between the CVP and SWP. Patterson said this change would likely be minimal and that MWD’s position is that “costs follow water,” meaning agencies that receive the water should pay for it. Responding to Steiner, Patterson said that Westlands Water District (the CVP’s biggest contractor) will have to carefully analyze the project because it is “expensive.” However, he said all contractors remain engaged in discussions.

The committee deferred a presentation on the State Water Resources Control Board’s Bay-Delta Water Quality Control Plan.

**Water Planning and Stewardship Committee**
The Committee considered staff’s recommendation to authorize the General Manager, or his proxy, in consultation with the Board Chair to vote in elections for Palo Verde Irrigation District’s (PVID) Board. Although MWD has not previously voted in these elections, staff said it was “prudent” for
MWD to ensure it has the ability to do so. Steiner voiced concern that staff’s recommendation designated the voting power to the General Manager, rather than the Board Chair, and it did not incorporate the Board in the decision process. She pointed out that by voting in the PVID election, MWD would engage in PVID’s politics and policy making; and, therefore, the Board should determine how MWD’s vote is cast. Lewinger echoed her concerns, adding that the Board should consider first if it wants to get involved in the PVID political process and if so, how MWD would use its voting influence; for example, would MWD consider supporting its own candidate. Peterson supported designating the Chair as MWD’s voting designee but expressed apprehension that involving the Board in the voting decision would be “micro-managing” staff. Atwater disagreed, arguing that the General Manager represents MWD at the State Water Contractors, Inc. (SWC), and that MWD’s involvement in PVID is no different. Steiner pointed out that although the General Manager represents MWD at the SWC, the Board directs major policy decisions. Directors Touhey (Upper San Gabriel) and Barbre voiced support for Steiner’s motion with Barbre recommending that MWD consider forming a Board committee to discuss PVID-related issues. Ultimately, the committee, and later the Board, approved Steiner’s motion to designate the voting power to the Board Chair with Board consultation as time permits.

The committee considered staff’s proposed amendments to the ICS agreement. Staff reported that the agreement would allow MWD to receive up to 100,000 acre-feet annually of transfer water from IID in 2015, 2016, and 2017. This water would be made available from on-farm conservation measures. Lewinger questioned staff’s conclusion that the agreement is exempt from CEQA review, pointing out that the agreement would cause less water to flow into the Salton Sea, resulting in environmental repercussions. Legal staff opined that the agreement is within the terms of the Quantification Settlement Agreement and that if MWD did not store the water it would be stored elsewhere. Before the committee approved staff’s recommendation, Touhey suggested that the Water Authority opposes the agreement because it is seeking to secure the water for its own use. When the Board considered the item the following day, Lewinger noted that the Water Authority has the right to first refusal for transfer water from IID, but that the Delegates would consider supporting the item if a CEQA review was completed to evaluate the transfers’ impact on the Salton Sea. The Board approved staff’s recommendation despite the Delegates opposition.

During the Water Surplus and Drought Management Report, staff provided the committee with an update on MWD’s water supply and demand conditions. SWP conditions remain the same, but Colorado River conditions improved due to above average precipitation in May, June, and July. Staff reported there is a zero percent chance of shortage on the Colorado River in 2016 and MWD will be able to fill its Colorado River Aqueduct as result of the improved conditions. Demands on MWD are also trending lower than 2014, tracking around 1.8 million acre-feet over the allocation year. Responding to questions from Steiner, MWD said agricultural adjustments on the Colorado River are lower than previously reported, tracking around 30,000 acre-feet, and MWD is working to secure transfers on the Colorado River system to meet its supply plan of 165,000 acre-feet of transfer supplies. Later in the committee, Colorado River Programs Manager Hasencamp reported on a potential exchange agreement with Southern Nevada Water Authority (SNWA) for an additional 200,000 acre-feet of water in 2015. MWD would pay $315 per acre-foot and would return 84 percent of the water (assumes 16 percent system losses). SNWA cannot request that water before 2020 and when requested, would pay MWD $315 per acre-foot price plus inflation. If MWD were to take the full 200,000 acre-feet of exchange water in 2015, it could store as much as 120,000 acre-feet in Lake Mead.
During an update on MWD’s Conservation Program, staff said that there is about $30 million remaining of the $450 million budget for fiscal years 2015 and 2016. These remaining funds are for device rebates (turf removal subsidies were fully expended and reserved in July). Responding to Director Quiñonez (Los Angeles), staff said that funds set aside for device rebates are unlikely to last through the end of fiscal year 2016. Should the funds not last through the remainder of the fiscal year, Quiñonez suggested MWD consider increasing device rebate funding. Staff also reported that 22 percent of residential and 22 percent of commercial customers used the contract-direct option when receiving their turf removal subsidies, which allows the customer to directly transfer their subsidy to a landscape contractor. Blois, Lewinger, Touhey, and Atwater all said that more analysis is needed to understand the water savings associated with turf removal.

Prepared by: Liz Mendelson, Water Resources Specialist
Reviewed by: Communications and Legislation Committee by Keith Lewinger and Yen Tu
Engineering and Operations Committee by Fern Steiner
Finance and Insurance Committee by Keith Lewinger
Integrated Resources Plan Committee by Keith Lewinger and Fern Steiner
Legal and Claims Committee by Fern Steiner and Yen Tu
Real Property and Asset Management Committee by Michael Hogan
Special Committee on Bay-Delta by Fern Steiner
Water Planning and Stewardship Committee by Keith Lewinger and Fern Steiner

Attachment 1: Letter to MWD on establishing the fiscal year 2015 ad valorem tax rate, dated August 15, 2015
Attachment 2: Letter to MWD on agreement for the creation and delivery of extraordinary conservation intentionally created surplus, dated August 16, 2015
Attachment 3: MWD’s committee and Board meeting agenda and Summary of Actions, dated August 18 and 19, 2015
Attachment 4: E&E Daily article on drought legislation negotiations dated March 27, 2015
Attachment 5: MWD bargaining units’ letter to MWD on salary negotiations dated August 12, 2015
August 15, 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 5G-2 - Adopt (1) the resolution finding that continuing an ad valorem tax rate at the rate levied for fiscal year 2013/14 is essential to Metropolitan’s fiscal integrity; and (2) the resolution establishing the tax rate for fiscal year 2014/15 - OPPOSE OPTION 1

Dear Chair Record and Board Members,

We have reviewed Board Memo 5G-2 and OPPOSE the action recommended to be adopted by the Board of Directors (i.e., to suspend the tax limitation of Section 124.5, thereby increasing the amount of property tax revenue to be collected by MWD). We have stated our objections previously, each time MWD has proposed to suspend the property tax rate limitations imposed by the Legislature, now embodied in Section 124.5 of the MWD Act. Copies of our May 14, June 5 and August 16, 2013 letters are attached for your ease of reference (Attachment 1). We SUPPORT adoption of OPTION 2 as described at page one of the Board Memorandum.

We OPPOSE the action recommended by staff because MWD has failed to make the requisite factual showing that additional tax revenues are "essential to the fiscal integrity of the District." Such a finding would be impossible to make given that MWD has collected almost $800 million more than necessary to pay the actual expense items included in its adopted budgets over the past three years (even with this spending, MWD still has substantial cash reserves that are nearly at the maximum level prescribed by the Board of Directors). The fact that the MWD board later chose to spend this rate revenue on unbudgeted expenditures does not change the fact that these revenues were available to the District and therefore the collection of higher taxes was not, and is not necessary, let alone "essential" to the fiscal integrity of the district.

MWD has also failed to show why the other fixed revenue options it has available, such as the Readiness-to-Serve charge and benefit assessments, are not feasible. Indeed, it is clear from the legislative history of SB 1445 that the Legislature intended that MWD would use...
these alternatives in lieu of property taxes. See April 21, 1988 Memorandum from MWD's General Counsel to the Subcommittee on Financial Policy (Attachment 2).

Board Memorandum 5G-2 is incorrect when it states that MWD's fixed costs, particularly its fixed State Water Contract obligations, are increasing "in ways unforeseen by the Legislature in 1984" (Board Memorandum 5G-2, last paragraph at page 4). To the contrary, MWD's own Report to the California Legislature in Response to AB 322 (March 1984), clearly identified that fixed costs of the State Water Project were expected to increase dramatically (excerpts from the Report - Figures 18 and 19 - are included as Attachment 3).

We also OPPOSE staff recommendation because MWD has failed to provide the public with sufficient information to have a reasonable opportunity to be heard at the public hearing, as required by Section 124.5. The Board meeting agenda does not even reference the related Committee agenda item. Even if the Board Memorandum is located by a member of the public, it asks them to cull through all of the financial information appearing on MWD's website, rather than providing an analysis of MWD's current financial condition, demonstrating that increased tax revenues are "essential" to its fiscal integrity within the meaning of the statute passed by the Legislature and signed into law (SB 1445).

MWD needs a long-range finance plan to address how it will pay for current and anticipated costs of the State Water Project. Revenues from property taxes – as one source of revenues, fixed or otherwise – should be considered and discussed by the board in the broader context of a plan to ensure MWD's long-term fiscal sustainability. Taking action, one year at a time, to increase property tax revenues without a comprehensive long-term fiscal strategy and plan does little to assure the public and our ratepayers that MWD is a fiscally prudent and sustainable agency. We would welcome the opportunity to have that dialogue.

Sincerely,

Michael T. Hogan  
Director

Keith Lewinger  
Director

Fern Steiner  
Director

Yen C. Tu  
Director

Attachments:
1. Water Authority’s Letters to MWD Board (May 14, June 5 and August 16, 2013)
2. Memorandum from MWD's General Counsel to the Subcommittee on Financial Policy (April 21, 1988)
3. MWD Report to California Legislature in Response to AB 322, excerpts - Figures 18 and 19 (March 1984)
May 14, 2013

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

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

Dear Chairman Foley and Members of the Board,

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

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

As noted in our letter commenting on the draft Appendix A, we are concerned what the public perception will be of MWD declaring that these ad valorem taxes are “essential to the
Chairman Foley and Members of the Board  
May 14, 2013  
Page 2

fiscal integrity of the district.”  Read in the context of the Legislative History of SB 1445, we doubt this is the kind of situation the Legislature envisioned in establishing the limitations of Section 124.5.

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

Sincerely,

Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

Doug Wilson  
Director

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

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

June 5, 2013

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

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

Dear Chairman Foley and Board Members:

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

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

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

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

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

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

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

Sincerely,

Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

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

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

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

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

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<td>San Diego</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)
August 16, 2013

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

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

Dear Chairman Foley:

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

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

Sincerely,

Keith Lewinger  
Director  

Vincent Mudd  
Director  

Fern Steiner  
Director

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

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

June 5, 2013

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

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A public agency providing a safe and reliable water supply to the San Diego region
Chairman Foley and Members of the Board
June 5, 2013
Page 2

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

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

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April 21, 1988

To

Subcommittee on Financial Policy--Information

General Counsel

Subject

The History of the Tax Limitation Provisions of Section 124.5 of the Metropolitan Water District Act

Summary

In 1983, in response to a California Supreme Court decision allowing property tax levies for voter-approved pension funds, the Legislature enacted AB 377, which unintentionally would have had the effect of prohibiting the levy of taxes for voter-approved water contract payments, including the State Water Project. AB 322, passed later in the 1983 session, corrected this matter by authorizing property tax levies for the State Water Project contract payments and voter-approved Federal water contract payments. At that time, Metropolitan had substantially raised its property tax rate for fiscal year 1983-84, and in response AB 322 prohibited any increase in Metropolitan's taxes above the 1982-83 level for the tax year 1984-85 and 1985-86 and requested a report to the Legislature on the District's program to reduce reliance on property taxes and to assure equitable distribution of the tax burden.

After extensive study by a staff task force and negotiations among Directors representing various member agencies, with the General Manager serving as an intermediary, a compromise was reached resulting in additional statutory financial flexibility, revisions to the Administrative Code reducing the allocation of revenue requirements to taxes under the proportionate use formula, and the addition of Section 124.5 of the MWD Act, which essentially places an upper limit on District taxes commencing in 1990-91 based upon debt service for District general obligation bonds and an allocable share of the State's debt service on Burns-Porter bonds used to finance State Water Project facilities benefiting the District. The compromise was enacted by
SB 1445 which also removed the two-year tax limitation on the District and the reporting requirement. Under the compromise it was estimated that with the sale and redemption of the remaining authorized District general obligation bonds, barring emergencies, the District would reduce its tax rate to zero in approximately 2023-24. At that time, there was no authority to authorize further general obligation bonds. The compromise also amended the Administrative Code to exclude debt service for water treatment plants from tax levies.

Recommendation

For information only.

Detailed Report

SB 1445 is the culmination of three pieces of legislation enacted in 1983 and 1984 relative to the District's taxing authority, among other matters. In 1983 the Legislature, in response to a concern that a number of local public entities, particularly the City of Los Angeles, would significantly increase their property tax rates under the ruling of the California Supreme Court in 1982 in Carman v. Alvord allowing the use of property taxes for the payment of voter-approved pension liabilities, enacted AB 377. That bill, with major amendments, emerged from a conference committee on July 19 and was adopted by both the Senate and Assembly that day. It was sent to the Governor and approved July 28. A significant provision of that bill added Section 97.6 of the Revenue and Taxation Code, which was intended as an interim control pending further legislative consideration, and it essentially provided that for the 1983-84 and 1984-85 fiscal years no local public entity would be permitted to impose a property tax under the pre-1978 voter-approved indebtedness which was in excess of the tax rate imposed by the public entity in the 1982-83 fiscal year for other than bonded indebtedness. Thus, the scope of the prohibition went far beyond the pension tax exception that generated the legislative concern, including what appeared to be a prohibition on property tax levies for payments under State Water Project contracts.

Due in part to an adjustment provision to compensate for tax over-collections in the previous year which had caused the 1982-83 tax rate to be abnormally low and a $20 million "one-shot" additional charge from the State for a project interest rate adjustment, the District's proportionate use
formula (under which water rates are set) required a substantially higher tax rate for 1983-84 for the purpose of making payments to the State of California pursuant to its State water contract. The authority to levy property taxes for that program had been confirmed by the court's ruling in Goodman v. County of Riverside in 1983 as within the pre-1978 voter-approved indebtedness exception to the one percent of value property tax limitation of Article XIII A of the State Constitution (Proposition 13). When it became apparent that no corrective legislation would be enacted by mid-August of 1983, the District proceeded to levy the tax rate for 1983-84 determined under its proportionate use formula on the grounds that AB 377 was an unconstitutional impairment of contract as applied to the District for that year.

Following the District's action in setting its tax rate, the Legislature recognized the potential for default by the various State water contractors in their payment obligations to the State if their taxing authority was restricted in the manner provided by AB 377. Another bill, AB 322 (Roos), was substantially rewritten and emerged from conference on September 15, amending Section 97.6 (which had been added by AB 377) to provide that the limitation of Section 97.6 did not apply to taxes levied to meet obligations to make payments to either the State of California under contracts for the sale, delivery or use of water entered into pursuant to the California Water Resources Development Bond Act or the United States under voter-approved contracts for the sale, delivery or use of water or for repayment of voter-approved obligations for the construction, maintenance or operation of water conservation, treatment or distribution facilities.

AB 322 also specifically validated the District's 1983-84 tax rate but provided further that a metropolitan water district should not impose a property tax rate for fiscal years 1984-85 and 1985-86 which would be in excess of the rate imposed in fiscal year 1982-83 unless at least 80 percent of the Board of Directors found that a fiscal emergency existed which required a property tax rate increase and approved the rate increase. The provision also required the District to submit a report to the Legislature on or before March 31, 1984 detailing its program to reduce the reliance of the District on property taxes and to assure that the property tax burden would be equitably distributed. AB 322, which became law without the Governor's signature, became effective October 1 as an urgency statute.
The District appointed a task force to develop the required response to the Legislature which was completed and filed with the Legislature in March 1984. (A copy of the cover letter is attached.) As submitted, the response was intended to be an interim report, and the Board requested a two-year extension of the Legislature for the submission of a final report. The response explained in detail the historical development and application of the District's financial policy with regard to property taxes and water revenues. It further indicated that the District would be increasing its reliance on variable water revenues to meet the substantial growth in fixed costs with which the District was confronted that were to continue into the 21st century. The report included proposed legislation which provided additional financial flexibility to the District with regard to revenue sources, i.e., the authority to levy water standby or availability service charges, benefit assessments and the authority to issue commercial paper.

After the report was submitted, SB 1445, which had already passed the Senate, was amended in the Assembly to extend the reporting date to March 31, 1986, and to add the financial flexibility provisions requested in the report to the Legislature. On April 30, 1984, the General Manager by letter to the Board of Directors (copy attached) proposed as a further amendment to the Metropolitan Water District Act the addition of Section 124.5 which was approved by the Board. This would provide that, commencing with fiscal year 1990-91, the District's ad valorem property taxes, other than annexation taxes, shall not exceed (1) the amount required to pay debt service on Metropolitan's general obligations bonds and (2) that portion of the District's payment obligation to the State under the State water service contract which is reasonably allocable to the State's payment of debt service of existing Burns-Porter Bonds used to finance construction of facilities for the benefit of the District. The proposal also provided that these restrictions would not be applicable if the Board, after a hearing to consider that issue, found that a tax in excess of this restriction would be essential to the fiscal integrity of the District and the offices of the Speaker of the Assembly and the President Pro Tempore of the Senate were given written notice of hearing at least 10 days prior to the date of hearing.

Those amendments were incorporated in SB 1445. Following a few additional minor amendments, including the deletion of the two-year extension for filing the report,
Subcomm. on Financial Policy -5-        April 21, 1988

Senate Bill 1445 was enacted, effectively restoring the District's authority to levy taxes in accordance with the revised proportionate use formula until fiscal year 1990-91.

The tax limitation provisions contained in SB 1445 resulted from extensive negotiations among the Directors. The task force developed a series of water revenue/taxation policy alternatives which were presented for consideration. The compromise method, designated Alternative 17A at the time, that was eventually adopted by the Board and reflected in SB 1445, assumed that the District would issue its then remaining $365 million in authorized but unissued general obligation bonds. This was shown in the attachment to the General Manager's April 30 letter which projected aggregate debt service of the District and allocated State Water Project general obligation bonds to reach $107 million by 1988-89. (Debt service on the then outstanding District general obligation bonds was $30 million per year, the estimated share of State Water Project general obligation debt service was $41 million, and the projected debt service on the $365 million in unissued District general obligation bonds would be $36 million.) Based on that, it was estimated that District taxes would cease after fiscal year 2022-23 except in fiscal emergencies.

It should be noted that during this period, Article XIIIA effectively precluded the authorization of additional general obligation debt, and thus the compromise effected by Section 124.5 of the MWD Act did not contemplate such additional debt authorization or a tax to service it. With the adoption of Proposition 46 in 1986, Article XIIIA has been amended to permit property tax support for bonded indebtedness for the acquisition or improvement of real property approved by a two-thirds vote, and the literal provisions of Section 124.5 would permit a tax to service such bonds if they were so approved.

The General Manager's letter of April 30, 1984, also recommended revision of the District's Administrative Code to redefine certain categories of capital costs to be used in the proportionate use formula to determine the allowable tax levy through 1990-91. They excluded from the definition of capital costs under the proportionate use formula debt service attributable to bonds used to finance the construction of treatment plants and included such debt service within the definition of operation and maintenance costs, chargeable to the water treatment surcharge. This reclassification caused a
reduction in the calculation of tax rates for fiscal year 1984-85 and thereafter and, if not further revised in the future, would cause all debt service on bonds authorized or issued to finance water treatment, whether revenue or general obligation, to be a charge upon water revenues. This, of course, is consistent with the District's long-standing policy of recovering all costs of treatment from the users of treated water through the treatment surcharge on water rates.

JWM:jh
LDBOARD2-366
Attachments
The Metropolitan Water District of Southern California

Report to the California Legislature in Response to AB 322

March 1984
August 16, 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 8-3 - Authorize Amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus - OPPOSE

Dear Chairman Record and Board Members,

For the reasons described in the attached letter dated August 15, 2015 to Marcia Scully, we OPPOSE staff's recommendation to authorize amendment to the above agreement.

We would very much like to support MWD's efforts to obtain additional water supplies to meet the current severe water supply challenges it faces. However, for the reasons stated in the letter from our special counsel we cannot do so until the issues noted in the letter are addressed.

Sincerely,

Michael T. Hogan  
Director

Keith Lewinger  
Director

Fern Steiner  
Director

Yen C. Tu  
Director

Attachment:
Brad Herrema Letter to Marcia Scully dated August 16, 2015

cc: Jeff Kightlinger, MWD General Manager
San Diego County Water Authority Board of Directors
August 16, 2015

Marcia Scully, General Counsel
Metropolitan Water District of Southern California
P. O. Box 54153
Los Angeles, CA 90054-0513

RE: Water Planning and Stewardship Committee Board Memo 8-3 (Authorize Amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus)

Dear Ms. Scully:

Regarding the above Committee Meeting and Board Meeting scheduled for next Monday and Tuesday, respectively, Board Memo 8-3 requests authorization to amend the 2007 California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus (“ICS Agreement”), to increase the maximum amount of conserved water that the IID may store in Metropolitan Water District of Southern California’s (MWD) facilities for a three-year term (Amendment). The Amendment would expand the mechanisms through which IID might generate water to be stored as ICS within MWD’s facilities to include not only fallowing, but also on-farm and system conservation improvements. The Board Memo also states that, “utilization of this additional storage by IID would provide [MWD] access to additional water during the ongoing California Drought.”

Under section 3.2 of the IID/SDCWA Agreement for Transfer of Conserved Water (IID/SDCWA Transfer Agreement), during Agreement Years 1 through 18, the Water Authority holds a right of first refusal (ROFR) to any transfer by IID of Additional Available Water. (See my May 12, 2015 letter to Ross Simmons, Esq., for further discussion of the ROFR.) Thus, SDCWA's ROFR attaches to the water proposed to be conserved by IID and made available for MWD's use under the proposed Amendment.

The Water Authority's consent to the earlier action taken by the IID Board of Directors on April 29, 2015 in regard to additional conservation during 2014-15 did not, and does not constitute a waiver by the Water Authority of its rights under the IID/SDCWA Transfer Agreement or its ability to exercise its ROFR as to this subsequently conserved water. Rather, the Water Authority's past correspondence on this issue should be understood by IID and by MWD as a continuing objection to IID's transfer of Additional Available Water without the consent of the Water Authority.

Subject to your acknowledgement of the Water Authority's ROFR, and in the interest of helping MWD meet the current severe water supply challenges it faces, the Water Authority is willing to consider giving its consent to the transfer of this Additional Available Water and proposed Amendment. However, SDCWA is concerned that MWD has not sufficiently considered the potential environmental impacts of the proposed action and that approval of the Amendment likely requires compliance with the California Environmental Quality Act (CEQA) by analyzing the impacts of this Agreement on the Salton Sea. Although Board Memo 8-3 states that, "IID would be responsible for and would defend and indemnify Metropolitan from any claim or liability associated with the Salton Sea from this action," that is not a sufficient basis for the
MWD Board to approve the Amendment based on the CEQA determination for Option #1 as described in Board Memo 8-3.

The Board Memo's proposed CEQA determination, should the Board approve the Amendment, is that the Amendment is exempt from CEQA and identifies three Guidelines sections that cover the Amendment. The Board Memo states that the Amendment is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). The Board Memo additionally states that the proposed action qualifies for a Class 1 categorical exemption from the provisions of CEQA because the Amendment is associated with operating existing public water conveyance facilities with negligible or no expansion of use and no possibility of significantly impacting the physical environment, and the general rule that CEQA applies only to projects with the potential for causing significant effects (Section 15301 and 15061 (b)(3) of the State CEQA Guidelines).

SDCWA is concerned that Guidelines sections 15378(b)(2) and 15301 do not appear to apply to MWD’s proposed action, as the potential environmental impacts of concern do not arise solely from the use of existing facilities but the potential impacts on the environment of creating the conserved water to be stored in these facilities, particularly upon the Salton Sea. Guidelines section 15061(b)(3) would not appear to apply either because it can be relied on only if “it can be seen with certainty that there is no possibility that the activity in question may have a significant impact on the environment….” (emphasis added). Such a determination must be supported with evidence, which the Board Memo does not identify. Without this evidence, a Court could not make the required evidentiary findings confirming the application of the claimed exemptions.

Moreover, the Board Memo’s finding as to a certainty of no possibility of significant environmental impacts is puzzling and would appear to be unsupported, given that the QSA project EIRs found that the conservation mechanism of fallowing was found to have fewer impacts on the Salton Sea than on farm and system conservation improvements. That is why the State Board Order approving the QSA transfers required the use of fallowing in the first 15 years of the QSA project. In light of this, it does not seem likely that the Board Memo conclusion that it is certain that there is no possibility that the Amendment may have a significant impact on the environment can be supported with substantial evidence.

Further, the Board Memo does not discuss, as required, that the exemption is not barred by one of the exceptions in section 15300.2. As MWD must consider “evidence in its files of potentially significant effects” (Berkeley Hillside Preservation v. City of Berkeley (2015) 60 Cal.4th 1086, 1103), given its extensive knowledge of the prior environmental analyses supporting IID’s transfer supporting conservation activities, it does not seem that MWD could make such a finding.

The Water Authority cannot and will not consent to the transfer and proposed Amendment unless IID and MWD address the impacts to the Salton Sea resulting from decreased inflows to the Salton Sea and plans for mitigation of those impacts. (See Interim Guidelines for Operation of Lake Mead and Lake Powell, § 3.B [creation of ICS is “subject to such environmental compliance as may be required.”]).

Given the concerns that IID has expressed in multiple forums – including its petition to the State Water Resources Control Board, before the Little Hoover Commission and at the QSA-JPA – regarding air quality impacts related to the decline of the Salton Sea, it is imperative that IID and MWD identify the mitigation proposed for the transfer and Amendment that will certainly further exacerbate the projected recession of the Sea’s shoreline. As noted above, Board Memo 8-3 indicates that, as part of the proposed Amendment, “IID would be responsible for and indemnify [MWD] from any claim or liability associated with the Salton Sea from this action.” Given the possibility of impacts to the Salton Sea discussed above, it must also be demonstrated that the proposed transfer and Amendment will not affect the financial or direct mitigation obligations of the QSA-JPA.
We look forward to working cooperatively with all parties to improve water supply reliability during the drought, provided that these important issues are addressed. A copy of my letter of today's date to counsel for IID is enclosed. Hopefully, some progress will be made at our upcoming meeting to that these issues may be addressed to all parties' mutual satisfaction.

Please contact me if you have any questions.

Sincerely,

Bradley J. Herrema

c: Maureen A. Stapleton
   Dan Denham
   Terry Fulp
   Paul Matuska
   Chuck Bonham
   Curt Tauscher
   Kevin Kelley
   Tina Shields
   Charles DuMars
   Jeffrey Kightlinger
   Bill Hasencamp
   Jim Barrett
   Robert Chang
August 16, 2015

Ms. Joanna Smith Hoff, Counsel
Imperial Irrigation District
P.O. Box 937
Imperial, CA 92251

RE: Water Planning and Stewardship Committee Board Memo 8-3 (Authorize Amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus)

Dear Ms. Hoff:

Enclosed is a copy of my letter to Marcia Scully of today's date, regarding the above item.

As the Water Authority has stated in its letters of May 21 and July 10, 2015, it looks forward to the opportunity to have further discussions with IID regarding opportunities to promote flexibility and facilitate implementation of the Transfer Agreement. To this end, we look forward to meeting with you on September 2, 2015. Given the timing of MWD's board meeting and request for board approval of Board Memo 8-3, the Water Authority had no alternative but to object to the board action for the reasons stated. We hope that all issues may ultimately be addressed to all parties' mutual satisfaction.

Sincerely,

Bradley J. Herrema

cc: Kevin Kelley
Tina Shields
Charles DuMars
Maureen A. Stapleton
Dan Denham
Terry Fulp
Paul Matuska
Chuck Bonham
Curt Tauscher
Jeffrey Kightlinger
Marcia Scully
Bill Hasencamp
Jim Barrett
Robert Chang
REVISED AGENDA

F&I Committee
B. Barbre, Chair
R. Wunderlich, V. Chair
R. Apodaca
S. Blois
G. Dake
D. Dear
D. De Jesus
S. Faessel
C. Kurtz
K. Lewinger
S. Lowenthal
M. Martinez
L. McKenney
M. Ramos
M. Touhey

Adjourned Finance and Insurance Committee
Meeting with Board of Directors*

August 17, 2015
9:00 a.m. -- Room 2-456

Monday, August 17, 2015
Meeting Schedule

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<th>Time</th>
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<td>7:00-8:00 a.m.</td>
<td>Rm. 2-413</td>
<td>Dirs. Computer Training</td>
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<td>9:00 a.m.</td>
<td>Rm. 2-456</td>
<td>Adj. F&amp;I</td>
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<td>9:30 a.m.</td>
<td>Rm. 2-145</td>
<td>Adj. WP&amp;S</td>
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<td>12:00 p.m.</td>
<td>Rm. 2-456</td>
<td>Adj. E&amp;O</td>
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<td>1:00 p.m.</td>
<td>Rm. 2-145</td>
<td>Bay-Delta</td>
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<tr>
<td>2:00 p.m.</td>
<td>Rm. 2-456</td>
<td>Adj. C&amp;L</td>
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</tbody>
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* The Metropolitan Water District’s Finance and Insurance Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Finance and Insurance Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Finance and Insurance Committee will not vote on matters before the Finance and Insurance Committee.

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

2. Approval of the Minutes of the meeting of the Finance and Insurance Committee held July 13, 2015

3. OTHER MATTERS

  5G. Tax Levy for fiscal year 2015/16. (F&I)

  5G-1 Report on list of certified assessed valuations for fiscal year 2015/16 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2015.

  5G-2 Adopt (1) the resolution finding that continuing an ad valorem tax rate at the rate levied for fiscal year 2014/15 is essential to Metropolitan’s fiscal integrity; and (2) the resolution establishing the tax rate for fiscal year 2015/16.
Added Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and
a. Adopt the Resolution Finding that Continuing an Ad Valorem Property Tax Rate at the Rate Levied for FY 2014/15 is Essential to the Fiscal Integrity of the District and Suspending the Ad Valorem Tax Rate Restriction; and
b. Adopt the Resolution Levying Taxes for the Fiscal Year Commencing July 1, 2015 and ending June 30, 2016 for the Purposes of The Metropolitan Water District of Southern California maintaining the tax rate at .0035% of assessed valuation (exclusive of annexation levies), the same rate levied in FY 2014/15.

4. CONSENT CALENDAR ITEMS — ACTION

None

5. OTHER BOARD ITEMS — ACTION

None

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

a. Oral report on investment activities

8. MANAGEMENT REPORT

a. Chief Financial Officer’s report

9. FOLLOW-UP ITEMS

None
10.  FUTURE AGENDA ITEMS

11.  ADJOURNMENT

NOTE:  At the discretion of the committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the committee.

This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site http://www.mwdh2o.com.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.
Adjourned Water Planning and Stewardship Committee
Meeting with Board of Directors*

August 17, 2015
9:30 a.m. – Room 2-145

Date of Notice:  August 6, 2015

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

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

2. Approval of the Minutes of the meeting of the Water Planning and Stewardship Committee held July 13, 2015

3. CONSENT CALENDAR ITEMS — ACTION

7-3  Authorize the process for Metropolitan to vote in Palo Verde Irrigation District elections.  (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed project is not defined as a project and is not subject to CEQA, and
Adopt the resolution as contained in Attachment 1 authorizing the General Manager to cast, directly or by proxy, Metropolitan’s votes in PVID elections.
4. OTHER BOARD ITEMS — ACTION

8-3 Authorize amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is exempt from CEQA and is not defined as a project under CEQA, and

Authorize the General Manager to enter into an amendment to the 2007 California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus consistent with the terms outlined herein and in a form approved by the General Counsel.

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Oral report on Water Surplus and Drought Management Plan
b. Conservation program update
c. Oral report on Colorado River exchange proposals

7. MANAGEMENT REPORTS

a. Bay-Delta Matters
b. Colorado River Matters
c. Water Resource Management Manager's report

8. FOLLOW-UP ITEMS

None

Date of Notice: August 6, 2015
9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: At the discretion of the committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the committee.

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Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.
Adjourned Engineering and Operations Committee
Meeting with Board of Directors*
August 17, 2015
12:00 p.m. -- Room 2-456

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

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

2. Approval of the Minutes of the meeting of the Engineering and Operations Committee held July 13, 2015

3. CONSENT CALENDAR ITEMS — ACTION

7-1 Appropriate $480,000; and award $345,305 contract to F. M. Thomas Air Conditioning, Inc. to replace the Administration Building HVAC system at the Robert A. Skinner Water Treatment Plant (Approp. 15485). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action was previously determined to be categorically exempt and that no further environmental analysis or documentation is required, and

a. Appropriate $480,000; and
b. Award $345,305 contract to F. M. Thomas Air Conditioning, Inc. to replace the Skinner Administration Building’s HVAC system.
7-2  Appropriate $1.24 million; and award $930,483 contract to Coleman Construction, Inc. to upgrade the network rooms at Metropolitan’s Headquarters Building (Approp. 15487).  (E&O)

Recommendation:

Option #1:

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

a. Appropriate $1.24 million; and
b. Award $930,483 contract to Coleman Construction, Inc. for upgrades to the network rooms at Metropolitan’s Headquarters Building at Union Station.

4. OTHER BOARD ITEMS — ACTION

8-1  Appropriate $17.7 million; and (1) award $10,267,000 contract to Kiewit Infrastructure West Co. for chemical feed upgrades at the F. E. Weymouth Water Treatment Plant; (2) award $371,800 contract to O’Connell Engineering & Construction, Inc. for scrubber platform improvements; and (3) authorize agreement with Lee & Ro., Inc., in an amount not to exceed $364,000 (Approps. 15392, 15472, & 15477).  (E&O)

Recommendation:

Option #1:

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

a. Appropriate $17.7 million;
b. Award $10,267,000 contract to Kiewit Infrastructure West Co. for chemical feed upgrades at the Weymouth plant;
c. Award $371,800 contract to O’Connell Engineering & Construction, Inc. for scrubber platform improvements; and
d. Authorize agreement with Lee & Ro, Inc. in an amount not to exceed $364,000.

8-2  Appropriate $4.9 million; and award $2,998,000 contract to Kiewit Infrastructure West Co. for seismic retrofit of the Upper Feeder’s Santa Ana River Bridge (Approp. 15441).  (E&O)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the adopted 2012 MND and MMRP, and that no further environmental analysis or documentation is required, and

a. Appropriate $4.9 million; and
b. Award $2,998,000 contract to Kiewit Infrastructure West Co. for seismic retrofit of the Upper Feeder’s Santa Ana River Bridge.

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Capital Investment Plan Quarterly report for period ending June 2015
b. Report on Salinity Management
c. Oral report on WSO Management Academy

7. MANAGEMENT REPORTS

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

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT
NOTE: At the discretion of the committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the committee.

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Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.
The Metropolitan Water District's Special Committee on Bay-Delta meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Special Committee on Bay-Delta may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Special Committee on Bay-Delta will not vote on matters before the Special Committee on Bay-Delta.

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

2. **Approval of the Minutes of the meeting of the Special Committee on Bay-Delta held July 28, 2015**

3. **COMMITTEE ITEMS**
   a. Update on Bay Delta Conservation Plan/California Water Fix
   b. Overview of State Water Resources Control Board Bay-Delta Water Quality Control Plan Process
   c. Bay-Delta Manager's Report

**Date of Notice:** August 6, 2015
4. FUTURE AGENDA ITEMS

5. ADJOURNMENT

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Adjourned Communications and Legislation Committee

Meeting with Board of Directors*

August 17, 2015

2:00 p.m. -- Room 2-456

Monday, August 17, 2015

<table>
<thead>
<tr>
<th>Meeting Schedule</th>
<th>Time</th>
<th>Location</th>
<th>Action</th>
</tr>
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<tbody>
<tr>
<td>7:00-8:00 a.m.</td>
<td>Rm. 2-413</td>
<td>Dirs. Computer Training</td>
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<tr>
<td>9:00 a.m.</td>
<td>Rm. 2-456</td>
<td>Adj. F&amp;I</td>
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<tr>
<td>9:30 a.m.</td>
<td>Rm. 2-145</td>
<td>Adj. WP&amp;S</td>
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<tr>
<td>12:00 p.m.</td>
<td>Rm. 2-456</td>
<td>Adj. E&amp;O</td>
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<tr>
<td>1:00 p.m.</td>
<td>Rm. 2-145</td>
<td>Bay-Delta</td>
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<tr>
<td>2:00 p.m.</td>
<td>Rm. 2-456</td>
<td>Adj. C&amp;L</td>
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* The Metropolitan Water District’s Communications and Legislation Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Communications and Legislation Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Communications and Legislation Committee will not vote on matters before the Communications and Legislation Committee.

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

2. **Approval of the Minutes of the meeting of the Communications and Legislation Committee held July 13, 2015**

3. **CONSENT CALENDAR ITEMS — ACTION**

   None

4. **OTHER BOARD ITEMS — ACTION**

   8-4 Adopt legislative priorities for federal drought legislation. (C&L) (Mailing Separately)
5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Report on activities from Washington, D.C.
b. Report on activities from Sacramento
c. Update on components of 2015 advertising and outreach campaign related to water conservation
d. Report on Metropolitan exhibit at Vista del Lago Visitor Center

7. MANAGEMENT REPORT

a. External Affairs Management report

8. FUTURE AGENDA ITEMS

9. ADJOURNMENT

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REVISED AGENDA

Adjourned Legal and Claims Committee
Meeting with Board of Directors*

August 18, 2015

8:30 a.m. -- Room 2-145

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

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

2. Approval of the Minutes of the meeting of the Legal and Claims Committee held July 14, 2015

3. CONSENT CALENDAR ITEMS — ACTION

None

4. OTHER BOARD ITEMS — ACTION

None

REVISED: Date of Notice: August 13, 2015
5. **BOARD INFORMATION ITEMS**

   None

6. **COMMITTEE ITEMS**

   a. General Counsel's report of monthly activities

   **Added**

   b. Status report on *City of Los Angeles, acting by and through the Los Angeles Department of Water and Power vs. Metropolitan Water District of Southern California*, Los Angeles County Superior Court Case No. BS157056

   c. Report on *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case Nos. CPF-10-510830, CPF-12-512466, and CPF-14-514004. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

7. **FOLLOW-UP ITEMS**

   None

8. **FUTURE AGENDA ITEMS**

9. **ADJOURNMENT**

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**REVISED:** Date of Notice: August 13, 2015
Adjourned Organization, Personnel and Technology Committee

Meeting with Board of Directors*

August 18, 2015

10:30 a.m. -- Room 2-456

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

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

2. Approval of the Minutes of the meetings of the Organization, Personnel and Technology Committee held July 14 and 28, 2015

3. CHAIRMAN’S REPORT

4. CONSENT CALENDAR ITEMS -- ACTION

   None

5. OTHER BOARD ITEMS – ACTION

   None
6. COMMITTEE ITEMS

a. Conference with labor negotiators
   [Conference with labor negotiators; to be heard in closed session pursuant to Gov. Code Section 54957.6. Metropolitan representative: Stephen V. Lem, Manager of Labor Relations and EEO Investigations Section. Employee organizations: The Employees Association of The Metropolitan Water District of Southern California/AFSCME Local 1902; the Management and Professional Employees Association MAPA/AFSCME Chapter 1001, and the Supervisors Association]

7. ADJOURNMENT

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1. Call to Order
   (a) Invocation: Elizabeth Campos, Administrative Analyst, Business Technology Group
   (b) Pledge of Allegiance: Director Donald Galleano

2. Roll Call

3. Determination of a Quorum

PUBLIC HEARING

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

4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))
5. OTHER MATTERS

A. Approval of the Minutes of the Meeting for July 14, 2015. (A copy has been mailed to each Director)
   Any additions, corrections, or omissions

B. Report on Directors’ events attended at Metropolitan expense for month of July

C. Approve committee assignments

D. Chairman’s Monthly Activity Report

E. Adopt resolution in support for the nomination of Kathleen Tiegs, a member of the board of directors of the Cucamonga Valley Water District, for the office of president of the Association of California Water Agencies

F. Adopt motion to adjourn the September Board Meeting to September 15, 2015, due to the Labor Day holiday. (Committees to meet on September 14, and 15, 2015)

G. Tax Levy for fiscal year 2015/16. (F&I)

5G-1 Report on list of certified assessed valuations for fiscal year 2015/16 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2015.

5G-2 Adopt (1) the resolution finding that continuing an ad valorem tax rate at the rate levied for fiscal year 2014/15 is essential to Metropolitan’s fiscal integrity; and (2) the resolution establishing the tax rate for fiscal year 2015/16.

Added Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

a. Adopt the Resolution Finding that Continuing an Ad Valorem Property Tax Rate at the Rate Levied for FY 2014/15 is Essential to the Fiscal Integrity of the District and Suspending the Ad Valorem Tax Rate Restriction; and

b. Adopt the Resolution Levying Taxes for the Fiscal Year Commencing July 1, 2015 and ending June 30, 2016 for the Purposes of The Metropolitan Water District of Southern California maintaining the tax rate at .0035% of assessed valuation (exclusive of annexation levies), the same rate levied in FY 2014/15.
6. DEPARTMENT HEADS' REPORTS

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

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

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

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

7. CONSENT CALENDAR ITEMS — ACTION

7-1 Appropriate $480,000; and award $345,305 contract to F. M. Thomas Air Conditioning, Inc. to replace the Administration Building HVAC system at the Robert A. Skinner Water Treatment Plant (Approp. 15485). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action was previously determined to be categorically exempt and that no further environmental analysis or documentation is required, and

a. Appropriate $480,000; and
b. Award $345,305 contract to F. M. Thomas Air Conditioning, Inc. to replace the Skinner Administration Building’s HVAC system.

7-2 Appropriate $1.24 million; and award $930,483 contract to Coleman Construction, Inc. to upgrade the network rooms at Metropolitan’s Headquarters Building (Approp. 15487). (E&O)

Recommendation:

Option #1:

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

c. Appropriate $1.24 million; and
d. Award $930,483 contract to Coleman Construction, Inc. for upgrades to the network rooms at Metropolitan’s Headquarters Building at Union Station.
7-3 Authorize the process for Metropolitan to vote in Palo Verde Irrigation District elections. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed project is not defined as a project and is not subject to CEQA, and
Adopt the resolution as contained in Attachment 1 authorizing the General Manager to cast, directly or by proxy, Metropolitan’s votes in PVID elections.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

8-1 Appropriate $17.7 million; and (1) award $10,267,000 contract to Kiewit Infrastructure West Co. for chemical feed upgrades at the F. E. Weymouth Water Treatment Plant; (2) award $371,800 contract to O’Connell Engineering & Construction, Inc. for scrubber platform improvements; and (3) authorize agreement with Lee & Ro., Inc., in an amount not to exceed $364,000 (Approps. 15392, 15472, & 15477). (E&O)

Recommendation:

Option #1:

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

a. Appropriate $17.7 million;
b. Award $10,267,000 contract to Kiewit Infrastructure West Co. for chemical feed upgrades at the Weymouth plant;
c. Award $371,800 contract to O’Connell Engineering & Construction, Inc. for scrubber platform improvements; and
d. Authorize agreement with Lee & Ro, Inc. in an amount not to exceed $364,000.

8-2 Appropriate $4.9 million; and award $2,998,000 contract to Kiewit Infrastructure West Co. for seismic retrofit of the Upper Feeder’s Santa Ana River Bridge (Approp. 15441). (E&O)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the adopted 2012 MND and MMRP, and that no further environmental analysis or documentation is required, and

a. Appropriate $4.9 million; and

b. Award $2,998,000 contract to Kiewit Infrastructure West Co. for seismic retrofit of the Upper Feeder's Santa Ana River Bridge.

8-3  Authorize amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is exempt from CEQA and is not defined as a project under CEQA, and

Authorize the General Manager to enter into an amendment to the 2007 California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus consistent with the terms outlined herein and in a form approved by the General Counsel.

8-4  Adopt legislative priorities for federal drought legislation. (C&L)

Added

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project under CEQA and is not subject to CEQA, and adopt the proposed federal drought legislative priorities.

9. BOARD INFORMATION ITEMS

9-1  Conference with labor negotiators
[Conference with labor negotiators; to be heard in closed session pursuant to Gov. Code Section 54957.6. Metropolitan representative: Stephen V. Lem, Manager of Labor Relations and EEO Investigations Section. Employee organizations: The Employees Association of The Metropolitan Water District of Southern California/AFSCME Local 1902; the Management and Professional Employees Association MAPA/AFSCME Chapter 1001, and the Supervisors Association]
10. OTHER MATTERS (Contd.)

10-1 Department Head Performance Evaluations

[Public employees’ performance evaluations—General Manager, General Counsel, General Auditor, and Ethics Officer; to be heard in closed session pursuant to Gov. Code Section 54957]

10-2 Department Head Salary Survey 2015

10-3 Discuss and approve compensation recommendation for General Manager, General Counsel, General Auditor, and Ethics Officer (To Be Distributed at Meeting)

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

NOTE: At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parentheses at the end of the description of the agenda item e.g., (E&O, F&I). Committee agendas may be obtained from the Board Executive Secretary.

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REVISED: Date of Notice: August 13, 2015
Integrated Resources Planning Committee

Meeting with Board of Directors*

August 18, 2015

1:00 p.m. – Room 2-145

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

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

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

2. Approval of the Minutes of the meeting of the Integrated Resources Planning Committee held July 28, 2015

3. CHAIRMAN’S REPORT

4. COMMITTEE ITEMS
   a. California Water Fix and the IRP
   b. IRP Technical Process Draft Results
   c. Update on IRP Outreach
5. FUTURE AGENDA ITEMS

6. ADJOURNMENT

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COMMITTEE ASSIGNMENTS

None  (Agenda Item 5C)

FINANCE AND INSURANCE COMMITTEE

Adopted the resolution finding that continuing an Ad Valorem Property Tax rate at the rate levied for FY 2014/15 is essential to the fiscal integrity of the district and suspending the Ad Valorem Tax Rate restriction; and adopted the resolution levying taxes for the fiscal year Commencing July 1, 2015 and ending June 30, 2016 for the purposes of The Metropolitan Water District of Southern California maintaining the tax rate at .0035% of assessed valuation (exclusive of annexation levies), the same rate levied in FY 2014/15.  (Agenda Item 5G-2)

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated $17.7 million; awarded $10,267,000 contract to Kiewit Infrastructure West Co. for chemical feed upgrades at the F. E. Weymouth Water Treatment Plant; awarded $371,800 contract to O'Connell Engineering & Construction, Inc. for scrubber platform improvements; and authorized agreement with Lee & Ro, Inc. in an amount not to exceed $364,000.  (Approps. 15392, 15472, & 15477)  (Agenda Item 8-1)

Appropriated $4.9 million; and awarded $2,998,000 contract to Kiewit Infrastructure West Co. for seismic retrofit of the Upper Feeder’s Santa Ana River Bridge.  (Approp. 15441)  (Agenda Item 8-2)

WATER PLANNING & STEWARDSHIP COMMITTEE

Authorized the General Manager to enter into an amendment to the 2007 California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus.  (Agenda Item 8-3)

COMMUNICATIONS AND LEGISLATION COMMITTEE

Approved federal drought legislative priorities as set forth in the board letter with minor revisions to the language regarding (1) protection of local supplies, (2) emphasis on the use of sound and unbiased science, and (3) recognition that an adaptive management and collaborative science-based approach may promote both co-equal goals of protecting water supply and the environment, including measures under the state and federal Endangered Species Acts.  (Agenda Item 8-4)

CONSENT CALENDAR

In other action, the Board:

Appropriated $480,000; and awarded $345,305 contract to F. M. Thomas Air Conditioning, Inc. to replace the Administration Building HVAC system at the Skinner Water Treatment Plant.  (Agenda Item 7-1)
Appropriated $1.24 million; and awarded $930,483 contract to Coleman Construction, Inc. for upgrades to the network rooms at Metropolitan’s Headquarters Building at Union Station. (Approp. 15487)  (Agenda Item 7-2)

Adopted the resolution authorizing the Chair, in consultation with the Board and the General Manager as time permits, to cast, directly or by proxy, Metropolitan’s votes in Palo Verde Irrigation District elections.  (Agenda Item 7-3)

OTHER MATTERS:

In other action, the Board:

Adopted resolution in support for the nomination of Kathleen Tiegs, a member of the board of directors of the Cucamonga Valley Water District, for the office of president of the Association of California Water Agencies.  (Agenda Item 5E)

Adopted motion to adjourn the September Board meeting to September 22, 2015, due to the Labor Day holiday.  (Committees to meet on September 21 and 22, 2015 and Executive Committee to meet on September 29, 2015).  (Agenda Item 5F)

Discussed results of Department Head Performance Evaluations.  (Agenda Item 10-1)

Discussed Department Head Salary Survey.  (Agenda Item 10-2)  (Postponed)

Discussed compensation recommendation for General Manager, General Counsel, General Auditor and Ethics Officer.  (Agenda Item 10-3)  (Postponed)

THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the board meeting. In order to view them and their attachments, please copy and paste the following into your browser http://edmsidm.mwdh2o.com/idmweb/home.asp.
DROUGHT:
S. Calif. water district exerts heavy influence on legislative negotiations
Debra Kahn, E&E reporter
E&E Daily: Friday, March 27, 2015

As congressional talks continue over California's historic drought, one participant in the negotiations has been more influential than it has claimed.

Metropolitan Water District, a consortium of 26 public agencies that supplies water to 19 million people in Southern California, sent Sen. Dianne Feinstein (D-Calif.) and Rep. Jim Costa (D-Calif.) proposals for managing the state's water that made it into bills that passed both houses last year, according to documents obtained through a California Public Records Act request.

Emails between Met staff, Feinstein's staff and others also reveal extensive negotiations last year over a draft bill by Feinstein that never got introduced but has been under discussion again this session. Most of the proposals focused on tweaking the way Endangered Species Act protections are applied in the Sacramento-San Joaquin River Delta, the source of water supplies for 25 million people and 3 million acres of farmland via two giant systems of canals and pumps.

Met supplied the documents Dec. 5, 2014, in response to a request from environmental groups, which along with House Democrats were clamoring to be included in negotiations.

The emails underscore the role of urban water districts in the negotiations. Much of the back-and-forth negotiations has been portrayed as agricultural contractors in the Central Valley pushing back against water reserved for endangered species via a set of much-litigated biological opinions, which kick in when chinook salmon or delta smelt are moving through the system, limiting the amount of water that the state and federal governments can pump to customers.

But Met -- the largest supplier of drinking water in the country -- has also been a prime mover behind the congressional push, which drew a veto threat from President Obama last February and again in December, when the House passed bills from Rep. David Valadao (R-Calif.) that would have gone much further than the Feinstein bill in guaranteeing water deliveries for state and federal contractors. After months of negotiations last summer and fall between Feinstein, Costa and California's Republican House delegation, members withdrew after failing to get language included in the omnibus spending bill at the end of 2014, vowing to resume talks this year.

Met has claimed limited involvement in the debate over the Feinstein bill, but the emails show otherwise.

On Nov. 18, 2014, Met's general manager, Jeffrey Kightlinger, told his board members that the agency's involvement in the under-wraps Feinstein bill was limited. He emphasized that conversations with Feinstein's staff were "technical" and said he was ignorant of the bill's overall policy direction.

"I presume our input is not encouraging her to gut the Endangered Species Act in any way?" board member Paul Koretz asked.

"No, and frankly, most of our conversations have really been very technical, on issues -- impacts that would -- if you did a certain action, what would the impacts be potentially to the State Water Project, both pro and con, and those sorts of things," Kightlinger said. "So it's been pretty technical. She's keeping her policy cards close to her vest as to where she wants to go on policy, but her staff is doing a lot of reaching out to make sure the technical details are correct."

Koretz asked again: "And as you said, we haven't seen anything to lead us to believe that the Endangered Species Act would be negatively impacted by this bill?"

"Not in my view, no," Kightlinger replied.

The two-minute exchange between Koretz and Kightlinger didn't make it into Met's board meeting minutes the next month. On Dec. 9, the minutes were amended to reflect the exchange.

Kightlinger said such an aside wouldn't normally be included in the minutes and that it was added in later at Koretz's request.
He also said he stood by his statement that Met's involvement was "technical" rather than policy-oriented.

"What we looked at, I would consider pretty technical," he said, "where there was room for adaptability or flexibility within the biological opinions, which are, frankly, highly technical."

**A statewide powerhouse**

Met is the largest customer of the State Water Project, a massive midcentury system of canals and pumps that is intended to deliver more than a billion gallons per day from the delta to Southern California via a 440-mile aqueduct. It also takes 800 million gallons per day from the Colorado River, 240 miles away.

This year, however, the drought has reduced delta deliveries by about two-thirds, leaving a gap of about 500,000 acre-feet to be filled by conservation and mandatory water pricing, set to be voted on next month by Met's board. Met is governed by a board of 37 members, appointed from its various member agencies, but its executive staff is in charge of day-to-day operations.

Major players in the negotiations, according to the emails, were Met Assistant General Manager Roger Patterson; Westlands Water District General Manager Tom Birmingham; Met Special Projects Manager Brenda Burman, a former counselor to the Interior Department's assistant secretary for water and science and later deputy commissioner at the Bureau of Reclamation under President George W. Bush; and David Bernhardt, former Interior solicitor under Bush and a current attorney and lobbyist for Westlands, a major agricultural water contractor in the San Joaquin Valley.

On Feb. 5, Metropolitan staff reviewed proposed bill language from Feinstein staff that would allow the National Marine Fisheries Service to modify import-export ratios for water coming into and leaving the delta, in order to allow water transfers that exceeded levels established to protect steelhead salmon in the San Joaquin River.

Patterson asked Met lawyers to vet some bill text that Feinstein legislative assistant Felix Yeung sent to Patterson under the heading, "Your language."

"Can you both take a look at this ASAP and confirm that you believe NMFS would have discretion under the BiOp to do this? It's intended to let them allow 1:1 pumping of any transfer water no matter what the underlying base ratio may be," Patterson wrote.

The 2009 biological opinion, which protects endangered salmon in the delta, likely did not envision water transfers, so exceeding the ratio should be permitted, Met Deputy General Counsel Linus Masouredis wrote.

The language showed up in Feinstein's **S. 2918**, which passed the Senate on May 22 under a "hotline" procedure that did not allow any hearings (**E&E Daily**, May 23, 2014). It also appeared in Valadao's **H.R. 5781**, which passed the House in December.

In June, Burman sent Costa's chief of staff, Scott Petersen, a six-page summary of aspects of the Feinstein bill that Met supported and a list of additional proposed changes to ESA implementation, including placing an "indefinite hold" on parts of the biological opinion protecting salmon, such as restrictions on exports and river flows.

Another example of the tweaks Met proposed concerned a provision in the biological opinion that limits withdrawals when smelt are near the pumps. Burman sent language to Feinstein and Costa staffers July 22, 2014, that would require the Interior Department to conduct modeling to see whether fish might be near the pumps, in addition to relying on manual surveys and measurements of water conditions when deciding whether to limit pumping.

"By requiring a reporting it is hoped that... the Secretary will have to account for modeling and the presence or absence of fish in the river," Burman wrote to John Watts, Feinstein's legislative director.

Watts then emailed them draft bill language on July 29, the day before he sent it to Obama administration wildlife officials for vetting. He also sent a draft to officials from two other major water interests in the Central Valley: the Kern County Water Agency and Paramount Farms, the massive, privately held fruit and nut grower that processes more than half of the pistachios grown in California, under the brand name Wonderful Pistachios.

"I would appreciate your thoughts on the attached draft water bill language, which I have developed working with Metropolitan and Westlands," he wrote.

**Pushback from Obama officials**

The emails show a flurry of activity in September, after Feinstein gave Watts the green light in late July to share the bill with the Obama administration. They also show administration officials pushing back on the Feinstein draft bill in an attempt to
enforce the ESA.

"The original language puts Reclamation and the Services in the position of potentially violating the measures in the opinions required to prevent jeopardizing the species," officials from the Fish and Wildlife Service and the National Marine Fisheries Service wrote in the revisions, which Watts sent to Westlands and Met staff on Sept. 6, 2014.

"I do think we have to respect the Administration's conclusion that a mini-jeopardy analysis would not work and would constitute a significant amendment to the ESA," Watts then wrote to Birmingham, Burman, Bernhardt and Patterson on Sept. 13, 2014. "We don't have to accept their substitute, however."

Watts said that NMFS West Coast Regional Administrator Wil Stelle's suggestion to work within the biological opinions might be more politically feasible.

"I believe we need to try this approach because it has two very significant and probably essential advantages: 1) It allows us to say that we are working with the BiOps rather than overriding them, which is politically essential; and 2) It helps protect us from enviro lawsuits that we are going outside the BiOps, requiring reconsultation," he wrote.

Kightlinger said he stood by his statement that the draft bill wouldn't have weakened the ESA, despite the administration's findings. "My language was that there was nothing we have provided that in our view would amend or change the Endangered Species Act, and I don't believe there is," he said.

An environmentalist who has been following the negotiations said the proposals were aimed directly at weakening the law. Several of Burman's suggestions, such as lifting flow restrictions in the San Joaquin River, were also sought in a 2009 lawsuit from Met, Westlands, Kern and others. The 9th U.S. Circuit Court of Appeals upheld the existing regulations in December (E&ENews PM, Dec. 22, 2014).

"It would definitely weaken protections for endangered species in the delta, there's no question about it," said Doug Obegi, a staff attorney with the Natural Resources Defense Council. "Those are provisions that were litigated and the court upheld, and now Met is seeking to get Congress to waive those protections for endangered steelhead."

Other emails that environmental groups obtained from Westlands also show Bernhardt and Birmingham working with Valadao's staff on the bill that passed the House in December 2014 (E&ENews PM, Dec. 9, 2014).

"Where can I find the latest numbers for the amount of water that has been dumped into the ocean for fish etc?" Valadao's legislative director, Jessica Butler, wrote to Birmingham and Bernhardt on Dec. 8, 2014, at a House Rules Committee hearing the day before the bill passed the House.

Met voted to oppose the first Valadao bill last March, however, on a motion from Koretz. Kightlinger said that wasn't inconsistent with Met's work on the bill.

"That is staff's job, to work with elected officials," he said. "Final positions on final bills are the board's prerogative."

'This wasn't just the technical points'

A House Democrat who represents Northern California tribal Indian and farming constituencies, Rep. Jared Huffman, said he was surprised by Met's intimate involvement.

"It certainly confirms the type of input we know Sen. Feinstein and the Republicans were getting, but I am surprised to see the significant role that the Metropolitan Water District was playing behind the scenes," he said.

Huffman, a former senior attorney with the Natural Resources Defense Council, pointed out that Met's involvement with the Feinstein bill could have led to a conference committee with Valadao and the other House Republicans, whose February bill went much further.

H.R. 3964 would have undone a San Joaquin River restoration program that has been the object of a court settlement and intricate compromises between state and federal officials for decades, capped the delivery of water for environmental purposes, lengthened irrigation contracts and lifted certain environmental protections in area watersheds, among other controversial provisions (E&E Daily, Feb. 6, 2014).

"This wasn't just the technical points they were submitting in isolation," Huffman said. "This was attached to a really big, nasty piece of legislation."

"Everybody knows this was part of negotiations between Senator Feinstein and Valadao and the Republicans," he continued. "Whatever they may have been suggesting for Senator Feinstein, they knew it was going to be attached to something very controversial and very destructive, or else it could never have passed muster with the Republicans."
Talks appear to have slowed down between Feinstein and the Northern California contingent. Huffman said he hasn’t discussed the bill with Feinstein since a meeting in January with Northern California Democrats (Greenwire, Jan. 28).

Feinstein’s spokesman said he didn’t have a timeline for when a bill might be introduced.

"Over the past year the senator and her staff met, emailed and spoke with dozens of agencies and groups about drought legislation, and those consultations continue," spokesman Tom Mentzer said in an email. "That back-and-forth is how bills get drafted, especially controversial bills like this one. Feedback is sought, applied when appropriate, and a bill slowly comes together."

"I won’t comment on specific conversations except to say they all share the same goal: developing an emergency bill (with a limited duration) that will help the whole state and improve conditions for fish and wildlife by prudently increasing water supplies – all while not violating environmental laws such as the Endangered Species Act and the Clean Water Act,” Mentzer added.

Met officials have found more success in dealing directly with the federal agencies. Late last year, they successfully challenged FWS’s calculation of the number of smelt that can legally be killed each year – another metric defined in the 2008 biological opinion. That led to FWS more than doubling the amount that can be killed this water year, from 78 to 196 (Greenwire, Jan. 29). Burman proposed the same adjustment to Petersen on June 12, 2014.

Birmingham and Kightlinger said they hadn’t been in discussions over a drought bill this year. Kightlinger visited Washington, D.C., earlier this year and met with lawmakers including Feinstein, Huffman, House Majority Leader Kevin McCarthy (R-Calif.) and Reps. Ken Calvert (R-Calif.), Adam Schiff (D-Calif.) and Grace Napolitano (D-Calif.), but discussed only the political chances of a bill, rather than specifics.

"We, Met, would like to see a bipartisan bill that parties can agree to,” he said. “Historically, water has not been a partisan issue, but like many things these days, it’s getting more and more partisan."

Birmingham said the need for a legislative fix has only increased since last year’s talks.

"I would observe that the drought has worsened and the need for some action is only exacerbated,” he said. “It’s my hope that some legislation providing congressional direction on how the existing biological opinions will be applied to the operations of the Central Valley Project and State Water Project during the ongoing crisis will be enacted.”

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August 12, 2015

Bargaining Units Joint Proposal #9 – Counter to District Proposal #8

As the Board is aware from the numerous presentations from Engineering and Operations management over the past year, District employees have moved outside the realm of their daily work allowing the District to reliably deliver water despite the record drought and extreme reductions in water supply from the State Water Project. The extending of duties and scope of work beyond the norm has provided truly innovative solutions, implemented with never-before-seen speed by employees working around the clock. These actions by District employees truly go well above and beyond expectations and expand into areas of work not previously seen. Such contributions include delivering Colorado River water into areas previously only served by State water (in some cases pumping water backwards through pipelines), running treatment plants in ways they were never designed to run, and stretching water reserves beyond their expected limits. These contributions help illustrate the ever increasing responsibilities, workload, quality and value of District employees and their unique skill sets. This evidences why we are regarded by water agencies nationally and internationally as the best of the best.

With respect to the District’s proposal #8 (July 29, 2015), the Bargaining Units have provided, and will continue to provide the District with benchmark data and comparators which we believe more accurately reflect our classifications. The comparator data which the Bargaining Units collected show that many benchmark classifications are below the 75th percentile. It should be further noted that the parties have not come to an agreement on the methodology for selecting comparator classifications, which in turn is not producing mutually accepted data from which to bargain.

MAPA has provided the District with benchmark salary survey data that show MAPA classifications to be below the 75th percentile. MAPA does not agree with the classifications the District has substituted for certain comparator agencies for specific classifications to reach its conclusion. In fact the District uses the same flawed methodology when selecting classifications from seven comparator agencies which purportedly show bargaining unit classifications are above the 75th percentile. At the most recent bargaining session (July 29, 2015), the District provided the bargaining units with employee bonus data for the period from 2011 - July 29, 2015. Included with the data was a copy of the General Manager’s May 26, 1998 letter to the Board of Directors on unrepresented managers’ compensation. In that letter, the General Manager stated that “the commonly utilized human resource differential between the highest paid subordinate and supervisor is 10 – 15 percent”. MAPA concurs with this differential and has previously informed the District that the differential in salaries between the highest paid subordinate and supervisor in MAPA is as low as 2.75%. MAPA proposes that the differential in salaries between the highest paid subordinate and supervisor should be four pay grades in the benchmark salary survey.
AFSCME Local 1902 (AFSCME) believes that the classifications selected by the District for the benchmarking are not representative of the Bargaining Unit. AFSCME has provided data which supports our position. AFSCME believes the District chose classifications for benchmarking which it believed would be at or above the 75th percentile. AFSCME also agrees with MAPA’s position that the District methodology for selecting comparator classifications is flawed. In the July 29, 2015 proposal, the District provided data concerning the Senior IT Network Engineer to refute some of the data provided by AFSCME. The data provided purportedly shows that there is no comparable match for the Los Angeles Department of Water and Power; however, AFSCME continues to believe that the Senior Systems Programmer III is a comparable match. Additionally, when prompted by AFSCME, the District also provided data concerning the Construction Inspector I and the IT Enterprise Application Analyst III from the Classification and Compensation project conducted with AFSCME which was completed in 2013. In that study, the District agreed that there was sufficient data amongst to match the Construction Inspector I to other classification in the nine comparator agencies. The District is now claiming that there is insufficient data to compare this classification, despite AFSCME presenting comparable classifications in its seventh proposal, and instead provided data for the Construction Inspector III classification. Similarly, as part of the classification and compensation study, the District agreed that the classification of Information Technology Specialist II for the County of Los Angeles is comparable to the IT Enterprise Application Analyst III, whereas now the District is claiming the comparable position at the County of Los Angeles to be Application Developer II. Also, in the classification and compensation study, there were previously no comparable matches for the IT Enterprise Application Analyst III at the Orange County Water District, the San Francisco Public Utilities Commission and the State Department of Water Resources. In contrast, the District now claims to have found comparable matches. AFSCME believes that these changes were included ostensibly to increase the percentile at which the IT Enterprise Application Analyst III falls in relation to the comparable classifications. AFSCME has and will continue to present data which will contest the accuracy of the benchmark classifications the District presented.

The District still has not provided comprehensive salary data for Supervisors Association (SA) and has yet to fulfill the complete data request. SA’s Team Manager classifications deserve internal equity with MAPA Team Manager classifications. Furthermore, the District needs to provide data that specifically shows comparators from other agencies that match the job responsibilities of the remaining classifications in the Supervisors Association. The comparator agency data the District has provided for a few of the job classifications within SA has been shown to be inadequate. Additionally, the District’s claim that “performs other related duties” can encompass significant job duties not enumerated in the job description, and thus be comparable positions, is a flawed argument. As a result we have not had the opportunity to respond in a manner similar to those responses by AFSCME and MAPA.

Clearly the District is being inconsistent with providing data and is selectively choosing information to support its conclusions. Further, the District has provided insufficient evidence to support its statement, “Management’s proposal is based on benchmark salary survey data which shows Metropolitan salaries to be competitively postured, in most cases at or above the 75th percentile...”. Moreover, the bargaining units have continuously provided information to refute this claim. The
bargaining units still hold that the comparator classifications selected by the District are chosen in a manner which incorrectly show bargaining unit classifications above the 75th percentile.

We continue to hope that the District’s proposals would reflect the value of the employees in our Bargaining Units, consistent with salary increases for Department Heads and Unrepresented employees which fall under the purview of Metropolitan’s Board. As indicated earlier, in response to a Request For Information, the District provided bonus data for unrepresented employees in our last meeting, as well as methodology for determining said bonuses. This information is attached to this proposal as Exhibit A. Rank and file employees are not eligible to receive any annual bonus payments while forty-one (41) bonuses have been paid out to unrepresented employees since December 10, 2011. For example, the former Assistant General Manager/Chief Administrative Officer has received over $70,000 in bonuses since the above date, including $50,000 since November 22, 2014. These bonuses are above and beyond the normal salaries that these individuals receive and which employees of the three bargaining units do not receive.

Moreover, District proposals do not reflect the District’s financial realities which are robust and sound. The District continues to maintain excellent credit ratings. In fact, the District has realized and continues to realize savings as a direct result of the 2011-16 MOUs; it is clear that the District can afford to absorb across the board salary increases with FY14/15 budget surpluses with no impacts to planned water rate increases. During the course of negotiations, the District has not refuted these facts.

In order to create a more efficient, equitable, fair, and economical process for both the District and the bargaining units’ employees, we propose negotiating a two (2) year salary agreement which will eliminate uncertainty and provide consistency with the District’s biennial budget process which begins in September 2015. This two (2) year agreement will provide predictability to the District and show employees that the years of staffing reductions, increased workload, and sacrifice without equitable salary increases has been recognized. The bargaining units are disappointed to see that the District’s latest proposal no longer states that they are open to a two (2) year agreement. The bargaining units continue to believe it is efficient to combine the salary reopeners for 2015 and 2016. As such, we reject the one year proposal and again jointly propose item #1;

1. **Term of the 2015 Salary renegotiation will cover two (2) years (2015 & 2016 salary reopeners). The negotiated salary increases will be effective the first day of the pay period which includes July 1 of each year (i.e., July 1, 2015 & July 1, 2016). The bargaining units agree to waive their right to reopen the salary negotiations in May 2016 (1902 §2.1.7, MAPA §9.7, SA §9.5).**

The bargaining units which are composed of AFSCME, MAPA and Supervisors Association employees received a total of 0.5% (one half of one percent) across the board increases since 2010. Together, we are seeking fairness and equity with Member Agencies, District Unrepresented and Department Head employees. The Unrepresented and Department Head employees of the District received a minima 10% increase in salaries since 2012.

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Bargaining Unit Joint Proposal #9 August 12, 2015
Beginning in 2012, employees at the 26 member agencies of the District received, on an annual basis, across the board increases in salaries up to 11% as outlined in our e-mail message dated May 12, 2015.

As an example, Eastern Municipal Water District and Inland Empire Utilities Agency have received across the board salary increases which exceed their CalPERS contribution concessions. Furthermore, it should be noted that a majority of member agencies offer a more lucrative pension benefit to classic PERS members; employees at the District who were hired after 2012 contribute their full CalPERS employee contributions.

We jointly propose item #2:

2. **Effective the first day of the pay period that includes July 1, 2015 there shall be an across the board salary increase of 3.3%, which is not inclusive of the guaranteed formula-based increase contained in the respective bargaining unit MOUs. Effective the first day of the pay period that includes July 1, 2016 there shall be an across the board salary increase of 3.3%, which is not inclusive of the guaranteed formula-based increase contained in the respective bargaining unit MOUs.**

The District’s recent proposal does provide an effective date of July 1, 2015, to which the bargaining units are agreeable. However, the bargaining units do not agree with the proposed across the board increase of only 0.3%. This proposed de minimis increase is dwarfed by actual increases in the CPI-W since 2010 and does not restore the purchasing power of the employees.
AFSCME, MAPA & SA 2015 Re-opener Fact Sheet (revised)

1. The District for Fiscal Year (FY) 2014/15, as reported during the July 13, 2015 Finance & Insurance Committee Meeting, is on track to be approximately $120 million under budget (Board Letter 9-1, 7/14/15 Board Meeting).
   a. Approximately $14.5 million of the budget savings is directly attributed to lower O&M (Labor) costs (Board Presentation 6b, 7/13/15 Finance and Insurance Committee Meeting). This is a direct result of higher workloads and efficiencies of the workforce as well as cost savings realized from the negotiated 2011-16 Memoranda of Understanding (MOUs).
   b. According to Chief Financial Officer (CFO) Gary Breaux, the District financial ratings are solid and there is no concern with regard to availability of water for member agencies or a degrading of financial ratings in the future.

2. Unrestricted Reserves for the District are expected to be at approximately $453 million at the close of the FY 14/15 budget. This level is $253 million above the reserve minimum of $200 million set by the Board of Directors (Board Presentation 6b, 7/13/15 Finance and Insurance Committee Meeting).

3. The Board of Directors (Board) authorized $450 million in turf removal rebates which will have no impact upon planned water rate increases or require rate increases to offset the very large expenditure as stated by General Manager Jeff Kightlinger during the June 23, 2015 Board meeting.
   a. Logically, if a $450 million expenditure does not require a modification or increase to current and future water rates; a total increase in bargaining unit base salaries of $5.8 million (3.3%) would certainly not necessitate a modification or increase in water rates during FY 15/16 considering the $14.5 million of budget savings in FY 14/15.

4. The updated District model which calculates costs assumed a 2% across the board increase for each of the 2015 & 2016 salary re-openers. This across the board increase was included as part of the $44 million cost over the term of the MOUs which was reported to the Board at the time they authorized the General Manager to enter into successor MOUs with AFSCME and MAPA (Board Letter 10-2, 9/27/11 Special Board Meeting).

5. The CFO has created a 10-year budget forecasting model which assumes a 3.5% annual increase in Operations & Maintenance (labor & benefits and other costs) in the annual budget.

6. The $6,000 lump sum payment in 2012 which was negotiated in 2011 did not count as compensation earnable with CalPERS. Thus, employees could not use the income as part of their final compensation calculation for their retirement allowance. Unrepresented employees received bonus payments of up to $50,000 during 14/15 Fiscal Year (CAO: $25,000 Nov 2014 & $25,000 Jun 2015) in addition to the lump sum payment in 2012. These bonuses which are not approved or overseen by the District Board can be approved with a stroke of the pen by Feedy Mares & Jeff Kightlinger. These bonuses, which can total more than $310,000 per fiscal year, can also be calculated as part of CalPERS compensation for retirement calculation. Since 2011 forty-one (41) bonuses have been handed out to unrepresented employees without Board approval or oversight.

7. Department Heads more than exceed the 75th percentile benchmark per the District’s own comparison data, and in some cases are compensated at a higher rate than other agencies which manage a larger workforce. The General Manager has received annual salary increases of: 15% in 2011, 3% in 2012, 5.75% in 2013 and 2% in 2014. The General Manager’s annual salary has increased by approximately
$77,000 since 2011, which is not inclusive of any salary increase to be approved by the Board in 2015. (Executive Committee Presentation 3c, September 9, 2014)

8. Bargaining unit members received across the board salary increases of: 2% in 2009, 0.25% in 2013 and 0.25% in 2014.

   a. The two-grade increase for bargaining units in 2013 did not result in a true across the board increase for employees. To date approximately 30% of employees are yet to realize the increase as it is tied directly to a merit increase. The result is that these employees could wait many years before seeing the benefits of the negotiated two-grade increase.

9. District Retirees, for the life of this contract, have received Cola’s each year as follow: 2011-1.64%, 2012-2.0%, 2013-2.0%, 2014-1.46%, and 2015-1.62%. This totals 8.72%. This is a minimum due to the fact PERS uses a compounding formula which is explained on their web site. (https://www.calpers.ca.gov/page/retirees/cost-of-living/cola)

10. New employees in the bargaining units beginning in 2012 began paying their member CalPERS contribution (7%); no offsets were paid to employees for this reduction in benefits, resulting in cost savings to the District.

11. New members of CalPERS hired after January 1, 2013 earn a retirement allowance based on the 2%@62 formula, and pay their full CalPERS member contribution; no offsets were paid to employees for this reduction in benefits, resulting in cost savings to the District.

12. Using a projection of 1.7 million acre-feet (MAF) of sales, 0.05 MAF below the District’s planning assumptions for FY 15/16 for full service and exchange sales, the three bargaining units (AFSCME, MAPA & SA), currently bargaining cooperatively with the District, have a combined base salary for FY 15/16 of $105.47 per acre-foot (AF) or 11.43% of the CY 2015 Full Service Treated Tier 1 water rate of $923/AF or 11.20% of the CY 2016 Full Service Treated Tier 1 water rate of $942/AF.

   a. The approved CY 2016 Full Service Treated Tier 1 water rate results in a decrease of 0.23% in the percentage of base salary costs associated with the water rate.

13. The FY 14/15 budget surplus ($120 million) would pay for a 3.3% salary increase for approximately 20 years.

   a. If the bargaining units were to receive a 3.3% across the board increase, the cumulative total of across the board percentage increases would only total 6.5% since 2009. This is only a fraction of the General Manager’s 28% compounded salary increases since 2009.

14. The Board has already approved a CY 2016 Full Service Treated Tier 1 water rate increase of $19/AF to $942/AF.

   a. An across the board increase of 3.3% to the base salary for the three bargaining units would only result in a cost of approximately $108.19/AF (11.49%) of the CY 2016 Full Service Treated Tier 1 water rate. This is an increase of only $2.72/AF based upon a conservative value of 1.7 MAF of water sales and can easily be absorbed by the FY 14/15 budget surplus, CY 2016 Full Service Treated Tier 1 water rate increase and requires no modification or increase to the current planned water rate structure.
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May 26, 1998

To: Board of Directors (Special Committee on Department Head Compensation—Information) (Organization and Personnel Committee—Action)

From: General Manager

Subject: Unrepresented Managers' Compensation

RECOMMENDATION(S)

It is recommended that five modifications be implemented for the unrepresented managers’ compensation package:

1. An increase in the Incentive Payment Plan;
2. Implementation of an Excellence Award;
3. An increase of 1.5 percent in the maximum employer contribution to the 401(k) Savings Plan;
4. A modification to the Long-Term Disability Program; and
5. A conversion from Metropolitan-issued vehicles to vehicle allowances.

It is also recommended that the applicable Administrative Code sections be amended accordingly.

DETAILED REPORT

In February 1994, the Board approved the establishment of a pay for performance Incentive Payment Plan (Plan) for unrepresented managers and authorized funding of up to $155,200 per fiscal year. In February 1995, the Plan was modified to include up to an additional $155,200 based on the Board of Directors’ evaluation of the overall accomplishment of the management team. The increase goes into effect only if the Board rates the management team as “exceeds expectations” or “outstanding”. Each rating factor is then worth an additional $77,600.

For the last three years, the Board has rated the management team as “exceeds expectations”; therefore, the Plan has been funded at $232,800 for each of the three fiscal years. While experience in administering this Plan during these years indicates that it can be an effective management tool to reward managers for performance, a key to the successful use of such a plan is the amount of the incentive payment.

The unrepresented managers have not received a cost of living adjustment to their base salaries since June 1992. In 1994, a tenth step of approximately 2.75 percent was added to their salary
structure, and in February 1997, 2.75 percent was added to the range. Movement within the salary range is solely based on merit with unrepresented managers receiving no automatic adjustments. Even with the modifications to the pay ranges described above, compression is an issue; for example, the current pay range maximum for the Laboratory Manager in the management unit is only 6.2 percent below the unrepresented classification of Associate Director of Water Quality. The commonly utilized human resource differential between the highest paid subordinate and supervisor is 10 - 15 percent.

Metropolitan’s compensation package for its executives must remain competitive and flexible so as to attract and retain the most highly qualified executives who can support our organization’s business plans and strategic goals. Since my tenure with the organization, I have recommended adjustments for the unrepresented managers which emphasize performance within a competitive benefit package.

The unrepresented managers group is comprised of 36 budgeted positions and includes the Assistant Division Managers and above, with the exception of the General Manager, General Counsel and Auditor. The recommended modifications are detailed below.

**Proposed Changes**

**Pay for Performance Program**—I am requesting that for the 1997-98 fiscal year, the program funding as described above be increased as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Current</th>
<th>Recommended Increase</th>
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</thead>
<tbody>
<tr>
<td>Meets</td>
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</tr>
<tr>
<td>Exceeds</td>
<td>$232,800</td>
<td>$116,400</td>
</tr>
<tr>
<td>Outstanding</td>
<td>$310,400</td>
<td>$232,800</td>
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The increase would only go into effect based on the Board’s evaluation of the management team’s performance. The supplemental amount will expand on the concept of “just noticeable difference” by providing the ability to reward a manager who performs at an “outstanding” level. The incentive payment would continue to be made at the end of the fiscal year based on the individual manager’s achievements of pre-established performance objectives.

Cost: The cost for the incremental increase in the program is $116,400 if the Board rates the management team’s performance as “exceeds expectations” and $232,800 for “outstanding”.

**Award of Excellence Program**—To supplement the Pay for Performance Program, I am also requesting the establishment of an award of excellence program. The purpose of this program is to provide an incentive payment for exemplary or once in a lifetime accomplishments. I would submit the recommended recipient or recipients for review by the Special Committee on Department Head Compensation. The amount of an individual incentive could not exceed $20,000. No more than three recipients could receive the payment in one fiscal year.

Cost: The cost could be up to $60,000 per year.
Employer Contribution to the 401(k) Savings Plan—Metropolitan currently matches employees’ contributions to the 401(k) Savings Plans in the amount of 50 cents for each dollar contributed by the employee, with a maximum contribution by Metropolitan of 3 percent of the employee’s compensation. I recommend that the maximum matching contribution for unrepresented managers be increased by 1.5 percent for a total of 4.5 percent of salary. The changes to the program would be effective with the first full pay period in July of 1998.

Cost: The cost of this modification, if all of the unrepresented managers participate in the program, would be up to $65,700 per year.

Long-Term Disability—The current long-term disability policy provides for 60 percent of salary up to $1,000 per month after a 180-day waiting period. The proposed long-term disability policy would provide up to 66 percent of salary to a maximum of $8,000 per month after a 90-day waiting period. A market comparison of long-term disability plans in 1995 indicated that Metropolitan’s benefit for this group is below the median; in fact, the maximum benefit ($1,000) was lower than any other employer surveyed and is not adequate replacement for a salary of a disabled unrepresented manager. This program would go into effect as soon as administratively feasible.

Cost: The cost of the increased plan is $32,049.

Conversion of a Metropolitan-issued Vehicle to a Car Allowance—Metropolitan provides a vehicle for unrepresented managers. In 1994 the unrepresented managers were provided an option for a vehicle allowance in lieu of a Metropolitan issued vehicle. The vehicle allowance ranges from $400 - $600 per month based on the classification level. To date, very few managers have opted to convert to a car allowance. The changes to the program would be available with the full pay period in July of 1998.

The industry trend is to move away from the maintenance of large fleets in favor of car allowances. The American Automobile Association recently indicated that Southern Californians can expect to pay about $610 per month to own and operate a new vehicle. I will be requesting that all unrepresented managers convert to car allowances concurrent with the move to the new headquarters facility.

To ensure that the unrepresented managers are not negatively impacted by the conversion to allowance, I am recommending two changes to the existing program: (1) increasing the allowance by $100 per month; and (2) reimbursing the manager for job-related mileage over 250 miles in a calendar month or 3,000 miles in one fiscal year at the published IRS rate. This modification will be beneficial to both Metropolitan and the employees, as the fleet will be reduced by approximately 30 vehicles.

In summary, the proposed compensation package for unrepresented managers focuses on benefits or compensation tied to performance and at the discretion of the Board and does not increase base salary rates. The modifications are designed to provide a competitive compensation package, as well as incorporates options which benefit Metropolitan.
April 26, 1999

Ms. Lois Giles  
Unit 115  
Compensation Review Unit  
Actuarial and Employer Service Division  
P.O. Box 942709  
Sacramento, CA 94229-2709

Dear Ms. Giles:

In response to your request for information regarding Metropolitan’s Pay-for-Performance Program for our Unrepresented Managers, I am enclosing copies of our performance plans for the past several years from 1994-1998. The performance plans are scheduled on a fiscal year basis from July 1 through June 30 except in 1994. Since 1994 was the first year of the program, the plan was in place from January to June 1994 and another plan was established for fiscal year 1994-1995. Please use these documents to ensure that special compensation/incentive bonus payments are included in calculating the retirement allowance for our Unrepresented managers including the most recent request made by Mr. F. Wiley Horne (SS#: 243-62-5503).

In a letter from Ms. Connie Fleming dated December 9, 1998, she requested (as stated in page 2 of Attachment A) information relative to the percentage of base pay figures given for each of the performance ratings for the Unrepresented managers due to the increased funding amount for the Unrepresented Pay-for-Performance Programs. As a result of the increased funding amount as explained in the Board letter dated May 26, 1998 (Attachment B), the bonuses for Unrepresented managers are now awarded by the General Manager in each category based on the following scale:

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<th>Category</th>
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<tr>
<td>Meets Expectations</td>
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<tr>
<td>Exceeds Expectations</td>
<td>6.5% to 9.0%</td>
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<tr>
<td>Outstanding</td>
<td>8.5% to 17.5%</td>
</tr>
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</table>
Ms. Lois Giles
Page 2

Thank for your assistance in clarifying this matter. If you have any questions or concerns regarding this issue, please contact Patty Snow, of my staff, at (213) 217-7719.

Very truly yours,

Izetta E. Birch
Director of Human Resources

Attachments:  A—Letter dated December 9, 1998 from Ms. Connie Fleming
              B—Board of Directors letter dated May 26, 1998
              C—Management Incentive Report 1994
              D—Pay for Performance and Merit Program 1994-1995
              E—Pay for Performance FY 1995-96
              F—Pay for Performance FY 1996-97

cc:    P. Snow, Principal Human Resources Analyst
       D. Toltzman, Deputy Controller
Date: October 16, 2012
To: Tom DeBacker, Controller
From: Fidencio M. Mares, Director of Human Resources
Subject: Unrepresented Lump Sum Payments

Jeff Kightlinger has approved lump sum payments for eligible unrepresented employees. The eligible unrepresented employees and amounts are listed below. Please have your staff process the lump sum payments on the October 24, 2012 paycheck.

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<td>Bennion, Sydney B</td>
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<td>08474</td>
<td>Mares, Feedy</td>
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Feel free to contact me if you have any questions.

Fidencio M. Mares

cc: J. Kightlinger
Date: September 3, 2013
To: Tom DeBacker, Controller
From: Fidencio M. Mares, Director of Human Resources
Subject: Unrepresented Lump Sum Payments

Jeff Kightlinger has approved lump sum payments for eligible unrepresented employees. The eligible unrepresented employees and amounts are listed below. Please have your staff process off cycle checks on September 11, 2013.

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<td>Waade, Linda D</td>
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Feel free to contact me if you have any questions.

Fidencio M. Mares

cc: J. Kightlinger
Date: November 13, 2014
To: Hal Soper, III, Controller
From: Fidencio M. Mares, Director of Human Resources
Subject: Unrepresented Lump Sum Payments

Jeff Kightlinger has approved lump sum payments for eligible unrepresented employees. The eligible unrepresented employees and amounts are listed below. Please have your staff process off cycle checks on November 18, 2014.

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Feel free to contact me if you have any questions.

Fidencio M. Mares

cc: J. Kightlinger
cc: M. Falcon
Congress Returns to a Full Agenda

Members of Congress return to Washington on September 8 after a five-week recess for the House and a four-week break for the Senate. Upon their return, they have 12 working days until the end of the fiscal year on September 30.

Among the issues that they will be dealing with in September and into the new fiscal year are passing a Continuing Resolution to keep the government open on October 1, increasing the national debt limit, the Iran nuclear deal, reauthorizing or extending surface transportation and aviation programs, reauthorization of the Export-Import Bank, cybersecurity legislation, Toxic Substances Control Act (TSCA) reform, and a conference agreement on No Child Left Behind education reform.

Senators Feinstein, Boxer Unveil Long-Awaited Bill

Senator Dianne Feinstein introduced her much-anticipated drought response bill shortly before the Senate recessed for August. Senator Barbara Boxer joined her as an original cosponsor. The $1.3 billion bill, the California Emergency Drought Response Act of 2015 (S. 1894), includes a variety of provisions to address various aspects of the California drought, including support for water recycling and desalination.

A hearing on the bill is expected in September, when Senate Energy & Natural Resources Committee Chairman Lisa Murkowski (R-AK) hopes to build a comprehensive bill to address water supplies throughout the Western United States. Murkowski is also expected to include a discussion on the House-passed “Western Water and American Food Security Act” as a part of the hearing.

The Feinstein bill includes several provisions to support water reuse, desalination, conservation, and support for water supplies in rural communities. The cost of these
provisions may prove an obstacle to winning support from Republicans. Of concern for some Democrats, the bill includes operational changes similar to those proposed in the House legislations, with the caveat that these changes cannot violate the Endangered Species Act, Clean Water Act, biological opinions, or state laws. Determining how these changes would work in practice and how much additional water they might make available – and who would receive that water – is a likely discussion point at a future hearing.

Reaction to the legislation has been generally positive, but couched with concerns on how a final bill might treat water supplies, environmental protections, and how non-California issues may be addressed.
August 25, 2015

Attention: Administrative and Finance Committee

Presentation on Succession Planning. (Information)

Purpose
This informational item provides an overview and update on the Succession Planning program and activities at the Water Authority.

Fiscal Impact
There is no fiscal impact.

Background
Succession Planning is a pressing issue for most agencies with employee demographics rapidly changing and the baby boomer generation exiting the workforce. To ensure continued effective performance through leadership continuity and employee development, the Water Authority has developed a proactive Succession Plan to ensure that there is a strategy for building a pipeline of talent today to feed critical roles in our organization.

Discussion
The Succession Planning program is not a static plan, but rather a living program that must be able to respond to rapidly changing environments and unforeseen changes. This board presentation will provide a brief description of the Succession Planning program and activities, as well as provide a progress update and outline of future goals.

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