Board members and staff traveled to the Imperial Valley on November 3 to view farming practices and mitigation projects with members of the Imperial Valley Farm Bureau.
1. **UNIFIED AGENDA:** This unified agenda provides a brief description of each item to be considered by the Board and its Administrative and Finance, Engineering and Operations, Imported Water, Legislation, Conservation and Outreach, and Water Planning Committees. For convenience, the agenda for each of the Committees and for the formal Board meeting are stated separately; however, all agendas shall be considered as a single agenda and any item listed on the agenda of any Committee may be acted upon by the Board. All items on the agenda of any Committee, including information items, may be deliberated and become subject to action by the Board.

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

3. **MEETING TIMES:** The morning session of Standing Committees will commence at 9:00 a.m. on December 8, 2016 and the afternoon session of Standing Committees may commence at the conclusion of the morning session and earlier than 1:00 p.m. Please see the meeting schedule. The meeting of the full Board may begin as early as 3:00 p.m. or as soon thereafter as the last Committee meeting is completed.

4. **ACTION AT COMMITTEE MEETINGS:** Committee meetings are also noticed as meetings of the Board because a quorum of the Board may be present. Members of the Board who are not members of the Committee may participate in the meeting, but only members of the Committee may make, second or vote on any motion or other action of the Committee unless the Board determines to convene for consideration of action on an item or items on the Committee agenda. Items receiving substantive review by a standing committee are generally included on the Consent Calendar for action at the meeting of full Board. Persons interested in an item and wishing to hear the staff report, present oral or written comments, and hear the deliberations should attend the Committee meeting. Closed Sessions also occur at Committee meetings and may not be repeated at the formal Board meeting.

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

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

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

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

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

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

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

11. **RULES GOVERNING MEETINGS**: The Water Authority’s Administrative Code Chapter 2.00 governs conduct of meetings of the Board and the Committees. The Administrative Code is available on line at [www.sdcwa.org](http://www.sdcwa.org) or at the Water Authority Headquarters.
MEETING SCHEDULE
DECEMBER 8, 2016

MORNING SESSION
Water Planning Committee
Administrative & Finance Committee
Engineering & Operations Committee

9:00 a.m. to 12:00 p.m.
Estimated time: 1 hour 10 minutes
 Estimated time: 30 minutes
 Estimated time: 1 hour 5 minutes

LUNCHEON FOR DIRECTORS

12:00 p.m. to 1:00 p.m.

AFTERNOON SESSION
Imported Water Committee
Legislation, Conservation & Outreach Committee

1:00 p.m. to 3:00 p.m.
Estimated time: 1 hour 15 minutes
 Estimated time: 35 minutes

FORMAL BOARD MEETING

3:00 p.m.

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

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

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

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

1. CONSENT CALENDAR

   1. Resolution requesting from the Metropolitan Water District of Southern California a one-year extension of time for completion of the Rainbow Municipal Water District’s Campus Park West Annexation. Jeff Stephenson

      Staff recommendation: Adopt Resolution No. 2016-__ to:

      a. Request the Metropolitan Water District of Southern California extend the time for completion of Rainbow Municipal Water District’s Campus Park West Annexation to December 31, 2017, in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code.
b. Reaffirm all other terms and conditions as set forth in San Diego County Water Authority Resolution No. 2015-01 and Metropolitan Water District of Southern California Resolution No. 9184. (Action)

2. Agreement for Emergency Delivery of a Portion of the Mexican Treaty Waters to Tijuana for an additional five-year period.
   Staff recommendation: Reaffirm prior approval authorizing the General Manager to enter into an Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States in a form approved by General Counsel. (Action) Dana Friehauf

II. ACTION/DISCUSSION/PRESENTATION

1. Policy Guidelines for Managing Carryover Storage Supplies and Revisions to the Stored Water Fund Policy.
   Staff recommendation: Approve policy guidelines for managing the Water Authority’s carryover storage supplies. (Action) Bob Yamada Dana Friehauf David Shank

2. State Draft Long-Term Framework on Water Conservation and Drought Planning. (Discussion) Dana Friehauf

3. Update on water supply conditions and drought response activities. (Presentation) Tim Bombardier

III. INFORMATION

1. Water Resources Report. Dana Friehauf

IV. CLOSED SESSION

V. ADJOURNMENT

Dana Friehauf

Melinda Cogle
Clerk of the Board

NOTE: This meeting is called as a Water Planning Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
November 30, 2016

Attention: Water Planning Committee

Final Report on Water Planning Committee Work Plan for calendar years 2015 and 2016

Purpose
The attached final report summarizes activities performed in support of the Water Planning Committee Work Plan for 2015 and 2016.

Background
The Water Planning Committee is responsible for developing policies relative to long range water resources planning and local supply development including: the Urban Water Management Plan, Integrated Regional Water Management Plan, Regional Water Facilities Optimization and Master Plan; Water Shortage and Drought Response Plan; regional and member agency sponsored local water supply development and member agency assistance on local projects, annexation and other planning matters; environmental compliance interests of the Water Authority including the Climate Action Plan and Natural Communities Conservation Plan and Habitat Conservation Plan; and overseeing the implementation of those policies and plans.

Previous Board action: On March 26, 2015, the Board adopted the Water Planning Committee Work Plan for calendar years 2015 and 2016, and reviewed a progress report on the work plan at its January 28, 2016 meeting.

Discussion
The attached report lists the Water Planning Committee Work Plan for calendar years 2015 and 2016 and summarizes the activities undertaken to achieve the work plan. The items correlate to the 2014-2019 Business Plan goals, which were in effect when the work plan was adopted. The work plan was prepared under the direction of the Water Planning Committee Chair and Vice Chairs.

Prepared by: Robert Yamada, Director of Water Resources
Reviewed by: Yen Tu, Chair, Water Planning Committee

Final Report on the Water Planning Committee Work Plan
for calendar years 2015 and 2016

Business Plan Items

Environmental Management

1. Review, convene a public hearing, and consider certification of California Environmental Quality Act/National Environmental Policy Act document for Carlsbad Seawater Desalination Plant intake modifications. (September 2015 – Goal #3*)

Activities

2. Review, convene a public hearing, and consider adoption of California Environmental Quality Act document for use by the Water Authority and multiple member agencies to obtain Aquatic Weed Control Pesticide Permits. (August 2016 – Goal #5*)

Activities
Completed. The Board adopted the Final Mitigated Negative Declaration with Mitigation Monitoring and Reporting Program on May 28, 2015. The document was subsequently approved by the City of Poway, Helix Water District, Santa Fe Irrigation District, and Sweetwater Authority.

3. Review, convene a public hearing, and consider certification of California Environmental Quality Act document for Kendall wetlands mitigation site. (December 2016 – Goal #6*)

Activities
No Board action required. Staff delayed commencement the CEQA planning process in order to investigate alternatives, in coordination with the regulatory agencies, to achieve project goals at less cost. Work will continue as part of the 2017-2021 Business Plan.

IRWM and Grants Administration

1. Consider and approve an extension of the memorandum of understanding for the Tri-County Funding Area Coordinating Committee to incorporate the proportional division of Proposition 1 funding among the San Diego, South Orange County and Upper Santa Margarita planning regions. (January 2016 – Goal #1*)
Activities
The Board in October 2015 approved an amendment extending the memorandum of understanding to incorporate the proportional division of Proposition 1 funding among the three planning regions. All of the policy boards for the planning regions have approved the amendment.

2. Consider and approve a new memorandum of understanding for the Water Authority, City of San Diego, and County of San Diego to continue the San Diego Regional Water Management Group. (March 2016 – Goal #3*)

Activities
The Board approved in May 2015 the first amendment to the MOU to extend its term through June 2019 and maintain the financial commitment of the three agencies to the IRWM Program. The Water Authority, San Diego County and the City of San Diego all have approved and signed the amended MOU.

3. Consider and approve an application for the San Diego IRWM planning region’s remaining share of IRWM grant funding from the Department of Water Resources’ Proposition 84 program. (August 2016 – Goal #4*)

Activities
The Board considered and approved in June 2015 an application for the San Diego IRWM planning region’s remaining share of IRWM grant funding ($31.1 million) from the Department of Water Resources’ Proposition 84 program. DWR approved the San Diego region’s application in January 2016 and provided its first draft agreement for review by the San Diego IRWM in September 2016. As of November 30, 2016, the agreement had not yet been executed.

Member Agency Local Supply

1. Consider a plan for surface water storage and groundwater banking that addresses seasonal operations and carryover storage needs as part of the 2015 UWMP. (June 2016 – Goal #2*)

Activities
No Board Action required. Proposed Carryover Storage Policy Guidelines will be considered by the Committee at its December 2016 meeting.

2. Support member agencies’ efforts to secure funding for development and implementation of local water supply projects through the Integrated Regional Water Management Program and other funding sources. (December 2019 – Goal #4*)

Activities
The Board considered and approved in June 2015 an application for the San Diego IRWM planning region’s remaining share of IRWM grant funding ($31.1 million) from the Department of Water Resources’ Proposition 84 program. Final DWR
approval was awarded in January 2016. This Board action will fund multiple water supply projects. In addition to funding for recycled water and desalinated groundwater, the application also included funding for wetlands habitat recovery to improve water quality at Sweetwater Reservoir.

3. Support member agencies in achieving an annual distribution and beneficial reuse of approximately 39,000 acre-feet of recycled water. (December 2019 – Goal #5*)

**Activities**
The Board considered and approved in June 2015 an application for the San Diego IRWM planning region’s remaining share of IRWM grant funding ($31.1 million) from the Department of Water Resources’ Proposition 84 program. Final DWR approval is expected in January 2016. Supply projects identified for grant funding include Padre Dam Municipal Water District’s Water Recycling Facility, Phase 1 Expansion Project, which will provide an additional 1,150 acre-feet per year (AFY) of recycled water demand through the construction of project upgrades to the Ray Stoyer Water Reclamation Facility to produce advanced treated water for current non-potable and future potable reuse. Another project selected for grant funding includes the City of Escondido's Microfiltration Reverse Osmosis Facility for Agriculture, which will produce advanced-treated recycled water suitable for agricultural uses and for future non-potable reuse system expansions, which will result in 880 AFY of recycled water.

Through Proposition 50, the IRWM program funded a Recycled Water Retrofit Assistance Program ($800,000) that provided direct financial assistance to schools, public agencies, water agencies, and special districts to facilitate the conversion from potable to recycled water for landscape irrigation and other uses, which is projected to increase recycled water use by approximately 400 acre-feet per year.

4. Support member agencies in achieving an annual production of approximately 11,000 acre-feet of water from brackish groundwater desalination. (December 2019 – Goal #6*)

**Activities**
Following the Board’s June 2014 approval of the San Diego IRWM Proposition 84, Round 3 grant application, DWR approved the application in December 2014 and executed the grant agreement in August 2015. This allowed for the implementation of the Sweetwater Authority Reynolds Groundwater Desalination Facility Expansion, estimated to produce 8,800 AFY. No Board Action for this objective was required to be taken in this period.
Potable Reuse

1. Provide input and support for implementation of member agencies’ potable reuse projects through strategies that encourage public acceptance of potable reuse. (June 2015 – Goal #1*)

   **Activities**
   The Water Authority has been implementing its regional Potable Reuse Resource and Outreach Communications Plan, developed in January 2015 in collaboration with the Potable Reuse Coordinating Committee, to support member agency potable reuse outreach efforts. Staff has completed a number of the plan’s goals, including research focused on specific demographic groups on interest in the San Diego region. Staff reported to the Board in July 2015 on the status of implementation of the Potable Reuse Coordinating Committee’s efforts to create consistent regional messages on potable reuse. Staff and members of the Potable Reuse Coordinating Committee also worked together to complete a regional brochure provided to the Board that can be used by the Water Authority and member agencies which includes common messages and information on potable reuse.

2. Provide policy level guidance and support to the Water Authority and Potable Reuse Coordinating Committee’s regional strategies to engage with regulatory agencies to develop potable reuse criteria that support member agency projects. (June 2015 – Goal #2*)

   **Activities**
   Staff reported to the Board in July 2015 and October 2016 on the status of efforts of the State Water Resources Control Board and their Expert Panel and Advisory Group on direct potable reuse and surface water augmentation. A draft report was released on September 8, 2016, followed by State Board workshops in October. The draft report concluded that regulations are feasible to develop with some additional research and data collection. A final report is expected to be adopted by the State Water Resources Control Board in December 2016. Staff continued to work with the Potable Reuse Coordinating Committee to develop comments for the State Water Resources Control Board’s report on the feasibility of adopting direct potable reuse regulations. Staff continues to work with the Potable Reuse Coordinating Committee and WaterReuse to engage on development of surface water augmentation regulations that are currently expected to be released in February 2017.

**Regulatory Policy Support**

1. Support regional requests for Water Board Basin Plan amendments to support Water Authority and member agency interests. (December 2015 – Goal #2*)

   **Activities**
   No Board action required. The San Diego Regional Water Quality Control Board adopted a basin plan amendment for onsite waste disposal systems that includes
significant provisions related to recycled water. The Water Authority and member agencies sent a joint letter to the San Diego Water Board that ensured that the amendments were supportive of recycled water projects. The Water Board is working with staff to develop and adopt a basin plan amendment for local reservoirs to support potable reuse projects and reservoir operations.

2. Provide policy input to Water Authority staff on issues with the California Public Utilities Commission related to the Water-Energy Nexus Proceeding, and on the Long-Term Procurement Plan (LTPP) proceeding to support a pathway for large-scale hydro pumped storage procurement. This could include support or sponsoring of legislation. (March 2016 – Goals #3 & #4*)

Activities
No Board action required. There are now four tracks of the CPUC Water-Energy Nexus Proceeding, including Track 1: AMI Utilization in Water and Energy Savings, Track 2: Matinee Pricing Tariff Pilots, Track 3: Water Energy Cost Effectiveness Calculator 2.0, and Track 4: Water/Energy/Telecommunications Nexus. Staff is following all four tracks, and is participating in relevant workshops and providing comments in coordination with the Water Authority’s Energy Program. With the creation of the Water Authority’s Energy Program, the goal related to large-scale hydro pumped storage, including the LTPP, was transferred to the Engineering &Operations Committee Work Plan.

3. Provide policy input and support Water Authority and member agency efforts to engage with the Regional Water Board, funding agencies and stakeholders to encourage broad investments and solutions that will result in improvements in water quality in the Hodges Reservoir using an Integrated Regional Water Management approach. (December 2016 – Goal #6*)

Activities
The final round IRWM application for Proposition 84 funding approved by the Board in June 2015 included funding for the Hodges Reservoir Natural Treatment System in the amount of $2,886,472 for improvement of water quality in Hodges Reservoir and to treat runoff from the watershed above the reservoir. Once approved, project implementation will include creating the artificial wetlands above the reservoir.

Seawater Desalination

1. Consider approval of member agency purchase contracts with City of Carlsbad and Vallecitos Water District. (February 2015 – Goal #1*)

Activities
Completed. Contracts were approved by the Board in February 2015. Vallecitos Water District executed its Uniform Contract December 28, 2015; the Carlsbad Uniform Contract was executed August 8, 2016.
2. Review and consider support for reasonable California Ocean Plan amendments for desalination intake and discharge. (July 2015 – Goal #2*)

Activities
Completed. The Ocean Plan Amendment was adopted by the State Water Resources Control Board on May 6, 2015, with satisfactory regulations for intake and discharge facilities.

3. Review facility planning for the Carlsbad Desalination Project intake/discharge system upgrade. (September 2015 – Goal #3*)

Activities
Completed. The Final Supplemental EIR for the intake/discharge system upgrade was adopted by the Board on August 25, 2016. The Board also approved Contract Amendment Memorandum No. 5 to the Water Purchase Agreement dated August 25, 2016 that details the Water Authority’s role in reviewing planning and design documents for the proposed Intake Upgrade.

4. Consider approval of site preservation agreement with Marine Corps Base Camp Pendleton for a potential future Camp Pendleton Desalination Project. (June 2015 – Goal #4*)

Activities
After discussions with Marine Corps Base Camp Pendleton, the preferred site for a potential desalination facility on Camp Pendleton has been recognized on Marine Corps Base Camp Pendleton’s master plan geographic information system (GIS). It was concluded that a site preservation agreement was not warranted.

5. Review annual supply and demand commitments/targets for the Carlsbad Desalination Project per the Water Purchase Agreement. (June 2015 – Goal #5*)

Activities
The delivery schedule confirmation letter for prorated fiscal year 2016 commitment was executed with Poseidon based on a December 23, 2015, commercial operations date. A delivery schedule for the second contract year, beginning July 1, 2016 was sent to Poseidon July 16, 2016.

6. Review progress and consider support for Otay Water District efforts to work with the federal government to authorize the construction, connection, operation, and maintenance of a United States and Mexico cross-border pipeline facility for the importation of desalinated water from the proposed Rosarito desalination facility. (June 2016 – Goal #7*)

Activities
No Board action required.
7. Consider the approval of, and monitor and take actions necessary to complete the Intake Testing Program for the Camp Pendleton Desalination Study.

**Activities**
A contract was awarded to Michael Baker International on September 24, 2015, for a two-year Intake Testing Program. A Memorandum of Understanding outlining the scope of work and coordination with Marine Corps Base Camp Pendleton was approved by the Board in September 2015. Staff is currently working with the San Diego Regional Water Quality Control Board regarding permitting the pilot facility.

**Water Resources Planning**

1. Review and provide input on the water demand forecast model update, taking into account potential climate change impacts. (June 2016 – Goal #3*)

**Activities**
Completed. At the August 2015 Water Planning Committee meeting, the committee reviewed a report from staff on the forecasting model methodology and development process. At the February 2016 Committee meeting, the committee reviewed the draft regional baseline water demand forecast, water conservation savings projections, and resource mix. Consistent with the schedule presented at the February 2016 meeting, staff distributed an agency-level forecast of water demands and conservation savings projects to member agencies on March 18, 2016.

2. Consider and approve the 2015 Urban Water Management Plan to comply with California Water Code Sections 10610 – 10656 (June 2016 – Goal #4*)

**Activities**
At the August 2015 Committee meeting, the Committee reviewed a report from staff highlighting the main elements of the draft 2015 Urban Water Management Plan (UWMP), the schedule for development of the plan, and new UMWP Act mandates adopted since the 2010 UWMP. At the January 2016 meeting, the Committee received a report on the potential local and regional supplies for inclusion in the draft 2015 UWMP. At the April 2016 meeting, the Committee was provided an overview of the draft 2015 UWMP and schedule for adoption. In May 2016, the Committee held a public hearing and received comments on the draft 2015 UWMP. At the June 2016 meeting, the Committee adopted Resolution No. 2016-11, approving the 2015 UWMP and submittal of the 2015 Plan to the State of California by July 1, 2016.

**Water Shortage & Drought Response Management**

1. Review reports on current water supply, storage and demand conditions along with other drought activities. (June 2016 – Goal #5*)

**Activities**
The Water Planning Committee reviewed monthly staff reports on supply and
demand conditions along with other drought activities of the Metropolitan Water District of Southern California, State Water Resources Control Board and Department of Water Resources. At its October 2016 meeting, the Committee reviewed a report that summarized water supply conditions for the 2016 water year and provided information on the outlook for the 2017 water year.

2. Provide direction, review work in progress, and consider and approve shortage management actions under the Water Shortage and Drought Response Plan based on water supply and demand conditions. (May 2015 – Goal #1*)

Activities
In response to supply cutbacks from the Metropolitan Water District of Southern California and the State Water Resources Control Board’s Emergency Regulation mandating statewide urban water conservation, the Board, at its May 14, 2015, meeting, took the following actions:

- Declared the Mandatory Supply Cutback Stage of the Water Authority’s Water Shortage and Drought Response Plan;
- Approved member agency municipal and industrial (M&I) and Transitional Special Agricultural Water Rate supply allocations for fiscal year 2016, and set penalties for member agencies that exceed their supply allocations; and
- Required member agencies to limit outdoor irrigation of ornamental landscapes and turf with potable water to no more than two days per week.

At its March 24, 2016 meeting, the Board approved Ordinance No. 2016-01 in response to the Water Authority securing drought-resilient supply credits under the SWRCB’s Emergency Regulation for statewide urban water conservation. The ordinance contained the following actions:

- Rescinded Ordinance No. 2015-02, allocating water pursuant to the Water Authority’s Drought Management Plan, imposing additional requirements upon Water Authority member agencies relating to the use and conservation of water, and establishing penalties for violations of allocations and requirements;
- Continued the provisions that address member agency municipal and industrial and Transitional Special Agricultural Water Rate supply allocations and penalty assessment for fiscal year 2016;
- Continued the Mandatory Supply Cutback Stage (Stage III) of the Water Authority’s Water Shortage and Drought Response Plan; and
- Rescinded the July 2014 notification of a Regional Drought Response Level 2, Drought Alert condition.

In response to the Metropolitan Water District of Southern California’s May 10, 2016, Board action to rescind the “Condition 3 – Water Supply Allocation” and declare a “Condition 2 – Water Supply Alert,” the Board, on May 26, 2016, took the following actions:

- Rescinded Ordinance No. 2016-01, allocating water pursuant to the Water Authority’s Drought Management Plan and establishing penalties for violations of allocations; and
• Established a drought awareness effort to ensure continued community focus on drought awareness and commitment to water use efficiency across the service area.

3. Consider and approve member agency supply allocations, if necessary. (June 2015 – Goal #2*)

Activities
The Board approved member agency supply allocations on May 14, 2015. On August 27, 2015, the Board approved a modification to Yuima Municipal Water District’s fiscal year 2016 M&I allocation to provide additional allocation under the loss of local supply adjustment. The Committee reviewed monthly staff reports tracking member agency deliveries compared to supply allocation targets.

In response to the May 2016 action by the Metropolitan Water District of Southern California Board to rescind its “Condition 3 – Water Supply Allocation” and declare a “Condition 2 – Water Supply Alert”, the Water Authority Board took action at the May 26, 2016, Board meeting to rescind Ordinance No. 2016-01, an Ordinance Allocating Water Pursuant to the Water Authority’s Drought Management Plan and Establishing Penalties for Violations of Allocations. Rescission of Ordinance 2016-01 moved the Water Authority out of Stage 3, Mandatory Supply Cutbacks, and terminated M&I and TSAWR allocations, effective immediately.

Other Items

Water Resources Planning

1. Consider requests for annexations in a manner consistent with Board adopted policies and taking into account current water supply constraints. (Ongoing)

Activities
In January 2015, the adoption of Resolution No. 2015-01 set final terms and conditions and approved the concurrent annexation of Rainbow Municipal Water District’s proposed Campus Park West Annexation to the Water Authority and the Metropolitan Water District of Southern California, conditioned upon the fulfillment of all conditions and final approval by the San Diego Local Agency Formation Commission. In April 2016, the Board approved an amendment to Water Authority Annexation Policy #12, entitled “Administrative Costs,” to address defense and indemnification, to help protect the Water Authority from challenges to annexation. In December 2016, the Board will consider adoption of a resolution requesting from the Metropolitan Water District a one-year extension of time for completion of the Rainbow Municipal Water District’s Campus Park West Annexation.
Environmental Management

1. Review, convene a public hearing, and consider certification of California Environmental Quality Act document for Pipeline 3 Relining Project (Lake Murray to Sweetwater Reservoir Segment). (September 2016)

   **Activities**
   Completed. No Board action required in 2015. The Notice of Exemption was posted with the San Diego County Clerk on October 29, 2015.

2. Review, convene a public hearing, and consider adoption of California Environmental Quality Act document for Pipeline 4 Relining Project (Lake Murray Segment). (November 2015)

   **Activities**
   Completed. The Board adopted the Final Mitigated Negative Declaration with Mitigation Monitoring and Reporting Program on October 22, 2015.

IRWM and Grants Administration

1. Support Water Authority coordination with Department of Water Resources and Tribes to meet CEQA requirements for funding. (Ongoing)

   **Activities**
   Staff worked with DWR and the San Pasqual Band of Mission Indians to satisfy CEQA requirements associated with San Pasqual’s project that is being supported by the San Diego Proposition 84, Round 2 IRWM grant program. Staff plans to use the same process to satisfy CEQA requirements for other tribal projects receiving funding from San Diego IRWM grants.
November 30, 2016

Attention: Water Planning Committee

Resolution requesting from the Metropolitan Water District of Southern California a one-year extension of time for completion of the Rainbow Municipal Water District’s Campus Park West Annexation. (Action)

Staff recommendation
Adopt Resolution No. 2016-__ to:

1. Request the Metropolitan Water District of Southern California extend the time for completion of Rainbow Municipal Water District’s Campus Park West Annexation to December 31, 2017, in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code.
2. Reaffirm all other terms and conditions as set forth in San Diego County Water Authority Resolution No. 2015-01 and Metropolitan Water District of Southern California Resolution No. 9184.

Alternative
Do not adopt the Resolution, thereby rejecting Rainbow Municipal Water District’s request to concurrently annex the property to the Water Authority and the Metropolitan Water District of Southern California.

Fiscal Impact
The staff recommendation presents no fiscal or rate category impact to the Water Authority. The Water Authority received a $3,000 administrative fee to cover costs associated with processing the annexation.

Background
In December 2014, the Metropolitan Water District of Southern California’s (MWD) board adopted Resolution No. 9184 (Attachment 1) that approved the Rainbow Municipal Water District’s (Rainbow MWD) Campus Park West Annexation and fixed MWD’s terms and conditions, including a requirement that all necessary documents to effectuate the annexation be filed on or before December 31, 2016. In January 2015, the Water Authority’s board adopted Resolution No. 2015-01 (Attachment 2), which set the Water Authority’s final terms and conditions and approved the concurrent annexation of Rainbow MWD’s Campus Park West Annexation to the Water Authority and MWD. Resolution No. 2015-01 states that the terms and conditions as ordered by MWD’s board be a condition for the concurrent annexation of the Campus Park West Annexation to the Water Authority and MWD. The next step in the annexation process is approval by the San Diego Local Agency Formation Commission (LAFCO).
The annexation area is 99.94 acres, which is comprised of 78.99 acres of residential, commercial/mixed, and light industrial/office use, and 20.95 acres of dedicated open space. The annexation area is located near the intersection of Interstate 15 and State Route 76, in an unincorporated area of San Diego County. Rainbow MWD estimated average water demand on the Water Authority at approximately 270 acre-feet per year.

Previous Board action: On January 22, 2015, the Water Authority set final terms and conditions and approved the Campus Park West Annexation.

Discussion
Under the terms and conditions of MWD Resolution No. 9184, all necessary documents to complete the Campus Park West Annexation must be filed on or before December 31, 2016. However, in November 2016, Rainbow MWD requested an additional year for the applicant to process documents with the U.S. Army Corps of Engineers, California Department of Fish and Wildlife, and the Regional Water Quality Control Board. Approvals from these agencies, along with satisfying other conditions, are required prior to recordation of LAFCO’s approval of the annexation.

Under Section 3108 of MWD’s Administrative Code, MWD may grant a one-year time extension to complete the annexation. The request for the extension of time must include a resolution from the Water Authority requesting the extension and a reaffirmation of the terms and conditions established by the MWD Board. Upon a finding by MWD’s general manager that there are no significant changes in the circumstances surrounding the annexation, a one-year extension can be granted. Based on Section 3108(c) of MWD’s Administrative Code, there are no significant changes in the circumstances surrounding Rainbow MWD’s Campus Park West Annexation and Water Authority staff anticipates the extension will be granted. Rainbow MWD will be responsible for an additional $1,500 processing fee to cover MWD staff time associated with processing the time extension.

Staff recommends that the Board approve Resolution No. 2016-- (Attachment 3). The resolution will do the following: (1) Request MWD extend the time to complete Rainbow MWD’s Campus Park West Annexation to December 31, 2017, in accordance with Section 3108 of MWD’s Administrative Code; and (2) Reaffirm all other terms and conditions as set forth in MWD Resolution No. 9184.

Prepared by: Alexi Schnell, Water Resources Specialist
             Jeff Stephenson, Principal Water Resources Specialist
Reviewed by: Robert R. Yamada, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

Attachment 1 - MWD Resolution No. 9184
Attachment 2 – Water Authority Resolution No. 2015-01
Attachment 3 - Proposed Water Authority Resolution No. 2016-_____
RESOLUTION 9184

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
CONSENTING TO SAN DIEGO COUNTY WATER DISTRICT’S
CAMPUSS PARK WEST ANNEXATION
AND FIXING THE TERMS AND CONDITIONS
OF SAID ANNEXATION TO
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

WHEREAS, the Board of Directors of the San Diego County Water Authority (“SDCWA”), a county water authority situated in the county of San Diego, state of California, pursuant to Resolution No. 2014-12, in accordance with the provisions of the Metropolitan Water District Act (MWD Act), has applied to the Board of Directors of The Metropolitan Water District of Southern California (Metropolitan) for consent to annex thereto certain uninhabited territory situated in the county of San Diego referred to as Campus Park West Annexation, more particularly described in an application to the San Diego County Local Agency Formation Commission (LAFCO), concurrently with the annexation thereof to SDCWA, such annexation to Metropolitan to be upon such terms and conditions as may be fixed by the Board of Directors of Metropolitan;

WHEREAS, the owner of San Diego County Assessor Parcel Numbers 108-121-14 and 125-061-01 (Property) has applied for annexation into the SDCWA and Metropolitan;

WHEREAS, completion of said annexation shall be contingent upon approval by the LAFCO;

WHEREAS, completion of said annexation shall be further contingent upon LAFCO conditioning its approval of the Campus Park West Area Annexation upon a requirement that Metropolitan’s existing and established taxes, benefit assessments, or property-related fees or charges in place in the service area are levied or fixed and collected on the parcels being annexed to the agency; these taxes, benefit assessments, or property-related fees or charges are identified below;

WHEREAS Metropolitan has levied and collected ad valorem taxes on parcels within the territory of SDCWA. Such charges for calendar year 2015 are described in Resolution 9182, adopted by Metropolitan’s Board on August 19, 2014;

WHEREAS, since fiscal year 1992-93, Metropolitan has levied and collected water standby charges pursuant to Section 134.5 of the MWD Act on parcels within the territory of SDCWA. Such charges for fiscal year 2014-15 are described in Resolution 9179, adopted by Metropolitan’s Board on May 13, 2014;
WHEREAS, upon annexation, the parcels will be within Metropolitan's service area, Metropolitan water will be available to such parcels and such parcels will receive the benefit of the projects provided in part with proceeds of Metropolitan's water standby charges;

WHEREAS, pursuant to the provisions of the California Environmental Quality Act (CEQA), County of San Diego, acting as Lead Agency, certified the Campus Park West Master Planned Community Project (Project) Final Environmental Impact Report (Final EIR), adopted the Findings of Fact (findings), Statement of Overriding Considerations (SOC), and Mitigation Monitoring and Reporting Program (MMRP) and approved the Project on June 18, 2014, for the development of the proposed annexation parcel(s), and Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information contained in the Final EIR and MMRP, and adopt the Lead Agency's findings and SOC prior to approval of the formal terms and conditions for the Campus Park West Annexation; and

WHEREAS, it appears to this Board of Directors that such application should be granted, subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Metropolitan, acting as Responsible Agency, has reviewed and considered the information in the Final EIR, findings, SOC, and MMRP and adopted the Lead Agency's findings and SOC prior to approval of the final terms and conditions for the Campus Park West Annexation; and

BE IT FURTHER RESOLVED that the Board of Directors of Metropolitan, subject to the following terms and conditions, does hereby grant the application of the governing body of SDCWA for consent to annex the Campus Park West Annexation to Metropolitan and does hereby fix the terms and conditions of such annexation:

Section 1. The annexation of said area to SDCWA shall be made concurrently with the annexation thereof to Metropolitan, and all necessary certificates, statements, maps, and other documents required to be filed by or on behalf of SDCWA to effectuate the annexation shall be filed on or before December 31, 2016.

Section 2. Prior to filing a request for a Certificate of Completion of the annexation proceedings with LAFCO, SDCWA shall submit a certified copy of LAFCO's resolution approving the annexation to SDCWA, and shall pay to Metropolitan $454,530.12 for its annexation fee, if the annexation is completed by December 31, 2014. If the annexation is completed during the 2015 calendar year, the annexation charge will be calculated based on the then-current rate, in accordance with Metropolitan's Administrative Code Section 3300.

Section 3. a. Metropolitan shall be under no obligation to provide, construct, operate, or maintain feeder pipelines, structures, connections, and other facilities required for the delivery of water to said area from works owned and operated by Metropolitan.
b. SDCWA shall not be entitled to demand that Metropolitan deliver water to SDCWA for use, directly or indirectly, within said area, except for domestic or municipal use therein.

c. The delivery of all water by Metropolitan, regardless of the nature and time of use of such water shall be subject to the water service regulations, including rates and charges promulgated from time to time by Metropolitan.

d. The delivery of all water by Metropolitan, regardless of the nature and time of use of such water shall be subject to the water service regulations, including rates and charges promulgated from time to time by Metropolitan.

e. Except upon the terms and conditions specifically approved by the Board of Directors of Metropolitan, water sold and delivered by Metropolitan shall not be used in any manner which intentionally or avoidably results in the direct or indirect benefit of areas outside Metropolitan, including use of such water outside Metropolitan or use thereof within Metropolitan in substitution for other water outside Metropolitan.

Section 4. LAFCO has conditioned approval of the annexation upon a requirement that Metropolitan levy or fix and collect all previously established and collected taxes, benefit assessments, or property-related fees or charges on parcels being annexed to the agency.

Section 5. Such charges, which are subject to change over time, include but are not limited to:

a. Metropolitan’s ad valorem tax on properties located within the territory of SDCWA. Metropolitan shall levy the ad valorem tax in the amount, at the same time and in the same manner as ad valorem tax on other properties located within the territory of SDCWA. Such charges for fiscal year 2014-15 are 0.003500 percent of the assessed value of each parcel, as described in Resolution 9182, adopted by Metropolitan’s Board on August 19, 2014.

b. Metropolitan’s water standby charge on properties located within the territory of SDCWA. Metropolitan shall levy the water standby charge in the amount, at the same time and in the same manner as water standby charges on other properties located within the territory of SDCWA. Such charges for fiscal year 2014-15 are $11.51 per acre of land, or per parcel of land less than an acre, as described in Resolution 9179, adopted by Metropolitan’s Board on May 13, 2014.

Section 6. That the General Manager is hereby authorized and directed to take all necessary action to secure the collection of the ad valorem taxes and water standby charges by the appropriate county officials, including payment of the reasonable cost of collection.
Section 7. That the Board of Directors of Metropolitan, acting as Responsible Agency, has reviewed and considered the information in the Final EIR, findings, SOC, and MMRP and adopted the Lead Agency’s findings and SOC prior to approval of the final terms and conditions for the Campus Park West Annexation; and subject to the following terms and conditions, does hereby grant the application of the governing body of SDCWA for consent to annex the Campus Park West Annexation to Metropolitan and does hereby fix the terms and conditions of such annexation.

Section 8. That the General Manager and General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this resolution, including, without limitation, the commencement of defense of litigation.

Section 9. That if any provision of this resolution or the application to any member agency, property or person whatsoever is held invalid, that invalidity shall not affect the other provisions or applications of this resolution which can be given effect without the invalid portion or application, and to that end the provisions of this resolution are severable.

BE IT FURTHER RESOLVED that the Board Executive Secretary is directed to transmit forthwith to the governing body of SDCWA a certified copy of this resolution.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on December 9, 2014.

Secretary of the Board of Directors of The Metropolitan Water District of Southern California
RESOLUTION NO. 2015-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING FINAL TERMS AND CONDITIONS AND APPROVING THE CONCURRENT ANNEXATION OF TERRITORY TO SAID AGENCIES AND MAKING ENVIRONMENTAL FINDINGS RELATING THERETO (CAMPUS PARK WEST ANNEXATION)

WHEREAS, pursuant to Section 10(d) of the County Water Authority Act, the Board of Directors of the Rainbow Municipal Water District adopted Resolution No. 13-11, requesting establishing formal terms and conditions from the San Diego County Water Authority and the Metropolitan Water District of Southern California for the concurrent annexation of the lands described in Resolution No. 13-11, and known as the CAMPUS PARK WEST ANNEXATION; and

WHEREAS, a copy of Rainbow Municipal Water District Resolution No. 13-11 is attached; and

WHEREAS, pursuant to Section 10(d) of the County Water Authority Act, the Board of Directors of the San Diego County Water Authority may grant or deny the application and, in granting the application, may fix terms and conditions upon which the territory may be annexed to the San Diego County Water Authority; and

WHEREAS, the Board of Directors of the San Diego County Water Authority adopted Annexation Policies in February 2006 that provide criteria for the evaluation of potential annexations and conditions that may be applied; and

WHEREAS, the Board of Directors of the San Diego County Water Authority approved Procedures for Implementation of the San Diego County Water Authority's Annexation Policy #2: Protection of Member Agency Supply Reliability in April 2010 that provide guidance and direction in determining if approval of a proposed annexation will have an adverse effect on member agency supply reliability; and

WHEREAS, by Resolution No. 2014-12, adopted May 22, 2014, the Board of Directors of the San Diego County Water Authority granted preliminary informal terms and conditions for the CAMPUS PARK WEST ANNEXATION, and requested Metropolitan Water District of Southern California grant conditional approval and give notice of intent to impose water standby charges; and

WHEREAS, by Resolution 9184, the Board of Directors of the Metropolitan Water District of Southern California consented to the annexation and fixed terms and conditions for the CAMPUS PARK WEST ANNEXATION (attached); and

WHEREAS, the Metropolitan Water District of Southern California Board of Directors letter 7-1 associated with approval of the CAMPUS PARK WEST ANNEXATION described a second
parcel (description attached) of 141.3 acres of California Department of Transportation to be part of the CAMPUS PARK WEST ANNEXATION to avoid formation of a window area; and

WHEREAS, pursuant to the provisions of the California Environmental Quality Act (CEQA) and the state CEQA Guidelines, the San Diego County Board of Supervisors, acting as Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the proposed Campus Park West Master Planned Community project. The Final EIR was certified and the project approved by the Lead Agency on June 18, 2014. The Lead Agency also approved the CEQA Findings Concerning Mitigation of Significant Effects, Statement of Overriding Considerations (SOC), and List of Mitigation Measures and Environmental Design Considerations (MMEDC). The San Diego County Water Authority Board of Directors, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information contained in the certified Final EIR, Findings of Fact, SOC and MM prior to approval of the formal terms and conditions for the annexation; and

WHEREAS, it is in the interests of the San Diego County Water Authority to set formal terms and conditions provided by the Metropolitan Water District of Southern California for the CAMPUS PARK WEST ANNEXATION.

NOW, THEREFORE, the Board of Directors RESOLVES the following:

1. That it has considered the information provided in the certified Final EIR, Findings of Fact, SOC, and MMEDC and finds that no further environmental analysis is required for the action of the San Diego County Water Authority, and hereby adopts the Lead Agency’s Findings of Fact, SOC, and MMEDC for all impacts related to the annexation.

2. That subject to the following terms and conditions, to grant the application of the governing body of Rainbow Municipal Water District for consent to annex the CAMPUS PARK WEST properties to the San Diego County Water Authority and to establish the following conditions of such annexation:

   a. That Rainbow Municipal Water District’s base period allocation demand will not be increased to account for the increased demand of the CAMPUS PARK WEST as long as Water Shortage and DroughtResponse Plan, activated by the Board of Directors on February 13, 2014, remain activated.

   b. Exempt from payment of the annexation fee 20.95 acres of land committed in perpetuity to open space with the condition that the conservation easement recorded for the lands with the County of San Diego contain language, in a form approved by General Counsel, that the open space land is not now and will not in the future be supplied water.

   c. That the terms and conditions as ordered by Board of Directors of the Metropolitan Water District of Southern California be a condition for the concurrent annexation to said Metropolitan Water District of Southern California and the San Diego County Water Authority, of the CAMPUS
PARK WEST properties, as described in Rainbow Municipal Water District Resolution No. 13-11.

d. Prior to filing a request for a Certificate of Completion of the annexation proceedings with San Diego Local Agency Formation Commission, Rainbow Municipal Water District shall submit a certified copy of the San Diego Local Agency Formation Commission's resolution approving the annexation to the San Diego County Water Authority, and shall pay to the San Diego County Water Authority the annexation charge calculated based on applicable annexing acreage and current annexation fee, along with the annexation charge for the Metropolitan Water District of Southern California, calculated based on the current rate and in accordance with Metropolitan's Administrative Code Section 3300.

e. Pursuant to Section 5.2 of the County Water Authority Act, the San Diego County Water Authority shall impose standby charges to the properties to be annexed and the property owners shall sign a consent agreement regarding the payment of standby charges.

f. That the property owner acknowledges and agrees to participate in any required Proposition 218 action, and will not oppose the imposition of any special taxes, fees, charges, and assessments currently applicable to the San Diego County Water Authority and any applicable service area.

3. That the General Manager is authorized and directed to forward certified copies of this resolution to the Metropolitan Water District of Southern California, and Rainbow Municipal Water District.

4. That the General Manager be directed to file a Notice of Determination as provided in Section 15096 of the State CEQA Guidelines.

PASSED, APPROVED, AND ADOPTED on this twenty-second day of January 2015.

Ayes: Unless otherwise noted, all Directors present votes yes
Noes: None
Abstain: Ayala
Absent: Linden(P), Morrison, Sanchez, Simpson, Stifter, Razak, Tu Wight, Preciado

Mark Weston
Chair

ATTEST:
Mark Muir, Vice Chair

I, Linda A. Troyan, Clerk of the Board of the San Diego County Water Authority, certify that the vote above is correct and this Resolution No. 2015-01 was duly adopted at the meeting of the Board of Directors on the date stated above.

Linda A. Troyan
Clerk of the Board
RESOLUTION NO. 2016-____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY REQUESTING FROM THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA A ONE-YEAR EXTENSION OF THE TIME FOR COMPLETION OF THE CAMPUS PARK WEST ANNEXATION AND REAFFIRMING THE TERMS AND CONDITIONS ESTABLISHED BY THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA BOARD FOR SAID ANNEXATION

WHEREAS, by Resolution 9184 on December 9, 2014, the Board of Directors of the Metropolitan Water District of Southern California consented to the CAMPUS PARK WEST ANNEXATION, fixing terms and conditions, which require that the annexation fees along with all the necessary documents required to effectuate the annexation, must have been filed on or before December 31, 2016; and

WHEREAS, by Resolution No. 2015-01, adopted January 22, 2015, the Board of Directors of the San Diego County Water Authority set final terms and conditions and approved the CAMPUS PARK WEST ANNEXATION; and

WHEREAS, the Rainbow Municipal Water District, on November 8, 2016, requested an extension of time to allow the processing of state and federal documents related to the CAMPUS PARK WEST ANNEXATION; and

WHEREAS, the purpose of this Resolution is to request an extension of the time from Metropolitan Water District of Southern California to complete the CAMPUS PARK WEST ANNEXATION and to reaffirm all other terms and conditions associated therewith;

NOW, THEREFORE, it is resolved by the Board of Directors of the San Diego County Water Authority as follows:

1. The Metropolitan Water District of Southern California is requested to extend to December 31, 2017, the time for completion of the CAMPUS PARK WEST ANNEXATION in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code; and

2. All other terms and conditions to be associated with the CAMPUS PARK WEST ANNEXATION, as set forth in San Diego County Water Authority Resolution No. 2015-01 and in Metropolitan Water District of Southern California’s Resolution 9184, shall remain the same subject to any new mandatory terms and conditions which have been adopted by the Board of Directors of the San Diego County Water Authority and Metropolitan Water District of Southern California since the original approval of the annexation and further subject to payment of the current annexation charges; and
3. The General Manager is authorized and directed to forward certified copies of this resolution to the Metropolitan Water District of Southern California.

PASSED, APPROVED, AND ADOPTED on this eighth day of December 2016.

Ayes:

Noes:

Abstain:

Absent:

___________________________________
Mark Muir,
Chair

ATTEST:

_________________________
Gary Croucher
Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote above is correct and this Resolution No. 2016-____ was duly adopted at the meeting of the Board of Directors on the date stated above.

_________________________
Melinda Cogle,
Clerk of the Board
November 30, 2016

Attention: Water Planning Committee

Agreement for Emergency Delivery of a Portion of the Mexican Treaty Waters to Tijuana for an additional five-year period. (Action)

Staff recommendation:
Reaffirm prior approval authorizing the General Manager to enter into an Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States in a form approved by General Counsel.

Alternative:
Do not authorize the General Manager to enter into the agreement, which would eliminate the ability of the United States to provide emergency deliveries to Tijuana through the border connection in San Diego County.

Fiscal Impact
There is no direct fiscal impact to the Water Authority. Mexico will continue to provide funds upfront, prior to deliveries being made, to fully recover the costs of service associated with emergency deliveries to Tijuana.

Background
In May 2014, the Board authorized the General Manager to enter into a second amendment to the agreement for temporary emergency delivery to Tijuana in a form approved by General Counsel. The Board memo is attached. The memo contains a discussion on the terms of the agreement.

Discussion
Since Board authorization in May 2014, staff has been working with the other California agencies (Metropolitan Water District and Otay Water District), the United States Bureau of Reclamation and United States Section of the International Boundary and Water Commission to finalize an amendment to the agreement. Due to the delay in processing the amendment, a new Agreement with the same material terms discussed in the May 2014 memo, except that the Agreement term would end in 2022, is now being executed. The Otay Water District and Metropolitan Water District Boards both approved the Agreement in November 2016. This item is being brought back to the Board for consideration due to the lapse in time from the May 2014 approval.

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

Attachment: May 14, 2014 Memo to the Water Planning Committee
May 14, 2014

Attention: Water Planning Committee

Authorize General Manager to enter into a Second Amendment that would extend the 2003 Agreement for Emergency Delivery of a Portion of the Mexican Treaty Waters to Tijuana for an additional five-year period. (Action)

Staff recommendation:
Authorize the General Manager to enter into a second amendment to the Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States in a form approved by General Counsel.

Alternative:
Do not authorize the General Manager to enter into a second amendment, which would eliminate the ability of the United States to provide emergency deliveries to Tijuana through the border connection in San Diego County.

Fiscal Impact
There is no direct fiscal impact to the Water Authority. Mexico will continue to provide funds upfront, prior to deliveries being made, to fully recover the costs of service associated with emergency deliveries to Tijuana.

Background
In September 2003, the Water Authority, United States International Boundary and Water Commission (USIBWC), United States Bureau of Reclamation (Reclamation), Metropolitan Water District (Metropolitan), and Otay Water District (Otay) originally entered into the Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States (Delivery Agreement) for a five-year period, terminating in 2008. The Delivery Agreement stipulates that water being delivered to Tijuana is part of Mexico’s 1.5 million acre-feet (AF) of Colorado River Treaty waters and will be wheeled to Tijuana through facilities owned and operated by Metropolitan, Water Authority and Otay (California Agencies). According to the Delivery Agreement, the maximum monthly and annual delivery volumes, based on capacity of the emergency connection at the border, shall not exceed 1,200AF and 14,400AF, respectively.

In accordance with the Delivery Agreement, Mexico is also required to pay the costs associated with wheeling prior to deliveries being made at the border. The payment is based on the fees and charges established by the California Agencies. In 2008, the Board adopted an updated Temporary Emergency Service Fee equal to the Water Authority’s Transportation Rate, for emergency deliveries of Mexico’s Colorado River Treaty water to Tijuana. Utilizing the Transportation Rate as the unit charge under the Delivery Agreement takes into account the
nature and scope associated with providing space available, interruptible emergency water transportation service to Tijuana. In 2008, the California Agencies, Reclamation and USIBWC entered into an agreement amending the Delivery Agreement to provide an additional five-year term, expiring in November 2013.

Over the last ten years, there has been excellent coordination between the United States and Mexican water agencies in providing emergency deliveries to Tijuana. Otay’s operations staff has been instrumental in ensuring the connection facility at the border is functioning properly and coordinating with the water agency in Tijuana during delivery periods. Table 1 summarizes the volume of emergency deliveries made during the 10-year period.

**Table 1: Emergency Delivery of a Portion of Mexico’s Colorado Treaty Water to Tijuana**

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Delivery Volume (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 (Nov/Dec)</td>
<td>640.9</td>
</tr>
<tr>
<td>2004</td>
<td>348.8</td>
</tr>
<tr>
<td>2005</td>
<td>163.3</td>
</tr>
<tr>
<td>2006</td>
<td>35.9</td>
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<tr>
<td>2007</td>
<td>0.0</td>
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<tr>
<td>2008</td>
<td>5,085.6</td>
</tr>
<tr>
<td>2009</td>
<td>4,780.5</td>
</tr>
<tr>
<td>2010</td>
<td>0.0</td>
</tr>
<tr>
<td>2011</td>
<td>0.0</td>
</tr>
<tr>
<td>2012</td>
<td>94.6</td>
</tr>
<tr>
<td>2013</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Ten-Year Total</strong></td>
<td><strong>11,149.6</strong></td>
</tr>
</tbody>
</table>

**Discussion**

On September 5, 2013, USIBWC notified the California Agencies that Mexico had requested the continuation of emergency deliveries for Tijuana for a second five-year term that would end November 2018.

The USIBWC, in coordination with Reclamation and the California Agencies, has prepared a second amendment to the Delivery Agreement. Beyond the additional five-year term, the second amendment also modifies the Delivery Agreement to more effectively allow Otay to recover costs associated with major repair work at the emergency connection facility. Under the original Delivery Agreement, the costs for any work are to be recovered through an additional unit charge applied to waters delivered to Tijuana. As shown in Table 1, with emergency deliveries being sporadic, it is difficult for Otay to recover the costs associated with repair work through a per acre-foot unit charge. Similar to the recovery of wheeling costs, the second amendment will allow Otay to request funds upfront from Mexico before the repair work is performed and also set up a reserve fund with monies from Mexico that can be drawn upon if repair work is required.

The United States and Mexican Sections of the IBWC are also preparing a new Treaty Minute that will serve as the bi-national agreement between the two countries for administration of
emergency deliveries to Tijuana and will reflect the terms and conditions included in the second amendment to the Delivery Agreement. Staff supports the terms and conditions included in the second amendment and recommends the Board authorize the General Manager to enter into the agreement.

Prepared by:  Stu Williams, Water Resources Specialist  
Dana Friehauf, Acting Water Resources Manager  
Reviewed by:  Ken Weinberg, Director of Water Resources  
Approved by:  Sandra L. Kerl, Deputy General Manager
November 30, 2016

Attention: Water Planning Committee
          Administrative and Finance Committee

Policy Guidelines for Managing Carryover Storage Supplies and Revisions to the Stored Water
Fund Policy (Action)

Staff recommendation
Water Planning Committee Recommendation:
Approve policy guidelines for managing the Water Authority’s carryover storage supplies.
(Attachment 3)

Administrative and Finance Committee Recommendation:
Adopt the recommended Stored Water Fund Policy.

Alternative
Do not approve the policy guidelines or the recommended Stored Water Fund Policy and
direct staff to make modifications and bring them back to the Board for consideration.

Fiscal Impact
The recommended Stored Water Fund policy results in the transfer of $9.7 million from the Stored
Water Fund to the Operating Fund for beneficial use. Staff recommends that the transferred funds
be used to fund existing capital projects. This provides future rate relief by delaying future debt
issuance and the incidence of the associated debt service.

Background
At the October 2016 Water Planning Committee, the action item on the proposed carryover storage
policy guidelines was tabled. Board members requested that the item be brought back in December,
together with the recommended stored water fund policy. Board members also requested that the
associated report also address the other types of Water Authority storage including emergency and
operational storage. As such, in an integrated fashion, this report addresses Water Authority
operational, emergency and carryover storage in addition to addressing the proposed carryover storage
policy guidelines and the recommended stored water fund policy.

Member agency and Water Authority storage capacity represents key part of the water reliability
infrastructure for the region. The region has 746,385 acre-feet (AF) storage capacity in 24 reservoirs,
as shown in Figure 1. Eight of these reservoirs provide the capability to store imported untreated water
delivered from the First or Second Aqueduct and include San Vicente, Lower Otay, Sweetwater,
Olivenhain and Miramar Reservoirs as well as Lake Murray, Lake Poway and Lake Dixon.

In total, the Water Authority owns 196,889 AF of regional storage capacity. The Water Authority
utilizes its regional storage capacity for different purposes including operational storage, emergency
storage and now, with the completion of the San Vicente Dam Raise, carryover storage. In total, the
Water Authority has currently available 168,019 AF in its local operational, emergency and carryover
storage pools. As an example, Figure 2 depicts the various storage pools in a reservoir.
Figure 1 – Reservoirs of San Diego County
Operational Storage
Operational storage has three primary functions including: 1) pre-planned, temporary storage for use during aqueduct shutdowns linked with inspection/maintenance activities or in support of large CIP projects (such as pipeline relining); 2) support for pump-storage operations at Lake Hodges; and 3) terminal reservoir deliveries that are required to safely operate the Water Authority’s treated and untreated pipelines on the Second Aqueduct. Specific uses for each reservoir are noted below:

- San Vicente Reservoir - Operational storage is used to deliver water to member agencies when segments of the first or second aqueduct are temporarily removed from service. It can also be used to raise or lower emergency and carryover levels based on calculated storage requirements.

- Lake Hodges/Olivenhain Reservoir – Operational storage is used to maintain minimum reservoir levels in support of pumped-storage operations. Similar to San Vicente Reservoir, this storage can be used to raise or lower emergency storage levels based on calculated requirements.

- Member Agency Agreements – Agreements with member agencies such as the Sweetwater Authority and the City of San Diego are established on an as-needed basis in anticipation of upcoming inspection/maintenance activities and CIP projects that impact the Water Authority’s ability to deliver untreated water for a period of time. Terminal reservoir agreements are also established in order to address minor amounts of water delivered into terminal reservoir storage, resulting from the safe operation of the aqueduct.

Emergency Storage
The Water Authority’s Emergency Storage Program (ESP) consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities that provide regional water storage capacity and allow delivery of stored emergency water to member agencies during a prolonged regional supply interruption.
An informational Board report from April 2016, (Attachment 1) describes in detail ESP facilities, emergency scenarios and sizing as well as emergency water delivery policies. In summary, two emergency scenarios were analyzed in the development of required ESP facilities and delivery guidelines: a six-month partial imported supply outage and a two-month total imported supply outage. The constructed ESP capacity was sized to meet peak demand projections – May through October for the six-month scenario and July through August for the two-month scenario.

The established policy objective for both scenarios is to provide a 75 percent Level of Service to the region. The evaluation performed as part of the 1996 ESP Final EIR/EIS environmental document concluded that the required ESP capacity was 90,100 AF in the planning year 2030.

An informational Board report from August 2016 (Attachment 2), explains how ESP storage requirements are developed and shows the projected, required ESP storage volumes, based on the 2015 Urban Water Management Plan. As such, the volume of water held in ESP storage, at any given time, accounts for projected demand, seasonal fluctuations in demand, delivery system constraints and member agency supplies that would be available during an emergency including local surface storage, recycled water and groundwater supplies.

Given that current and projected regional water demands are lower than the projections used to size the ESP, and with the Lewis Carlsbad Desalination Plant now in commercial operation, the Water Authority has ample storage capacity to meet ESP delivery requirements well beyond 2040. Consistent with the Water Authority’s Emergency Water Delivery Plan, staff continues to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held, while also considering average storage pool loss due to evaporation and seepage and system delivery capabilities. Current emergency storage levels are sufficient to meet projected demands and are shown below:

San Vicente Reservoir: 38,150 acre-feet
Olivenhain Reservoir: 18,000 acre-feet
Lake Hodges: 8,024 acre-feet

Carryover Storage
To more effectively manage supplies and increase reliability during shortage periods, the Water Authority invested in carryover storage. With this storage capacity, the Water Authority can store water when it is available for use during times of drought, to avoid or minimize the impact of supply shortages. The Water Authority’s carryover storage consists of surface water storage in San Vicente Reservoir and out-of-region groundwater storage in the Central Valley.

Construction of the San Vicente Dam raise was completed in 2014 and provides 100,000 AF of dedicated carryover storage capacity. Since May 2015, the Water Authority has stored approximately 100,000 AF of conserved water. The Central Valley out-of-region groundwater agreements were executed in 2008 and provide 70,000 AF of storage capacity. Currently, 16,117 AF is stored in the Semitropic Groundwater Storage Bank.

For the October 2016 Water Planning Committee meeting, staff provided a written report and a presentation on the proposed carryover storage policy guidelines. The report provided a detailed accounting of the Water Authority’s carryover storage reserves, discussed the development of the
policy guidelines and provided an example of how the proposed policy guidelines would be used. A summary of the proposed policy guidelines and analysis of the current carryover storage levels in San Vicente Reservoir is presented below.

**Proposed Carryover Storage Policy Guidelines**

The purpose of the proposed guidelines is to provide policy guidance to staff on how the Water Authority’s carryover storage supplies should be managed during supply shortage events and normal (non-shortage) periods to help minimize or avoid potential cutbacks to member agencies during drought.

Below is a list of the proposed policy guidelines. Attachment 3 contains a detailed description of each policy.

1. The trigger to evaluate utilization of carryover supplies during shortage events is when any of the Water Authority’s supplies are cutback and supplies are insufficient to meet projected demand.
2. Any evaluation will initially plan for carryover storage surface supplies to be utilized over five consecutive dry-years.
3. The amount of carryover surface supplies used annually over the five-year period will be handled on a case-by-case basis, with a general guideline of withdrawing surface storage supplies evenly over the five-year period.
4. Supplies taken from carryover storage will be considered a regional supply to be combined with other Water Authority’s supplies for delivery to the member agencies’ municipal and industrial customers.
5. Carryover storage supplies will not be available to TSAWR customers.
6. The necessary carryover storage levels maintained during normal periods will be evaluated following a shortage event when carryover supplies have been withdrawn. During normal periods, the evaluation will be conducted once a year by May when hydrologic conditions are more certain. As part of this annual evaluation, staff will also conduct a review of emergency storage and provide the Board with an informational report that includes a discussion on both carryover and emergency storage reserves.
7. Maintain a target volume of 70,000AF and maximum volume of 100,000AF in San Vicente carryover storage reserves during normal (non-shortage) periods to ensure the region is prepared for extended shortages due to drought.

As previously discussed with the Board, staff discussed the proposed policy guidelines at the Member Agency Managers’ Meeting on September 13, 2016. The Member Agency Managers supported Board consideration of the guidelines.

**Analysis of Current Carryover Storage Levels in San Vicente Reservoir**

Until there is more clarity and certainty regarding implementation of the Governor’s May 2016 Executive Order and potential new regulations, staff does not plan to alter current San Vicente carryover storage levels (approximately 100,000 AF) and storage puts will not be made into San Vicente Reservoir to cover evaporation and seepage losses. The Water Authority will also maintain the 16,000 AF in the Central Valley Semitropic Groundwater Storage Bank.
Consistent with the proposed policy guidelines, the carryover storage levels will be evaluated again by May 2017, to determine if reserves are at an appropriate level. By May 2017, hydrologic conditions will be more certain and the State Water Resources Control Board would have taken action regarding emergency conservation regulation in 2017. The state’s framework regarding updating the requirements of the Water Shortage Contingency Plans will also be completed and potentially on its way to being implemented.

Stored Water Fund Policy
On January 28, 2016, the Board adopted the Water Authority’s 2015 Long-Range Financing Plan (LRFP). The 2015 LRFP highlights the Water Authority’s transition to an operations and asset management focused agency from a construction-oriented agency. In addition, the 2015 LRFP provides a summary of key financial policies and objectives as well as important financial and operational information. When the 2015 LRFP was adopted, the Water Authority’s Board of Directors instructed staff to return with an operations and financial management plan for carryover storage in San Vincente Reservoir.

The San Vincente Dam Raise Project was completed in the Fall of 2014 and the initial fill was completed in June 2016. With the initial fill completed, the Stored Water Fund is set to sunset. However, as was discussed during the Fiscal Sustainability and Long Range Financing Plan processes, the financial resources or working capital that are required to manage the carryover storage facilities are significant and need to be carefully administered.

Staff is recommending that the Stored Water Fund continue as a Board designated fund thereby capturing and isolating the Water Authority storage inventory activities. This would also serve to eliminate large potential swings in the Operating Fund due to inventory rebalancing requirements. Such volatility would occur when stored water is purchased, causing drops in available Operating Fund monies, or, conversely, increasing Operating Fund monies when sales of stored water inventory occurs. These large fluctuations would make it difficult to manage the Operating Fund’s target balance of 45-days of operating expenditures as well as track the monies required to maintain Stored Water Fund balances.

In addition, by maintaining the Stored Water Fund, the financial management of storage water is transparent and minimizes the potential for cross rate subsidization. The transferred revenues collected from the sale of stored water and the recording of Other Deposits for seepage, evaporation and inventory cost escalation into the Stored Water Fund will only be used for stored water purchases. Without the Stored Water Fund, the amounts would be commingled with general operating funds that could be used for other purposes which could benefit other customer classes (i.e., used to fund a transportation-related activity).

The SWF’s primary purpose is to support the Water Authority’s ability to execute the proposed carryover storage policy guidelines. However, the Stored Water Fund will also be used to manage the Emergency Storage inventory and account for sales and purchases of emergency storage inventory. While the Stored Water Fund will support both carryover and emergency storage, the fund management parameters for carryover and emergency storage will be different.
Under the recommended new policy, the flow of funds dedicated to carryover storage in the Stored Water Fund are described below.

1. **Purchase of Stored Water** – Water purchases for carryover storage will be paid out of the Stored Water Fund.
2. **Sale of Stored Water** – Water revenues from the sale of water in the amount of the cost of the inventory sold will be deposited into the Stored Water Fund and the remainder of the revenues left in the Operating Fund.
3. **Other Deposits** – Required deposits to the fund would be made for seepage, evaporation and inventory cost escalation, which many Board members have pointed out that maintaining the purchasing power of the Stored Water Fund requires some level of inventory cost escalation. Staff is recommending that planned deposits for cost escalation over time be made.

Similar to the Rate Stabilization Fund, staff is recommending that the Stored Water Fund have a Target and Maximums for funds dedicated to carryover storage.

- **Stored Water Fund Target** – The target sets the optimal amount of water to be held in storage in an average year. Based upon the proposed carryover storage policy guidelines, the target carryover storage volume is 70,000 acre feet.

- **Stored Water Fund Maximum Balance Maintenance** – At least annually a rebalancing of the value of inventory and cash to equal the cost of 70,000 acre feet plus escalation, seepage and evaporation costs will be performed.

In addition, if Emergency Storage inventory is sold, the cost of replacement water will be transferred into the Stored Water Fund and the cost and inventory will be tracked separately from the carryover storage inventory.

The expected cost to purchase 70,000 acre feet of water including inventory cost escalation, seepage and evaporation is approximately $49 million. The updated value of carryover storage inventory is approximately $59 million. Based upon the recommended Stored Water Fund Policy, no additional monies are required in the Stored Water Fund for carryover storage. Once the October and November 2016 accounting transactions are recorded, a balance of approximately $9.7 million held in the Stored Water Fund for carryover storage will be excess and available for other uses. Staff recommends using the excess monies to pay for existing capital projects and reduce the amount of future debt issued. This will provide an estimated annual savings of $159,000.

The recommendations for the Stored Water Fund Policy are:

1. Continue the Stored Water Fund as a separate Board designated fund.
2. Establish a maximum calendar year-end balance threshold based on a target carryover storage volume of 70,000 acre-feet.
3. Utilize the excess Stored Water Fund monies to pay for existing capital projects or reduce debt costs.
Finally, the recommended Stored Water Fund Policy methodology has been reviewed by an independent consultant to ensure compliance with cost of service principles and California law.

Next Steps
Staff plans to update the Water Authority’s Water Shortage Drought Response Plan (Plan) for Board consideration in 2017, based on lessons learned during the last drought and potentially new statutory requirements. Should the Board approve the staff recommendations, applicable revisions will be incorporated into the updated Plan.

Prepared by: Dana L. Friehauf, Water Resources Manager
Prepared by: David Shank, Financial Planning Manager
Prepared by: Robert R. Yamada, Director of Water Resources
Prepared by: Lisa Marie Harris, Director of Finance
Approved by: Sandra L. Kerl, Deputy General Manager

Attachment 1: April 2016 Board memo on Emergency Storage and Carryover Storage
Attachment 2: August 2016 Board memo on ESP Storage Requirements
Attachment 3: Proposed Policy Guidelines for Managing Carryover Storage Supplies
April 20, 2016

Attention: Water Planning Committee

Report on Water Authority Emergency and Carryover Storage (Presentation)

Purpose
This information item provides an accounting and status of water storage related to the Emergency Storage Project (ESP) and carryover storage.

Background
Beginning in 1965, the Water Authority entered into the first of several agreements with a member agency (City of San Diego) to store water and supplement regional supplies during periods of potential shortage caused by either drought or significant pipeline service outages. As the San Diego region experienced rapid growth into the 1980s, the Water Authority advocated that more regional storage was necessary to enhance the reliability of supplies during emergencies and droughts. In the 1980s, new regional storage focused on the Pamo Valley near Ramona. That effort ultimately did not move forward due to permitting concerns related to endangered species located in the valley.

In 1989, the Water Authority began a major effort through the Optimal Storage Study to investigate the need and potential locations for new regional storage in San Diego County. The drought of 1987-1992 only reinforced that additional regional storage was required to buffer the effects from future imported water shortages. After experiencing significant supply cutbacks in 1991-1992, it became clear that there was insufficient storage capacity in the county to maintain water reliability.

Completion of the Claude “Bud” Lewis Carlsbad Desalination Plant (CDP) provides additional local, drought-proof supply capacity available for both emergency and supply shortage events. Total CDP capacity is 50 million gallons per day (56,000-acre feet annually). Vallecitos Water District has executed, and Carlsbad will execute a contract with the Water Authority acquiring 3,500-acre feet (AF) and 2,500 AF, respectively, of desalinated water from CDP annually as a local supply, leaving 50,000 AF annually of local, drought proof supply for the region. This drought-proof supply reduces the need for emergency and carryover storage programs discussed below.

Discussion

Emergency Storage Project (ESP)
The analysis performed as part of the aforementioned Optimal Storage Study determined that the most pressing need for storage in the region was for emergency purposes.

In 1996, the Water Authority Board of Directors (Board) certified the ESP Final EIR/EIS and in 1998 added ESP to the Capital Improvement Program at a cost of $1.2 billion. The ESP consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities intended to improve regional water storage capacity and allow delivery of stored emergency...
water to member agencies during a prolonged regional supply interruption. Figure 1 shows the location of key ESP components. In total, there are 17 distinct projects as listed below:

- San Vicente Dam Raise
- San Vicente Pump Station
- San Vicente Pipeline & Aqueduct Interconnect
- San Vicente/Moreno-Lakeside Interconnect Pipeline
- San Vicente 3rd Pump Drive & Power
- Olivenhain Dam and Reservoir
- Olivenhain Pump Station
- Olivenhain Pipeline & Interconnect
- Lake Hodges Pump Station and Inlet/Outlet
- Lake Hodges to Olivenhain Pipeline
- North County ESP Pump Stations
- Operations Center Upgrade
- Diversion Structure Modifications
- Modifications to Valley Center Pump Station
- Pump Station at Twin Oaks Valley Water Treatment Plant
- Planning & Support Services
- Post Construction Activities

Two emergency scenarios were analyzed in the development of required ESP facilities and delivery guidelines: a two-month total imported supply outage and a six-month partial imported supply outage. The two-month scenario considers a maximum credible earthquake on the Elsinore Fault severing all five imported water conveyance pipelines serving the Water Authority from Metropolitan and the repair time to restore aqueduct deliveries. The six-month scenario considers a maximum credible earthquake on either the San Andreas Fault of San Jacinto Fault damaging the California State Water Project and/or Colorado River aqueducts serving Metropolitan, resulting in partial reductions of imported deliveries to the Water Authority over the six-month period while repairs are completed. The established objective for both scenarios was to provide a 75 percent Level of Service to the region.

The required ESP capacity was sized to meet peak demand projections (May through October for the six-month scenario and July through August for the two-month scenario) at the 75 percent Level of Service minus available local supplies. The evaluation performed as part of the ESP Final EIR/EIS concluded the required ESP capacity was 90,100 AF in the planning year 2030.

The following reservoirs provide the approved ESP capacity:

**Storage Location:** San Vicente Reservoir
**Storage Capacity:** 52,000 AF
**Storage Location:** Olivenhain Reservoir
**Storage Capacity:** 18,100 AF
**Storage Location:** Lake Hodges
**Storage Capacity:** 20,000 AF
**Storage Location:** Lake Hodges
**Storage Capacity:** 90,100 AF

Based on the 2015 Draft Urban Water Management Plan demand analysis, ESP demands through the 2040 planning horizon are projected to be well below ESP capacity. As such, the total ESP capacity of 90,100 AF is sufficient to serve the region through 2040 and beyond.
With the completion of the San Vicente Dam Raise in July 2014, all ESP capacity has been established along with delivery capability to a significant portion of the region. The final project to be completed, the ESP-North County Pump Stations, will allow ESP delivery of treated water to the northernmost member agency service connections and is anticipated to be complete by 2019.

The actual amount of ESP water to be delivered to a particular member agency during an emergency event depends on many factors, including: member agency demands, local supplies, condition of Water Authority and member agency infrastructure, availability of supplies from Metropolitan, estimated duration of the emergency, and participation in the Transitional Special Agricultural Water Rate (TSAWR). The TSAWR established a class of service differential for ESP supplies, where participating agricultural customers do not pay the Water Authority Storage Charge and therefore receive a reduced level of service compared to Municipal and Industrial (M&I) customers during an emergency event. TSAWR customers also do not receive any benefit from carryover storage supplies. TSAWR customers, do however, pay for a portion of ESP costs through the Water Authority's Infrastructure Access Charge. During an emergency event, reductions for TSAWR customers are twice that of M&I customers, with the difference allocated back to Commercial and Industrial customers.

To help clarify the Water Authority’s ESP delivery obligations to each member agency, Water Authority Operations and Maintenance Department generated the Emergency Water Delivery Plans. These plans are updated periodically to provide guidance on required ESP deliveries to member agencies based on type and timing of the emergency event.

The Water Authority’s current storage portfolio for emergency storage is as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>Capacity – Total (AF)</th>
<th>Volume Stored (AF)</th>
<th>Capacity – Remaining (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Vicente Reservoir</td>
<td>52,100</td>
<td>33,595</td>
<td>18,505</td>
</tr>
<tr>
<td>Lake Hodges</td>
<td>20,000</td>
<td>7,936</td>
<td>12,064</td>
</tr>
<tr>
<td>Olivenhain Reservoir¹</td>
<td>18,000</td>
<td>18,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>90,100</strong></td>
<td><strong>59,531</strong></td>
<td><strong>30,569</strong></td>
</tr>
</tbody>
</table>

¹ Actual Olivenhain Reservoir capacity is 24,000 AF, but includes 6,000 AF of operational storage obtained from Olivenhain Municipal Water District under a separate agreement

During an ESP event, the level of service is calculated at 75 percent of the estimated rolling demand at the time of the event, with further reductions for agricultural customers. At current levels, the current ESP storage is approximately 66 percent of total capacity and is sufficient to meet ESP delivery obligations. Staff will continue to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held, while also considering average storage pool loss due to evaporation and seepage.
Carryover Storage

Unlike emergency storage that is intended to sustain the region for a defined period of time, in the event of a catastrophic event such as an earthquake, carryover storage is intended to supplement regional water supplies during potential extended periods of drought and water supply shortages.

There are three primary benefits for carryover storage: 1) enhanced reliability with a readily available source of water, 2) increased system efficiency with the flexibility to serve from locally stored water rather than by the over-sizing of the Water Authority’s imported water transmission facilities, and 3) improved management of water supplies allowing the Water Authority to accept additional deliveries during wet periods to increase water availability during periods of shortage.

The concept of carryover storage was first approved in 2003, when the Board certified the Final Programmatic Environmental Impact Report for the Regional Water Facilities Master Plan (Master Plan), which included an additional 100,000 acre-foot carryover storage component as part of the San Vicente Dam Raise.

In 2008, the Final EIR/EIS for the Carryover Storage and San Vicente Dam Raise Project was certified by the Board and was added to the Capital Improvement Program at a cost of $300 million. In addition, the Water Authority also established agreements for groundwater storage in the Central Valley. These accounts with the Semitropic-Rosalind Water Bank Authority and the Semitropic Original Water Bank, allow for up to 70,000 AF of additional carryover storage capacity. Withdrawals from these water banks are limited to 14,000 AF per year. The funds for acquiring this groundwater storage were provided by the State as part of the Quantification Settlement Agreement in 2003.

The Water Authority’s current storage portfolio for carryover storage is as follows:

**Table 2. Current Water Authority Carryover Storage Pools (as of April 4, 2016)**

<table>
<thead>
<tr>
<th>Location</th>
<th>Capacity – Total (AF)</th>
<th>Volume Stored (AF)</th>
<th>Capacity – Remaining (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Vicente Reservoir</td>
<td>100,000</td>
<td>83,304</td>
<td>16,696</td>
</tr>
<tr>
<td>Semitropic-Rosalind Water Bank Authority</td>
<td>40,000</td>
<td>0</td>
<td>40,000</td>
</tr>
<tr>
<td>Semitropic Original Water Bank</td>
<td>30,000</td>
<td>16,117</td>
<td>13,883</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>170,000</strong></td>
<td><strong>99,421</strong></td>
<td><strong>70,579</strong></td>
</tr>
</tbody>
</table>

In the Board approved 2010 *Urban Water Management Plan* and 2013 *Regional Water Facilities Optimization and Master Plan Update* (Master Plan Update), the basic planning assumption was that, when needed to offset an identified shortage, carryover storage would be withdrawn over a three-year period in equal increments.
As the Water Authority looks ahead to the long-term management and potential use of its carryover storage reserves, staff plans to develop, for Board consideration, a policy regarding carryover storage. Such a policy involves two central issues:

1. **The number of consecutive dry years over which carryover storage would be used.** The Water Authority’s current planning assumption is that carryover storage would be withdrawn over a three-year period in equal increments. However, given the recurring length of recent drought cycles as well as anticipated hydrologic changes due to climate change, it may be appropriate to extend the number of years that carryover storage should be available. For example, the last three dry cycles, using Sacramento River runoff, a key measurement in categorizing annual hydrology within the state, have lasted 6 years (1987-92), 4 years (2007-2010) and 4 years running for the current drought (2012-2015). In addition, this issue also encompasses the level of supply cutback that would even trigger access to regional carryover storage supplies. This level will be impacted by gains in water use efficiency over time that will “harden” demand and make it more challenging to reduce demand in response to a call for mandatory conservation.

2. **The appropriate target volume of carryover storage.** With the approval of the 2015 Urban Water Management Plan, planned for June 2016, new supply and demand forecasts will be adopted for the region. These updated forecasts, including projected dry-year demands and supplies, the impact of planned member agency drought-resilient local supplies coupled with need for flexibility to respond to expected highly variable hydrologic conditions to store water when it is available, and stored water loss due to evaporation and seepage will all impact the volume of carryover storage that should be maintained.

Staff plans to conduct an evaluation of carryover storage, considering these two policy issues, and return to the Board in the fall with a recommendation for a carryover storage policy. The policy recommendation will also address any impacts to the current carryover storage program as well as any financial implications for the Water Authority’s Stored Water Fund.

Prepared by: Jeremy Crutchfield, Senior Engineer
Eric Rubalcava, Senior Water Resource Specialist
Reviewed by: Robert R. Yamada, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

Attachment: Figure 1 - Emergency Storage Project Components
FIGURE 1 - EMERGENCY STORAGE PROJECT COMPONENTS

- Provides up to six months of emergency water storage in the San Diego region (90,100 acre-feet)
- Establishes emergency water storage at Hodges, Olivenhain, and San Vicente Reservoirs
- Expands the aqueduct system to allow emergency water distribution throughout the county
August 17, 2016

Attention: Water Planning Committee

Emergency Storage Project Storage Requirements (Information)

Purpose
This information item expands upon the Report on Water Authority Emergency and Carryover Storage provided at the April 2016 Water Planning Committee Meeting, focusing on local storage and updated emergency storage requirements for the region based on the Water Authority’s adopted 2015 Urban Water Management Plan (UWMP).

Background
Each month, staff provides the Water Planning Committee with the Water Resources Report. This report provides monthly information on rainfall, water deliveries, water use and storage. The report includes updated storage amounts in each reservoir within the Water Authority’s service area. The region has 746,385 acre-feet (AF) storage capacity in 24 reservoirs shown in Figure 1. Eight of these reservoirs provide the capability to store imported untreated water delivered from the First or Second Aqueduct and include San Vicente, Lower Otay, Sweetwater, Olivenhain and Miramar Reservoirs as well as Lake Murray, Lake Poway and Lake Dixon. Despite continued drought conditions and higher temperatures, storage is nearly twenty percent higher than it was at this time last year (328,820 AF). Reductions in water use driven by on-going drought and emergency water conservation regulations imposed by the state, combined with supply development efforts including the commencement of commercial operations of the Claude “Bud” Lewis Carlsbad Desalination Plant, allowed the Water Authority to store available imported water supplies in the newly expanded San Vicente Reservoir, thus increasing available regional storage.

In total, the Water Authority owns 196,889 AF of regional storage capacity and currently has available 167,682 AF in its local carryover, emergency and operational storage pools. An informational report on the Water Authority’s emergency and carryover storage programs was provided for the April 2016 Water Planning Committee Meeting, and is included as an attachment to this update. In particular, the report described the Water Authority’s emergency storage facilities and service objectives. The Emergency Storage Project (ESP) consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities that increase regional water storage capacity and allow delivery of stored emergency water to member agencies during a prolonged regional supply interruption. The objective of the ESP is to maintain a 75 percent level of service following an emergency event that severs, either partially or completely, the Water Authority’s imported water delivery pipelines.

Discussion
In June 2016, the Board adopted the 2015 Urban Water Management Plan (UWMP) that projects regional supplies and demands through planning year 2040. These updated forecasts were used to update the Water Authority’s ESP Model developed as part of the Emergency Water Delivery
Plans. The model evaluates net demands and member agency local supplies (i.e.: groundwater, recycling, seawater desalination and conservation) to determine the required Water Authority deliveries out of ESP storage should an emergency event occur. Table 2 below compares the required ESP storage volumes based on forecasts made during the 1996 ESP Final Environmental Impact Report/Environmental Impact Statement (ESP Final EIR/EIS) and those resulting from the 2010 and 2015 UMWP's.

Table 2 - Forecasted Storage Volume for ESP (Acre-Feet)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original (based on 1996 ESP Final EIR/EIS)</td>
<td>76,700</td>
<td>83,400</td>
<td>90,100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Previous (based on 2010 UMWP)</td>
<td>39,571</td>
<td>44,953</td>
<td>49,551</td>
<td>53,474</td>
<td>-</td>
</tr>
<tr>
<td>Current (based on 2015 UWMP)</td>
<td>30,778</td>
<td>35,139</td>
<td>38,115</td>
<td>40,376</td>
<td>43,124</td>
</tr>
</tbody>
</table>

As shown in the table, the amount of forecasted ESP storage required has significantly decreased from the time the guiding analysis was performed as part of the ESP Final EIR/EIS to the most recent forecast in the 2015 UWMP. In fact, demands for planning year 2030 were 56 percent higher in the 1996 forecast (993,400 AF) as compared to 636,900 AF in the 2015 UWMP. The result is that the Water Authority has ample storage capacity to meet ESP delivery requirements well beyond 2040. Staff will continue to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held.

Finally, staff plans to return to the Board in October with a recommendation for a carryover storage policy that will address two central issues:

1. The number of consecutive dry years over which carryover storage would be used.
2. The appropriate target volume of carryover storage.

The policy recommendation will also address any impacts to the current carryover storage program as well as any financial implications for the Water Authority’s Stored Water Fund.

Prepared by: Jeremy Crutchfield, Senior Engineer
Reviewed by: Toby Roy, Water Resources Manager
            Robert R. Yamada, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments: Figure 1 – San Diego County Reservoirs
Attachment 1 - April 20, 2016, Report on Water Authority Emergency and Carryover Storage
San Diego County Water Authority  
Proposed Policy Guidelines for Managing Carryover Storage Supplies  
November 30, 2016

Water Authority carryover storage capacity includes 100,000 acre-feet (AF) of in-region surface storage at San Vicente Reservoir and also an out-of-region groundwater banking program at 70,000 acre-feet (AF) capacity in the Central Valley. Through these efforts, the Water Authority can store water available during wet periods for use during dry-year shortages to minimize or avoid cutbacks to its member agencies.

The following proposed guidelines provide policy direction to staff on how the Water Authority’s carryover storage supplies should be managed during supply shortage events and normal (non-shortage) periods to help minimize or avoid potential cutbacks to its member agencies during drought.

A. Withdrawal of Carryover Supplies during Dry-Year Shortage Events

1. The trigger to evaluate utilization of carryover supplies during shortage events is when any of the Water Authority’s supplies are cutback and supply is insufficient to meet projected demand
   Should any of the Water Authority’s supplies experience a cutback or reduction in deliveries, staff will evaluate the need to withdrawal supplies from carryover storage. This includes potential supply allocations from Metropolitan, reduction in Colorado River transfers or decrease in deliveries from the Claude “Bud” Lewis Carlsbad Desalination Project.

2. Any evaluation will initially plan for carryover storage surface supplies to be utilized over five consecutive dry-years
   Under the Urban Water Management Planning Act, agencies are currently required to evaluate supply reliability over three consecutive dry years. The basic planning assumption in the Water Authority’s 2015 Urban Water Management Plan (UWMP) is that carryover storage be withdrawn over a three-year period in equal increments. As stated in the Department of Water Resources (DWR) 2013 California Water Plan Update: “Climate change could extend California’s drought periods and make them worse. Warming temperatures and changes in rainfall and runoff patterns may exacerbate the frequency and intensity of droughts.” Using the Sacramento River runoff index to measure annual hydrology within the state, the last three dry cycles have lasted six years (1987-1992), four years (2007-2010) and five years running for the current drought (2012-2016). Without above average runoff in year 2011, the state would have experienced a dry cycle lasting nine years. In identifying ways to improve shortage contingency planning throughout the state, Governor Brown’s May 2016 Executive Order requires DWR to update plan requirements to include planning for at least a five-year drought. To ensure that the Water Authority and its member agencies are adequately planning for and responding to future droughts, withdrawal of carryover supplies will be evaluated under five consecutive dry-years of shortage.
3. **The amount of carryover surface supplies used annually over the five-year period will be handled on a case-by-case basis, with a general guideline of withdrawing surface storage supplies evenly over the five-year period.**

As stated in the Water Authority’s 2015 UWMP there are a number of factors to consider when determining the utilization of carryover supplies to reduce or eliminate shortages. The plan states that the storage take amount should be handled on a case-by-case basis, considering such items as, current demand trends, regional and local supply availability, hydrologic conditions, and storage supply available for withdrawal. There are other political issues that could also impact the operation of carryover storage supplies during a shortage event, such as state drought response regulations and activities. For these reasons, the carryover storage policy guidelines should be flexible to allow for the uncertainties and complexities associated managing supplies during a drought.

As a starting point in the detailed analysis, the general rule will be that surface storage supplies be withdrawn evenly throughout the five year period. This is a conservative and reliable drought management approach that helps avoid depletion of storage reserves in the early years and lessen severe cutbacks in subsequent years of the shortage event. It is important to note that this is just a general guideline to begin the analysis and actual withdrawals may differ from this rule, providing the Board with flexibility in responding to specific shortage situations.

At the end of five years, if carryover surface water supplies from San Vicente Reservoir are no longer available, deliveries could be made from the Central Valley Groundwater Bank and Emergency Storage Program storage reserves. Deliveries from the Groundwater Bank are made after carryover surface water supplies, because the costs associated with withdrawing supplies from groundwater bank are higher and there are no losses due to evaporation.

4. **Supplies taken from carryover storage will be considered a regional supply to be combined with the Water Authority’s supplies for delivery to the member agencies’ municipal and industrial customers.**

Carryover storage supplies are combined with long-term Colorado River transfers and seawater desalination supplies in the Water Authority’s system to provide additional regional reliability to each of the Water Authority’s member agencies. When determining member agencies’ M&I allocations during a shortage, the supplies available to allocate will total both the Water Authority’s core supplies and dry-year supplies, such as carryover storage and potential dry-year transfers.

5. **Carryover storage supplies will not be available to TSAWR customers**

   In March 2015, the Water Authority Board approved extending the TSAWR program until December 31, 2020. As part of the program, TSAWR deliveries to the member agencies are exempt from the Storage Charge calculation. In return, agricultural customers receive half the municipal and industrial (M&I) level of service under the Emergency Storage Program and no delivery under the Carryover Storage Program.
(CSP). The cutback to TSAWR deliveries during a shortage is equivalent to the cutback level from Metropolitan. In April 2012, the Board approved modifications to the Water Authority’s Water Shortage and Drought Response Plan allocation methodology. This included a methodology to ensure that during shortages, CSP deliveries go just to M&I customers.

B. Evaluation of Carryover Storage Levels during Normal Periods

6. The necessary carryover storage levels maintained during normal periods will be evaluated following a shortage event when carryover supplies have been withdrawn and at least annually by May of each year.

   It is important to often conduct an evaluation of carryover storage levels using updated information to ensure adequate reserves for potential dry-year shortages. If a prolonged shortage situation could be reasonably foreseen within the next two years, staff would work to ensure that carryover storage reserves are full going into a potential drought period. The analysis would be conducted consistent with these policy guidelines and be conducted at the following times:

   • After a shortage event to determine how much water, if any, should be put into storage to replenish reserve levels.
   • During normal periods, the evaluation will be conducted once a year by May when hydrologic conditions are more certain. As part of this annual evaluation, staff will also conduct a review of emergency storage reserves and provide the Board with an informational report that includes a discussion on both carryover and emergency storage reserves.
   • More frequently, if conditions warrant the evaluation.

7. Maintain a target volume of 70,000AF and maximum volume of 100,000AF in San Vicente carryover storage reserves during normal (non-shortage) periods to ensure the region is prepared for extended shortages due to drought.

   For financial and supply planning purposes, a target volume is being proposed to ensure the region has stored water, or the ability to purchase additional water for storage, to manage shortage events. The target volume will be re-evaluated on a periodic basis to determine if the amount is appropriate taking into account current water demand trends and supply availability. The initial 70,000AF target is based on a number of factors, including current regional water demand trends, available local, regional and imported water supplies and the recent shortage evaluation conducted for the region under the State Water Resources Control Board May 2016 Emergency Regulation.
State Draft Long-Term Framework on Water Conservation and Drought Planning (Discussion)

Purpose
To provide an update on the state draft framework report, titled *Making Water Conservation a California Way of Life, Implementing Executive Order B-37-16*.

Background
On May 9, 2016, Governor Brown issued Executive Order B-37-16 (Order), which includes state agency directives pertaining to a number of items, including, but not limited to, the emergency conservation regulation, long-term water use efficiency, water shortage contingency planning and permanent water waste prohibitions. These directives will directly impact urban water agencies and how they manage supplies and demands.

As required in the Executive Order, the Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) must publically release a draft framework report by January 10, 2017, that responds to the directives included in the Order. DWR and the SWRCB must also consult with stakeholders in preparation of the report. In response to this requirement, they formed an Urban Advisory Group (UAG) and held three meetings to gather input. The state staff also held technical workgroup meetings to gather comments on the water use efficiency targets and shortage contingency planning. The Water Authority is a member of the UAG and an active participant in the statewide meetings. At these meetings, state staff clearly articulated that the stakeholders are only to be consulted and the final decision on the report recommendations rests with the state.

Discussion
State staff had initially notified stakeholders that release of the draft framework would occur by mid-November. As of November 28, 2016, the report had not yet been made available to the public and the state staff had not provided a timeline for its release. Based on a November 1, 2016, state agency fact sheet outlining the organization of the report, it is anticipated that the actions and recommendations will be separated into two components, based on implementing authority. Below is a summary of actions included in the two categories.

- Directives implemented within existing authorities (describes actions that can be implemented under existing policy or regulatory authorities)
  - Potential 2017 emergency water conservation regulation
  - Permanent restrictions on water waste
  - Minimization of water supplier leaks and system losses
  - Certification of innovative technologies for water and energy conservation
• Recommendations that require new and expanded additional authorities to implement
(describes recommendations for implementing remaining directives)
  o New water use targets
  o Water shortage contingency plans
  o Drought planning for small systems and rural communities
  o Agricultural management plans

Staff anticipates that the draft framework report will be released prior to the December 8, 2016,
Water Planning Committee meeting. At the December 8th meeting, staff will update the Committee
on the details of the recommendations and actions included in the draft framework.

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
Attention: Water Planning Committee

Update on water supply conditions and drought response activities (Presentation)

Purpose
To provide a report on current water supply conditions and outlook for the 2016-2017 winter.

Background

In May 2016, Governor Brown issued an executive order to establish long-term water conservation measures that go beyond the 20 percent reduction in per capita urban water use required under SBX7-7, improve local drought preparedness planning and mandate changes to the emergency water conservation regulation to account for differing water supply conditions across the state. This approach is consistent with the methodology the Water Authority and other water suppliers had advocated for since the State Board first proposed the emergency regulation.

In response to the executive order, the State Board adopted changes to the emergency regulation that provided for a supply-based self-certification approach. The State Board also amended the regulation to allow wholesale water suppliers like the Water Authority to certify supply sufficiency for their service area if every retail agency in the service area agreed. In June 2016, the Water Authority Board approved moving forward with a regional self-certification. Later that month, the Water Authority and its member agencies submitted the required documentation to self-certify a three-year supply of water under the conditions outlined by the State Board. The current emergency regulation is set to terminate in February 2017.

Additionally, the May 2016 Executive Order also directed the State Board to prepare for the possibility of another dry winter. As such, the State Board is charged with developing a proposed regulation by January 2017 that would build off the mandatory 25 percent reduction called for in the April 2015 Executive Order and incorporate lessons learned through 2016.

Discussion

On November 10, 2016, the U.S. Climate Prediction Center issued a La Niña Advisory, indicating ocean temperature patterns associated with a La Niña were present in October, and projecting a better than a 50% chance of the meteorological event continuing through the 2016-2017 winter. A La Niña event results from cooler than normal eastern and central equatorial Pacific Ocean temperatures, typically signaling drier than normal conditions across the American Southwest, including Southern California.

State Water Project
During the first week of November, the Northern Sierra 8-Station Index received more than 12 inches of rain, pushing the index to over twice its usual level for this time of year. Similarly, the
central Sierra Nevada index has received over six inches of rainfall, more than twice its usual level. Meteorologists attributed the heavy rainfall events to an “atmospheric river,” which also inundated the Pacific Northwest region. The “atmospheric river” also resulted in light snowfall in the Sierra Nevada. However, official California Department of Water Resources (DWR) snowpack measurements are not available until its official December 1 start date for recording.

Storage in Lake Oroville remained unchanged over last month’s rainfall-laden period, due in part to dry soil moisture conditions that resulted in low runoff. However, Lakes Shasta and Trinity, two of the larger federal reservoirs in the northern part of the state, showed sizable gains over the period – Shasta’s elevation increased by 5 feet and Trinity rose more than 11 feet. Table 1 shows storage levels for Lake Oroville and San Luis Reservoir as of November 8, 2016.

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in Million Acre-Feet</th>
<th>Percent of Capacity</th>
<th>Percent of Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oroville</td>
<td>1.517</td>
<td>43%</td>
<td>71%</td>
</tr>
<tr>
<td>San Luis*</td>
<td>0.732</td>
<td>36%</td>
<td>63%</td>
</tr>
<tr>
<td>Combined</td>
<td><strong>2.249</strong></td>
<td><strong>40%</strong></td>
<td><strong>68%</strong></td>
</tr>
</tbody>
</table>

*San Luis storage includes SWP and Central Valley Project. SWP share in San Luis was approximately 506 thousand acre-feet.

Colorado River

The U.S. Bureau of Reclamation reported water year 2016 unregulated inflows into Lake Powell to be 9.6 million acre-feet (89 percent of average), confirming the 14th below-average runoff year in the past 17 years. Precipitation for the 2016 water year for the Upper Colorado River Basin was 96 percent of average. Table 2 shows storage levels for Lakes Powell and Mead as of November 7, 2016.

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in Million Acre-Feet</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>12.38</td>
<td>51%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>9.89</td>
<td>38%</td>
</tr>
<tr>
<td>Combined</td>
<td><strong>22.27</strong></td>
<td><strong>44%</strong></td>
</tr>
</tbody>
</table>

Upper Colorado River Basin snowpack data are not yet available for water year 2017. However, rainfall, water year to date, is reported at 63 percent of average. Similar to the uncertainty associated with northern California hydrology, La Niña effects on the Colorado River basin are also unclear at this time.

Local Conditions

Local reservoir storage as of November 14 was at 43 percent of capacity, or approximately 319,000 acre-feet. This total includes “dead storage,” or capacity that is physically inaccessible
or restricted by agency operating or emergency storage policies. It also includes Water Authority
carryover and emergency storage in Lake Hodges, Olivenhain Reservoir and San Vicente
Reservoir.

Above average regional temperatures experienced throughout the summer have continued into
the fall. The average daily maximum temperature at Lindbergh Field for October 2016 was 4.7
degrees above normal (Figure 1).

![Figure 1 – Average Daily Maximum Temperature Departure from Normal (°F)
Water Years 2016 and 2017](image)

Unlike northern California, local rainfall has been scant so far this water year. Rainfall for the
2017 water year, to date, is shown in Table 3. These totals are listed for representative regional
coastal and inland areas.

<table>
<thead>
<tr>
<th>Station</th>
<th>Precipitation (Inches)</th>
<th>Percent of Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindbergh Field</td>
<td>0.07</td>
<td>7%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>0.18</td>
<td>13%</td>
</tr>
</tbody>
</table>

*Through November 16, 2016

**Outlook**
The U.S. National Oceanic and Atmospheric Administration - Climate Prediction Center (CPC)
produces rolling three-month outlooks for precipitation and temperature variables on a national
scale. The recently released December 2016 through February 2017 outlook shows a pattern of
dry conditions extending across the southern portion of the country, and higher probability of
wet weather spanning most of the U.S./Canada border region. Non-shaded zones, including
northern California, represent areas of equal chance for above or below normal precipitation
(Figure 2, left-side image). The CPC temperature outlook indicates warmer conditions for the
lower half of the nation – with almost the entire state of California anticipated to experience hotter than normal temperatures (Figure 2, right-side image).

**Figure 2 - Precipitation and Temperature Outlook (December 2016–February 2017)**

Based on the supply sufficiency analysis required by the State Board, even under dry conditions next water year, the San Diego region’s projected water supplies will be sufficient to meet dry year demand. The Water Authority and its member agencies will meet anticipated demands through a combination of drought-resilient water resources, such as the Claude “Bud” Lewis Carlsbad Desalination Plant, conserved agricultural water transfers and savings from canal lining projects, and continuing long-term water-use efficiency measures. The Water Authority has also stored 100,000 acre-feet of conserved water as carryover storage at the recently enlarged San Vicente Reservoir that can supplement supplies in the event dry conditions persist.

Water Authority staff will continue to engage in the State Board’s regulatory process and closely track hydrologic conditions and will regularly report to the Board on supply, demand, and storage levels.

Prepared by: Stu Williams, Water Resources Specialist
Tim Bombardier, Principal Water Resources Specialist

Reviewed by: Robert R. Yamada, Director of Water Resources

Approved by: Sandra L. Kerl, Deputy General Manager
November 30, 2016

Attention: Water Planning Committee

Water Resources Report

Purpose
This report includes the following exhibits for October 2016:

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

<table>
<thead>
<tr>
<th>Station</th>
<th>October 2016</th>
<th></th>
<th>2016-2017 WATER YEAR</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Normal</td>
<td>Actual</td>
<td>Normal</td>
</tr>
<tr>
<td>Lindbergh Field</td>
<td>0.07</td>
<td>0.57</td>
<td>0.07</td>
<td>0.57</td>
</tr>
<tr>
<td>(N.O.A.A.)</td>
<td></td>
<td></td>
<td>(0.50)</td>
<td>12</td>
</tr>
<tr>
<td>Lake Cuyamaca</td>
<td>0.29</td>
<td>1.88</td>
<td>0.29</td>
<td>1.88</td>
</tr>
<tr>
<td>(Helix W.D.)</td>
<td></td>
<td></td>
<td>(1.59)</td>
<td>15</td>
</tr>
<tr>
<td>Lake Henshaw</td>
<td>0.34</td>
<td>1.09</td>
<td>0.34</td>
<td>1.09</td>
</tr>
<tr>
<td>(Vista I.D.)</td>
<td></td>
<td></td>
<td>(0.75)</td>
<td>31</td>
</tr>
</tbody>
</table>

Sources: National Weather Service, Helix Water District, Vista Irrigation District.
### MONTHLY WATER RESOURCES REPORT

**Water Deliveries to Member Agencies**

(acre-feet)

**OCTOBER 2016**

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>October</th>
<th>12 Months Ended October</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,461.6</td>
<td>1,174.0</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>80.6</td>
<td>72.9</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>2,027.0</td>
<td>1,691.9</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>881.0</td>
<td>732.5</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>3,389.2</td>
<td>2,322.3</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>252.5</td>
<td>208.6</td>
</tr>
<tr>
<td>National City, City of</td>
<td>389.2</td>
<td>128.4</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>1,990.0</td>
<td>1,730.5</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,777.2</td>
<td>1,426.3</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,617.6</td>
<td>2,257.2</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>878.4</td>
<td>780.9</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>3.3</td>
<td>5.6</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>899.6</td>
<td>904.5</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,610.0</td>
<td>1,510.3</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>503.1</td>
<td>532.7</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>509.9</td>
<td>445.8</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>20,824.5</td>
<td>15,577.0</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>464.5</td>
<td>305.2</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>917.6</td>
<td>501.1</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>1,260.4</td>
<td>973.6</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,393.0</td>
<td>1,202.2</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>2,230.4</td>
<td>1,869.2</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,650.9</td>
<td>1,322.4</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>522.2</td>
<td>444.4</td>
</tr>
</tbody>
</table>

| Deliveries To SDCWA Agencies | 48,533.7 | 38,119.5 | 517,439.8 | 440,492.8 |
| Less: Deliveries to SDCWA Storage | 3,901.7 | 71.6 | 86,615.9 | 54,648.3 |

**TOTAL MEMBER AGENCY DELIVERIES**

| 44,632.0 | 38,047.9 | 430,823.9 | 385,844.5 |

- Deliveries to South Coast Water District: 8.4 / 12.5 / 118.8 / 145.2
- Deliveries From SDCWA Storage: 3,653.1 / - / 15,163.2 / 15,568.6

---

1 October 2016 storage account deliveries totaled 3,750 AF to San Vicente Reservoir through city of San Diego connections and 152 AF of water stored in Lower Otay. October 2015 storage account deliveries totaled 72 AF and zero to San Vicente and Lower Otay Reservoirs, respectively, through city of San Diego connections.
**MONTHLY WATER RESOURCES REPORT**  
Estimated Water Use by Member Agency  
(acre-feet)  

**OCTOBER 2016**

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>Imported Source</th>
<th>Local Sources</th>
<th>October Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>42,402.0</td>
<td>36,681.4</td>
<td>124.7</td>
</tr>
<tr>
<td>PERCENT CHANGE</td>
<td>16%</td>
<td>-68%</td>
<td>-32%</td>
</tr>
</tbody>
</table>

1. Brackish groundwater use included in groundwater totals.
2. Pendleton's imported water use includes water delivered by South Coast Water District.
3. Poway recycled use is reported quarterly.
4. Includes supplemental groundwater use in Improvement District A and other private water companies.
## MONTHLY WATER RESOURCES REPORT

### Potable M&I Water Use for State Water Resources Control Board Emergency Regulation Tracking

(acre-feet)

### October 2016

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>October 2016</th>
<th>October 2013</th>
<th>17 Months Ended October 2016</th>
<th>CY 2013 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,396.8</td>
<td>1,507.6</td>
<td>20,852.3</td>
<td>26,070.6</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>80.6</td>
<td>88.8</td>
<td>1,386.6</td>
<td>1,710.4</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>1,555.7</td>
<td>1,818.7</td>
<td>23,881.0</td>
<td>32,269.3</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>622.2</td>
<td>740.9</td>
<td>10,152.4</td>
<td>12,809.2</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>2,697.4</td>
<td>3,031.4</td>
<td>40,941.2</td>
<td>51,187.9</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>313.7</td>
<td>361.0</td>
<td>4,865.6</td>
<td>6,381.0</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>2,118.9</td>
<td>2,490.4</td>
<td>33,922.9</td>
<td>42,414.3</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,769.7</td>
<td>1,860.8</td>
<td>25,199.0</td>
<td>31,974.7</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,617.6</td>
<td>2,877.3</td>
<td>38,934.5</td>
<td>48,354.8</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>870.9</td>
<td>992.3</td>
<td>12,965.1</td>
<td>16,998.8</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>461.7</td>
<td>669.6</td>
<td>8,446.7</td>
<td>11,576.2</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>907.3</td>
<td>1,100.1</td>
<td>13,245.6</td>
<td>18,726.9</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>976.1</td>
<td>963.8</td>
<td>14,256.0</td>
<td>16,956.7</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>316.1</td>
<td>383.8</td>
<td>5,040.4</td>
<td>7,254.3</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>506.7</td>
<td>592.0</td>
<td>7,385.1</td>
<td>9,980.3</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>15,960.5</td>
<td>17,415.4</td>
<td>238,663.0</td>
<td>291,990.6</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>509.1</td>
<td>578.9</td>
<td>7,920.2</td>
<td>9,746.1</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>977.6</td>
<td>1,003.6</td>
<td>13,084.2</td>
<td>17,547.0</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>1,627.4</td>
<td>1,818.1</td>
<td>25,244.6</td>
<td>31,386.7</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,309.7</td>
<td>1,384.0</td>
<td>18,899.4</td>
<td>24,260.0</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>731.0</td>
<td>749.0</td>
<td>10,704.8</td>
<td>14,207.7</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,667.7</td>
<td>1,681.1</td>
<td>24,225.1</td>
<td>29,086.3</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>664.4</td>
<td>717.4</td>
<td>10,129.8</td>
<td>14,676.6</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>40,658.8</strong></td>
<td><strong>44,826.0</strong></td>
<td><strong>610,345.5</strong></td>
<td><strong>767,566.4</strong></td>
</tr>
</tbody>
</table>

**PERCENT CHANGE**

-9%  -20%

**NOTES:**

1. SWRCB emergency regulation went into effect June 2015.
2. The 2013 baseline is utilized to be consistent with the May 2015 SWRCB emergency drought regulation.
3. Excludes recycled water use and Transitional Special Agricultural Water Rate program deliveries. TSAWR deliveries are estimated for months where agencies have not reported.
4. Baseline includes June 2013 through October 2013 twice, each, in order to establish a base period of 17 months.
## MONTHLY WATER RESOURCES REPORT

### Reservoir Storage

**(acre-feet)**

#### OCTOBER 2016

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Reservoir</th>
<th>Capacity</th>
<th>OCT. 2016</th>
<th>% of Change</th>
<th>OCT. 2015</th>
<th>% of Change</th>
<th>Change During Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>Maerkle</td>
<td>600</td>
<td>119</td>
<td>20%</td>
<td>98</td>
<td>16%</td>
<td>51</td>
</tr>
<tr>
<td>Escondido, City of 1</td>
<td>Dixon</td>
<td>2,606</td>
<td>2,359</td>
<td>91%</td>
<td>2,332</td>
<td>89%</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Wohlford</td>
<td>6,506</td>
<td>2,474</td>
<td>38%</td>
<td>2,320</td>
<td>36%</td>
<td>(14)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>9,112</td>
<td>4,833</td>
<td>53%</td>
<td>4,652</td>
<td>51%</td>
<td>60</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>Red Mountain</td>
<td>1,335</td>
<td>369</td>
<td>28%</td>
<td>360</td>
<td>27%</td>
<td>(92)</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>Cuyamaca</td>
<td>8,195</td>
<td>506</td>
<td>6%</td>
<td>319</td>
<td>4%</td>
<td>(45)</td>
</tr>
<tr>
<td></td>
<td>Jennings</td>
<td>9,790</td>
<td>8,027</td>
<td>82%</td>
<td>6,971</td>
<td>71%</td>
<td>596</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>17,985</td>
<td>8,533</td>
<td>47%</td>
<td>7,290</td>
<td>41%</td>
<td>551</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>Poway</td>
<td>3,330</td>
<td>2,543</td>
<td>76%</td>
<td>2,862</td>
<td>86%</td>
<td>(47)</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>Morro Hill</td>
<td>465</td>
<td>60</td>
<td>13%</td>
<td>189</td>
<td>41%</td>
<td>(155)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>4,164</td>
<td>1,213</td>
<td>29%</td>
<td>1,451</td>
<td>35%</td>
<td>(337)</td>
</tr>
<tr>
<td>San Diego, City of 2</td>
<td>Barrett</td>
<td>34,806</td>
<td>1,850</td>
<td>5%</td>
<td>1,761</td>
<td>5%</td>
<td>(272)</td>
</tr>
<tr>
<td></td>
<td>El Capitan</td>
<td>112,807</td>
<td>23,426</td>
<td>21%</td>
<td>30,325</td>
<td>27%</td>
<td>(727)</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>30,633</td>
<td>3,183</td>
<td>10%</td>
<td>2,592</td>
<td>8%</td>
<td>(39)</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>49,849</td>
<td>33,990</td>
<td>68%</td>
<td>37,287</td>
<td>75%</td>
<td>292</td>
</tr>
<tr>
<td></td>
<td>Miramar</td>
<td>6,682</td>
<td>5,370</td>
<td>80%</td>
<td>5,493</td>
<td>82%</td>
<td>(82)</td>
</tr>
<tr>
<td></td>
<td>Morena</td>
<td>50,694</td>
<td>1,059</td>
<td>2%</td>
<td>1,376</td>
<td>3%</td>
<td>(50)</td>
</tr>
<tr>
<td></td>
<td>Murray</td>
<td>4,684</td>
<td>4,083</td>
<td>87%</td>
<td>4,010</td>
<td>86%</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>San Vicente</td>
<td>97,258</td>
<td>43,864</td>
<td>45%</td>
<td>47,493</td>
<td>49%</td>
<td>(496)</td>
</tr>
<tr>
<td></td>
<td>Sutherland</td>
<td>29,508</td>
<td>2,140</td>
<td>7%</td>
<td>2,190</td>
<td>7%</td>
<td>(55)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>416,921</td>
<td>118,929</td>
<td>29%</td>
<td>132,526</td>
<td>32%</td>
<td>(899)</td>
</tr>
<tr>
<td>San Dieguito WD/Santa Fe ID</td>
<td>San Dieguito</td>
<td>883</td>
<td>332</td>
<td>38%</td>
<td>376</td>
<td>43%</td>
<td>(84)</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>Loveland</td>
<td>25,400</td>
<td>6,983</td>
<td>27%</td>
<td>7,186</td>
<td>28%</td>
<td>(90)</td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>28,079</td>
<td>2,806</td>
<td>10%</td>
<td>3,147</td>
<td>11%</td>
<td>(70)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>53,479</td>
<td>9,789</td>
<td>18%</td>
<td>10,333</td>
<td>19%</td>
<td>(160)</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>Turner</td>
<td>1,812</td>
<td>1,092</td>
<td>68%</td>
<td>1,025</td>
<td>64%</td>
<td>1</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>Henshaw</td>
<td>51,774</td>
<td>2,450</td>
<td>5%</td>
<td>2,720</td>
<td>5%</td>
<td>118</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>569,496</td>
<td>151,534</td>
<td>27%</td>
<td>164,936</td>
<td>32%</td>
<td>(484)</td>
</tr>
<tr>
<td>Olivenhan</td>
<td>24,789</td>
<td>19,147</td>
<td></td>
<td></td>
<td>21,348</td>
<td></td>
<td>(338)</td>
</tr>
<tr>
<td>San Vicente - Comprised of:</td>
<td>152,100</td>
<td>137,952</td>
<td>75,867</td>
<td>(377)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency</td>
<td>38,683</td>
<td></td>
<td></td>
<td></td>
<td>34,170</td>
<td></td>
<td>(131)</td>
</tr>
<tr>
<td>Carryover</td>
<td>99,591</td>
<td></td>
<td></td>
<td></td>
<td>41,529</td>
<td></td>
<td>(343)</td>
</tr>
<tr>
<td>Operating</td>
<td>277</td>
<td></td>
<td></td>
<td></td>
<td>167</td>
<td></td>
<td>97</td>
</tr>
<tr>
<td>Subtotal</td>
<td>176,889</td>
<td>157,099</td>
<td>89%</td>
<td></td>
<td>97,213</td>
<td>62%</td>
<td>(615)</td>
</tr>
<tr>
<td>Water Authority Storage</td>
<td>El Capitan</td>
<td></td>
<td></td>
<td></td>
<td>8,027</td>
<td></td>
<td>(47)</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>8,178</td>
<td></td>
<td></td>
<td>8,027</td>
<td></td>
<td>112</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>2,665</td>
<td></td>
<td></td>
<td>2,505</td>
<td></td>
<td>(38)</td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Subtotal</td>
<td>-</td>
<td>10,843</td>
<td></td>
<td></td>
<td>8,027</td>
<td></td>
<td>64</td>
</tr>
<tr>
<td>TOTAL WATER IN STORAGE</td>
<td></td>
<td>746,385</td>
<td>319,467</td>
<td>43%</td>
<td>270,176</td>
<td>36%</td>
<td>(1,034)</td>
</tr>
<tr>
<td>Metropolitan Water District</td>
<td>Skinner</td>
<td>44,264</td>
<td>38,190</td>
<td>86%</td>
<td>31,322</td>
<td>71%</td>
<td>(1,487)</td>
</tr>
<tr>
<td></td>
<td>Diamond Valley</td>
<td>810,000</td>
<td>562,790</td>
<td>69%</td>
<td>317,831</td>
<td>39%</td>
<td>24,140</td>
</tr>
<tr>
<td>State Water Project</td>
<td>Oroville</td>
<td>3,537,577</td>
<td>1,559,166</td>
<td>44%</td>
<td>1,006,529</td>
<td>28%</td>
<td>(59,794)</td>
</tr>
<tr>
<td>TOTAL OTHER WATER IN STORAGE</td>
<td></td>
<td>4,391,841</td>
<td>2,160,146</td>
<td>49%</td>
<td>1,355,692</td>
<td>31%</td>
<td>(37,141)</td>
</tr>
</tbody>
</table>

1 Excludes storage allocated to Escondido Mutual Water Co. or its rights to a portion of the unallocated water in Lake Henshaw.
2 Includes subject to city’s outstanding commitments to San Dieguito WD, and California American Mutual Water Co. (Cal-Am)
3 Includes allocated and unallocated water in Lake Henshaw.
4 Water Authority carryover, emergency and operating pools in San Vicente Reservoir were established in June 2015. City of San Diego presently states total capacity in San Vicente at 249,358 AF, with the Water Authority portion being 152,100 AF and the remaining capacity, 97,258 AF, allocable to the city. Figures for October 2016 include evaporation/seeagepage estimates.
5 No defined capacities for storage accounts in city and Sweetwater Authority reservoirs. Figures for October 2016 include evaporation/seeagepage estimates.
## MONTHLY WATER RESOURCES REPORT

### Tier 1 Estimated Deliveries to Member Agencies

(Figures in acre-feet)

Calendar Year 2016 to Date (October)

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>CY2016 Tier 1 Threshold</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1 Threshold (Pre-QSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,376.0</td>
<td>11,575.6</td>
<td>93.5%</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>935.0</td>
<td>800.0</td>
<td>85.6%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,859.0</td>
<td>16,444.3</td>
<td>92.1%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,325.0</td>
<td>8,659.1</td>
<td>83.9%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,519.0</td>
<td>21,627.9</td>
<td>84.8%</td>
</tr>
<tr>
<td>Lakeside M.W.D.</td>
<td>3,168.0</td>
<td>2,241.1</td>
<td>70.7%</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>19,383.0</td>
<td>18,033.3</td>
<td>93.0%</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>13,071.0</td>
<td>15,306.3</td>
<td>117.1%</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,390.0</td>
<td>23,247.4</td>
<td>108.7%</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,939.0</td>
<td>7,963.1</td>
<td>80.1%</td>
</tr>
<tr>
<td>Pendleton M.C.B./South Coast W.D.</td>
<td>758.0</td>
<td>141.8</td>
<td>18.7%</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,348.0</td>
<td>7,646.0</td>
<td>81.8%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>19,018.0</td>
<td>16,032.3</td>
<td>84.3%</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>8,052.0</td>
<td>4,608.1</td>
<td>57.2%</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,482.0</td>
<td>4,395.2</td>
<td>80.2%</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>144,555.0</td>
<td>137,523.4</td>
<td>95.1%</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,116.0</td>
<td>3,526.0</td>
<td>113.2%</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,226.0</td>
<td>6,701.8</td>
<td>128.2%</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>9,650.0</td>
<td>12,004.9</td>
<td>124.4%</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>10,557.0</td>
<td>9,258.9</td>
<td>87.7%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>29,774.0</td>
<td>18,843.7</td>
<td>63.6%</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>11,876.0</td>
<td>13,463.0</td>
<td>113.4%</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>2,165.0</td>
<td>4,155.0</td>
<td>191.9%</td>
</tr>
</tbody>
</table>

**MEMBER AGENCY TOTALS**

<table>
<thead>
<tr>
<th></th>
<th>Estimated Tier 1 deliveries calendar year to date</th>
<th>Invoiced Tier 1 deliveries calendar year to date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>393,542.0</td>
<td>364,298.2</td>
</tr>
</tbody>
</table>

Less: QSA deliveries-calendar year 2016 (148,083.0)

Deliveries to CWA storage-calendar year 2016 3 68,877.4

MWD Under-10% Flows-calendar year 2016 25.4

Deliveries from CWA storage-calendar year 2016 4 (23,990.9)

Water Authority WPA desalination deliveries-calendar year 2016 (34,352.9)

Estimated Tier 1 deliveries calendar year to date 5 226,774.2

Invoiced Tier 1 deliveries calendar year to date 5 224,352.1

---

1 Tier 1 threshold is 60% of a member agency's historic maximum year firm demand

2 Carlsbad MWD and Vallecitos WD deliveries exclude local desalination supply transported via Water Authority system.

3 Includes storage puts to San Vicente Reservoir, forced deliveries or deliveries to Olivenhain Reservoir.

4 Includes sales from Water Authority storage accounts, including Olivenhain Reservoir.

5 Estimated Tier 1 deliveries are based on member agency deliveries net of QSA deliveries, seawater desalination and storage puts/takes. Invoiced deliveries are as reported on Metropolitan's invoice. Difference between Estimated and Invoiced Deliveries is explained by storage puts or takes of pre-deliveries in Twin Oaks Valley Water Treatment Plant (TOVWTP) or member agency treatment plants.
MONTHLY WATER RESOURCES REPORT
Summary of Water Authority Member Agency Operations

OCTOBER 2016

Member Agency Deliveries (AF)

- October 2016: 44,632 AF
  - 2015: 38,048 AF
- Previous 12 Months 2016: 430,824 AF
  - 2015: 385,845 AF

Member Agency Water Use

- October 2016:
  - Imported & Desal: 91%
  - Surface: <1%
  - Well & Brackish Recovery: 3%
  - Recycled & Desal: 6%
- Previous 12 Months:
  - Imported & Desal: 87%
  - Surface: 3%
  - Well & Brackish Recovery: 4%
  - Recycled & Desal: 6%

Member Agency Storage (AF)

- October 2016:
  - 2016: 163,936 AF
  - 2015: 163,936 AF
- 12 Month Average 2016:
  - 2016: 169,185 AF
  - 2015: 160,048 AF
ADMINISTRATIVE AND FINANCE COMMITTEE

AGENDA FOR

DECEMBER 8, 2016

Gary Arant – Chair
Doug Wilson – Vice Chair
Halla Razak – Vice Chair
Jerry Butkiewicz
David Cherashore
Lois Fong-Sakai
Ed Gallo
Frank Hilliker

Tom Kennedy
Keith Lewinger
Mark Muir
DeAna Verbeke
Ron Watkins
Mark Watton
Mark Weston

1. Roll call – determination of quorum.

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

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

   4-B Directors’ comments.

I. CONSENT CALENDAR

   Staff recommendation: Note and file monthly Treasurer’s Report.
   (Action)
   Lisa Marie Harris

2. Adopt the Vote Entitlements Resolution for Calendar Year 2017.
   Staff recommendation: Adopt Resolution No. 2016-___ establishing the vote and representative entitlements of each member agency effective January 1, 2017. (Action)
   Lisa Marie Harris
3. Ordinance amending chapter 2.00 of the Administrative Code.  
   Staff recommendation: Adopt Ordinance No. 2016-___, an ordinance of 
   the board of directors of the San Diego County Water Authority amending 
   chapter 2.00 of the Administrative Code.  (Action)  
   Mark Hattam

II. ACTION/DISCUSSION/PRESENTATION

1. Policy Guidelines for Managing Carryover Storage Supplies and Revisions 
   to the Stored Water Fund Policy.  
   Staff recommendation: Adopt the recommended Stored Water Fund 
   Policy.  (Action)  
   David Shank

2. Adopt Annual Statement of Investment Policy, as amended, and continue 
   to delegate authority to the Treasurer to invest Water Authority funds for 
   calendar year 2017.  
   Staff recommendation: Adopt the Annual Statement of Investment 
   Policy, as amended, and continue to delegate authority to the 
   Treasurer to invest Water Authority funds for calendar year 2017. 
   (Action)  
   David Shank

III. INFORMATION

   Chris Woidzik

2. Board calendar.

IV. CLOSED SESSION

V. ADJOURNMENT
   Melinda Cogle
   Clerk of the Board

NOTE: This meeting is called as an Administrative and Finance Committee meeting. Because a quorum of the Board may be present, the meeting is also 
noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 
2.00.060(g) of the Authority Administrative Code (Revised). All items on the agenda, including information items, may be deliberated and become 
subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and 
submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters 
located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
November 30, 2016

Attention: Administrative and Finance Committee


Purpose
The attached report summarizes activities performed in support of the Administrative and Finance Committee Work Plan for calendar years 2015 and 2016.

Background

Discussion
The Administrative and Finance Committee is responsible for administrative and finance matters including rates, fees, charges, and other sources of revenue; budget; audit; investments; human resources; employer-employee relations; information technology; insurance; risk management; and other matters of general business operations.

The attached report lists the Administrative and Finance Committee Work Plan items for calendar years 2015 and 2016 and summarizes the activities taken to achieve the work plan. The items correlate to the 2014-2019 Business Plan goals, which were in effect when the work plan was adopted. The work plan was prepared under the direction of the Administrative and Finance Committee Chair and Vice Chairs.

Prepared by: Lisa Marie Harris, Director of Finance/Treasurer
Matthew S. Brown, Director of Administrative Services
Reviewed by: Gary Arant, Chair, Administrative and Finance Committee

Attachment:

1. Final Report on the Committee Work Plan
ATTACHMENT 1
Final Report on the Administrative and Finance Committee Work Plan
for calendar years 2015 and 2016

Business Plan Items

Financial Planning

1. Fiscal Sustainability Discussions – Complete the fiscal sustainability discussions which include evaluating options to enhance fixed charges, the allocation of non-commodity revenue to the Melded Treatment Rate, the consideration of a new Supply Reliability Charge, and the future of the Transitional Special Agricultural Water Rate Program, and provide direction regarding the design of related rates and charges. (December 2016 – Goal #11*)

Activities
On March 26, 2015, the Board approved the Member Agency Managers comprehensive recommendations on Fiscal Sustainability.

2. Budget – Review the multi-year budget for fiscal years 2016 and 2017 and provide direction. (June 2015 – Goal #6*)

Activities
On May 28, 2015, the General Manager’s Recommended Budget for Fiscal Years 2016 and 2017 was presented to the Board. On June 9 and 11, 2015 the Administrative and Finance Special Committee Meetings – Budget Workshops were held. On June 25, 2015, the Board adopted the multi-year budget for fiscal years 2016 and 2017.

3. Liquidity Facility – Address expiring liquidity facilities for the Water Authority’s Commercial Paper Programs. (July 2015 – Goal #5*)

Activities
On April 23, 2015, the Board approved the one year extension of the JP Morgan liquidity facility that supports the Series 7 of the Water Authority’s commercial paper program. In June 2016, staff finished executing multiple transactions to address two expiring liquidity facilities and the maturing Series 2011S-1 bonds. The transactions reduced the amount of outstanding short-term debt by $14 million. The executed transactions include: 1) Executing Tax Exempt Commercial Paper Series 9 a $135 million series supported by a Bank of America liquidity facility, 2) Increasing the amount of Extendable Commercial Paper outstanding by $50 million, and 3) Issuing a $87.6 million of 5-year fixed rate bonds (Series 2016S-1).

4. Long Range Financing Plan – Review the updated Long Range Financing Plan and provide direction. (December 2015 – Goal #9*)

Activities
On December 2, 2015, the draft 2015 Long Range Financing Plan was provided to the Board for review and comment. On January 28, 2016, the Long Range Financing Plan was adopted by the Board.
5. **Rate Model Upgrade Assessment** – Consider authorizing a rate model upgrade assessment to enable staff to implement recommended changes to enhance scenario analysis capabilities. (December 2016 – Goal #13*)

   **Activities**
   
   An assessment was completed and action items identified.

**Information Technology**

1. **PeopleSoft Upgrade** – Consider authorizing an upgrade of the PeopleSoft system. (December 2017 – Goal #6*)

   **Activities**
   
   On October 14, 2015, the Board approved a professional services contract with GNC Consulting, Inc. to provide PeopleSoft enterprise resource planning software upgrade services for a total not-to-exceed amount of $900,000. The consultants and our internal team have successfully met all milestones to date. The upgrade is ahead of schedule and expected to be completed by June 2017.

2. **Cyber Security Assessment** – Consider authorizing an assessment of security vulnerabilities to enable staff to develop and implement a corrective action plan. (August 2016 – Goal #8*)

   **Activities**
   
   In October 2015, staff conducted a security assessment that identified a number of corrective actions to increase our security resilience. These corrective actions have been implemented over the course of the 2016 calendar period. The next step, which involves an assessment from an outside industry expert, is scheduled to be completed in January 2017. Water Authority technical staff continue to remain in constant communication with federal, state, and local cyber security agencies to stay alert and informed of the current cyber environment.

**Workforce Management**

1. **Memoranda of Understanding** – Consider ratifying and approving the Memoranda of Understanding with represented employee bargaining groups. (June 2015 – Goal #1*)

   **Activities**
   
   On June 25, 2015, the Board approved amendments to the consolidated Memorandum of Understanding with the represented employees for July 1, 2015 through June 30, 2019.
Other Items

1. **Business Insurance** – Review business insurance renewals for the workers compensation, general liability and property programs and provide direction. (June 2015).

   **Activities**
   On June 15, 2016, the Board authorized the purchase of property insurance from Travelers Property Casualty Company of America in the amount of $143,191, liability insurance from Alteris – Allied World Assurance Company in the amount of $320,385, and workers’ compensation from Special District Risk Management Authority (SDRMA) in the amount of $299,907.

2. **Conservation Database development** – Oversee the development of a centralized database to support the conservation program. (July 2016)

   **Activities**
   On May 15, 2015, the Water Authority entered into a contractual agreement with DR McNatty & Associates to develop a website and centralized database to support the conservation program. Three programs were migrated to the new database: 1) the WaterSmart Landscape Makeover Series, 2) the WaterSmart Landscape Makeover E-Learning website, and 3) the Sustainable Landscape E-Learning website. The WaterSmart Landscape Makeover Series program was completed in August 2015, the WaterSmart Landscape Makeover E-Learning website was launched in March 2016, and the Sustainable Landscape E-Learning web site was launched in October 2016.
November 30, 2016

Attention: Administrative and Finance Committee

Monthly Treasurer’s Report on Investments and Cash Flow

Purpose
The purpose of the Treasurer’s Report is to provide monthly financial information to the Board of Directors.

Attached for review by the Administrative and Finance Committee and the Board of Directors is the Treasurer’s Report as of October 31, 2016. The reports are formatted to provide information as required by the California Government Code and the San Diego County Water Authority’s Annual Statement of Investment Policy, which was last adopted by the Board on December 10, 2015. A brief description of each report follows:

Portfolio Master Summary: This one page report summarizes all cash and investments held by the Water Authority.

Portfolio Characteristics: This one page snapshot shows the Water Authority’s portfolio holdings by type and percentage; the maturity distribution of the portfolio; the portfolio yield for the past twelve months, with and without bond-related funds, compared to a rolling average yield of the Board adopted benchmark; the credit quality of the portfolio’s holdings; the cash flow projections for the next six months; and relevant market information.

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

Portfolio Details - Investments: This report takes the summary information listed in the Portfolio Master Summary and provides details of active investments.

Activity Summary: This one page report produces a thirteen-month rolling summary of portfolio investment activity.

The Water Authority’s portfolio is diversified among investment types, with a current concentration toward short-term maturities. This concentration is the result of cash flow needs, as well as the current historic low interest rate environment. The portfolio is comprised of high quality investments, with 73 percent currently invested in AAA rated or AAA/AA+ split-rated securities. In October 2016, the Water Authority’s overall portfolio yield increased slightly from 1.07 percent to 1.13 percent and continues to exceed the investment benchmark of 0.72 percent. Bond Fund proceeds for the Water Authority’s Capital Improvement Program expenditures are expected to be fully drawn down by the end of this calendar year.

All investments have been made in accordance with the San Diego County Water Authority Statement of Investment Policy. This report provides documentation that the Water Authority has
sufficient funds to meet the financial obligations for the next six months. The market value information is provided by Bloomberg L.P. and is as of the report date.

Lisa Marie Harris, Director of Finance/Treasurer
<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Portfolio Percentage</th>
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<td>100.00%</td>
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Accrued Interest (unavailable for investing) -
Checking/Petty Cash/Available Funds (unavailable for investing) 105,316

Subtotal for Pooled Funds: $ 342,248,565

**Bond/CP Fund Excluded from Portfolio Percentages:**
- Treasury Securities
- Agency Securities
- Placement Service Certificates of Deposit
- Commercial Paper
- Local Agency Investment Fund (LAIF) 59,656
- JPA Pools (CAMP) 9,130,032
- Money Market Funds and Cash 4

Accrued Interest (unavailable for investing)
Subtotal for Bond/CP Fund (available for CIP expenditures): $ 9,189,692

**Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:**
- Trinity Plus - Reserve (GIC) - Series 1998A COPs 12,240,775

Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures): $ 12,240,775

Total Cash and Investments $ 363,679,032

**Portfolio Information**

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<th>Bond/CP Fund</th>
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* "The weighted average days to maturity of the total portfolio shall not exceed 730 days (two years) to maturity" per Water Authority Investment Policy.
** Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.
On September 21st, the FOMC maintained the target for the federal funds rate to a range of 25-50 basis points. The next meeting is November 2nd.
SDCWA - Fiscal Year 2017
Portfolio Management

Page 2

Portfolio Details - Investments
October 31, 2016
CUSIP

Investment #

Issuer

Average
Balance

Purchase
Date

Par Value

Market Value

Book Value

04/25/2013
09/19/2014
10/28/2014
10/28/2014
05/21/2015
04/28/2016
10/28/2014
12/18/2014
03/18/2015
04/29/2015
04/29/2015
05/21/2015
10/30/2015
11/23/2015
01/28/2016
01/28/2016
02/24/2016
10/30/2015
11/23/2015
04/28/2016
05/18/2016
05/18/2016
07/23/2013
09/17/2013
11/20/2013
12/19/2013
03/13/2014
03/13/2014
03/20/2014
04/15/2014
04/15/2014
09/19/2014
12/18/2014
12/31/2015

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164,854,093.73

Stated
Rate

S&P

YTM Days to
365 Maturity

Maturity
Date

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3133EDXA5
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3133EEWN6
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3133XMTE1
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FEDERAL FARM CREDIT BANK
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Subtotal and Average

Run Date: 11/01/2016 - 10:36

Page 77 of 500

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10/25/2017
04/06/2017
04/01/2019
10/30/2017
04/17/2018
04/17/2018
10/23/2018
03/08/2019
04/25/2018
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10/26/2017
04/27/2017
04/20/2017
10/19/2018

Portfolio CWA2
CC
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<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>YTM</th>
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Total and Average  421,249,026.21  362,138,158.49  363,630,523.39  363,573,712.37  1.132  374
## Portfolio Details - Cash

**October 31, 2016**

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<th>Average Balance</th>
<th>Purchase Date</th>
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<th>Market Value</th>
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<th>Stated Rate</th>
<th>S&amp;P</th>
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<th>Days to Maturity</th>
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<td>WELLS FARGO - PAYROLL ZBA</td>
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<td>-668.45</td>
<td>-668.45</td>
<td>-668.45</td>
<td>0.000</td>
<td>0.000</td>
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<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>WELLS FARGO - 2010B BONDS-BABS</td>
<td>07/01/2016</td>
<td>3.46</td>
<td>3.46</td>
<td>3.46</td>
<td>0.000</td>
<td>0.000</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Average Balance</td>
<td></td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
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</table>

**Total Cash and Investments**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>421,249,026.21</td>
<td></td>
<td>362,243,478.18</td>
<td>363,735,843.08</td>
<td>363,679,032.06</td>
<td>1.132</td>
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</table>

**Portfolio CWA2**

Run Date: 11/01/2016 - 10:36
### SDCWA - Fiscal Year 2017
**Portfolio Management**

**Activity Summary**

**October 2015 through October 2016**

<table>
<thead>
<tr>
<th>Month End</th>
<th>Year</th>
<th>Number of Securities</th>
<th>Total Invested</th>
<th>Yield to Maturity</th>
<th>Managed Pool Rate</th>
<th>Number of Investments Purchased</th>
<th>Number of Investments Redeemed</th>
<th>Average Term</th>
<th>Average Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>2015</td>
<td>78</td>
<td>453,676,707.19</td>
<td>0.797</td>
<td>0.747</td>
<td>3</td>
<td>7</td>
<td>724</td>
<td>349</td>
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<tr>
<td>November</td>
<td>2015</td>
<td>84</td>
<td>472,146,427.60</td>
<td>0.818</td>
<td>0.785</td>
<td>6</td>
<td>0</td>
<td>737</td>
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<tr>
<td>December</td>
<td>2015</td>
<td>83</td>
<td>464,373,378.15</td>
<td>0.854</td>
<td>0.866</td>
<td>1</td>
<td>2</td>
<td>751</td>
<td>350</td>
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<tr>
<td>January</td>
<td>2016</td>
<td>89</td>
<td>486,000,696.70</td>
<td>0.869</td>
<td>0.860</td>
<td>7</td>
<td>1</td>
<td>739</td>
<td>342</td>
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<tr>
<td>February</td>
<td>2016</td>
<td>90</td>
<td>478,572,399.90</td>
<td>0.899</td>
<td>0.930</td>
<td>4</td>
<td>3</td>
<td>765</td>
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<td>2016</td>
<td>91</td>
<td>482,270,382.74</td>
<td>0.911</td>
<td>0.956</td>
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<td>0</td>
<td>764</td>
<td>328</td>
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<tr>
<td>April</td>
<td>2016</td>
<td>80</td>
<td>421,354,725.53</td>
<td>1.000</td>
<td>0.986</td>
<td>4</td>
<td>15</td>
<td>737</td>
<td>406</td>
</tr>
<tr>
<td>May</td>
<td>2016</td>
<td>83</td>
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<td>1.035</td>
<td>1.050</td>
<td>4</td>
<td>1</td>
<td>763</td>
<td>419</td>
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<tr>
<td>June</td>
<td>2016</td>
<td>82</td>
<td>410,038,087.40</td>
<td>1.047</td>
<td>1.088</td>
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<td>797</td>
<td>416</td>
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<td>July</td>
<td>2016</td>
<td>80</td>
<td>406,961,316.24</td>
<td>1.066</td>
<td>1.147</td>
<td>0</td>
<td>2</td>
<td>801</td>
<td>396</td>
</tr>
<tr>
<td>August</td>
<td>2016</td>
<td>80</td>
<td>408,125,389.27</td>
<td>1.078</td>
<td>1.180</td>
<td>2</td>
<td>2</td>
<td>800</td>
<td>377</td>
</tr>
<tr>
<td>September</td>
<td>2016</td>
<td>78</td>
<td>427,256,511.33</td>
<td>1.056</td>
<td>1.081</td>
<td>0</td>
<td>2</td>
<td>761</td>
<td>339</td>
</tr>
<tr>
<td>October</td>
<td>2016</td>
<td>72</td>
<td>363,573,712.37</td>
<td>1.117</td>
<td>1.219</td>
<td>0</td>
<td>6</td>
<td>769</td>
<td>374</td>
</tr>
</tbody>
</table>

**Average**

- Number of Securities: 82
- Total Invested: 438,695,802.20
- 360 Equivalent: 0.965%
- 365 Equivalent: 0.979%
- Managed Pool Rate: 0.992
- Number of Investments Purchased: 2
- Number of Investments Redeemed: 3
- Average Term: 762
- Average Days to Maturity: 369
November 30, 2016

Attention: Administrative and Finance Committee

Adopt the Vote Entitlements Resolution for Calendar Year 2017. (Action)

Staff recommendation
Adopt Resolution 2016-__ establishing the vote and representative entitlements of each member agency effective January 1, 2017.

Alternative
None.

Purpose
The purpose of this action is to adopt the vote entitlement percentage and to establish the representative entitlement for each member agency for Calendar Year 2017.

Fiscal Impact
None.

Background
In 1997, an amendment to the County Water Authority Act (Act) changed the basis for calculating member agency vote entitlements from the assessed value of all properties within the Water Authority service area to the total financial contribution by each member agency. The vote entitlement of each member agency is calculated as one vote for each $5 million of total financial contribution.

Total financial contribution includes all amounts in taxes, assessments, fees, and charges paid directly by or on behalf of the member agency to the Water Authority and the Metropolitan Water District with respect to properties located within the boundaries of each member agency. These amounts include standby charges, capacity charges, infrastructure access charges, readiness-to-serve charges, maintenance fees, annexation fees, and charges for water delivered and sold to member agencies by the Water Authority. Total financial contribution excludes surcharges for water treatment.

Each year on January 1, the Board of Directors reestablishes the vote entitlements of member agencies based on data from the most recently completed fiscal year.

The Act also provides for each member agency to have at least one representative on the Board of Directors. Each member agency may also designate and appoint one additional representative for each full five percent of total Water Authority assessed value of all properties within the member agency service area.
Each year on January 1, the Board of Directors reestablishes the numbers of member representatives based on the most recent assessed values certified by the County of San Diego Auditor and Controller.

*Previous Board action: Adopted the Vote Entitlements Resolution for Calendar Year 2016 on December 10, 2015.*

**Discussion**

The cumulative total financial contribution as of June 30, 2016 was $12,183,470,729 and the total vote entitlement for the Calendar Year 2017 is 2,436.694. The cumulative total financial contribution is calculated by adding the total member agency financial contribution for the fiscal year ended June 30, 2016 to the cumulative total member agency financial contribution as of June 30, 2015. The total vote entitlement is the cumulative total financial contribution divided by $5 million.

Attachment A of the Resolution lists the cumulative total financial contribution by member agency as of June 30, 2016 and the vote entitlements by member agency for Calendar Year 2017.

The total member agency representative entitlement for Calendar Year 2017 is thirty-six (36). The member agency representative entitlements are based on assessed values certified by the County of San Diego, Auditor and Controller, as of June 30, 2016. The number of Carlsbad representatives was decreased from two to one based on the prior year representative entitlement calculation, and increases from one to two based on the Calendar Year 2017 calculation.

Attachment B of the Resolution lists the representative entitlement of each member agency. In summary, the City of San Diego has ten representatives; Carlsbad, Helix Water District and Otay Water District each have two representatives and the remaining member agencies each have one representative.

Prepared by: Priscilla Tam, Accounting Technician
Reviewed by: Joy Kleber, Accounting Supervisor
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments: Resolution No. 2016-___ Vote and Member Representative Entitlements
Resolution for Calendar Year 2017
- Attachment A: Vote Entitlements Effective January 1, 2017
- Attachment B: Representative Entitlements Effective January 1, 2017
RESOLUTION NO. 2016-__


WHEREAS, pursuant to subdivision (i) of section 6 of the County Water Authority Act, the Board of Directors is required annually to determine the total financial contribution of each member agency and the number of member representatives; and

WHEREAS, the Finance Department has calculated and reported to the Board of Directors the total financial contribution and corresponding votes of each member agency of the Water Authority; and

WHEREAS, the number of member representatives to which a member agency is entitled is determined by percentage of assessed valuation in accordance subdivision (d) of section 6 of the County Water Authority Act and the Finance Department has calculated and reported to the Board of Directors the percentage of assessed valuation of each member agency.

NOW, THEREFORE, it is resolved by the Board of Directors of the Water Authority, that the number of votes allocated to each member public agency is shown in Attachment A and the number of member representatives for each public agency to the Water Authority Board of Directors is shown in Attachment B.

PASSED, APPROVED AND ADOPTED, on this 8th day of December, 2016.

AYES:

NOES:

ABSTAIN: ABSENT:

Mark Muir, Chair

ATTEST:

Gary Croucher, Secretary

I, Melinda Cogle, Clerk of the Board of Directors of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2016-__ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Cogle, Clerk of the Board


**ATTACHMENT A**

**Vote Entitlement**

**Effective January 1, 2017**

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Total Cumulative Financial Contribution*</th>
<th>Vote Entitlement</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad</td>
<td>$431,156,808</td>
<td>86.231</td>
<td>3.54%</td>
</tr>
<tr>
<td>Del Mar</td>
<td>$36,117,018</td>
<td>7.223</td>
<td>0.30%</td>
</tr>
<tr>
<td>Escondido</td>
<td>$436,276,826</td>
<td>87.255</td>
<td>3.58%</td>
</tr>
<tr>
<td>Fallbrook</td>
<td>$285,951,374</td>
<td>57.190</td>
<td>2.35%</td>
</tr>
<tr>
<td>Helix</td>
<td>$832,390,462</td>
<td>166.478</td>
<td>6.83%</td>
</tr>
<tr>
<td>Lakeside</td>
<td>$91,203,352</td>
<td>18.241</td>
<td>0.75%</td>
</tr>
<tr>
<td>National City</td>
<td>$91,727,414</td>
<td>18.345</td>
<td>0.75%</td>
</tr>
<tr>
<td>Oceanside</td>
<td>$623,762,588</td>
<td>124.753</td>
<td>5.12%</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>$385,239,402</td>
<td>77.048</td>
<td>3.16%</td>
</tr>
<tr>
<td>Otay</td>
<td>$690,919,344</td>
<td>138.184</td>
<td>5.67%</td>
</tr>
<tr>
<td>Padre Dam</td>
<td>$329,327,732</td>
<td>65.866</td>
<td>2.70%</td>
</tr>
<tr>
<td>Pendleton</td>
<td>$12,094,532</td>
<td>2.419</td>
<td>0.10%</td>
</tr>
<tr>
<td>Poway</td>
<td>$258,158,135</td>
<td>51.632</td>
<td>2.12%</td>
</tr>
<tr>
<td>Rainbow</td>
<td>$492,182,417</td>
<td>98.436</td>
<td>4.04%</td>
</tr>
<tr>
<td>Ramona</td>
<td>$185,453,535</td>
<td>37.091</td>
<td>1.52%</td>
</tr>
<tr>
<td>Rincon</td>
<td>$178,576,744</td>
<td>35.715</td>
<td>1.47%</td>
</tr>
<tr>
<td>San Diego</td>
<td>$4,852,828,335</td>
<td>970.566</td>
<td>39.83%</td>
</tr>
<tr>
<td>San Dieguito</td>
<td>$130,908,885</td>
<td>26.182</td>
<td>1.07%</td>
</tr>
<tr>
<td>Santa Fe</td>
<td>$192,085,488</td>
<td>38.417</td>
<td>1.58%</td>
</tr>
<tr>
<td>South Bay</td>
<td>$249,711,095</td>
<td>49.942</td>
<td>2.05%</td>
</tr>
<tr>
<td>Vallecitos</td>
<td>$325,171,904</td>
<td>65.034</td>
<td>2.67%</td>
</tr>
<tr>
<td>Valley Center</td>
<td>$651,038,145</td>
<td>130.208</td>
<td>5.34%</td>
</tr>
<tr>
<td>Vista</td>
<td>$373,526,057</td>
<td>74.705</td>
<td>3.07%</td>
</tr>
<tr>
<td>Yuima</td>
<td>$47,663,138</td>
<td>9.533</td>
<td>0.39%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,183,470,729</strong></td>
<td><strong>2436.694</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

### ATTACHMENT B

#### Representative Entitlement

**Effective January 1, 2017**

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Secured</th>
<th>Unsecured</th>
<th>Total</th>
<th>Percent</th>
<th>Member Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad</td>
<td>$22,479,748,096</td>
<td>$1,503,426,384</td>
<td>$23,983,174,480</td>
<td>5.12%</td>
<td>2</td>
</tr>
<tr>
<td>Del Mar</td>
<td>3,311,160,389</td>
<td>21,916,128</td>
<td>$3,333,076,517</td>
<td>0.71%</td>
<td>1</td>
</tr>
<tr>
<td>Escondido</td>
<td>7,613,976,441</td>
<td>248,916,409</td>
<td>$7,862,892,850</td>
<td>1.68%</td>
<td>1</td>
</tr>
<tr>
<td>Fallbrook</td>
<td>3,617,338,967</td>
<td>38,139,608</td>
<td>$3,655,478,575</td>
<td>0.78%</td>
<td>1</td>
</tr>
<tr>
<td>Helix</td>
<td>23,562,165,684</td>
<td>688,322,488</td>
<td>$24,250,488,172</td>
<td>5.18%</td>
<td>2</td>
</tr>
<tr>
<td>Lakeside</td>
<td>2,357,630,511</td>
<td>111,605,332</td>
<td>$2,469,235,843</td>
<td>0.53%</td>
<td>1</td>
</tr>
<tr>
<td>National City</td>
<td>3,550,774,240</td>
<td>205,487,433</td>
<td>$3,756,261,673</td>
<td>0.80%</td>
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<tr>
<td>Oceanside</td>
<td>20,725,960,669</td>
<td>439,149,000</td>
<td>$21,165,109,669</td>
<td>4.52%</td>
<td>1</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>21,443,968,283</td>
<td>266,663,077</td>
<td>$21,710,631,360</td>
<td>4.63%</td>
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</tr>
<tr>
<td>Otay</td>
<td>27,689,103,105</td>
<td>598,625,578</td>
<td>$28,287,728,683</td>
<td>6.04%</td>
<td>2</td>
</tr>
<tr>
<td>Padre Dam</td>
<td>10,149,529,993</td>
<td>246,210,964</td>
<td>$10,395,740,957</td>
<td>2.22%</td>
<td>1</td>
</tr>
<tr>
<td>Pendleton*</td>
<td>33,437,232</td>
<td>22,071,548</td>
<td>$55,508,780</td>
<td>0.01%</td>
<td>1</td>
</tr>
<tr>
<td>Poway</td>
<td>9,654,483,007</td>
<td>380,592,384</td>
<td>$10,035,075,391</td>
<td>2.14%</td>
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<tr>
<td>Rainbow</td>
<td>4,178,890,547</td>
<td>27,123,501</td>
<td>$4,206,014,048</td>
<td>0.90%</td>
<td>1</td>
</tr>
<tr>
<td>Ramona</td>
<td>3,941,196,171</td>
<td>41,875,529</td>
<td>$3,983,071,700</td>
<td>0.85%</td>
<td>1</td>
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<tr>
<td>Rincon</td>
<td>8,573,320,825</td>
<td>252,723,934</td>
<td>$8,826,044,759</td>
<td>1.88%</td>
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</tr>
<tr>
<td>San Diego</td>
<td>218,947,354,271</td>
<td>9,747,640,743</td>
<td>$228,694,995,014</td>
<td>48.81%</td>
<td>10</td>
</tr>
<tr>
<td>San Dieguito</td>
<td>9,101,531,692</td>
<td>149,060,441</td>
<td>$9,250,592,133</td>
<td>1.97%</td>
<td>1</td>
</tr>
<tr>
<td>Santa Fe</td>
<td>10,376,886,105</td>
<td>66,488,613</td>
<td>$10,443,374,718</td>
<td>2.23%</td>
<td>1</td>
</tr>
<tr>
<td>South Bay</td>
<td>9,669,913,340</td>
<td>295,947,491</td>
<td>$9,965,860,831</td>
<td>2.13%</td>
<td>1</td>
</tr>
<tr>
<td>Vallecitos</td>
<td>13,821,748,473</td>
<td>361,518,970</td>
<td>$14,183,267,443</td>
<td>3.03%</td>
<td>1</td>
</tr>
<tr>
<td>Valley Center</td>
<td>4,245,044,879</td>
<td>24,563,355</td>
<td>$4,269,608,234</td>
<td>0.91%</td>
<td>1</td>
</tr>
<tr>
<td>Vista</td>
<td>12,882,807,914</td>
<td>488,367,339</td>
<td>$13,371,175,253</td>
<td>2.85%</td>
<td>1</td>
</tr>
<tr>
<td>Yuima</td>
<td>363,633,935</td>
<td>4,935,442</td>
<td>$368,569,377</td>
<td>0.08%</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$452,291,604,769</strong></td>
<td><strong>$16,231,371,691</strong></td>
<td><strong>$468,522,976,460</strong></td>
<td>100.00%</td>
<td>36</td>
</tr>
</tbody>
</table>

5% of Total Assessed Valuation is $23,426,148,823

**Note:** County of San Diego – 1 Special Representative

*Pendleton Military Reservation is entitled to only one member representative notwithstanding total assessed valuation.

Source: Report from County of San Diego Auditor/Controller - Property tax services dated 7/02/2016. Report ID: Val Mail-01 PSVVP70@
November 30, 2016

Attention: Administrative and Finance Committee

Ordinance amending chapter 2.00 of the Administrative Code. (Action)

Staff recommendation
Adopt Ordinance No. 2016-___, an ordinance of the board of directors of the San Diego County Water Authority amending chapter 2.00 of the Administrative Code.

Alternative
Do not adopt the ordinance.

Fiscal Impact
Adoption of the ordinance has no identified fiscal impact.

Discussion
At the request of the Board Chair and Officers, there are proposed changes to Administrative Code sections 2.00.060(a)(4) and (5) that will change the name of the Legislation, Conservation and Outreach Committee to the Legislation and Public Outreach Committee, and will move some water planning responsibilities from that committee to the Water Planning Committee. The proposed Code changes are as follows:

Section 2.00.060(a)(4) would be amended as follows:

(4) A Legislation, Conservation and Public Outreach Committee responsible for community and governmental matters including: legislation, lobbying and intergovernmental relations; community relations; media relations; water conservation programs; treated water demand and peaking management; administration of outreach for shortage allocation programs and policies; and the Small Contractors Outreach and Opportunities Program.

Section 2.00.060(a)(5) would be amended as follows:

(5) A Water Planning Committee responsible for water planning and local supply development including: water demand and supply planning; shortage allocation planning; water supply forecasting and reporting; seawater desalination; water reclamation; groundwater and conjunctive use; local surface water; water conservation programs; treated water demand and peaking management; environmental management; Urban Water Management Plans; and other planning matters.
The above changes would clarify that the water planning functions would be in the Water Planning Committee, and more clearly specify the legislative and public outreach functions of the Legislation and Public Outreach Committee.

Staff recommends the board adopt Ordinance No. 2016-___, an ordinance of the board of directors of the San Diego County Water Authority amending chapter 2.00 of the Administrative Code.

Prepared by:  Mark J. Hattam, General Counsel
Approved by:  Maureen A. Stapleton, General Manager

Attachment:  Ordinance No. 2016-___
ORDINANCE NO. 2016—

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AMENDING CHAPTER 2.00 OF THE ADMINISTRATIVE CODE

The Board of Directors of the San Diego County Water Authority does ordain as follows:

1. Article 2, chapter 2.00 of the Administrative Code is amended by the amendment of section 2.00.060, subdivision (a), paragraph 4 to read as follows:

   (4) A Legislation, Conservation and Public Outreach Committee responsible for community and governmental matters including: legislation, lobbying and intergovernmental relations; community relations; media relations; water conservation programs; treated water demand and peaking management; administration of outreach for shortage allocation programs and policies; and the Small Contractors Outreach and Opportunities Program.

2. Article 2, chapter 2.00 of the Administrative Code is amended by the amendment of section 2.00.060, subdivision (a), paragraph 5 to read as follows:

   (5) A Water Planning Committee responsible for water planning and local supply development including: water demand and supply planning; shortage allocation planning; water supply forecasting and reporting; seawater desalination; water reclamation; groundwater and conjunctive use; local surface water; water conservation programs; treated water demand and peaking management; environmental management; Urban Water Management Plans; and other planning matters.

3. The General Counsel shall incorporate these changes into the Administrative Code. The highlighting of text in this ordinance is for convenience and will not be incorporated into the codified text.

4. This ordinance shall be effective upon adoption.

5. The Clerk of the Board shall cause this ordinance to be posted in full in a prominent location on the Water Authority’s website pursuant to Section 1.00.040 of the Administrative Code.

   ADOPTED this ___ day of __________, 2016.

   AYES:

   NOES:

   ABSTAIN:

   ABSENT:
Mark Muir, Chair

ATTEST:

Gary Croucher, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2016-____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Cogle, Clerk of the Board
November 30, 2016

Attention: Water Planning Committee
Administrative and Finance Committee

Policy Guidelines for Managing Carryover Storage Supplies and Revisions to the Stored Water Fund Policy (Action)

**Staff recommendation**
Water Planning Committee Recommendation:
Approve policy guidelines for managing the Water Authority’s carryover storage supplies. (Attachment 3)

Administrative and Finance Committee Recommendation:
Adopt the recommended Stored Water Fund Policy.

**Alternative**
Do not approve the policy guidelines or the recommended Stored Water Fund Policy and direct staff to make modifications and bring them back to the Board for consideration.

**Fiscal Impact**
The recommended Stored Water Fund policy results in the transfer of $9.7 million from the Stored Water Fund to the Operating Fund for beneficial use. Staff recommends that the transferred funds be used to fund existing capital projects. This provides future rate relief by delaying future debt issuance and the incidence of the associated debt service.

**Background**
At the October 2016 Water Planning Committee, the action item on the proposed carryover storage policy guidelines was tabled. Board members requested that the item be brought back in December, together with the recommended stored water fund policy. Board members also requested that the associated report also address the other types of Water Authority storage including emergency and operational storage. As such, in an integrated fashion, this report addresses Water Authority operational, emergency and carryover storage in addition to addressing the proposed carryover storage policy guidelines and the recommended stored water fund policy.

Member agency and Water Authority storage capacity represents key part of the water reliability infrastructure for the region. The region has 746,385 acre-feet (AF) storage capacity in 24 reservoirs, as shown in Figure 1. Eight of these reservoirs provide the capability to store imported untreated water delivered from the First or Second Aqueduct and include San Vicente, Lower Otay, Sweetwater, Olivenhain and Miramar Reservoirs as well as Lake Murray, Lake Poway and Lake Dixon.

In total, the Water Authority owns 196,889 AF of regional storage capacity. The Water Authority utilizes its regional storage capacity for different purposes including operational storage, emergency storage and now, with the completion of the San Vicente Dam Raise, carryover storage. In total, the Water Authority has currently available 168,019 AF in its local operational, emergency and carryover storage pools. As an example, Figure 2 depicts the various storage pools in a reservoir.
Figure 1 – Reservoirs of San Diego County
Figure 2 - Typical Reservoir Storage Pools

Operational Storage
Operational storage has three primary functions including: 1) pre-planned, temporary storage for use during aqueduct shutdowns linked with inspection/maintenance activities or in support of large CIP projects (such as pipeline relining); 2) support for pump-storage operations at Lake Hodges; and 3) terminal reservoir deliveries that are required to safely operate the Water Authority’s treated and untreated pipelines on the Second Aqueduct. Specific uses for each reservoir are noted below:

- San Vicente Reservoir - Operational storage is used to deliver water to member agencies when segments of the first or second aqueduct are temporarily removed from service. It can also be used to raise or lower emergency and carryover levels based on calculated storage requirements.

- Lake Hodges/Olivenhain Reservoir – Operational storage is used to maintain minimum reservoir levels in support of pumped-storage operations. Similar to San Vicente Reservoir, this storage can be used to raise or lower emergency storage levels based on calculated requirements.

- Member Agency Agreements – Agreements with member agencies such as the Sweetwater Authority and the City of San Diego are established on an as-needed basis in anticipation of upcoming inspection/maintenance activities and CIP projects that impact the Water Authority’s ability to deliver untreated water for a period of time. Terminal reservoir agreements are also established in order to address minor amounts of water delivered into terminal reservoir storage, resulting from the safe operation of the aqueduct.

Emergency Storage
The Water Authority’s Emergency Storage Program (ESP) consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities that provide regional water storage capacity and allow delivery of stored emergency water to member agencies during a prolonged regional supply interruption.
An informational Board report from April 2016, (Attachment 1) describes in detail ESP facilities, emergency scenarios and sizing as well as emergency water delivery policies. In summary, two emergency scenarios were analyzed in the development of required ESP facilities and delivery guidelines: a six-month partial imported supply outage and a two-month total imported supply outage. The constructed ESP capacity was sized to meet peak demand projections – May through October for the six-month scenario and July through August for the two-month scenario.

The established policy objective for both scenarios is to provide a 75 percent Level of Service to the region. The evaluation performed as part of the 1996 ESP Final EIR/EIS environmental document concluded that the required ESP capacity was 90,100 AF in the planning year 2030.

An informational Board report from August 2016 (Attachment 2), explains how ESP storage requirements are developed and shows the projected, required ESP storage volumes, based on the 2015 Urban Water Management Plan. As such, the volume of water held in ESP storage, at any given time, accounts for projected demand, seasonal fluctuations in demand, delivery system constraints and member agency supplies that would be available during an emergency including local surface storage, recycled water and groundwater supplies.

Given that current and projected regional water demands are lower than the projections used to size the ESP, and with the Lewis Carlsbad Desalination Plant now in commercial operation, the Water Authority has ample storage capacity to meet ESP delivery requirements well beyond 2040. Consistent with the Water Authority’s Emergency Water Delivery Plan, staff continues to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held, while also considering average storage pool loss due to evaporation and seepage and system delivery capabilities. Current emergency storage levels are sufficient to meet projected demands are are shown below:

- San Vicente Reservoir: 38,150 acre-feet
- Olivenhain Reservoir: 18,000 acre-feet
- Lake Hodges: 8,024 acre-feet

**Carryover Storage**

To more effectively manage supplies and increase reliability during shortage periods, the Water Authority invested in carryover storage. With this storage capacity, the Water Authority can store water when it is available for use during times of drought, to avoid or minimize the impact of supply shortages. The Water Authority’s carryover storage consists of surface water storage in San Vicente Reservoir and out-of-region groundwater storage in the Central Valley.

Construction of the San Vicente Dam raise was completed in 2014 and provides 100,000 AF of dedicated carryover storage capacity. Since May 2015, the Water Authority has stored approximately 100,000 AF of conserved water. The Central Valley out-of-region groundwater agreements were executed in 2008 and provide 70,000 AF of storage capacity. Currently, 16,117 AF is stored in the Semitropic Groundwater Storage Bank.

For the October 2016 Water Planning Committee meeting, staff provided a written report and a presentation on the proposed carryover storage policy guidelines. The report provided a detailed accounting of the Water Authority’s carryover storage reserves, discussed the development of the...
policy guidelines and provided an example of how the proposed policy guidelines would be used. A summary of the proposed policy guidelines and analysis of the current carryover storage levels in San Vicente Reservoir is presented below.

**Proposed Carryover Storage Policy Guidelines**

The purpose of the proposed guidelines is to provide policy guidance to staff on how the Water Authority’s carryover storage supplies should be managed during supply shortage events and normal (non-shortage) periods to help minimize or avoid potential cutbacks to member agencies during drought.

Below is a list of the proposed policy guidelines. Attachment 3 contains a detailed description of each policy.

1. The trigger to evaluate utilization of carryover supplies during shortage events is when any of the Water Authority’s supplies are cutback and supplies are insufficient to meet projected demand.
2. Any evaluation will initially plan for carryover storage surface supplies to be utilized over five consecutive dry-years.
3. The amount of carryover surface supplies used annually over the five-year period will be handled on a case-by-case basis, with a general guideline of withdrawing surface storage supplies evenly over the five-year period.
4. Supplies taken from carryover storage will be considered a regional supply to be combined with other Water Authority’s supplies for delivery to the member agencies’ municipal and industrial customers.
5. Carryover storage supplies will not be available to TSAWR customers.
6. The necessary carryover storage levels maintained during normal periods will be evaluated following a shortage event when carryover supplies have been withdrawn. During normal periods, the evaluation will be conducted once a year by May when hydrologic conditions are more certain. As part of this annual evaluation, staff will also conduct a review of emergency storage and provide the Board with an informational report that includes a discussion on both carryover and emergency storage reserves.
7. Maintain a target volume of 70,000AF and maximum volume of 100,000AF in San Vicente carryover storage reserves during normal (non-shortage) periods to ensure the region is prepared for extended shortages due to drought.

As previously discussed with the Board, staff discussed the proposed policy guidelines at the Member Agency Managers’ Meeting on September 13, 2016. The Member Agency Managers supported Board consideration of the guidelines.

**Analysis of Current Carryover Storage Levels in San Vicente Reservoir**

Until there is more clarity and certainty regarding implementation of the Governor’s May 2016 Executive Order and potential new regulations, staff does not plan to alter current San Vicente carryover storage levels (approximately 100,000 AF) and storage puts will not be made into San Vicente Reservoir to cover evaporation and seepage losses. The Water Authority will also maintain the 16,000 AF in the Central Valley Semitropic Groundwater Storage Bank.
Consistent with the proposed policy guidelines, the carryover storage levels will be evaluated again by May 2017, to determine if reserves are at an appropriate level. By May 2017, hydrologic conditions will be more certain and the State Water Resources Control Board would have taken action regarding emergency conservation regulation in 2017. The state’s framework regarding updating the requirements of the Water Shortage Contingency Plans will also be completed and potentially on its way to being implemented.

**Stored Water Fund Policy**

On January 28, 2016, the Board adopted the Water Authority’s 2015 Long-Range Financing Plan (LRFP). The 2015 LRFP highlights the Water Authority’s transition to an operations and asset management focused agency from a construction-oriented agency. In addition, the 2015 LRFP provides a summary of key financial policies and objectives as well as important financial and operational information. When the 2015 LRFP was adopted, the Water Authority’s Board of Directors instructed staff to return with an operations and financial management plan for carryover storage in San Vincente Reservoir.

The San Vincente Dam Raise Project was completed in the Fall of 2014 and the initial fill was completed in June 2016. With the initial fill completed, the Stored Water Fund is set to sunset. However, as was discussed during the Fiscal Sustainability and Long Range Financing Plan processes, the financial resources or working capital that are required to manage the carryover storage facilities are significant and need to be carefully administered.

Staff is recommending that the Stored Water Fund continue as a Board designated fund thereby capturing and isolating the Water Authority storage inventory activities. This would also serve to eliminate large potential swings in the Operating Fund due to inventory rebalancing requirements. Such volatility would occur when stored water is purchased, causing drops in available Operating Fund monies, or, conversely, increasing Operating Fund monies when sales of stored water inventory occurs. These large fluctuations would make it difficult to manage the Operating Fund’s target balance of 45-days of operating expenditures as well as track the monies required to maintain Stored Water Fund balances.

In addition, by maintaining the Stored Water Fund, the financial management of storage water is transparent and minimizes the potential for cross rate subsidization. The transferred revenues collected from the sale of stored water and the recording of Other Deposits for seepage, evaporation and inventory cost escalation into the Stored Water Fund will only be used for stored water purchases. Without the Stored Water Fund, the amounts would be comingled with general operating funds that could be used for other purposes which could benefit other customer classes (i.e., used to fund a transportation-related activity).

The SWF’s primary purpose is to support the Water Authority’s ability to execute the proposed carryover storage policy guidelines. However, the Stored Water Fund will also be used to manage the Emergency Storage inventory and account for sales and purchases of emergency storage inventory. While the Stored Water Fund will support both carryover and emergency storage, the fund management parameters for carryover and emergency storage will be different.
Under the recommended new policy, the flow of funds dedicated to carryover storage in the Stored Water Fund are described below.

1. **Purchase of Stored Water** – Water purchases for carryover storage will be paid out of the Stored Water Fund.
2. **Sale of Stored Water** – Water revenues from the sale of water in the amount of the cost of the inventory sold will be deposited into the Stored Water Fund and the remainder of the revenues left in the Operating Fund.
3. **Other Deposits** – Required deposits to the fund would be made for seepage, evaporation and inventory cost escalation, which many Board members have pointed out that maintaining the purchasing power of the Stored Water Fund requires some level of inventory cost escalation. Staff is recommending that planned deposits for cost escalation over time be made.

Similar to the Rate Stabilization Fund, staff is recommending that the Stored Water Fund have a Target and Maximums for funds dedicated to carryover storage.

- **Stored Water Fund Target** – The target sets the optimal amount of water to be held in storage in an average year. Based upon the proposed carryover storage policy guidelines, the target carryover storage volume is 70,000 acre feet.

- **Stored Water Fund Maximum Balance Maintenance** – At least annually a rebalancing of the value of inventory and cash to equal the cost of 70,000 acre feet plus escalation, seepage and evaporation costs will be performed.

In addition, if Emergency Storage inventory is sold, the cost of replacement water will be transferred into the Stored Water Fund and the cost and inventory will be tracked separately from the carryover storage inventory.

The expected cost to purchase 70,000 acre feet of water including inventory cost escalation, seepage and evaporation is approximately $49 million. The updated value of carryover storage inventory is approximately $59 million. Based upon the recommended Stored Water Fund Policy, no additional monies are required in the Stored Water Fund for carryover storage. Once the October and November 2016 accounting transactions are recorded, a balance of approximately $9.7 million held in the Stored Water Fund for carryover storage will be excess and available for other uses. Staff recommends using the excess monies to pay for existing capital projects and reduce the amount of future debt issued. This will provide an estimated annual savings of $159,000.

The recommendations for the Stored Water Fund Policy are:

1) Continue the Stored Water Fund as a separate Board designated fund.

2) Establish a maximum calendar year-end balance threshold based on a target carryover storage volume of 70,000 acre-feet.

3) Utilize the excess Stored Water Fund monies to pay for existing capital projects or reduce debt costs.
Finally, the recommended Stored Water Fund Policy methodology has been reviewed by an independent consultant to ensure compliance with cost of service principles and California law.

**Next Steps**
Staff plans to update the Water Authority’s Water Shortage Drought Response Plan (Plan) for Board consideration in 2017, based on lessons learned during the last drought and potentially new statutory requirements. Should the Board approve the staff recommendations, applicable revisions will be incorporated into the updated Plan.

Prepared by: Dana L. Friehauf, Water Resources Manager  
Prepared by: David Shank, Financial Planning Manager  
Prepared by: Robert R. Yamada, Director of Water Resources  
Prepared by: Lisa Marie Harris, Director of Finance  
Approved by: Sandra L. Kerl, Deputy General Manager

Attachment 1: April 2016 Board memo on Emergency Storage and Carryover Storage  
Attachment 2: August 2016 Board memo on ESP Storage Requirements  
Attachment 3: Proposed Policy Guidelines for Managing Carryover Storage Supplies
April 20, 2016

Attention: Water Planning Committee

Report on Water Authority Emergency and Carryover Storage (Presentation)

Purpose
This information item provides an accounting and status of water storage related to the Emergency Storage Project (ESP) and carryover storage.

Background
Beginning in 1965, the Water Authority entered into the first of several agreements with a member agency (City of San Diego) to store water and supplement regional supplies during periods of potential shortage caused by either drought or significant pipeline service outages. As the San Diego region experienced rapid growth into the 1980s, the Water Authority advocated that more regional storage was necessary to enhance the reliability of supplies during emergencies and droughts. In the 1980s, new regional storage focused on the Pamo Valley near Ramona. That effort ultimately did not move forward due to permitting concerns related to endangered species located in the valley.

In 1989, the Water Authority began a major effort through the Optimal Storage Study to investigate the need and potential locations for new regional storage in San Diego County. The drought of 1987-1992 only reinforced that additional regional storage was required to buffer the effects from future imported water shortages. After experiencing significant supply cutbacks in 1991-1992, it became clear that there was insufficient storage capacity in the county to maintain water reliability.

Completion of the Claude “Bud” Lewis Carlsbad Desalination Plant (CDP) provides additional local, drought-proof supply capacity available for both emergency and supply shortage events. Total CDP capacity is 50 million gallons per day (56,000-acre feet annually). Vallecitos Water District has executed, and Carlsbad will execute a contract with the Water Authority acquiring 3,500-acre feet (AF) and 2,500 AF, respectively, of desalinated water from CDP annually as a local supply, leaving 50,000 AF annually of local, drought proof supply for the region. This drought-proof supply reduces the need for emergency and carryover storage programs discussed below.

Discussion

Emergency Storage Project (ESP)
The analysis performed as part of the aforementioned Optimal Storage Study determined that the most pressing need for storage in the region was for emergency purposes.

In 1996, the Water Authority Board of Directors (Board) certified the ESP Final EIR/EIS and in 1998 added ESP to the Capital Improvement Program at a cost of $1.2 billion. The ESP consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities intended to improve regional water storage capacity and allow delivery of stored emergency
water to member agencies during a prolonged regional supply interruption. Figure 1 shows the location of key ESP components. In total, there are 17 distinct projects as listed below:

- San Vicente Dam Raise
- San Vicente Pump Station
- San Vicente Pipeline & Aqueduct Interconnect
- San Vicente/Moreno-Lakeside Interconnect Pipeline
- San Vicente 3rd Pump Drive & Power
- Olivenhain Dam and Reservoir
- Olivenhain Pump Station
- Olivenhain Pipeline & Interconnect
- Lake Hodges Pump Station and Inlet/Outlet
- Lake Hodges to Olivenhain Pipeline
- North County ESP Pump Stations
- Operations Center Upgrade
- Diversion Structure Modifications
- Modifications to Valley Center Pump Station
- Pump Station at Twin Oaks Valley Water Treatment Plant
- Planning & Support Services
- Post Construction Activities

Two emergency scenarios were analyzed in the development of required ESP facilities and delivery guidelines: a two-month total imported supply outage and a six-month partial imported supply outage. The two-month scenario considers a maximum credible earthquake on the Elsinore Fault severing all five imported water conveyance pipelines serving the Water Authority from Metropolitan and the repair time to restore aqueduct deliveries. The six-month scenario considers a maximum credible earthquake on either the San Andreas Fault or San Jacinto Fault damaging the California State Water Project and/or Colorado River aqueducts serving Metropolitan, resulting in partial reductions of imported deliveries to the Water Authority over the six-month period while repairs are completed. The established objective for both scenarios was to provide a 75 percent Level of Service to the region.

The required ESP capacity was sized to meet peak demand projections (May through October for the six-month scenario and July through August for the two-month scenario) at the 75 percent Level of Service minus available local supplies. The evaluation performed as part of the ESP Final EIR/EIS concluded the required ESP capacity was 90,100 AF in the planning year 2030.

The following reservoirs provide the approved ESP capacity:

**Storage Location:**
- San Vicente Reservoir: 52,000 AF
- Olivenhain Reservoir: 18,100 AF
- Lake Hodges: 20,000 AF

**Storage Capacity:**
- 90,100 AF

Based on the 2015 Draft Urban Water Management Plan demand analysis, ESP demands through the 2040 planning horizon are projected to be well below ESP capacity. As such, the total ESP capacity of 90,100 AF is sufficient to serve the region through 2040 and beyond.
With the completion of the San Vicente Dam Raise in July 2014, all ESP capacity has been established along with delivery capability to a significant portion of the region. The final project to be completed, the ESP-North County Pump Stations, will allow ESP delivery of treated water to the northernmost member agency service connections and is anticipated to be complete by 2019.

The actual amount of ESP water to be delivered to a particular member agency during an emergency event depends on many factors, including: member agency demands, local supplies, condition of Water Authority and member agency infrastructure, availability of supplies from Metropolitan, estimated duration of the emergency, and participation in the Transitional Special Agricultural Water Rate (TSAWR). The TSAWR established a class of service differential for ESP supplies, where participating agricultural customers do not pay the Water Authority Storage Charge and therefore receive a reduced level of service compared to Municipal and Industrial (M&I) customers during an emergency event. TSAWR customers also do not receive any benefit from carryover storage supplies. TSAWR customers, do however, pay for a portion of ESP costs through the Water Authority’s Infrastructure Access Charge. During an emergency event, reductions for TSAWR customers are twice that of M&I customers, with the difference allocated back to Commercial and Industrial customers.

To help clarify the Water Authority’s ESP delivery obligations to each member agency, Water Authority Operations and Maintenance Department generated the Emergency Water Delivery Plans. These plans are updated periodically to provide guidance on required ESP deliveries to member agencies based on type and timing of the emergency event.

The Water Authority’s current storage portfolio for emergency storage is as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>Capacity – Total (AF)</th>
<th>Volume Stored (AF)</th>
<th>Capacity – Remaining (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Vicente Reservoir</td>
<td>52,100</td>
<td>33,595</td>
<td>18,505</td>
</tr>
<tr>
<td>Lake Hodges</td>
<td>20,000</td>
<td>7,936</td>
<td>12,064</td>
</tr>
<tr>
<td>Olivenhain Reservoir¹</td>
<td>18,000</td>
<td>18,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>90,100</strong></td>
<td><strong>59,531</strong></td>
<td><strong>30,569</strong></td>
</tr>
</tbody>
</table>

¹ Actual Olivenhain Reservoir capacity is 24,000 AF, but includes 6,000 AF of operational storage obtained from Olivenhain Municipal Water District under a separate agreement

During an ESP event, the level of service is calculated at 75 percent of the estimated rolling demand at the time of the event, with further reductions for agricultural customers. At current levels, the current ESP storage is approximately 66 percent of total capacity and is sufficient to meet ESP delivery obligations. Staff will continue to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held, while also considering average storage pool loss due to evaporation and seepage.
**Carryover Storage**

Unlike emergency storage that is intended to sustain the region for a defined period of time, in the event of a catastrophic event such as an earthquake, carryover storage is intended to supplement regional water supplies during potential extended periods of drought and water supply shortages.

There are three primary benefits for carryover storage: 1) enhanced reliability with a readily available source of water, 2) increased system efficiency with the flexibility to serve from locally stored water rather than by the over-sizing of the Water Authority’s imported water transmission facilities, and 3) improved management of water supplies allowing the Water Authority to accept additional deliveries during wet periods to increase water availability during periods of shortage.

The concept of carryover storage was first approved in 2003, when the Board certified the Final Programmatic Environmental Impact Report for the Regional Water Facilities Master Plan (Master Plan), which included an additional 100,000 acre-foot carryover storage component as part of the San Vicente Dam Raise.

In 2008, the Final EIR/EIS for the Carryover Storage and San Vicente Dam Raise Project was certified by the Board and was added to the Capital Improvement Program at a cost of $300 million. In addition, the Water Authority also established agreements for groundwater storage in the Central Valley. These accounts with the Semitropic-Rosalind Water Bank Authority and the Semitropic Original Water Bank, allow for up to 70,000 AF of additional carryover storage capacity. Withdrawals from these water banks are limited to 14,000 AF per year. The funds for acquiring this groundwater storage were provided by the State as part of the Quantification Settlement Agreement in 2003.

The Water Authority’s current storage portfolio for carryover storage is as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>Capacity – Total (AF)</th>
<th>Volume Stored (AF)</th>
<th>Capacity – Remaining (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Vicente Reservoir</td>
<td>100,000</td>
<td>83,304</td>
<td>16,696</td>
</tr>
<tr>
<td>Semitropic-Rosalind Water Bank Authority</td>
<td>40,000</td>
<td>0</td>
<td>40,000</td>
</tr>
<tr>
<td>Semitropic Original Water Bank</td>
<td>30,000</td>
<td>16,117</td>
<td>13,883</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>170,000</strong></td>
<td><strong>99,421</strong></td>
<td><strong>70,579</strong></td>
</tr>
</tbody>
</table>

In the Board approved 2010 Urban Water Management Plan and 2013 Regional Water Facilities Optimization and Master Plan Update (Master Plan Update), the basic planning assumption was that, when needed to offset an identified shortage, carryover storage would be withdrawn over a three-year period in equal increments.
As the Water Authority looks ahead to the long-term management and potential use of its carryover storage reserves, staff plans to develop, for Board consideration, a policy regarding carryover storage. Such a policy involves two central issues:

1. **The number of consecutive dry years over which carryover storage would be used.** The Water Authority’s current planning assumption is that carryover storage would be withdrawn over a three-year period in equal increments. However, given the recurring length of recent drought cycles as well as anticipated hydrologic changes due to climate change, it may be appropriate to extend the number of years that carryover storage should be available. For example, the last three dry cycles, using Sacramento River runoff, a key measurement in categorizing annual hydrology within the state, have lasted 6 years (1987-92), 4 years (2007-2010) and 4 years running for the current drought (2012-2015). In addition, this issue also encompasses the level of supply cutback that would even trigger access to regional carryover storage supplies. This level will be impacted by gains in water use efficiency over time that will “harden” demand and make it more challenging to reduce demand in response to a call for mandatory conservation.

2. **The appropriate target volume of carryover storage.** With the approval of the 2015 Urban Water Management Plan, planned for June 2016, new supply and demand forecasts will be adopted for the region. These updated forecasts, including projected dry-year demands and supplies, the impact of planned member agency drought-resilient local supplies coupled with need for flexibility to respond to expected highly variable hydrologic conditions to store water when it is available, and stored water loss due to evaporation and seepage will all impact the volume of carryover storage that should be maintained.

Staff plans to conduct an evaluation of carryover storage, considering these two policy issues, and return to the Board in the fall with a recommendation for a carryover storage policy. The policy recommendation will also address any impacts to the current carryover storage program as well as any financial implications for the Water Authority’s Stored Water Fund.

Prepared by: Jeremy Crutchfield, Senior Engineer  
Eric Rubalcava, Senior Water Resource Specialist  
Reviewed by: Robert R. Yamada, Director of Water Resources  
Approved by: Sandra L. Kerl, Deputy General Manager  
Attachment: Figure 1 - Emergency Storage Project Components
Emergency Storage Project Highlights
- Provides up to six months of emergency water storage in the San Diego region (90,100 acre-feet)
- Establishes emergency water storage at Hodges, Olivenhain, and San Vicente Reservoirs
- Expands the aqueduct system to allow emergency water distribution throughout the county

LEGEND
- Emergency Storage Project Pump Station
- Emergency Storage Project Pipeline
- Water Authority Aqueducts

FIGURE 1 - EMERGENCY STORAGE PROJECT COMPONENTS
August 17, 2016

Attention: Water Planning Committee

Emergency Storage Project Storage Requirements (Information)

Purpose
This information item expands upon the Report on Water Authority Emergency and Carryover Storage provided at the April 2016 Water Planning Committee Meeting, focusing on local storage and updated emergency storage requirements for the region based on the Water Authority’s adopted 2015 Urban Water Management Plan (UWMP).

Background
Each month, staff provides the Water Planning Committee with the Water Resources Report. This report provides monthly information on rainfall, water deliveries, water use and storage. The report includes updated storage amounts in each reservoir within the Water Authority’s service area. The region has 746,385 acre-feet (AF) storage capacity in 24 reservoirs shown in Figure 1. Eight of these reservoirs provide the capability to store imported untreated water delivered from the First or Second Aqueduct and include San Vicente, Lower Otay, Sweetwater, Olivenhain and Miramar Reservoirs as well as Lake Murray, Lake Poway and Lake Dixon. Despite continued drought conditions and higher temperatures, storage is nearly twenty percent higher than it was at this time last year (328,820 AF). Reductions in water use driven by on-going drought and emergency water conservation regulations imposed by the state, combined with supply development efforts including the commencement of commercial operations of the Claude “Bud” Lewis Carlsbad Desalination Plant, allowed the Water Authority to store available imported water supplies in the newly expanded San Vicente Reservoir, thus increasing available regional storage.

In total, the Water Authority owns 196,889 AF of regional storage capacity and currently has available 167,682 AF in its local carryover, emergency and operational storage pools. An informational report on the Water Authority’s emergency and carryover storage programs was provided for the April 2016 Water Planning Committee Meeting, and is included as an attachment to this update. In particular, the report described the Water Authority’s emergency storage facilities and service objectives. The Emergency Storage Project (ESP) consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities that increase regional water storage capacity and allow delivery of stored emergency water to member agencies during a prolonged regional supply interruption. The objective of the ESP is to maintain a 75 percent level of service following an emergency event that severs, either partially or completely, the Water Authority’s imported water delivery pipelines.

Discussion
In June 2016, the Board adopted the 2015 Urban Water Management Plan (UWMP) that projects regional supplies and demands through planning year 2040. These updated forecasts were used to update the Water Authority’s ESP Model developed as part of the Emergency Water Delivery
Plans. The model evaluates net demands and member agency local supplies (i.e.: groundwater, recycling, seawater desalination and conservation) to determine the required Water Authority deliveries out of ESP storage should an emergency event occur. Table 2 below compares the required ESP storage volumes based on forecasts made during the 1996 ESP Final Environmental Impact Report/Environmental Impact Statement (ESP Final EIR/EIS) and those resulting from the 2010 and 2015 UMWP.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original (based on 1996 ESP Final EIR/EIS)</td>
<td>76,700</td>
<td>83,400</td>
<td>90,100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Previous (based on 2010 UMWP)</td>
<td>39,571</td>
<td>44,953</td>
<td>49,551</td>
<td>53,474</td>
<td>-</td>
</tr>
<tr>
<td>Current (based on 2015 UWMP)</td>
<td>30,778</td>
<td>35,139</td>
<td>38,115</td>
<td>40,376</td>
<td>43,124</td>
</tr>
</tbody>
</table>

As shown in the table, the amount of forecasted ESP storage required has significantly decreased from the time the guiding analysis was performed as part of the ESP Final EIR/EIS to the most recent forecast in the 2015 UWMP. In fact, demands for planning year 2030 were 56 percent higher in the 1996 forecast (993,400 AF) as compared to 636,900 AF in the 2015 UWMP. The result is that the Water Authority has ample storage capacity to meet ESP delivery requirements well beyond 2040. Staff will continue to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held.

Finally, staff plans to return to the Board in October with a recommendation for a carryover storage policy that will address two central issues:

1. The number of consecutive dry years over which carryover storage would be used.
2. The appropriate target volume of carryover storage.

The policy recommendation will also address any impacts to the current carryover storage program as well as any financial implications for the Water Authority’s Stored Water Fund.

Prepared by: Jeremy Crutchfield, Senior Engineer
Reviewed by: Toby Roy, Water Resources Manager
Robert R. Yamada, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments: Figure 1 – San Diego County Reservoirs
Attachment 1 - April 20, 2016, Report on Water Authority Emergency and Carryover Storage
San Diego County Water Authority
Proposed Policy Guidelines for Managing Carryover Storage Supplies
November 30, 2016

Water Authority carryover storage capacity includes 100,000 acre-feet (AF) of in-region surface storage at San Vicente Reservoir and also an out-of-region groundwater banking program at 70,000 acre-feet (AF) capacity in the Central Valley. Through these efforts, the Water Authority can store water available during wet periods for use during dry-year shortages to minimize or avoid cutbacks to its member agencies.

The following proposed guidelines provide policy direction to staff on how the Water Authority’s carryover storage supplies should be managed during supply shortage events and normal (non-shortage) periods to help minimize or avoid potential cutbacks to its member agencies during drought.

A. Withdrawal of Carryover Supplies during Dry-Year Shortage Events

1. **The trigger to evaluate utilization of carryover supplies during shortage events is when any of the Water Authority’s supplies are cutback and supply is insufficient to meet projected demand**
   Should any of the Water Authority’s supplies experience a cutback or reduction in deliveries, staff will evaluate the need to withdrawal supplies from carryover storage. This includes potential supply allocations from Metropolitan, reduction in Colorado River transfers or decrease in deliveries from the Claude “Bud” Lewis Carlsbad Desalination Project.

2. **Any evaluation will initially plan for carryover storage surface supplies to be utilized over five consecutive dry-years**
   Under the Urban Water Management Planning Act, agencies are currently required to evaluate supply reliability over three consecutive dry years. The basic planning assumption in the Water Authority’s 2015 Urban Water Management Plan (UWMP) is that carryover storage be withdrawn over a three-year period in equal increments. As stated in the Department of Water Resources (DWR) 2013 California Water Plan Update: “Climate change could extend California’s drought periods and make them worse. Warming temperatures and changes in rainfall and runoff patterns may exacerbate the frequency and intensity of droughts.” Using the Sacramento River runoff index to measure annual hydrology within the state, the last three dry cycles have lasted six years (1987-1992), four years (2007-2010) and five years running for the current drought (2012-2016). Without above average runoff in year 2011, the state would have experienced a dry cycle lasting nine years. In identifying ways to improve shortage contingency planning throughout the state, Governor Brown’s May 2016 Executive Order requires DWR to update plan requirements to include planning for at least a five-year drought. To ensure that the Water Authority and its member agencies are adequately planning for and responding to future droughts, withdrawal of carryover supplies will be evaluated under five consecutive dry-years of shortage.
3. The amount of carryover surface supplies used annually over the five-year period will be handled on a case-by-case basis, with a general guideline of withdrawing surface storage supplies evenly over the five-year period.

As stated in the Water Authority’s 2015 UWMP there are a number of factors to consider when determining the utilization of carryover supplies to reduce or eliminate shortages. The plan states that the storage take amount should be handled on a case-by-case basis, considering such items as, current demand trends, regional and local supply availability, hydrologic conditions, and storage supply available for withdrawal. There are other political issues that could also impact the operation of carryover storage supplies during a shortage event, such as state drought response regulations and activities. For these reasons, the carryover storage policy guidelines should be flexible to allow for the uncertainties and complexities associated managing supplies during a drought.

As a starting point in the detailed analysis, the general rule will be that surface storage supplies be withdrawn evenly throughout the five year period. This is a conservative and reliable drought management approach that helps avoid depletion of storage reserves in the early years and lessen severe cutbacks in subsequent years of the shortage event. It is important to note that this is just a general guideline to begin the analysis and actual withdrawals may differ from this rule, providing the Board with flexibility in responding to specific shortage situations.

At the end of five years, if carryover surface water supplies from San Vicente Reservoir are no longer available, deliveries could be made from the Central Valley Groundwater Bank and Emergency Storage Program storage reserves. Deliveries from the Groundwater Bank are made after carryover surface water supplies, because the costs associated with withdrawing supplies from groundwater bank are higher and there are no losses due to evaporation.

4. Supplies taken from carryover storage will be considered a regional supply to be combined with the Water Authority’s supplies for delivery to the member agencies’ municipal and industrial customers.

Carryover storage supplies are combined with long-term Colorado River transfers and seawater desalination supplies in the Water Authority’s system to provide additional regional reliability to each of the Water Authority’s member agencies. When determining member agencies’ M&I allocations during a shortage, the supplies available to allocate will total both the Water Authority’s core supplies and dry-year supplies, such as carryover storage and potential dry-year transfers.

5. Carryover storage supplies will not be available to TSAWR customers

In March 2015, the Water Authority Board approved extending the TSAWR program until December 31, 2020. As part of the program, TSAWR deliveries to the member agencies are exempt from the Storage Charge calculation. In return, agricultural customers receive half the municipal and industrial (M&I) level of service under the Emergency Storage Program and no delivery under the Carryover Storage Program.
(CSP). The cutback to TSAWR deliveries during a shortage is equivalent to the cutback level from Metropolitan. In April 2012, the Board approved modifications to the Water Authority’s Water Shortage and Drought Response Plan allocation methodology. This included a methodology to ensure that during shortages, CSP deliveries go just to M&I customers.

B. Evaluation of Carryover Storage Levels during Normal Periods

6. The necessary carryover storage levels maintained during normal periods will be evaluated following a shortage event when carryover supplies have been withdrawn and at least annually by May of each year.

It is important to often conduct an evaluation of carryover storage levels using updated information to ensure adequate reserves for potential dry-year shortages. If a prolonged shortage situation could be reasonably foreseen within the next two years, staff would work to ensure that carryover storage reserves are full going into a potential drought period. The analysis would be conducted consistent with these policy guidelines and be conducted at the following times:

- After a shortage event to determine how much water, if any, should be put into storage to replenish reserve levels.
- During normal periods, the evaluation will be conducted once a year by May when hydrologic conditions are more certain. As part of this annual evaluation, staff will also conduct a review of emergency storage reserves and provide the Board with an informational report that includes a discussion on both carryover and emergency storage reserves.
- More frequently, if conditions warrant the evaluation.

7. Maintain a target volume of 70,000AF and maximum volume of 100,000AF in San Vicente carryover storage reserves during normal (non-shortage) periods to ensure the region is prepared for extended shortages due to drought.

For financial and supply planning purposes, a target volume is being proposed to ensure the region has stored water, or the ability to purchase additional water for storage, to manage shortage events. The target volume will be re-evaluated on a periodic basis to determine if the amount is appropriate taking into account current water demand trends and supply availability. The initial 70,000AF target is based on a number of factors, including current regional water demand trends, available local, regional and imported water supplies and the recent shortage evaluation conducted for the region under the State Water Resources Control Board May 2016 Emergency Regulation.
November 30, 2016

Attention: Administrative and Finance Committee

Adopt Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2017. (Action)

Recommendation
Adopt the Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2017.

Alternative
Adopt the Annual Statement of Investment Policy, without amendments, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2017.

Fiscal impact
None.

Background
It is the policy of the Board to review and approve the Annual Statement of Investment Policy (Policy) and to delegate the investment authority to the Treasurer on an annual basis. Annual statements of investment policy and quarterly updates to the legislative body are optional per California Government Code (Code) section 53646. However, the Water Authority annually reviews, updates and adopts its Policy and submits a monthly Treasurer’s Report to the Board. Staff believes that the annual review and adoption of the Policy by the Board, along with submission of the monthly Treasurer’s Report to the Board, is central to a transparent portfolio management process.

In 2016, the Policy was submitted to the Association of Public Treasurers of the United States & Canada (APT US&C) for review and certification based on criteria set forth by its Investment Policy Certification Committee. The review resulted in the Water Authority again receiving the Investment Policy Certificate of Excellence Award from the APT US&C, recognizing successful development of a comprehensive written investment policy.

Discussion
Each year staff review changes to the Code to ensure the Water Author’s Policy is kept current with the Code. As part of the annual review, Chandler Asset Management a private investment advisor under contract with the Water Authority, also conducted a review of the Policy.

This year, California SB 974 was signed into law and will take effect January 1, 2017. One of the items included in this bill provides clarification on how the Code’s credit rating requirements are applied. The clarification is that ratings in the Code apply to the entire category (i.e. A-, A,
A+) and not just a specific rating (i.e. A). The Water Authority Investment Policy already addresses this issue.

After review, there are two recommended changes to the Policy for calendar year 2017.

**Local Agency Investment Fund (LAIF):** The Code is periodically revised to allow for a higher maximum amount to be invested in LAIF. Therefore, the reference to a limit of $50 million is removed and now states: “the maximum permitted is governed by current State Law”.

**Medium-Term Notes:** Changing the minimum rating of “AA” by at least one rating agency to “A” or higher by all three rating agencies which is still more stringent than the Code, which requires an “A” by at least one rating agency.

The change to the LAIF limit provides the flexibility to fully utilize LAIF should conditions warrant it. The change to the rating requirement for medium-term notes not only expands the universe of permitted investment options allowing this asset class to achieve better diversification but also potentially enhance portfolio yield. While the current investment climate continues to impact the investment alternatives available to the Water Authority, the Policy’s emphasis remains focused on safety and liquidity.

These recommendations have been incorporated into the attached Annual Statement of Investment Policy for Calendar Year 2017 (Attachment A), and are summarized below. The recommended changes are highlighted in “redline” format in Attachment A.

Prepared by: Eric Adachi, Investment Analyst
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments: Attachment A: Annual Statement of Investment Policy for Calendar Year 2017
SAN DIEGO COUNTY WATER AUTHORITY

Annual Statement of Investment Policy

Calendar Year 2017

INTRODUCTION

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Water Authority while protecting its funds.

The Board of Directors and, upon formal delegation, the Treasurer for the San Diego County Water Authority, duly authorized to invest Water Authority monies by California Government Code, are trustees of Water Authority funds and therefore fiduciaries subject to the prudent investor standard.

SCOPE

It is intended that this policy cover all funds and investment activities under the direct authority of the San Diego County Water Authority, except for the employee’s retirement and deferred compensation funds. For investment purposes, the Water Authority manages the Operating Fund, Rate Stabilization Fund, Pay-As-You-Go Fund, Equipment Replacement Fund and Stored Water Fund together as the Pooled Operating Fund. The funds under the direct authority of the San Diego County Water Authority are accounted for in the Comprehensive Annual Financial Report and include:

Operating Fund – Holds the Water Authority’s working capital and emergency operating reserve.

Rate Stabilization Fund – Established to mitigate future water rate increases.

Pay-As-You-Go Fund (PAYGO) – Funds are dedicated for construction outlays and debt service.

Equipment Replacement Fund – Used to purchase minor capital equipment such as computer systems, vehicles, etc.

Stored Water Fund – Used to purchase water to fill Water Authority reservoirs.

Construction (CIP) Fund – Holds the proceeds of long-term debt and commercial paper to be expended for construction.

Debt Service Reserve Fund – Holds the required legal reserve for Water Authority debt issues.
OBJECTIVES

The investment policies and practices of the Board of Directors and the Treasurer for the San Diego County Water Authority are based upon limitations placed on it by governing legislative bodies. These policies have three primary goals:

1. To assure compliance with all Federal, State and Local laws governing the investment of monies under the control of the Treasurer.

2. To protect the principal monies entrusted to this organization.

3. To generate the maximum amount of investment income within the parameters of this Annual Statement of Investment Policy.

These goals are enhanced by the following objectives in order of importance.

A. Safety: It is the primary duty and responsibility of the Treasurer to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Treasurer shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used in order to reduce exposure to principal loss.

B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio’s investment return, provided that adequate diversification has been implemented.

PRUDENT INVESTOR STANDARD

The Board of Directors and Treasurer adhere to the guidance provided by the “prudent investor standard”, California Government Code (Section 53600.3), which obligates a fiduciary to insure that “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of
the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

DELEGATION OF AUTHORITY

The investment, per this policy, of Water Authority idle monies is annually delegated to the Treasurer by the Board of Directors who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Treasurer may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program. A memorandum will be forwarded to the General Manager indicating the individual who is acting on the behalf of the Treasurer which details the period of time the designee will be responsible for the investment function. All transactions will be reviewed by the Treasurer on a regular basis to assure compliance with this Annual Statement of Investment Policy.

ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Water Authority’s portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Water Authority, particularly with regard to the timing of purchases and sales, and shall avoid transactions that might impair public confidence. All officers and employees involved in the investment of public funds are required to comply with the Water Authority’s Conflict of Interest Code.

AUTHORIZED INVESTMENT INSTRUMENTS - POOLED OPERATING FUND

The Water Authority is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the following investments are authorized:

Local Agency Investment Fund (LAIF): The Water Authority may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (Government Code Section 16429.1(b)). In order to ensure that LAIF is purchasing securities that comply with the Government Code, the monthly LAIF report shall be reviewed by the Treasurer. The fund must have twenty-four hour liquidity. The maximum permitted investment will be governed by State Law.

Bankers’ Acceptances: The Water Authority may invest in prime self-liquidating bankers’ acceptances (Government Code Section 53601(g)) limited to banks rated a minimum of “A” by Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings. The maximum investment maturity will be restricted to 180 days. Maximum portfolio exposure will be limited to 20 percent and single-issuer holdings to no more than 5 percent per issuer.
**Treasury Securities:** The Water Authority may invest in United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (Government Code Section 53601(b)). The purchase of zero-coupon, or strips, is not permitted. Because these investments are the safest possible, there is no maximum portfolio limit. Maximum investment maturities will be restricted to five years.

**Repurchase Agreements:** The Water Authority may invest (Government Code Section 53601(j)) in overnight and term repurchase agreements with primary dealers of the Federal Reserve Bank of New York rated “A” or better by Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings with which the Water Authority has entered into a master repurchase agreement. This agreement will be modeled after the Securities Industry and Financial Markets Association (SIFMA)’s master repurchase agreement.

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party will have an account in the name of the San Diego County Water Authority. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis by the Treasurer and will not be permitted to fall below 102 percent of the value of the repurchase agreement. Collateral shall not include strips, zero-coupon instruments or instruments with maturities in excess of five years. The right of substitution will be granted, provided that permissible collateral is maintained.

In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government and Agency securities as permitted under this policy. The Water Authority will maintain a first perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counterparty. Maximum portfolio exposure will be limited to 20 percent and maturities that do not exceed one year.

**Reverse Repurchase Agreements:** The Water Authority may enter (Government Code Section 53601(j)) into reverse repurchase agreements only “with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency”, and when an unanticipated cash outflow can be met more advantageously by agreeing to a reverse repurchase agreement rather than selling securities outright. In this situation, the reverse shall not exceed 92 days, and shall be matched to a known cash inflow of sufficient size to repay the principal and interest of the reverse repurchase agreement.

The Water Authority may also enter into reverse repurchase agreements when proceeds obtained through the reverse can be reinvested at a higher rate. The spread and reverse must be reviewed by the Treasurer prior to the transaction taking place. Reverse repurchase agreements entered into may not exceed a maximum maturity of 92 days unless the minimum spread between the rate on the investment and cost of funds is guaranteed in writing, in which case the maximum maturity is limited to one year. In all cases, the transaction must be matched as to maturity and dollars invested with its corresponding reinvestment.
In both situations a master repurchase agreement modeled after the Securities Industry and Financial Markets Association (SIFMA) is required prior to the transaction taking place. In all cases, the security being reversed must have been held in the portfolio for a minimum of 30 days. Restrictions placed on repurchase agreements also apply to reverse repurchase agreements. Maximum portfolio exposure will be limited to 20 percent of the total portfolio value excluding the proceeds of reverses. This transaction requires written approval of the Treasurer.

Securities lending is not considered a reverse repurchase transaction and is not authorized under this section.

Certificates of Deposit: The Water Authority may invest in certificates of deposits issued by a state or national bank, savings association or federal association, a state or federal credit union located in California (Government Code Section 53630 et seq). A written depository contract is required with all institutions that hold Water Authority deposits. The Treasurer may waive collateral requirements for the portion of any deposit insured pursuant to federal law. Securities placed in a collateral pool must provide coverage for at least 110 percent of all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the Water Authority, even though they are permitted in Government Code Section 53651(m). As provided under Government Code Section 53660, the bank or agent of depository is required to provide the Water Authority with a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool.

No bank shall receive Water Authority funds that has a long-term debt rating by Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings less than “A”; however, deposits of up to the federal deposit insurance limit are allowable in any institution that insures its deposits pursuant to federal law, regardless of the ratings by Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings. The maximum deposited in any one institution without collateral shall not exceed the amount covered by federal deposit insurance.

All banks accepting Water Authority deposits are required to provide annual information regarding compliance to the Community Reinvestment Act. Banks are required to maintain a minimum rating of “satisfactory” as defined under the Community Reinvestment Act.

As per Section 53638 of the California Government Code, any deposit shall not exceed the total paid-up capital and surplus of any depository bank, nor shall the deposit exceed the total net worth of any institution.

Maximum portfolio exposure is limited to 15 percent. Maximum investment maturity will be restricted to five years.

Placement Service Deposits: The Water Authority may invest in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Government Code Section 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The combined maximum portfolio exposure to deposits placed pursuant to this section and Negotiable Certificates of Deposit is limited to 15 percent. Maximum investment maturity will be restricted to five years.
Negotiable Certificates of Deposit: The Water Authority may invest in negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal association or by a state- or federally-licensed branch of a foreign bank (Government Code Section 53601(i)). Securities must have a minimum rating of “AA” by at least one of the three credit rating agencies (Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings), and not rated lower than “A” by the other two.

As per Section 53638 of the California Government Code, any deposit shall not exceed the total paid-up capital and surplus of any depository bank, nor shall the deposit exceed the total net worth of any institution.

The combined maximum portfolio exposure to Negotiable Certificates of Deposit and deposits invested pursuant to a Placement Service Deposit entity is limited to 15 percent and single-issuer holdings to no more than 5 percent per issuer. Maximum investment maturity is restricted to five years.

Commercial Paper: The Water Authority may invest in the highest grade of commercial paper (Government Code Section 53601(h)) as rated by Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings (“A1/P1/F1”), issued only by general corporations that are organized and operating within the United States and having total assets in excess of $500 million. The general corporation must also have an “A” rating or higher for the issuers debentures, other than commercial paper, if any, as provided by Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings. Purchases shall not exceed ten percent of the outstanding paper of the issuing general corporation. Maximum investment maturity will be restricted to 270 days. Maximum portfolio exposure is limited to 25 percent and single-issuer holdings to no more than 5 percent per issuer.

Medium-Term Notes: The Water Authority may invest in corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States (Government Code Section 53601(k)). Securities must have a minimum rating of “A” or higher by all three credit rating agencies referenced in this policy (Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings). Permissible types of notes include fixed rate and variable rate. Maximum investment maturity is restricted to five years. Maximum portfolio exposure is limited to 30 percent and single-issuer holdings to no more than 5 percent per issuer.

Municipal Securities: The Water Authority may invest in: (i) Registered treasury notes or bonds issued by any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state (Government Code Section 53601(c)(d)); and (ii) Bonds, notes, warrants, or other evidence of debt issued by a local agency or municipality located within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency (Government Code Section 53601(a)(e)). Securities must have a minimum rating of “A” as rated by Moody’s Investors Service, Standard and Poor’s, or Fitch Ratings. Maximum maturity is limited to 5 years. Maximum portfolio exposure is limited to 20 percent and single-issuer holdings to no more than 5 percent per issuer.
**Agencies:** The Water Authority may invest in federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises (Government Code Section 53601(f)). Permissible types of securities include discount, coupon and variable rate security issues. Callable securities are limited to a minimum of one-time call only, with a maximum allocation of 20 percent of the portfolio. Maximum maturity is limited to 5 years. Maximum portfolio exposure is limited to 85 percent.

**Supranationals:** The Water Authority may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Securities must be eligible for purchase and sale within the United States and have a minimum rating of “AA” as rated by Moody’s Investors Service, Standard and Poor’s, or Fitch Ratings. Maximum maturity is limited to 5 years. Maximum portfolio exposure is limited to 10 percent and single-issuer holdings to no more than 5 percent per issuer.

**Money Market Funds:** The Water Authority may invest in funds authorized under Government Code Section 53601(l)(2) that have a minimum asset size of $500 million. Composition of the fund is limited to investments that are authorized by this Annual Statement of Investment Policy. Funds must have the highest rating by two of the three largest nationally recognized statistical rating organizations, or have an investment adviser registered with the Securities and Exchange Commission with not less than five years’ experience investing in the securities and obligations authorized by this investment policy. Any fund shares purchased will not include any type of commission. Maximum portfolio exposure is limited to 15 percent.

**Local Government Investment Pools:** The Water Authority may invest in local government investment pools created by a joint powers authority under Government Code Section 53601(p). Pools must have the highest rating by at least one of the three largest nationally recognized statistical rating organizations. The pool must have twenty-four hour liquidity. Maximum portfolio exposure is limited to 25 percent.

**AUTHORIZED INVESTMENT INSTRUMENTS - BOND PROCEEDS AND DEBT SERVICE RESERVE FUNDS**

All investment types listed above are authorized investments for bond proceeds and debt service reserve funds with the addition of the following:

**Collateralized Guaranteed Investment Contracts (GICs)/Full Flex Repurchase Agreements:** Investment of funds in GICs is permitted, as per Section 5922 of the Government Code, when collateralized by U.S. Government guaranteed and direct obligation securities. Collateral must be held by a third party institution, and must be marked to market on a weekly basis to a minimum of the value of the outstanding balance of the contract. The maximum maturity date on a GIC is limited to the final maturity date of the bonds being issued.

**Initially Uncollateralized Guaranteed Investment Contracts (GICs):** Investment of funds in GICs which are not initially collateralized is permitted, as per Section 5922 of the Government Code, only if (a) the term of the GIC does not exceed three (3) years, (b) the counterparty to the GIC is rated in the highest long-term rating category by both Moody’s Investors Service and Standard & Poor’s (or whose payment obligations under such GIC are insured or guaranteed by an entity the
unsecured obligations of which are so rated), and (c) the GIC requires that it be collateralized as described above in the event the counterparty’s rating is downgraded below the highest long-term rating category by either Moody’s Investors Service or Standard & Poor’s.

Local Agency Investment Fund (LAIF): The Water Authority may also invest bond proceeds in the Local Agency Investment Fund (Government Code Section 16429.1(d)). There is a $175M limit on the amount of bond proceeds that may be deposited into the fund. Liquidity for bond proceeds, per fund regulations, is thirty calendar day increments from the date of the initial deposit. Bond proceeds deposited in LAIF should be managed to include a 90-day review by the Treasurer to insure safety, as well as probable income.

In the event that a conflict arises between the bond covenants and this Annual Statement of Investment Policy, the following will guide the (re)investment of bond proceeds: when the Annual Statement of Investment Policy is more conservative than the bond covenants, the Annual Statement of Investment Policy will prevail; if the bond covenants are more conservative than the Annual Statement of Investment Policy, the bond covenants will prevail. All future debt transaction reinvestment guidelines will incorporate the current Annual Statement of Investment Policy into the bond covenants.

The Board of Directors has granted the Treasurer the authority to invest debt service reserve funds in U.S. Treasury, federal agency, and municipal securities with maturities exceeding 5 years if it is considered to be in the best interest of the Water Authority and if the maturity of such investments does not exceed the expected use of funds.

PORTFOLIO LIMITATIONS

It is the Water Authority’s goal to maintain a minimum of 50 percent of the Water Authority portfolio in Treasury Bills or Notes; however, based on market conditions a combination of 50 percent Agencies and Treasury Bills or Notes will satisfy this requirement. At no time will less than 15 percent of the portfolio be in Treasury Bills or Notes. The balance of the portfolio may be invested in any of the other permissible investments within the guidelines previously established.

The total dollar amount of bond proceeds and debt service reserve funds invested are to be excluded from the total used to calculate percentages for investment types.

The weighted average days to maturity of the total portfolio shall not exceed 730 days (two years) to maturity.

Percentage limitations, where listed, are applicable at the date of purchase. In the event that the percentage limits attributable to a security type is exceeded due to a temporary imbalance in the portfolio, the Treasurer will make a determination as to the appropriate course of action. The appropriate course of action may be to liquidate securities to rebalance the portfolio or to hold the securities to maturity in order to avoid a market loss. Portfolio percentages are in place to ensure diversification of the investment portfolio and, as such, a small temporary imbalance would not violate this basic tenet. When a portfolio percentage is exceeded, the Treasurer will report the occurrence in the Treasurer’s Report at the next regularly scheduled Administrative and Finance Committee meeting of the Board, with detail of the strategy determined to address the imbalance, for Board ratification.
Credit requirements listed in this policy indicate the minimum credit rating (or its equivalent) required at the time of purchase without regard to modifiers (e.g., +/- or 1, 2, 3). In the event that an investment originally purchased within policy guidelines is downgraded by any one of the credit rating agencies, the Treasurer shall report it at the next regularly scheduled Administrative and Finance Committee meeting of the Board. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security.

INELIGIBLE INVESTMENTS

Investments not described herein, including, but not limited to common stocks, futures and the writing of options are prohibited from use in this portfolio. The use of short positions is also prohibited.

DERIVATIVES

A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

SWAPS

A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Treasurer.

INTERNAL CONTROLS

A system of internal controls has been established and documented in writing in the Water Authority’s Financial Services Policies and Procedures Manual. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Water Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized Investment Officials, documentation of transactions and strategies, and code of ethic standards. The Treasurer has established an annual process of independent review by an external audit firm. This review provides assurance of strong internal controls by reviewing compliance with previously established policies and procedures.

REPORTING
The Treasurer will submit a monthly investment report to the Board of Directors, the General Manager’s office, and the internal auditor (if applicable). This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, statement that there are or are not sufficient funds to meet the next 6 month’s obligations and a statement indicating compliance or noncompliance with this Annual Statement of Investment Policy. Additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs.

**QUALIFIED BANKS AND SECURITIES DEALERS**

A competitive bid process, when practical, will be used to place all investment purchases and sales transactions. For any investment transaction not conducted directly with the issuer, the Water Authority shall conduct business only with banks, savings and loans, and registered investment securities dealers. The Water Authority’s staff will investigate all institutions that wish to conduct business with the Water Authority. All institutions must sign the appropriate Information Request Form, and agree to abide by the conditions set forth in the Water Authority’s Annual Statement of Investment Policy. A list will be maintained by the cash management staff of approved institutions and securities broker/dealers. This will be done annually by having the financial institutions complete and return the Broker Dealer Information Request Form and an audited financial statement within 90 days of the institution’s fiscal year-end. Previous Board approved substitute certification language may be offered to primary dealers of the Federal Reserve at the discretion of the Treasurer. In the event the substitute language is not accepted by the primary dealer, the Treasurer may return to the Water Authority’s Board for approval of alternative language proposed by the primary dealer. If the Water Authority is utilizing the services of an investment advisor, the investment advisor may use their own list of approved issuers and financial institutions for executing transactions.

**RISK TOLERANCE**

The Water Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

Risk will also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by investing to a shorter term. This philosophy also prohibits trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

**PERFORMANCE BENCHMARK**

Controlling and managing risk is the foremost portfolio management objective. The Water Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. An appropriate benchmark consistent with the Water Authority’s investment objectives and liquidity requirements has been established against which the portfolio’s performance
is compared on a regular basis. The selected benchmark is the 2-Year U.S. Treasury constant maturity. Any significant deviation of the portfolio’s performance to the benchmark should be reviewed in order to ensure that such investments meet the criteria previously specified.

SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of security dealer(s), all book-entry securities owned by the Water Authority, including repurchase agreement collateral, shall be kept in safekeeping with “perfected interest” by a third party bank trust department, acting as agent for the Water Authority under the terms of a custody agreement executed by the bank and by the Water Authority. All securities will be received and delivered using standard delivery-versus-payment procedures. The only exception to the foregoing shall be certificates of deposit and investments in: (i) LAIF; (ii) local government investment pools; and (iii) money market funds, since the purchased securities are not deliverable. A record of these investments shall be held by the Treasurer.

DIVERSIFICATION

The investment portfolio will be diversified by security type, institution and maturity date to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

STATEMENT OF INVESTMENT POLICY

This Annual Statement of Investment Policy shall be reviewed and submitted annually to the Board of Directors in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. This Annual Statement of Investment Policy shall be reviewed at a public meeting and voted on prior to the start of each calendar year.

GLOSSARY OF INVESTMENT TERMS
November 30, 2016

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Reports. (Information)

Purpose
The purpose of the Controller’s Report is to provide monthly financial information to the Board of Directors.

Financial Reports
Attached for review by the Administrative and Finance Committee and the Board of Directors are the following financial reports:

1. Water Sales Volumes, in acre-feet
2. Water Sales Revenues, in millions
3. Water Purchases and Treatment Costs, in millions
4. Budget Status Report
5. Operating Departments Expenses, in millions
6. Schedule of Cash and Investments

The Budget Status Report (Attachment 4) compares actual revenues and expenses, on a budgetary basis, for the fifteen-month period of July 1, 2015 through September 30, 2016, to the period-to-date amended budget. Budgeted amounts for the fifteen-month period are presented on a straight-line basis unless noted herein. Water sales and purchases are budgeted based on projected monthly volume in acre-feet. Period-to-date budgeted revenue categories were all adjusted to reflect the expected timing of receipt. In addition, certain period-to-date budgeted expense categories were adjusted for periodic items and include the following: stored water purchases, debt service, QSA mitigation, annual insurance premiums, and contributions to the Six Agency Fund.

Net Water Sales Revenue
Net Water Sales Revenue is the Water Authority’s principal source of revenue and is the difference between the sale of water and the cost of that water. Sales include revenues from variable commodity charges for supply, treatment and transportation, as well as from fixed charges for customer service, emergency storage, infrastructure access charge, and supply reliability (effective calendar year 2016). Cost of water includes payments to water suppliers such as Metropolitan Water District (MWD), Imperial Irrigation District (IID), and Poseidon Resources (Channelside) LP.

1 All information regarding water sales volumes, revenues and costs are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017.
Net Water Sales Revenue for the fifteen months ended September 30, 2016 was $177.9 million, trending $6.9 million or 4 percent higher than the period-to-date budgeted amount of $171.0 million. Water Purchases and Treatment costs are trending below projections due to reduced water sales and later start-up of desalination than financially projected. Detailed information relating to Net Water Sales Revenue is described below and shown on Attachments 1, 2, and 3.

Total acre-feet (AF) of water sold were budgeted to be 576,509 AF for the fifteen months ended September 30, 2016. The actual water sales volume was 540,817 AF, trending 35,692 AF or 6 percent lower than budgeted (Attachment 1). Total Water Sales Revenue for the fifteen months ended September 30, 2016 was $698.6 million, trending $51.1 million or 7 percent lower than the period-to-date budgeted amount of $749.7 million (Attachment 2). The decrease was due to mandatory water-use restrictions, continued water conservation efforts across the region, and the reduced need for outdoor irrigation in response to the state-mandated conservation targets. Beginning June 2016 through January 2017, the San Diego region will not be subject to state-mandated water-use reductions as determined by the State Water Resources Control Board.

Total Water Purchases and Treatment costs were budgeted at $578.6 million for the fifteen months ended September 30, 2016. Actual costs were $520.7 million, trending $57.9 million or 10 percent lower than budgeted (Attachment 3). Reflected in actual costs were water purchases from Poseidon Resources (Channelside) LP of approximately $85.6 million for the period November 2015 through September 2016. In addition, this cost category included $78.5 million for the 125,000 AF of water purchased from IID, and $96.8 million for MWD’s conveyance charges related to IID, Coachella Canal and All-American Canal water.

### Revenues and Other Income

As shown in Attachment 4, total Revenues and Other Income were budgeted at $116.2 million for the fifteen-month period ended September 30, 2016. Actual revenues were $119.2 million, trending $3.0 million higher than budgeted. The variance is explained in detail below.

Categories of revenues in which actual revenues trended higher than the fifteen-month period-to-date budget included the following: Other Income, Investment Income, Property Taxes and In-Lieu Charges, and Capacity Charges. Actual Other Income was trending $4.7 million higher than budgeted due to miscellaneous and intergovernmental revenue reimbursements. Actual Investment Income, Property Taxes and In-Lieu Charges, and Capacity Charges was trending higher than budgeted by $2.4 million, $0.4 million, and $0.3 million, respectively, for the fifteen months ended September 30, 2016.

Categories of revenues in which actual revenues trended lower than the fifteen-month period-to-date budget included the following: Contributions in Aid of Capital Improvement Program (CIAC), Grant Reimbursements, Hydroelectric Revenue, and Water Standby Availability Charges. Actual CIAC revenue was below budgeted by $2.8 million due to less than anticipated receipts during the fifteen-month period. Actual Grant Reimbursements revenue for Integrated Regional Water Management Program Grants (IRWMP) was trending $1.2 million lower than budgeted as a result of the timing of reimbursements received. Hydroelectric Revenue was budgeted for the Lake Hodges Pumped Storage Facility (Hodges Hydro) and the Rancho Penasquitos Pressure

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Control and Hydroelectric Facility (Rancho Hydro). Actual hydroelectric revenues were trending lower than the period-to-date budget by $0.4 million because the sale of hydroelectric power generated by Rancho Hydro has been minimal. Rancho Hydro will continue to be impacted by reduced water demand and the resulting low flows due to conservation efforts in the region. Actual Water Standby Availability Charges was trending lower than budgeted by $0.5 million for the fifteen months ended September 30, 2016.

**Expenses**

As shown in Attachment 4, total Expenses were budgeted at $324.8 million for the fifteen-month period ended September 30, 2016. Actual expenses were $304.3 million, trending $20.5 million lower than budgeted. The variance is explained in detail as follows.

Overall Operating Department expenses shown in Attachment 5 were trending less than budgeted by $8.2 million for the fifteen-month period ended September 30, 2016 due to a number of staff vacancies and the timing of expenses.

Debt Service expenses totaled $152.2 million for the fifteen-month period ended September 30, 2016, trending $9.6 million lower than budgeted. The variance was attributed to fees on short-term debt and commercial paper interest expense trending less than budgeted, in addition to the cash flow savings from the prior year refunding transactions. Actual Grant Expenses were trending $2.6 million lower than budgeted. The variance resulted from the lower-than-projected activity levels and the timing delay in expense recognition of pass-through IRWMP grants. Actual Hodges Pumped Storage was trending lower than budgeted by $0.4 million.

Other Expenses were budgeted at $1.0 million from the approved prior year carryover of funds from the Fiscal Years 2014 and 2015 Public Outreach and Conservation (POC) budget for drought response outreach and water conservation, as approved by the Board in May 2015. Actual Other Expenses for the fifteen-month period ended September 30, 2016 were $0.9 million for POC costs and $0.1 million for other miscellaneous costs.

Stored Water Purchases for the San Vicente Reservoir were budgeted at $72.1 million for Fiscal Years 2016 and 2017, as amended by the Board. Actual expenses for the fifteen-month period ended September 30, 2016 were $70.9 million of water purchases for San Vicente Reservoir. Policy guidelines for managing the carryover storage supplies and recommended changes to the Stored Water Fund Policy will be brought to the Board for consideration at the December 8, 2016 meeting.

QSA Mitigation actual expenses of $12.8 million for the fifteen-month period ended September 30, 2016 included the following: the advance payment made on July 1 and the annual payment made on December 31 pursuant to the QSA JPA Creation and Funding Agreement; and also, the annual payment made for the IID Socioeconomic Mitigation Settlement.
CIP Expenses
Attachment 4 shows that CIP Expenses were budgeted at $92.3 million for the fifteen-month period ended September 30, 2016. Actual expenses were $62.4 million, trending $29.9 million lower than the period-to-date budgeted amount.

Actual CIP expenses were funded 24 percent by Pay As You Go Fund and 76 percent by CIP/Bond Construction Fund for the fifteen-month period ended September 30, 2016.

Cash and Investments
As of September 30, and August 31, 2016, the overall balance in the Water Authority’s cash and investments was $443.2 million and $424.1 million, respectively (Attachment 6). As of September 30, 2016, the cash and investments balance was approximately 50 percent unrestricted funds with the remaining 50 percent of funds restricted for specific purposes. To maximize investment returns, the Water Authority Treasurer pools the cash of the Pay As You Go Fund with total unrestricted funds. As of September 30, 2016, the Rate Stabilization Fund was funded at $125.5 million, approximately 92 percent of the maximum approved level of $136.4 million.

Prepared by: Jocelyn Matsuo, Senior Accountant
Reviewed by: Joy Kleber, Accounting Supervisor
Approved by: Christopher W. Woidzik, Controller

Attachments:
Attachment 1 – Water Sales Volumes
Attachment 2 – Water Sales Revenues
Attachment 3 – Water Purchases and Treatment Costs
Attachment 4 – Budget Status Report
Attachment 5 – Operating Departments Expenses
Attachment 6 – Schedule of Cash and Investments
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017.

Fiscal Year 2016 Cumulative Water Sales (AF)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>49,896</td>
<td>99,581</td>
<td>144,532</td>
<td>183,281</td>
<td>214,658</td>
<td>242,547</td>
<td>266,410</td>
<td>288,249</td>
<td>315,451</td>
<td>348,266</td>
<td>386,829</td>
<td>432,700</td>
</tr>
<tr>
<td>Actual</td>
<td>36,382</td>
<td>77,854</td>
<td>116,497</td>
<td>154,539</td>
<td>188,620</td>
<td>217,409</td>
<td>237,188</td>
<td>266,411</td>
<td>292,703</td>
<td>326,962</td>
<td>364,821</td>
<td>402,066</td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>(13,514)</td>
<td>(21,727)</td>
<td>(28,035)</td>
<td>(28,742)</td>
<td>(26,038)</td>
<td>(25,138)</td>
<td>(29,222)</td>
<td>(21,838)</td>
<td>(22,748)</td>
<td>(21,304)</td>
<td>(30,634)</td>
<td></td>
</tr>
<tr>
<td>Cum. Actual AF</td>
<td>-27%</td>
<td>-22%</td>
<td>-19%</td>
<td>-16%</td>
<td>-12%</td>
<td>-10%</td>
<td>-11%</td>
<td>-8%</td>
<td>-7%</td>
<td>-6%</td>
<td>-6%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

Fiscal Year 2017 Cumulative Water Sales (AF)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>49,647</td>
<td>99,083</td>
<td>143,809</td>
<td>182,364</td>
<td>213,584</td>
<td>241,335</td>
<td>265,078</td>
<td>286,807</td>
<td>313,873</td>
<td>348,524</td>
<td>384,894</td>
<td>430,537</td>
</tr>
<tr>
<td>Actual</td>
<td>46,252</td>
<td>95,043</td>
<td>138,751</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>(3,395)</td>
<td>(4,040)</td>
<td>(5,058)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual AF</td>
<td>-7%</td>
<td>-4%</td>
<td>-4%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>

*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017.
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017.

Fiscal Year 2016 Cumulative Water Sales (in Millions $)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>59.0</td>
<td>117.5</td>
<td>172.3</td>
<td>220.7</td>
<td>262.0</td>
<td>300.2</td>
<td>336.7</td>
<td>371.0</td>
<td>410.6</td>
<td>455.9</td>
<td>507.2</td>
<td>565.8</td>
</tr>
<tr>
<td>Actual</td>
<td>44.5</td>
<td>94.3</td>
<td>141.4</td>
<td>187.7</td>
<td>230.4</td>
<td>267.8</td>
<td>299.9</td>
<td>341.5</td>
<td>379.8</td>
<td>425.7</td>
<td>475.3</td>
<td>524.9</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(14.5)</td>
<td>(23.2)</td>
<td>(30.9)</td>
<td>(33.0)</td>
<td>(31.6)</td>
<td>(32.4)</td>
<td>(36.8)</td>
<td>(29.5)</td>
<td>(30.2)</td>
<td>(31.9)</td>
<td>(40.9)</td>
<td></td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
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</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-25%</td>
<td>-20%</td>
<td>-18%</td>
<td>-15%</td>
<td>-12%</td>
<td>-11%</td>
<td>-11%</td>
<td>-8%</td>
<td>-8%</td>
<td>-7%</td>
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</tr>
</tbody>
</table>

Fiscal Year 2017 Cumulative Water Sales (in Millions $)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
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<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>63.2</td>
<td>126.1</td>
<td>183.9</td>
<td>235.3</td>
<td>279.5</td>
<td>320.3</td>
<td>358.4</td>
<td>394.2</td>
<td>435.5</td>
<td>482.8</td>
<td>536.0</td>
<td>597.0</td>
</tr>
<tr>
<td>Actual</td>
<td>58.1</td>
<td>118.4</td>
<td>173.7</td>
<td></td>
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</tr>
<tr>
<td>Difference (b)</td>
<td>(5.1)</td>
<td>(7.7)</td>
<td>(10.2)</td>
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<tr>
<td>Cum. Actual</td>
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<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-8%</td>
<td>-6%</td>
<td>-6%</td>
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</tbody>
</table>

WATER SALES REVENUES
Budget Versus Actual (in Millions $)
for the 15 Months Ended September 30, 2016

*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017.
Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017, as amended by the Board.

Fiscal Year 2016 Cumulative Cost of Water Purchases and Treatment (in Millions $)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>40.9</td>
<td>82.8</td>
<td>127.6</td>
<td>166.8</td>
<td>200.2</td>
<td>231.3</td>
<td>258.8</td>
<td>284.1</td>
<td>313.6</td>
<td>348.2</td>
<td>387.9</td>
<td>432.9</td>
</tr>
<tr>
<td>Actual</td>
<td>40.3</td>
<td>64.5</td>
<td>96.7</td>
<td>127.2</td>
<td>156.2</td>
<td>205.0</td>
<td>225.0</td>
<td>243.0</td>
<td>273.6</td>
<td>311.6</td>
<td>352.3</td>
<td>387.1</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(0.6)</td>
<td>(18.3)</td>
<td>(30.9)</td>
<td>(44.0)</td>
<td>(26.3)</td>
<td>(33.8)</td>
<td>(41.1)</td>
<td>(40.0)</td>
<td>(36.6)</td>
<td>(35.6)</td>
<td>(45.8)</td>
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</tr>
<tr>
<td>Cum. Actual</td>
<td>-1%</td>
<td>-22%</td>
<td>-24%</td>
<td>-24%</td>
<td>-11%</td>
<td>-13%</td>
<td>-14%</td>
<td>-13%</td>
<td>-11%</td>
<td>-9%</td>
<td>-11%</td>
<td></td>
</tr>
</tbody>
</table>

Fiscal Year 2017 Cumulative Cost of Water Purchases and Treatment (in Millions $)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-17</th>
<th>Feb-17</th>
<th>Mar-17</th>
<th>Apr-17</th>
<th>May-17</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>50.6</td>
<td>100.4</td>
<td>145.7</td>
<td>185.2</td>
<td>219.0</td>
<td>250.2</td>
<td>279.3</td>
<td>306.1</td>
<td>337.3</td>
<td>373.8</td>
<td>415.1</td>
<td>463.0</td>
</tr>
<tr>
<td>Actual</td>
<td>38.9</td>
<td>91.9</td>
<td>133.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(11.7)</td>
<td>(8.5)</td>
<td>(12.1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>-23%</td>
<td>-8%</td>
<td>-8%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17 through Sep-16</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>432.9</td>
<td>145.7</td>
<td>578.6</td>
</tr>
<tr>
<td>Actual</td>
<td>387.1</td>
<td>133.6</td>
<td>520.7</td>
</tr>
<tr>
<td>Difference</td>
<td>(45.8)</td>
<td>(12.1)</td>
<td>(57.9)</td>
</tr>
<tr>
<td>% Difference</td>
<td>-11%</td>
<td>-8%</td>
<td>-10%</td>
</tr>
</tbody>
</table>
# San Diego County Water Authority
## Fiscal Years 2016 and 2017 Budget Status Report
### For the 15 Months Ended September 30, 2016

## Revenues

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 &amp; 2017 Amended Budget</th>
<th>FY 2016 &amp; 2017 Period-to-Date</th>
<th>Variance with Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[A]</td>
<td>[B] = [A * 63%]</td>
<td>[C]</td>
</tr>
<tr>
<td><strong>Net Water Sales Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$1,162,792,404</td>
<td>$749,661,162 (b)</td>
<td>$698,594,086</td>
</tr>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>895,904,361 (r)</td>
<td>578,622,436 (b)</td>
<td>520,705,121</td>
</tr>
</tbody>
</table>
| **Total Net Water Sales Revenue** | $2,058,696,765 | $1,328,283,598 | $878,391,173 | 52%

## Revenues and Other Income

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 &amp; 2017 Amended Budget</th>
<th>FY 2016 &amp; 2017 Period-to-Date</th>
<th>Variance with Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[A]</td>
<td>[B] = [A * 63%]</td>
<td>[C]</td>
</tr>
</tbody>
</table>
| Infrastructure Access Charges | 61,206,000 | 38,053,566 (m) | 38,053,581 | 15 62%
| Property Taxes and In-Lieu Charges | 23,400,000 | 12,371,000 (m) | 12,809,190 | 438,190 |
| Investment Income | 9,233,000 (d) | 3,938,428 (m) | 6,299,441 (p) | 2,361,013 |
| Hydroelectric Revenue | 7,000,000 (e) | 4,375,000 (m) | 3,991,039 (383,961) | 57%
| Grant Reimbursements | 16,708,000 | 13,507,803 (m) | 13,177,364 (1,161,754) | 74%
| Build America Bonds Subsidy | 20,978,000 | 13,111,200 (m) | 13,177,364 | 66,164 63%
| Other Income | 523,000 | 173,580 (m) | 4,839,047 | 4,665,467 925%
| Capital Contributions: | | | |
| Capacity Charges | 30,500,000 (f) | 15,500,000 (m) | 15,809,826 | 309,826 52%
| Water Standby Availability Charges | 22,500,000 (g) | 11,587,500 (m) | 11,128,330 (459,170) | 49%
| Contributions in Aid of Capital Improvement Program (CIAC) | 3,668,000 (h) | 3,583,062 (m) | 791,486 (2,791,576) | 22%
| **Total Revenues and Other Income** | 195,805,000 | 116,201,139 | 112,455,333 | 3,044,214 51%

## Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 &amp; 2017 Amended Budget</th>
<th>FY 2016 &amp; 2017 Period-to-Date</th>
<th>Variance with Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[A]</td>
<td>[B] = [A * 63%]</td>
<td>[C]</td>
</tr>
</tbody>
</table>
| Stored Water Purchases (q) | 72,082,756 (l),(r) | 70,943,962 (m) | 70,943,962 | - 98%
| Debt Service | 282,804,000 (i) | 161,807,220 (m) | 152,164,050 | 9,643,170 54%
| QSA Mitigation | 24,011,000 (j) | 12,816,000 (m) | 12,816,346 (346) | 53%
| Hodges Pumped Storage | 4,204,000 | 2,648,520 | 2,274,960 | 373,560 54%
| Equipment Replacement | 4,261,065 (r) | 2,684,471 | 2,607,154 | 77,317 61%
| Grant Expenses | 18,108,000 | 11,408,040 | 8,768,254 | 2,639,786 48%
| Other Expenses | 1,000,000 (n) | 630,000 | 1,066,549 (376,549) | 101%
| Operating Departments (see detail below) | 97,097,615 (k),(r) | 61,909,321 | 53,736,836 | 8,172,485 55%
| **Total Expenses** | 503,568,436 | 324,847,534 | 304,318,111 | 20,529,423 67%

## Net Revenues Before CIP

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 &amp; 2017 Amended Budget</th>
<th>FY 2016 &amp; 2017 Period-to-Date</th>
<th>Variance with Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[A]</td>
<td>[B] = [A * 63%]</td>
<td>[C]</td>
</tr>
</tbody>
</table>
| Net Revenues Before CIP | $40,875,393 | $37,607,669 | $(7,183,793) | $30,423,876 18%

## CIP Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 &amp; 2017 Amended Budget</th>
<th>FY 2016 &amp; 2017 Period-to-Date</th>
<th>Variance with Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[A]</td>
<td>[B] = [A * 63%]</td>
<td>[C]</td>
</tr>
</tbody>
</table>
| CIP Expenses by Funding Source | $146,525,000 | $92,310,750 | $97,436,027 | $(5,125,277) 66%

### CIP Expenses by Funding Source

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 &amp; 2017 Amended Budget</th>
<th>FY 2016 &amp; 2017 Period-to-Date</th>
<th>Variance with Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Go Fund</td>
<td></td>
<td></td>
<td>$14,806,117 15%</td>
</tr>
<tr>
<td>CIP/Bond Construction Fund</td>
<td>$82,629,910</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total CIP Expenses by Funding Source</strong></td>
<td>$97,436,027</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Operating Departments Detail (see Attachment 5)

<table>
<thead>
<tr>
<th>Operating Departments</th>
<th>FY 2016 &amp; 2017 Amended Budget</th>
<th>FY 2016 &amp; 2017 Period-to-Date</th>
<th>Variance with Amended Budget</th>
</tr>
</thead>
</table>
| Administrative Services | $14,835,496 | $9,913,901 (m) | $8,399,175 | $1,174,726 59%
| Colorado River Program | 3,223,420 | 2,201,040 (m) | 1,873,086 | 327,954 58%
| Engineering | 7,306,798 | 4,603,283 (m) | 4,038,512 | 564,771 55%
| Finance | 4,976,484 | 3,153,185 | 2,699,905 | 435,280 54%
| General Counsel | 7,391,815 | 4,656,483 | 3,738,945 | 917,989 51%
| General Manager & Board of Directors | 6,028,554 | 3,797,989 | 3,243,219 | 554,771 54%
| MWD Program | 4,261,065 | 2,576,403 | 2,078,682 | 497,212 51%
| Operations & Maintenance | 32,225,807 | 20,302,258 | 18,647,488 | 1,654,770 58%
| Public Outreach and Conservation | 8,764,660 | 5,521,736 | 4,295,966 | 1,225,769 49%
| Water Resources | 8,255,052 | 5,200,683 | 4,381,657 | 819,026 53%
| **Total Operating Departments** | $97,097,615 | $61,909,321 | $53,736,836 | $8,172,485 55%
San Diego County Water Authority
Comparison of Amended Budget and Period-to-Date Amended Budget (63% Overall) to Actual Operating Expenses by Departments
For the 15 Months Ended September 30, 2016

Actual Operating Expenses to Amended Budget in Percentages (%)

<table>
<thead>
<tr>
<th>Department</th>
<th>Two-Year Amended Budget ($97.1 Million)</th>
<th>Period-To-Date Amended Budget ($61.9 Million)</th>
<th>Period-to-Date Actual Operating Expenses ($53.7 Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colorado River Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Counsel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MWD Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Outreach and Conservation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Resources</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Page 130 of 500
San Diego County Water Authority  
Schedule of Cash and Investments  
As of September 30, and August 31, 2016

<table>
<thead>
<tr>
<th>Fund</th>
<th>September</th>
<th>August</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$82,347,453</td>
<td>$57,981,267</td>
<td>$79,800,000</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td>13,049,016</td>
<td>13,039,434</td>
<td></td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>2,327,877</td>
<td>2,505,661</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>125,475,157</td>
<td>125,383,021</td>
<td>$89,300,000</td>
</tr>
<tr>
<td><strong>Total Unrestricted Funds</strong></td>
<td></td>
<td></td>
<td>($1)</td>
</tr>
<tr>
<td>Pay As You Go Fund (1)</td>
<td>160,549,259</td>
<td>160,855,402</td>
<td></td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
<td>36,972,183</td>
<td>41,903,513</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Funds</td>
<td>22,463,080</td>
<td>22,457,550</td>
<td></td>
</tr>
<tr>
<td><strong>Total Restricted Funds</strong></td>
<td></td>
<td></td>
<td>($2)</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>$443,184,025</td>
<td>$424,125,848</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(1) Total Unrestricted Funds and the Pay As You Go Fund represent the Pooled Funds in the Treasurer's Report.

(2) The Operating Fund is set to equal 45-days of operating expenses.

(3) In 2006, the Board adopted the current policy governing the Rate Stabilization Fund (RSF) balances. The policy created a target and a maximum RSF balance. The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory drought regulations and the RSF maximum balance is set equal to the financial impact of 3.5 years of wet weather or mandatory drought regulations. The effect of the current policy is to create a target for fund balances that is tied to the real financial impacts/risks that the fund is designed to protect against. The current balance in this fund represents approximately 141% of the targeted value of $89,300,000 and 92% of the maximum balance of $136,400,000.

### Discretionary Fund Balances

As of September 30, 2016

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
JANUARY 2017

- 04  MWD Delegates meeting at 11:00 a.m.
- 12  No Special Board meeting
- 26  Committees begin at 9:00 a.m.
      Formal Board meeting begins at 3:00 p.m.

FEBRUARY 2017

- 08  MWD Delegates meeting at 11:00 a.m.
- 09  Tentative Special Board meeting at 1:30 p.m.
- 23  Committees begin at 9:00 a.m.
      Formal Board meeting begins at 3:00 p.m.

MARCH 2017

- 08  MWD Delegates meeting at 11:00 a.m.
- 09  Tentative Special Board meeting at 1:30 p.m.
- 23  Committees begin at 9:00 a.m.
      Formal Board meeting begins at 3:00 p.m.
ENGINEERING AND OPERATIONS COMMITTEE

AGENDA FOR

DECEMBER 8, 2016

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


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

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

   4-B Directors’ Comments.

I. CONSENT CALENDAR

1. Grant of Easement to San Diego Gas & Electric Company across San Diego County Water Authority fee owned property. Nick von Gymnich
   Staff recommendation: Authorize the General Manager to grant a permanent easement to San Diego Gas & Electric Company across San Diego County Water Authority fee owned property at San Vicente Reservoir, for the appraised fair market value. (Action)

II. ACTION/DISCUSSION/PRESENTATION

1. Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project Mike Conner
   overview. (Presentation)
III. INFORMATION

1. Energy Subcommittee Update. Michael Hogan

IV. CLOSED SESSION

1. Conference with Legal Counsel – Anticipated Litigation
   Government Code §54956.9(d)(4)
   Deciding to Initiate Litigation – One Case
   Mark Hattam

2. Conference with Legal Counsel – Anticipated Litigation
   Government Code §54956.9(d)(2)
   Risk of Litigation
   Mark Hattam

V. ADJOURNMENT

Melinda Cogle
Clerk of the Board

NOTE: This meeting is called as an Engineering & Operations Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
November 30, 2016

Attention: Engineering and Operations Committee

Final Report on Engineering and Operations Committee Work Plan for calendar years 2015 and 2016. (Information)

Purpose
The attached report summarizes activities performed in support of the Engineering and Operations Committee Work Plan for calendar years 2015 and 2016.

Background

Discussion
The Engineering and Operations Committee is responsible for design, construction, replacement, maintenance, and operations of the Water Authority’s facilities, property, and equipment including: administration of the Capital Improvement Program; administration of the Aqueduct Protection Program; right of way acquisition and management; system and facility security; water quality; and other matters relating to facility operations.

The attached final report lists the Engineering and Operations Committee Work Plan items for calendar years 2015 and 2016 and summarizes the activities taken to achieve the work plan. The items correlate to the 2014-2019 Business Plan goals, which were in effect when the work plan was adopted. The work plan was prepared under the direction of the Engineering and Operations Committee Chair and Vice Chairs.

Prepared by: Jerry Reed, Director of Engineering
James E. Fisher, Director of Operations and Maintenance
Reviewed by: Marty Miller, Chair, Engineering and Operations Committee

Attachment:

1. Final Report on the Engineering and Operations Committee Work Plan

Business Plan Items

Asset Management

1. Consider approval of a staff proposed budget for the Asset Management and Relining and Pipe Replacement Program in the fiscal years 2016 and 2017 Capital Improvement Program. (June 2015 – Business Plan Goal #3*)

Activities
On June 23, 2015, the Board approved the proposed budget. The budget included 5400 linear feet of pipe relining, design and construction of 17 high priority infrastructure rehabilitation projects, and 13 miles of pipeline condition assessment.

Capital Improvement Program

1. San Vicente Dam Raise – Provide oversight of efforts necessary to complete the State of California Division of Safety of Dams’ mandatory coring program and receive DSOD’s certification that the San Vicente Reservoir can be filled to the full height of the raised dam. Filling of the reservoir is controlled by the completion of the San Vicente Bypass Pipeline (see below) and available water. Provide on-going litigation support regarding the construction contract with Shimmick/Obayashi Joint Venture. (July 2013 - Business Plan Goal #1 and #8*)

Activities
The Water Authority received DSOD’s formal certification to fill the San Vicente Reservoir to the full height of the raised dam on December 3, 2015. The Water Authority has filled approximately 142,000 AF of our 152,000 AF of storage within the reservoir. Litigation support is ongoing.

2. San Vicente Reservoir Marina Facilities – Provide oversight of efforts necessary to complete construction of the San Vicente Marina by April 2015. (December 2014 - Business Plan Goal #1*)

Activities
This project is complete. Notice of Completion was filed on April 4, 2016.

3. San Vicente Bypass Pipeline – Provide oversight of efforts necessary to complete construction of the San Vicente Bypass Pipeline by October 2015. (December 2015 - Business Plan Goal #8*)

Activities
This project is complete. Notice of Completion was filed on May 5, 2016.
4. Pipeline 3, 4, and 5 Relining for State Route 76 – Provide oversight of efforts necessary to complete the relining of all three Second Aqueduct pipelines within the right of way of the widened and realigned State Route 76 no later than May 2015. (Business Plan Goal #2*)

Activities
This project is complete. Notice of Completion was filed on June 9, 2015 and Caltrans has reimbursed the Water Authority per the utility services agreement.

5. Nob Hill Improvements – Provide oversight of efforts necessary to complete the design of the Nob Hill Improvements by March 2015, advertise for construction in April 2015 and complete construction by the fall of 2016. (Business Plan Goal #13*)

Activities
Construction continues with pipe installation and preparation for the tie-in shutdown scheduled in January 2017. During the initial design phase, the project was estimated to be complete in the fall of 2016; however, during scheduling of the shutdowns to complete the project the contract completion date was moved to spring 2017.

6. Twin Oaks Valley Water Treatment Plant Expanded Service Area – Provide oversight of efforts necessary to complete construction at the Valley Center Pump Station by September 2015 to double, from 20 cfs to 41 cfs, the volume of treated water from the Twin Oaks Valley Water Treatment Plant delivered to the First Aqueduct. (September 2015 - Business Plan Goal #6*)

Activities
This project is complete. Notice of Completion was filed on August 24, 2016.

7. First Aqueduct Regulatory Storage Project – Provide oversight of efforts necessary to complete the California Environmental Quality Act (CEQA) compliance for the project by July 2016. The project will provide operational reliability should treated water flows along the Second Aqueduct be interrupted. (July 2016 - Business Plan Goal #9*)

Activities
The CEQA document was certified at the January 2016 Board meeting.

Carlsbad Seawater Desalination

1. Consider periodic updated information on both the Carlsbad Desalination Facility (in accordance with the Carlsbad Desalination Facility Water Purchase Agreement) and the Desalinated Product Water Conveyance Pipeline (in accordance with the Desalination Design-Build Agreement).

Activities
Final update to the Board was provided in January 2016.
2. Pipeline 3 Desalination Relining San Marcos to Twin Oaks – Provide oversight of efforts necessary to complete the relining of approximately 27,000 feet of Pipeline 3 by March 2015 from the Product Water Conveyance connection to the Twin Oaks Valley Water Treatment Plant prior to the scheduled start up and testing of the Carlsbad Desalination Facilities. (June 2015 - Business Plan CIP Goal #3*)

**Activities**
This project is complete. Notice of completion was filed on April 9, 2015.

3. Provide oversight of efforts necessary to complete commissioning/commercial operations of the Carlsbad Desalination projects in fall of 2015. (October 2015 - Business Plan Goal #6*)

**Activities**
Commissioning/commercial operation of the Carlsbad Desalination projects was completed in December 2015.

### Facilities Security and Emergency Preparedness

1. Provide oversight of staff’s participation in/conducting a local inter-agency or regional emergency preparedness exercise. (December 2015 – Business Plan Goal #2*)

**Activities**
Staff participated in a disaster recovery tabletop exercise at the County of San Diego in September 2015, and assisted in the development and participated in the MWD regional earthquake exercise in November 2015. In addition, staff held a member agency workshop on flood preparedness, response, and recovery which included multiple County departments and SDG&E in December 2015.

2. Provide oversight of efforts required to complete video surveillance and communication upgrades at the Escondido Operations Center. (June 2016 – Business Plan Goal #4*)

**Activities**
Video and communications upgrades were completed in May 2016.

3. Provide oversight of staff’s participation in/conducting a local inter-agency or regional emergency preparedness exercise. (December 2016 – Business Plan Goal #5*)

**Activities**
The Water Authority is coordinating with state and county representatives to conduct a series of Public Assistance cost recovery workshops in December 2016.
Operations and Maintenance

1. Achieve 97 percent uptime and produce $2.6 million in revenue at the Lake Hodges Hydroelectric Facility in fiscal year 2016. (June 2016 – Business Plan Goal #4*)

   Activities
   Lake Hodges Hydroelectric Facility achieved 99 percent availability uptime and generated $2.9 million in revenue for fiscal year 2016.

2. Achieve 97 percent uptime and produce $2.6 million in revenue at the Lake Hodges Hydroelectric Facility in fiscal year 2017. (June 2017 – Business Plan Goal #7*)

   Activities
   This activity is scheduled for 2017 (see Item 1 for fiscal year 2016 activities).

3. Provide oversight of the efforts necessary to resolve five of the top ten right of way enforcement cases. (June 2016 – Business Plan Goal #5*)

   Activities
   All five encroachment cases were resolved.

4. Produce hydroelectric energy revenue of $900,000 annually at the Rancho Peñasquitos Hydroelectric Plant. (June 2016 – Business Plan Goal #6*)

   Activities
   Due to low aqueduct flows and major maintenance, this goal was not achieved.

*2014-2019 Business Plan
Grant of Easement to San Diego Gas & Electric Company across San Diego County Water Authority fee owned property. (Action)

Staff recommendation
Authorize the General Manager to grant a permanent easement to San Diego Gas & Electric Company across San Diego County Water Authority fee owned property at San Vicente Reservoir, for the appraised fair market value.

Alternative
Do not award the Grant of Easement and direct staff to issue an encroachment permit. This would result in no monetary compensation to the Water Authority.

Fiscal impact
The Water Authority will receive fair market value for the easement as determined by an appraisal. The rate category designation does not apply.

Background
The Water Authority owns property near San Vicente Reservoir (APN: 329-010-05), shown in Figure 1, which was purchased in 2010 for buffer purposes as part of the San Vicente Dam Raise project. The property is already encumbered by existing SDG&E power lines. There is no record of an easement to SDG&E for the existing lines, but they were in place prior to the Water Authority’s acquisition of the property. The location of the existing lines and proposed easement are shown in Figure 2. SDG&E is replacing the existing wood power poles with metal ones in accordance with its Fire Risk Mitigation-Pole Replacement project. The project also includes replacement and wider spacing of the electric wires.

Discussion
SDG&E has requested a 15-foot-wide easement across Water Authority land used for buffer purposes at the San Vicente Reservoir. This proposed easement will not affect any Water Authority pipelines or facilities.

After Board consideration of this item, Water Authority staff will complete an appraisal of the property to establish fair market value before an easement is granted. SDG&E will pay all costs associated with the appraisal as well as the fair market value for the easement.

Staff recommends the Board authorize the General Manager to grant the permanent easement to SDG&E across the Water Authority fee owned property for the appraised value.

Prepared by: Nick von Gymnich, Senior Right of Way Agent
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Sandra L Kerl, Deputy General Manager

Attachment:
Figure 1 – General Location Map
Figure 2 – Easement Location Map
FIGURE 1

GRANT OF PERMANENT EASEMENT
SAN DIEGO GAS & ELECTRIC
GENERAL LOCATION MAP

W: GRAPHICS 59999 Proposed SDGE General Location Map 11-2016.pdf
San Diego County Water Authority

Hook Property
APN: 329-100-70
11.96 Net Acres

Sturges Property
APN: 329-100-60
20.0 Net Acres

San Diego County Water Authority Property
APN: 329-010-05
57.20 Net Acres

LEGEND
- SDG&E Power Pole
- SDG&E Overhead Power Line
- Property Line

SCALE (feet)
0 25 50 100

GRANT OF PERMANENT EASEMENT
SAN DIEGO GAS & ELECTRIC
EASEMENT LOCATION MAP
FIGURE 2
November 30, 2016

Attention: Engineering and Operations Committee

Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project overview. (Presentation)

Purpose
This information item provides an overview and update on the Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project.

Discussion
This project is part of the overall program to rehabilitate and reline prestressed concrete cylinder pipe within the Water Authority’s conveyance system to ensure continued reliability of the aqueduct system. The Water Authority, working with contractors, developed the rehabilitation technology known as relining, which installs steel liners inside corroded prestressed concrete cylinder pipe, and extends the pipeline’s service life. Relining technology relies on the excavation of access portals, similar to tunneling methodology, where the liners are inserted into the existing pipeline sections to be rehabilitated. This approach is cost effective and minimizes impacts to the community and environment.

This project will rehabilitate approximately 22,800 feet of Pipeline 3 by installing welded steel liners inside the 66- and 69-inch sections of the pipeline from Lake Murray, through the City of La Mesa, to Sweetwater Reservoir. The project also includes the rehabilitation and abandonment of various operational structures along the Pipeline 3 alignment. A general location map is included in Figure 1.

Sections of Pipeline 3 between Lake Murray and Sweetwater Reservoir are located in narrow easements between businesses, houses, and multi-family residential units. Eighteen portals, approximately 60 feet wide by 20 feet long, ranging from 10 to 35 feet deep, will be constructed providing temporary access to Pipeline 3. A typical portal location is shown in Figure 2. The Water Authority is coordinating with a total of 21 property owners – 18 residential and commercial, and 3 public agencies – to acquire temporary construction easements that will provide working areas and access for the contractor at each portal location.

Staff will complete the design for the project and return to the Engineering and Operations committee with an information item prior to advertising for bids in Spring 2017. The construction cost estimate is between $35 million and $40 million. The project is currently scheduled to start construction in Fall 2017, with completion estimated in Fall 2018.

Prepared by: Mike Conner, Senior Engineer
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments:
Figure 1 – General Location Map
Figure 2 – Typical Portal Location
PROJECT:
Pipeline 3 Relining,
Lake Murray to Sweetwater Reservoir

FIGURE 1
PROJECT: Typical Portal Location Pipeline 3 Relining, Lake Murray to Sweetwater Reservoir

FIGURE 2

LEGEND
- Water Authority Facility
- Portal Location
- Portal Excavation
- Portal Staging Area
- Manhole Rehabilitation
- Pipeline 3 Relining
- Assessor’s Parcel Line

SCALE feet

0 50 100 200

San Diego County Water Authority
CAPITAL IMPROVEMENT PROGRAM
November 30, 2016

Attention: Engineering and Operations Committee

CLOSED SESSION:
Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(4)
Deciding to Initiate Litigation – One Case

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(4), to discuss the above-referenced matter at the December 8, 2016 meeting.

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

Prepared by: Mark J. Hattam, General Counsel
November 30, 2016

Attention: Engineering and Operations Committee

CLOSED SESSION:
Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(2)
Risk of Litigation

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(2), to discuss the above-referenced matter at the December 8, 2016 meeting.

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

Prepared by: Mark J. Hattam, General Counsel
1. Roll call – determination of quorum.

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

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

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

I. CONSENT CALENDAR

1. Amend agreement for Consulting Services with M Strategic Communications. Amy Chen
   Staff recommendation: Amend the agreement with M Strategic Communications for continued consulting services to the Water Authority through June 30, 2018 by $270,000, for a period of 18 additional months, and increasing total contract funding to an amount not to exceed $776,000. (Action)

II. ACTION/DISCUSSION/PRESENTATION


   1-A Presentation by Dr. Jeffrey Michael.
2. **MWD issues and activities update.**
   2-A Metropolitan Water District Delegates’ Report. (Discussion)  
   MWD Delegates
   2-B Metropolitan Water District’s Potential Regional Recycled Water Program. (Presentation)  
   Liz Mendelson-Goossens

3. **Colorado River Programs.**
   3-A Colorado River Board Representative’s Report.  
   Doug Wilson
   3-B State Water Resources Control Board Salton Sea Management Plan Update. (Presentation)  
   Dan Denham
   3-C Proposed Lower Colorado River Drought Contingency Plan update. (Presentation)  
   Dan Denham

III. **INFORMATION**

1. Metropolitan Water District Program Report.  
   Amy Chen

IV. **CLOSED SESSION**

1. Conference with Legal Counsel – Existing Litigation  
   Government Code §54956.9(d)(1)  
   Name of Case: SDCWA v. Metropolitan Water District of Southern California; Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; BS164526; A146901; and A148266  
   Mark Hattam

V. **ADJOURNMENT**

   Melinda Cogle  
   Clerk of the Board

**NOTE:** This meeting is called as an Imported Water Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
November 30, 2016

Attention: Imported Water Committee


Purpose
This attached report summarizes activities performed in support of the Imported Water Committee Work Plan for calendar years 2015 and 2016.

Background

Discussion
The Imported Water Committee is responsible for imported water matters, including: Activities and issues as a member agency of the Metropolitan Water District of Southern California; administration of the Colorado River Quantification Settlement Agreement and related agreements; Colorado River Board; State Water Project; Bay-Delta; and other matters relating to water supplies from outside San Diego County.

The attached report lists the Imported Water Committee Work Plan items for calendar years 2015 and 2016 and summarizes the activities taken to achieve the work plan. The items correlate to the 2014-2019 Business Plan goals, which were in effect when the work plan was adopted. The work plan was prepared under the direction of the Imported Water Committee Chair and Vice Chairs.

Prepared by:  Amy I. Chen, Director of MWD Program
               Dan Denham, Director of Colorado River Program
Reviewed by:  Mark Watton, Chair, Imported Water Committee

Attachment:

1. Final Report on the Committee Work Plan
Final Report on the Imported Water Committee Work Plan
for calendar years 2015 and 2016

Business Plan Items

Bay-Delta Plan
1. Adopt updated Bay-Delta work plan for Calendar Years 2015 and 2016 (March 2015 – BP #1)
   Activities
   The Board adopted Bay-Delta principles in February 2012, and incorporated them as part of the 2015 Legislative Policy Guidelines (November 2014) and the 2016 Legislative Policy Guidelines (December 2015). In February 2015, the Board adopted the updated 2015-2016 Bay-Delta work plan.

2. Address issues related to the implementation of near-term Bay-Delta actions and long-term solutions to fix the Bay-Delta’s infrastructure (September 2017 – BP #2, #4, #5 and #6)
   Activities
   The Committee received updates on Bay-Delta issues through Bay-Delta activities reports, monthly Delegates and MWD Program reports, other reports and letters (ongoing). During the August 2015 Committee meeting, John Laird (Secretary, California Natural Resources Agency) and Karla Nemeth (Deputy Secretary for Water Policy, California Natural Resources Agency) addressed the Committee on issues pertaining to the Bay Delta Conservation Plan (BDCP) and California WaterFix (WaterFix) and California EcoRestore.

   Staff reviewed the BDCP/California WaterFix Partially Recirculated Draft Environmental Impact Report/Supplemental Draft Environmental Impact Statement (DEIR/DEIS), which was released for a 51-day public review and comment period commencing on July 10, 2015. The committee received staff’s findings on the BDCP/California WaterFix Partially Recirculated DEIR/DEIS (September 2015) and heard a presentation on the Water Authority’s comment letter (October 2015). Upon the Board’s review of the letter, staff submitted a formal BDCP/California WaterFix comment letter by the October 30, 2015 deadline (October 2015).

   The Committee also received an informational report on the Delta Stewardship Council’s Delta Plan and updates on a Superior Court’s decision that invalidated the plan (July 2016).

3. Recommend and advocate alternatives that would secure long-term firm financial commitments commensurate with benefits to pay the fixed costs of the Bay-Delta conveyance project; and to secure federal and state funds to support non-water supply improvements in the Bay-Delta that benefit the public at-large (September 2017 – BP #1, #3, #4 and #5)
Activities
The Committee received a report on the State Water Project Contractors Authority’s efforts to finance the planning, environmental design, and pre-construction phases of the BDCP (February 2015). The Committee also received a copy of the State Treasurer’s assessment of the affordability and financing considerations of the Bay Delta Conveyance Facility and heard a report on the impact of the assessment’s findings to the Water Authority (April 2015). The Committee received a presentation on the potential cost impact of the BDCP/WaterFix to the Water Authority (December 2015), and also received a presentation from Dr. David Sunding regarding the economic analysis he conducted for the Natural Resources Agency on WaterFix (October 2016).

Colorado River Supplies
1. Work with the Colorado River Subcommittee to ensure full access to supplies linked to the Quantification Settlement Agreement and related agreements, including the water transfer with IID, the All American Canal Lining Project, and the Coachella Canal Lining Project (June 2019 – BP #1, #2, #3, #4, #5, #6, #7 and #8)

Activities
The Colorado River Subcommittee met quarterly to discuss issues related to the QSA, IID water transfer, and canal lining projects (January 2015, April 2015, July 2015, October 2015, January 2016, April 2016, June 2016, and November 2016). The Subcommittee received updates on activities related to the Colorado River Board (CRB) from its members who serve on the CRB’s Board as vice-chair and alternate, staff analysis related to upcoming milestones of the QSA, QSA outreach activities, discussions with the County of Imperial, and ongoing Basin States drought contingency planning efforts.

Members of the Committee and its Subcommittee participated in the following legislative advocacy trips to discuss QSA Implementation, the IID petition filed with the State Water Resources Control Board (SWRCB), and the Salton Sea:
- Met with legislative leadership, representatives of the Governor’s office, and key Administration officials in Sacramento (February 2015 and June 2016)
- Met with the San Diego legislative delegation, representatives of the Imperial Valley legislative delegation, and legislative leadership in Sacramento (May 2015).
- In conjunction with the San Diego Regional Chamber of Commerce, met with representatives of the San Diego congressional delegation and Administration officials in Washington, D.C. (September 2015 and 2016).
- Submitted written comments and spoke publicly during SWRCB Salton Sea Management Program workshops and briefings in Sacramento (March 2015, January 2016, April 2016, August 2016, and November 2016)

Members of the Subcommittee attended an Imperial Valley farm tour (January 2015), the 2015 Colorado River Symposium (September 2015), the Association of California Water Agencies conference (May 2015 and 2016), and the Colorado River Water Users Association conference (December 2015 and 2016). Additionally, various Subcommittee members met with representatives from the IID, County of Imperial, and Coachella Valley Water District in an effort to continue to build board-to-board relationships.
2. Advocate for effective and efficient mitigation measures in support of the Water Authority’s supplies under the Quantification Settlement Agreement and related agreements (June 2019 – BP #1, #5, #6, and #8)

Activities
The Board authorized the General Manager to accept the Wister Sport Fishery Project as complete and to file a notice of completion (January 2015). Construction of the project was required mitigation for both the All American Canal and the Coachella Canal Lining Projects.

The Committee received a status update on mitigation measures required to be implemented as part of the Coachella Canal Lining Project, and the Board approved a five-year, as-needed professional services contract for up to $3 million for environmental services for post-construction mitigation projects (June 2015).

The Committee received an update on the QSA Joint Powers Authority (JPA) modification to its agency payment schedules to fund projected environmental mitigation measures (June 2015). The Water Authority’s $10 million share of the total $40.5 million advance will result in a nominal savings to the Water Authority of $4.6 million over the seven-year payment schedule.

The Water Authority continued its active participation in, and received an update on the Lower Colorado River Multi Species Conservation Program (LCR MSCP) for on-river environmental mitigation associated with the water transfer and canal lining water change in point of diversion (May 2016).

Water Authority board members attended a tour of the Salton Sea, QSA mitigation and state restoration projects in Imperial Valley, and private dust mitigation projects (November 2016). The tour included presentations from the Assistant Secretary for Salton Sea Policy, the Imperial County Farm Bureau, Imperial Valley Vegetable Growers Association, and the geothermal industry. Board members also had the opportunity to talk with local farmers.

3. Recommend and support water supply projects that augment the region’s existing Colorado River supply sources, including binational projects (June 2019 – BP #9 and #10)

Activities
The Subcommittee received updates on efforts related to binational desalination projects, including participation in binational workgroups.

At the request of the Committee Vice-Chair, the Colorado River Program Director provided an update on binational activities to the San Diego Association of Governments Border Committee (July 2015).

4. Advocate for the State to meet its mitigation and restoration obligations at the Salton Sea in a timely and effective manner (June 2019 – BP #5 and #6)
Activities
Members of the Committee participated in legislative advocacy trips to discuss the Salton Sea in Sacramento (February 2015, May 2015, and June 2016) and in Washington, D.C., (September 2015 and 2016). (See Colorado River Supplies #1 for more discussion related to the meetings). At its regular meetings, the Committee received reports on Colorado River hydrology, drought, and Basin States issues (April 2015, October 2015, June 2016, and August 2016).

Based on a Water Authority recommendation to the SWRCB, a Salton Sea Task Force was developed by the Governor’s Office, and throughout 2015 and 2016 members of the Committee met with the task force in Sacramento to share the Water Authority’s perspectives regarding near-term, intermediate-term, and long-term Salton Sea restoration objectives and plans. The Water Authority has remained active in the Salton Sea Task Force through participation in various stakeholder committees including the Long-Range and Financial Planning Committee, Air Quality Committee, and Public Outreach Committee. At its regular meetings, the Committee received updates on the Governor’s Salton Sea Task Force (July 2015) and a status update on Salton Sea activities (December 2015, January 2016, and May 2016).

A member of the Subcommittee, the Chair of the Board attended the SWRCB’s public workshop on the status of the Salton Sea (March 2015). The Water Authority provided both oral and written comments advocating for the development of a restoration plan with associated funding. The Water Authority submitted similar comments to Little Hoover Commission at its public hearing regarding Salton Sea mitigation and restoration in April 2015 and also attended the Little Hoover Commission public hearing in April 2016.

Water Authority staff also attended the SWRCB’s public workshops regarding the status of the Salton Sea management program on behalf of the Subcommittee (March 2015, January 2016, April 2016, August 2016, and November 2016). Written comments focused on QSA mitigation efforts at the Salton Sea, air quality issues in the Salton Sea basin that pre-date the QSA, the need for a comprehensive financing plan, support for the momentum created by the Salton Sea Task Force, and concerns regarding potential unmitigated environmental impacts from the Draft Basin States Drought Contingency Plan.

The Water Authority participated on a panel before the Assembly Select Committee on Renewable Energy Development and Restoration of the Salton Sea to share the Water Authority’s perspectives regarding Salton Sea restoration (June 2015).

Metropolitan Water District Water Supplies
1. Work with the MWD Delegates to ensure long-term regional MWD water supply reliability and quality while ensuring equity for San Diego County water ratepayers (June 2016 – BP #3 and #4)

Activities
The Committee received information related to regional water supply reliability and quality through monthly MWD Program and Delegates reports, such as updates on MWD
storage programs and the potential allocation scenarios (March 2015); MWD’s purchase of Delta Wetlands Properties (March 2016); and MWD’s potential regional recycled water program (October 2016).

As part of the Water Authority’s Delegates’ Report, the Committee received copies of their letters related to: MWD’s water supply management strategies, including use of storage supplies (March 2015); the Delegates’ concerns regarding CEQA compliance associated with an amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus, increasing the maximum amount of conserved water IID could store in MWD’s facilities for a three-year term (August 2015); and MWD’s potential regional recycled water program in conjunction with Los Angeles County Sanitation Districts (September 2015 and March 2016).

2. Work with the MWD Delegates to address issues related to MWD policies and programs to ensure MWD’s long-term fiscal sustainability (April 2016 – BP #2)

**Activities**
The Committee heard and received reports on MWD’s:
- Mid-term biennial budget and financial review for fiscal years 2015 and 2016 (July 2015);
- Proposed budget and rates for 2017 and 2018 (February 2016);
- Treatment fixed charge discussions and update on Treatment Fixed Charge workgroup (March 2016 and September 2016); and

Additionally, monthly Delegates Reports discussed policies and programs related to MWD’s long-term fiscal sustainability.

The Committee also received copies of letters between the Water Authority Delegates and MWD. Those letters are listed in Attachment A.

3. Consider options to secure short-term water transfers and optimize the Water Authority’s out-of-region storage to meet dry-year supply needs as required (December 2017 – BP #8 and #12)

**Activities**
Due to lower water demands, this item was deferred. The Committee received an update on the Water Authority’s two out-of-region groundwater storage programs (December 2015).

4. Consider staff recommendations to the rate litigation to achieve a successful court outcome in the 2015-2016 rate case and to preserve the favorable April 24, 2014 ruling (December 2017 – BP #1, #10 and #11)

**Activities**
The Committee received updates on the rate litigation in closed session. A final trial court judgment was entered on November 18, 2015 affirming the Water Authority’s
victory in both phases of the rate litigation – invalidating of MWD’s rates for 2011, 2012, 2013 and 2014, awarding damages, and agreeing that MWD under-calculates the Water Authority’s preferential right to MWD water. San Francisco Superior Court judge awarded $8.9 million in attorneys’ fees to the Water Authority on March 24, 2016. On April 13, 2016, the Water Authority filed its fourth lawsuit against MWD for adoption of illegal rates for 2017 and 2018.

Based on staff recommendations, the Board approved the following agreements with:

- M Strategic Communications for continued consulting services (January 2015, December 2015)
- SCN Strategies for continued consulting services (April 2015 and April 2016)
- Southwest Strategies for continued consulting services (April 2015 and April 2016)
- Brownstein Hyatt Farber Schreck, LLP, for special counsel services (June 2015 and June 2016);
- Gordon Hess and Associates, Inc., for continued consulting services (June 2016)
- Water Resource Consultants, Inc., for continued consulting services (June 2016)

5. Address issues related to the governance, operation and ownership of the State Water Project that may impact imported water supplies to the region. (September 2017 – MWD Program: BP #5 and Bay-Delta Program: BP #6)

Activities
The Board of Directors adopted the 2015 and 2016 Legislative Policy Guidelines, which continued the Board’s position to oppose legislation that transfers ownership, operation or control of the State Water Project or any of its facilities to MWD, the State Water Project Contractors, Central Valley Project Contractors, the State and Federal Contractors Water Agency, or any entity composed of MWD or other water project contractors (Legislative, Conservation and Outreach Committee in November 2014 and December 2015). The Committee received reports on Department of Water Resources and State Water Project operations through monthly MWD Program and Delegates reports (Ongoing).

Other Items

1. Ensure coordination and consideration of local supply development as related to Bay-Delta, Colorado River and MWD supply development.

Activities
At its regular meetings, the Committee received reports on Colorado River hydrology and supply (April 2015, October 2015, June 2016, and August 2016)

The Committee also received updates on MWD’s 2015 Integrated Water Resources Plan (IRP) (August 2015 and August 2016) and received a presentation from Deven Upadhyay (Water Resources Management Group Manager, MWD) on the IRP process (September 2015).
Below is a complete list of Water Authority Delegates’ letters to MWD related to:

<table>
<thead>
<tr>
<th>Official Statement</th>
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<tbody>
<tr>
<td>• MWD’s Official Statement (March 9, 2015)</td>
</tr>
<tr>
<td>• Opposition of MWD’s Official Statement in connection with the refunding of bonds (June 5, 2015)</td>
</tr>
<tr>
<td>• Opposition of MWD’s official Statement in connection with the remarketing of bonds (October 12, 2015)</td>
</tr>
<tr>
<td>• Appendix A of Official Statement (June 11, 2016)</td>
</tr>
<tr>
<td>• Comments on the Board distribution draft Appendix A dated 5/13/16 (June 15, 2016)</td>
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<tr>
<td>• Comments on the Board distribution draft Appendix A dated 7/9/16 (July 11, 2016)</td>
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<thead>
<tr>
<th>Budget, Rates, Charges, and Debt Management</th>
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</thead>
<tbody>
<tr>
<td>• Calendar Year 2016 Readiness-to-Serve and Capacity charges (April 13, 2015)</td>
</tr>
<tr>
<td>• MWD’s Water Standby Charge for Fiscal Year 2016 (May 9, 2015)</td>
</tr>
<tr>
<td>• Adoption of a Resolution for the Reimbursement with Bond Proceeds of Capital Investment Plan projects funded from the General Fund and Replacement and Refurbishment Fund (July 9, 2015)</td>
</tr>
<tr>
<td>• Maintaining the Ad Valorem Tax Rate for Fiscal Year 2016 (August 15, 2015)</td>
</tr>
<tr>
<td>• Approval of the introduction by title only of an Ordinance Determining that the Interests of the District Require the use of Revenue Bonds in the Aggregate Principal Amount of $5 Million (September 20, 2015)</td>
</tr>
<tr>
<td>• Adoption Ordinance No. 149 determining that the interests of MWD require the use of revenue bonds in the aggregate principal amount of $500 million (October 10, 2015)</td>
</tr>
<tr>
<td>• Opposition to the authorization to sell up to $250 million in Water Revenue Bonds (November 6, 2015)</td>
</tr>
<tr>
<td>• MWD’s proposed budget and rates for 2017 and 2018, and ten-year forecast (February 6, 2016)</td>
</tr>
<tr>
<td>• Cost of service report for proposed budget and rates for 2017 and 2018 (February 9, 2016)</td>
</tr>
<tr>
<td>• Budget and rates workshop #2 and information request (February 22, 2016)</td>
</tr>
<tr>
<td>• Authorization of short-term revenue certificates (March 7, 2016)</td>
</tr>
<tr>
<td>• MWD’s Water Standby Charge for fiscal year 2017 (May 5, 2016)</td>
</tr>
<tr>
<td>• Establish FY17 tax rate (August 15, 2016)</td>
</tr>
<tr>
<td>• Compliance with Fund Requirements and Bond Indenture Provisions (November 4, 2016)</td>
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<table>
<thead>
<tr>
<th>External Audit Practice</th>
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<tbody>
<tr>
<td>• MGO fiscal year 2015 audit report (October 26, 2015)</td>
</tr>
<tr>
<td>• Audit and Ethics Committee Agenda Item 3a - Discussion of Independent Auditor’s Report from MGO LLP/Basic Financial Statements (October 25, 2016)</td>
</tr>
<tr>
<td>Long-Term Resources Planning</td>
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<tr>
<td>• MWD’s 2015 Integrated Water Resources Plan Update (January 10, 2016)</td>
</tr>
<tr>
<td>• MWD’s 2015 Urban Water Management Plan (May 8, 2016)</td>
</tr>
<tr>
<td>• Integrated Resources Planning Committee Meeting Committee Items – Comments and Request for Future Agenda Items (October 25, 2016)</td>
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</tbody>
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<thead>
<tr>
<th>Water Supply Programs and Agreements</th>
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<tbody>
<tr>
<td>• Water supply management strategies including Use of Storage (March 6, 2015)</td>
</tr>
<tr>
<td>• Amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus (August 16, 2015)</td>
</tr>
<tr>
<td>• Exchange and storage program with Antelope Valley-East Kern Water Agency (November 7, 2015)</td>
</tr>
<tr>
<td>• Water use efficiency measures for the Colorado River and Colorado River shortage negotiations (May 5, 2016)</td>
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<tr>
<th>Local Supply and Demand Management Programs</th>
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<tbody>
<tr>
<td>• Authorization of $150 million in Additional Funding for Conservation Incentives and Implementation of Modifications to the Turf Removal Program (May 8, 2015)</td>
</tr>
<tr>
<td>• Authorization of $350 million in Additional Funding for Conservation Incentives and Implementation of Modifications to the Turf Removal Program (May 25, 2015)</td>
</tr>
<tr>
<td>• Request of information on MWD’s Turf Removal Program (August 7, 2015)</td>
</tr>
<tr>
<td>• Potential Regional Recycled Water Supply Program with Los Angeles County Sanitation Districts (September 20, 2015)</td>
</tr>
<tr>
<td>• Opposition of agreement with County Sanitation District No. 2 of Los Angeles County for development of a demonstration-scale recycled water supply program and design of a demonstration-scale recycled water treatment plant (November 9, 2015)</td>
</tr>
<tr>
<td>• Opposition to agreements related to the recycled water program demonstration program with Los Angeles County Sanitation District (March 5, 2016)</td>
</tr>
<tr>
<td>• Modifications and additions to the Conservation Programs (July 8, 2016)</td>
</tr>
<tr>
<td>• MWD Water Savings Incentive Plan Agreements (August 12, 2016)</td>
</tr>
<tr>
<td>• Policy Principles on Watershed Management (October 9, 2016)</td>
</tr>
<tr>
<td>• Opposition to Local Resources Program agreement with Los Angeles Department of Water and Power for the North Hollywood Area Water Recycling Project (November 4, 2016)</td>
</tr>
<tr>
<td>• Opposition to Local Resources Program agreement with Los Angeles Department of Water and Power for the Sepulveda Basin Sports Complex Water Recycling Project (November 4, 2016)</td>
</tr>
<tr>
<td>• Opposition to Local Resources Program agreement with Eastern Municipal Water District for Perris II Brackish Groundwater Desalter (November 5, 2016)</td>
</tr>
<tr>
<td>• Opposition to Local Resources Program agreement with the City of Torrance and the Water Replenishment District of Southern California for the Groundwater Reliability Improvement Program Recycled Water Project (November 5, 2016)</td>
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<td>• Opposition to entering into a Water Savings Incentive Plan Agreements with Tri-Star Dyeing and Finishing Inc. (November 5, 2016)</td>
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<tr>
<td><strong>Transparency</strong></td>
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<tr>
<td>• Requesting open session report for closed session item on Omega Chemical Corp Superfund Site (November 30, 2015)</td>
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<tr>
<td>• Discussion to be held in open session related to purchase of Delta Wetlands Properties in Contra Costa, San Joaquin, and Solano Counties (May 7, 2016)</td>
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November 30, 2016

Attention: Imported Water Committee

Amend agreement for Consulting Services with M Strategic Communications. (Action)

Staff recommendation
Amend the agreement with M Strategic Communications for continued consulting services to the Water Authority through June 30, 2018 by $270,000, for a period of 18 additional months, and increasing total contract funding to an amount not to exceed $776,000.

Alternatives
Do not amend the contract with M Strategic Communications. Funding under the current contract will cover services through December 31, 2016.

Fiscal Impact
If the staff recommendation is approved, the contract amount would be amended by $270,000, for 18 additional months of service at $15,000 a month. The total amount of the contract is not to exceed $776,000. The additional $270,000 will come from the fiscal year 2017 MWD Program operating budget (for which funds were budgeted) and funds for fiscal year 2018 will be contingent upon Board approval of the fiscal years 2018 and 2019 biennial budget.

Background
The Water Authority utilizes consultants to assist in accomplishing Board-directed priorities and programs. Since May 2014, M Strategic Communications has provided the Water Authority with specialized consulting services in support of educating elected officials and civic leaders in Los Angeles County on Metropolitan Water District of Southern California’s water rates, resource planning, fiscal policies, and practices. The Board has identified education on MWD policies and practices as a top priority.

Discussion
M Strategic Communications provides specialized consulting services, and advises the Water Authority’s staff in a variety of areas, including public and media relations, community outreach, coalition development and other education and outreach services. M Strategic Communications is part of a larger team comprised of the Water Authority’s MWD delegates and MWD Program management staff. It supports the Water Authority’s communication, education, and outreach efforts in the Los Angeles area.

Costs for the amended contract will continue to include a $15,000 monthly retainer fee, plus reimbursement for approved expenses. The amendment will extend the contract with M Strategic Communications through June 30, 2018, and may be terminated by the Water Authority at any time upon delivery of written notice. Due to the limited scope of this project, SCOOP outreach was not required.

Prepared by:  Suki Chhokar, Assistant Management Analyst
Reviewed by:  Amy Chen, Director of MWD Program
Approved by:  Dennis A. Cushman, Assistant General Manager
November 30, 2016

Attention: Imported Water Committee

Metropolitan Water District Delegates’ Report (Discussion)

Background
This report summarizes key discussions held and actions taken at the Metropolitan Water District (MWD) committee and Board meetings, as reported by the Water Authority Delegates. The MWD committees and Board met on November 7 and 8, 2016, and meet next on December 12 and 13.

Discussion
Key actions at this month’s MWD Board meetings included: 1) authorizing four Local Resources Program (LRP) agreements; 2) authorizing a Water Savings Incentive Program (WSIP) agreement; and 3) approving an agreement for temporary emergency delivery of Mexico’s Colorado River to the border near Tijuana. The Water Authority Delegates opposed entering into the four LRP and one WSIP agreements because both these programs are funded through MWD’s illegal rates and MWD failed to demonstrate any water supply benefit to MWD and its other member agencies. The Delegates expressed their opposition to, and concerns with these five agreements in letters to MWD.¹ Attachment 1 provides a summary of MWD Board’s discussion related to these five agreements. The MWD Board received a report on its compliance with fund requirements and bond indenture provisions. In connection with this report, the Delegates wrote a letter urging MWD to modify its Administrative Code so it will be consistent with the MWD Act, along with other concerns.² The Delegates disagreed with the finding of the General Counsel and General Manager that MWD’s fund requirements and bond indenture provisions are in compliance with its Administrative Code. In response to the Delegates’ request that MWD provide a written response to their letter, Finance and Insurance Committee Chair Barbre (Municipal Water District of Orange County) said he was “sure that there will be a response.” Additionally, the Board received presentations on the “Treatment Charge Workgroup” and Colorado River drought contingency shortage discussions. The Board discussions of the workgroup and the drought contingency shortage efforts are summarized in Attachments 2 and 3, respectively.

¹ The Delegates letters can be found at the following links:

Water Authority Delegates’ Requests
During the Real Property and Asset Management (RP&AM) Committee meeting, Director Lewinger asked if MWD conducted appraisals for the Delta Wetlands properties before MWD authorized purchasing the islands in April 2016. Real Property Development and Management Group Manager Shraibati responded “not prior to the purchase; however, we are initiating those appraisals now.” This is a different response from General Manager Kightlinger previous comments in which he assured that Board that MWD had complete appraisals of the properties, even stating at the May 2016 RP&AM meeting that “we’ve had an appraisal to show we’re buying it at the low end of the fair market value.” Noting that MWD’s Administrative Code requires independent appraisals prior to purchasing land that costs more than $500,000, Lewinger asked how MWD’s failure to complete appraisals for the islands comports with the code. Suggesting the committee cannot discuss this because the item is not on the agenda, Kightlinger, Shraibati, and RP&AM Committee Chair Camacho (Inland Empire Utilities Agency) said that MWD will provide a full report on the islands, including how MWD’s purchasing procedures comply with its Administrative Code, in February 2017. In response to Lewinger’s inquiry if he could get a response to his question on code compliance prior to February, Kightlinger replied “we can certainly send you a one-line email that shows we complied with everything.” Later, at the Board meeting, Lewinger requested that Kightlinger provide the email response mentioned in the RP&AM committee prior to the next Board meeting. Not committing to Lewinger’s request, Kightlinger responded by saying that he has yet had an opportunity to talk to his staff and said MWD would provide information as soon as possible.

Also during MWD’s Board meeting, Lewinger requested that General Counsel Scully respond to his October 20 email inquiring about MWD’s procedures to agendize items before the Board’s December meeting. Scully respond that she “will attempt to do that” and “is working on it.”

Overview
Overall, the Water Authority Delegation supported 10 of the 17 action items approved by the MWD Board. In closed session, the Board received an oral update on the rate litigation with the Water Authority and later, the Board authorized an increase in MWD’s contract for legal services with Manatt, Phelps & Phillips, LLP., by $300,000 to a new not-to-exceed amount of $400,000. The Delegates abstained on this item, which increased MWD’s maximum amount payable for rate litigation expenses to almost $25.9 million. They also abstained on authorizing the agreement for emergency deliveries to Mexico. Director Saxod was assigned to the Finance and Insurance Committee and the Communications and Legislation Committee while Director Blois (Calleguas) was unanimously elected to serve a two-year term as Board Secretary commencing January 1, 2017. Attachment 4 is a copy of MWD’s November 2016 committee and Board meeting agendas and summary report.

Prepared by: Liz Mendelson-Goossens, Water Resources Specialist
Reviewed by: Communications and Legislation Committee by Keith Lewinger
                      Engineering and Operations Committee by Fern Steiner
                      Finance and Insurance Committee by Keith Lewinger
                      Legal and Claims Committee by the Delegates
Organization, Personnel and Technology Committee by the Delegates
Real Property and Asset Management Committee by the Delegates
Water Planning and Stewardship Committee by Fern Steiner and Keith Lewinger

Attachment 1: Discussion Summary of Agreements under MWD’s Local Resources and Water Savings Incentive Programs
Attachment 2: Discussion Summary of MWD’s Treatment Charge Workgroup
Attachment 3: Discussion Summary of Potential Colorado River Drought Contingency Plan Agreement
Attachment 4: MWD’s committee and Board meeting agendas and Board summary, dated November 7 and 8, 2016
Discussion Summary of Agreements under MWD’s Local Resources and Water Savings Incentive Programs

At the November 2016 Water Planning and Stewardship (WP&S) Committee and Board meetings, MWD approved four Local Resources Program (LRP) agreements: one with Torrance for a recycled water project with the Water Replenishment District of Southern California, one with Eastern Municipal Water District for a groundwater desalter project, and two with the Los Angeles Department of Water and Power for recycled water projects. Combined, MWD committed to pay up to about $124 million over the 25-year term of the agreements, which are expected to produce 16,100 acre-feet of water annually once all four projects are implemented. Although supportive of local water supplies, the Water Authority Delegates opposed these agreements because MWD uses illegal rates to fund the LRP and also bars the Water Authority and its member agencies from participating in the program under the “Rate Structure Integrity” clause. Additionally, MWD has not demonstrated how Water Authority ratepayers would benefit from these projects.

The Delegates provided letters expressing their opposition and requested that MWD provide written responses. General Manager Kightlinger replied that MWD “will look at” the letters, refusing to commit to a response. Additionally, during the WP&S Committee discussion about the agreements, the Delegates pointed out that in its court arguments in the rate litigation, MWD claims LRP projects are local water supply projects and expressly denied, in judicial admissions, that the projects do not provide any water supply benefit to MWD; however, in MWD’s board memos seeking authorization to fund projects through the LRP, staff purports that LRP-subsidized projects offer “MWD water supply benefits.” The Delegates specifically requested that MWD provide a response to these contradictory claims. Kightlinger replied that MWD’s position is “that regional benefits and local supply projects can be synonymous.”

The WP&S Committee also received a presentation on a Water Savings Incentive Program (WSIP) agreement with a dye and finishing company to install an onsite wastewater treatment and recycling plant. MWD estimated it would provide $692,000 in subsidies for the project, which is projected to save 3,538 acre-feet of water over 10 years. Following staff’s presentation, the Committee, and subsequently the Board, authorized entering into the agreement. Although supportive of efforts to recycle water, the Delegates opposed MWD subsidizing this project because MWD funds the WSIP through illegal rates, and MWD did not demonstrate any need for the project.

During the WP&S Committee discussion of this agreement, Director Morris (San Marino) asked about whether the company would also reduce its discharge effluent, implying that by doing so the company may realize cost savings that should be considered in awarding MWD’s subsidies. MWD staff responded that there will be less fluid but the same amount of suspended solids. Following-up on Morris’s question, Director Steiner asked how much money the company would save by reducing the volume of discharge. Water Resources Manager Upadhyay said he would provide an estimate. On a different note, Steiner asked about the WSIP application process. Upadhyay replied that applications are available online and some member agencies inform higher volume water users of the WSIP. Assuring that MWD first contacts the member agency that serves a WSIP application, Upadhyay said MWD seeks member agency approval of the project before moving ahead with it. Steiner requested that MWD provide a list of WSIP applicants, to which Upadhyay said MWD “could make [a list] available.”
Discussion Summary of MWD’s Treatment Charge Workgroup

During MWD’s November Finance and Insurance (F&I) Committee meeting, MWD’s consultant, Dr. Tom Chesnutt, provided an update on the “Treatment Charge Workgroup (TCW).”¹ He reported that the TCW’s “focus is on the distribution of costs within the treatment revenue requirement.” TCW participants were asked to rank “attributes of success.” The “top attribute” was that the treatment cost recovery mechanism(s) should have “a clear nexus between member agency cost responsibility and benefits received.” Chesnutt noted that participants thought certain attributes, such as “legally defensible,” are “necessary and beyond ranking.” TCW’s “consensus problem statement” is that the “workgroup will review MWD’s treatment rate design to better align treatment rates and charges with treatment services received,” noting the importance to the TCW of member agency equity in this rate design.

Following Chesnutt’s presentation, the F&I Committee discussed the TCW’s efforts. In response to Director Wunderlich (Beverly Hills), Chesnutt said that some member agencies would consider the “insurance” offered by MWD’s treatment capacity as a “service received,” but highlighted that the workgroup has diverse opinions. Director McKenney (Municipal Water District of Orange County) suggested that the workgroup’s scope and discussion include “services and value received,” such as the insurance aspect mentioned by Wunderlich. Chesnutt replied that an earlier version of the problem statement included the phrase “benefits received,” but said there was concern that “rate design based on benefits presumes someone is there to tell you what benefit you’re receiving.” The workgroup determined “all Metropolitan can do is offer the services” and “the benefits are up to the member agencies to have the ultimate say so on.” McKenney said he believes the workgroup is tasked with answering this central question unless member agencies are willing to “forego” potential future services. Chesnutt sought to assure McKenney that the workgroup is discussing questions, such as how to address MWD’s operational capacity and stranded assets, which address this topic. Adding that staff is seeking this type of input from the Board, Breaux said McKenney’s comments will be brought back to the workgroup.

Following up on McKenney’s comments, Director Lewinger pointed out that part of the struggle the workgroup is encountering is due to MWD seeking to change its rates after it made treatment investments. He advocated that before MWD commits to build, operate, and maintain a capital asset to provide a service to its member agencies, “a sufficient number of member agencies” should commit to cover this investment. Responding to Lewinger, General Manager said that is “one viewpoint; there are many other viewpoints.” Focusing on the problem statement, Lewinger pointed out that it describes the workgroup reviewing MWD’s treatment rate design, which is broader than Chesnutt’s previous definition of “the sandbox” that limited that workgroup’s focus to changing a portion of MWD’s volumetric treatment charge to a fixed charge. Chesnutt replied that “the sandbox is a more focused version” on what can be changed in the near-term, but the workgroup has discussed issues that require a different and long-term solution “outside of the sandbox.” Responding to Lewinger, Chesnutt said the TCW is looking at treatment rate design and Breaux clarified that the TCW’s scope is only to look at changing MWD’s 100 percent volumetric treatment water charge to other options, including a rate structure composed of a

¹ During his presentation, Chesnutt noted that the workgroup changed its name from “Fixed Treated Charge Workgroup” to “Treatment Charge Workgroup.”
fixed and a volumetric rate. Lewinger surmised that this change was not rate design; Kightlinger disagreed saying the TCW’s efforts “sound a lot like rate design.”

Similar to Lewinger, Blois (Calleguas) encouraged that MWD align member agencies’ “cost responsibilities” to the benefits they receive not only with treatment service but other services. He also echoed McKenney’s call to include “insurance” as a service member agencies receive. Director Steiner suggested that MWD clearly establish the benefits member agencies will receive and their corresponding cost responsibilities before MWD makes additional investments, such as committing to California WaterFix (WaterFix) and the potential recycled water program with the Los Angeles County Sanitation Districts (LACSD), rather than doing it “backwards” as MWD is doing with its treatment investments. Kightlinger said that MWD is not going “backwards” because the Board voted to keep the treatment rate volumetric, but directed MWD to continue to look at a possible fixed treatment charge. He highlighted that the current process is limited to treatment, which is separate from WaterFix and the LACSD program, and MWD is not looking to change its entire rate structure. Steiner clarified that she is asking as MWD considers investing in projects and programs with a large fixed cost component that the Board simultaneously look at how it will recover its investments.

Earlier, Director Dake (Los Angeles) reminded the committee that once the Board determines the treatment rate design, it should also ensure MWD’s treatment costs “are as low as possible.” In response to Director Kurtz (Pasadena), Breaux reported that the TCW aims to have a recommendation to the F&I Committee in March 2017 and for the F&I Committee to provide a recommendation to the Board by July 2017. Noting that the problem statement avoids tackling some difficult aspects of the treatment cost recovery discussion, Wunderlich suggested that MWD develop a way for the Board to provide more formalized input and help guide the TCW so it makes a recommendation that is more palatable to the Board. F&I Committee Chair Barbre (Municipal Water District of Orange County) suggested having a Board workshop at the F&I Committee’s January 2017 meeting and Kightlinger recommended that the committee adopt, or modify the TWC’s problem statement, mission statement, “and other things like that.” Wunderlich said that is “exactly” what he was looking for; Barbre promised the more formal process would occur in January or February 2017. Lewinger requested that as part of the January workshop, that the committee look at the “whole picture” of MWD’s rates, including the cost of service analysis to determine if the Board agrees with the costs that are being attributed to treatment costs. Barbre declined Lewinger’s request, saying this process should be kept “as narrow as possible” and to only “bite off one piece at a time.”
Discussion Summary of Potential Colorado River Drought Contingency Plan Agreement

During MWD’s November 2016 Water Planning and Stewardship (WP&S) Committee meeting, Colorado River Resources Manager Hasencamp reported on progress by the Lower Basin States and the four largest California Section 5 Contractors to negotiate a potential shortage sharing agreement referred to as the Colorado River Drought Contingency Plan (DCP). The DCP agreement would be in addition to the 2007 Interim Shortage Guidelines, which expire at the end of 2026.1

MWD reported that California would agree to reduce its Colorado River diversions by up to 350,000 acre-feet annually, starting with 200,000 acre-feet annually if Lake Mead elevation is at or below 1,045 feet, and increasing by 50,000 acre-feet each time Lake Mead’s elevation drops by 5 feet, until reaching a maximum reduction of 350,000 acre-feet annually if Lake Mead elevation reaches or drops below 1,030 feet. If the DCP was agreed to, four of California’s Colorado River Section 5 Contractors would be responsible for meeting California’s reductions. Imperial Irrigation District (IID), MWD, Palo Verde Irrigation District (PVID), and Coachella Valley Water District (CVWD) would be required to contribute 60 percent, 25 percent, 8 percent, and 7 percent of California’s cutbacks, respectively.2 These reductions could only be made through extraordinary conservation measures. The reduced water would be stored in Lake Mead as DCP storage amounts under the contributing agency’s name. DCP water could be temporarily accessed under certain conditions and fully recovered through 2057 if Lake Mead reaches 1,100 feet.

PVID would achieve its conservation measures by MWD paying to fallow land in the Palo Verde Valley in accordance with the agencies’ fallowing agreement. The water placed in Lake Mead as DCP water would be accounted for in MWD’s DCP storage account. CVWD would reduce its call on the CVWD-MWD exchange agreement to meet its DCP reduction obligations. Hasencamp reported that discussions are ongoing with IID, but tentative conditions include increasing IID’s Intentionally Created Surplus (ICS) limits, and making IID “responsible for any environmental mitigation associated with generating” DCP water.3 Additionally, MWD is considering “funding a portion of IID’s conservation programs to help them jump start their ICS amount,” and MWD could borrow this water during a dry year and then, repay it later. If this plan were implemented, MWD projects there is a 23 percent chance Lake Mead’s elevation will drop low enough that California would have to contribute DCP water. If MWD contributes DCP water, then it estimates a 72 percent probability that it could recover some of its contribution, but did not clarify how much could be recovered. Overall, MWD projected that by agreeing to the DCP, the chance of Lake Mead reaching 1,020 feet before 2027 would drop from 25 percent to less than 10 percent.

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2 The reduction percentage is proportionate to each contractor’s share of annual Colorado River diversions, according to MWD.
3 IID’s extraordinary conservation methods used to satisfy its DCP obligations would be subject to verification by a committee.
Following staff’s presentation, the committee discussed the potential agreement. Director Steiner asked if the Secretary of the Interior will be administering the DCP going forward and whether or not the proposed actions would be “voluntary” or “mandatory.” General Manager Kightlinger said that “the Secretary is the water master in the Lower Colorado, so in theory the Secretary administers these agreements.” He added that “if [the parties] all agree by contract, then that becomes our requirement to meet the terms of our contract.” Replying to Director Lewinger, Kightlinger said that the Water Authority’s exchange water with IID is “accounted for within” MWD’s 25 percent share of California’s reduction. Lewinger asked if IID has completed an assessment of the DCP’s impacts on the Salton Sea. Hasencamp said he believes IID is working on that analysis now and Kightlinger clarified that IID will not have to comply with “the bucket-for-bucket requirement” since that order from the State Water Resources Control Board expires in 2017. According to Kightlinger, IID will use the existing environmental documentation for its transfer with the Water Authority for its environmental analysis of the DCP reductions.

4 Under State Water Resources Control Board Order WRO 2002-13 which authorizes the QSA water transfers, there is a 15-year requirement to place environmental mitigation water in the Salton Sea. Sometimes referred to as a “bucket-for-bucket requirement,” the required annual mitigation water volume completely offsets salinity and elevation impacts at the Salton Sea by replacing each “bucket” of water that would have been lost to the sea from the transfers through 2017.
Finance and Insurance Committee

Meeting with Board of Directors*

November 7, 2016

9:30 a.m.  -- Room 2-145

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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
M. Martinez
L. McKenney
L. Paskett
M. Ramos
M. Touhey

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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 October 10, 2016

3. CONSENT CALENDAR ITEMS — ACTION

   None

4. OTHER BOARD ITEMS — ACTION

   None

5. BOARD INFORMATION ITEMS

   9-2 Compliance with Fund Requirements and Bond Indenture Provisions. (F&I)
6. COMMITTEE ITEMS
   b. Update on Treated Fixed Charge Workgroup

7. MANAGEMENT REPORT
   a. Chief Financial Officer’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.

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.
Water Planning and Stewardship Committee

Meeting with Board of Directors*

November 7, 2016

10:00 a.m. – Room 2-456

<table>
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<tr>
<td>9:30 a.m.</td>
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MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

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

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

2. Approval of the Minutes of the meeting of the Water Planning and Stewardship Committee held October 10, 2016

3. CONSENT CALENDAR ITEMS — ACTION

   7-2 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the North Hollywood Area Water Recycling Project. (WP&S)
Recommendation:

Option #1:

Review and consider the information provided in the adopted Final MND, Addenda, and Notices of Exemption and adopt the Lead Agency's findings and MMRP related to the proposed action, and

Authorize the General Manager to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power for the North Hollywood Area Water Recycling Project for up to 300 AFY of recycled water under terms included in the board letter.

7-3 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Sepulveda Basin Sports Complex Water Recycling Project. (WP&S)

Recommendation:

Option #1:

Review and consider the information provided in the adopted final MND and Addenda and adopt the Lead Agency's findings and MMRP related to the proposed action, and

Authorize the General Manager to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Sepulveda Basin Sports Complex Water Recycling Project for up to 350 AFY of recycled water under terms included in the board letter.

7-4 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with Eastern Municipal Water District for Perris II Brackish Groundwater Desalter. (WP&S)

Recommendation:

Option #1:

Review and consider information provided in the adopted 2015 MND and MMRP, and adopt the Lead Agency's findings related to the proposed action, and

Authorize the General Manager to enter into a Local Resources Program agreement with Eastern Municipal Water District for the Perris II Brackish Groundwater Desalter for up to 5,500 acre-feet per year of recovered groundwater under terms included in the board letter.

7-5 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with the City of Torrance and the Water Replenishment District of Southern California for the GRIP Recycled Water Project. (WP&S)
Reco
mmendation:

Option #1:

Review and consider the information provided in the certified EIR and Addendum and adopt the Lead Agency’s findings and MMRP related to the proposed action, and

Authorize the General Manager to enter into a Local Resources Program agreement with the City of Torrance and the Water Replenishment District of Southern California for the GRIP Recycled Water Project for up to 10,000 AFY of advanced treated recycled water under the terms included in the board letter.

7-6 Adopt CEQA determination and authorize entering into a Water Savings Incentive Plan Agreement with Tri-Star Dyeing and Finishing Inc. (WP&S)

Recommendation:

Option #1:

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

Authorize entering into a Water Savings Incentive Program agreement with Tri-Star Dyeing and Finishing, Inc.

7-7 Adopt CEQA determination and approve Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United Sates. (WP&S)

Recommendation:

Option #1:

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

Authorize the General Manager to execute the agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United Sates for five years, subject to the proposed agreement being in a form approved by the General Counsel and further providing that the proposed agreement will become effective only upon approval and execution by the parties of Minute 32X to the Treaty and adoption of the joint engineering report that are both consistent with the terms of the proposed settlement.
4. OTHER BOARD ITEMS — ACTION

None

5. BOARD INFORMATION ITEMS

   9-1  Overview of proposed Lower Colorado River Basin Drought Contingency Plan. (WP&S)

6. COMMITTEE ITEMS

   a. Conservation Program Update

7. MANAGEMENT REPORTS

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

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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**Engineering and Operations Committee**

Meeting with Board of Directors*

**November 7, 2016**

**12:00 p.m. -- Room 2-145**

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### Meeting Schedule

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<tr>
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<td>12:00 p.m.</td>
<td>Rm. 2-145</td>
<td>E&amp;O</td>
</tr>
<tr>
<td>1:00 p.m.</td>
<td>Rm. 2-456</td>
<td>C&amp;L</td>
</tr>
<tr>
<td>2:00 p.m.</td>
<td>Board Room</td>
<td>AB 1234 Ethics Training</td>
</tr>
</tbody>
</table>

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* 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.

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

2. **Approval of the Minutes of the meeting of the Engineering and Operations Committee held October 10, 2016**

3. **CONSENT CALENDAR ITEMS — ACTION**

   None

4. **OTHER BOARD ITEMS — ACTION**

   **8-1** Adopt CEQA determination and adopt resolution designating authorized agents to accept federal and state funding for declared disasters and to sign official correspondence for disaster assistance. (E&O)
Recommendation:

Option #1:

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

Approve the Designation of Applicant’s Agent Resolution for Non-State Agencies.

8-2 Adopt CEQA determination and appropriate $13.8 million; and award $9,595,000 contract to McMillen LLC (dba McMillen Jacobs Associates) for seismic upgrades to the 6.9 kV switch houses at the Colorado River Aqueduct pumping plants (Approp. 15438). (E&O)

Recommendation:

Option #1:

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

a. Appropriate $13.8 million; and

b. Award $9,595,000 contract to McMillen LLC (dba McMillen Jacobs Associates) for seismic upgrades to the 6.9 kV switch houses at the Colorado River Aqueduct pumping plant.

8-3 Adopt CEQA determination and appropriate $7.8 million; and award $4.58 million contract to Spiniello Companies for Stage 2 lining repairs on the Orange County Feeder (Approp. 15377). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the adopted MND and MMRP; review and approve Addendum No. 1, and

a. Appropriate $7.8 million; and

b. Award $4.58 million contract to Spiniello Companies for Stage 2 lining repairs on the Orange County Feeder.

8-4 Adopt CEQA determination and appropriate $8.1 million; and award $4,426,000 contract to Woodcliff Corporation for seismic upgrades to the Administration Building at the Robert B. Diemer Water Treatment Plant (Approp. 15436). (E&O)
Recommendation:

Option #1:

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

a. Appropriate $8.1 million; and

b. Award $4,426,000 contract to Woodcliff Corporation for seismic upgrades to the Administration Building at the Diemer plant.

8-5

Adopt CEQA determination and authorize an amendment to the agreement with the Southern California Public Power Authority for the sale of renewable power from four hydroelectric power plants. (E&O)

Recommendation:

Option #1:

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

Authorize the General Manager to approve amending the Power Purchase and Sale Agreement between Southern California Public Power authority and Metropolitan Water District of Southern California, MWD Agreement Number AR1095, as described in the board letter.

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Capital Investment Plan quarterly report for period ending September 2016

   [Conference with Metropolitan Security Manager Derrek Jones or designated agent on threats to public service or facilities; to be heard in closed session pursuant to Gov. Code Section 54957(a)]

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

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**Communications and Legislation Committee**

**Meeting with Board of Directors***

**November 7, 2016**

**1:00 p.m. -- Room 2-456**

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<table>
<thead>
<tr>
<th>MWD Headquarters Building</th>
<th>700 N. Alameda Street</th>
<th>Los Angeles, CA 90012</th>
</tr>
</thead>
</table>

* 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 October 10, 2016**

3. **CONSENT CALENDAR ITEMS — ACTION**

   None

4. **OTHER BOARD ITEMS — ACTION**

   None
5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Update on Outreach and Public Education Activities
b. Report on activities from Washington, D.C.
c. Report on activities from Sacramento

7. MANAGEMENT REPORT

a. External Affairs Management report

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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AB 1234 Training Board Workshop
Special Meeting with Board of Directors*

November 7, 2016

2:00 p.m. – Board Room

<table>
<thead>
<tr>
<th>Monday, November 7, 2016</th>
<th>Meeting Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:30 a.m.</td>
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</tbody>
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MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

1. Opportunity for members of the public to address the board on the matters to be addressed at this special meeting. (As required by Gov. Code Section 54954.3(a))

2. WORKSHOP ITEM
   a. AB 1234 Training

3. ADJOURNMENT

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Date of Notice: October 26, 2016
Page 181 of 500
REVISED AGENDA

Legal and Claims Committee
Meeting with Board of Directors*

November 8, 2016

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

Tuesday, November 8, 2016
Meeting Schedule

<table>
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</tr>
</tbody>
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MWD Headquarters Building  •  700 N. Alameda Street  •  Los Angeles, CA 90012

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

2. Approval of the Minutes of the meeting of the Legal and Claims Committee held October 11, 2016

3. MANAGEMENT REPORTS
   a. General Counsel’s report of monthly activities

4. CONSENT CALENDAR ITEMS — ACTION
   None
5. OTHER BOARD ITEMS — ACTION

**Added**

8-10 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, CPF-14-514004 and CPF-16-515282; and the appeal of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901 and A148266; and in connection with these matters, adopt the CEQA determination and authorize an increase in maximum amount payable under contracts for legal services with Manatt, Phelps & Phillips, LLP in the amount of $300,000 for a total amount not to exceed $400,000. (L&C)

[Conference with legal counsel – existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

None

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Real Property and Asset Management Committee

Meeting with Board of Directors*

November 8, 2016

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

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

* The Metropolitan Water District's Real Property and Asset Management Committee meeting is noticed as a joint meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Real Property and Asset Management 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 Real Property and Asset Management Committee will not vote on matters before the Real Property and Asset Management 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 Real Property and Asset Management Committee held October 11, 2016

3. CONSENT CALENDAR ITEMS – ACTION

   None

4. OTHER BOARD ITEMS – ACTION

   8-6 Adopt CEQA determination and authorize an amendment to an existing office lease in Sacramento between SFI 1121L Street, LLC and Metropolitan to expand the space by 768 rentable square feet and extend the term for ten years. (RP&AM)

   [Conference with real property negotiators; Commercial office space located at 1121 L Street, Sacramento, California; agency negotiators: Nancy Webb and Lilly Shraibati; negotiating parties: Metropolitan and SFI 1121 L Street, LLC; under negotiation: price and terms; to be heard in closed session pursuant to Gov. Code Section 54956.8]
5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Surplus Property Process

b. Update on Request For Statements of Interest and Negotiation of Leases for Farmland in the Palo Verde Valley, California. (RP&AM)
   [Conference with real property negotiators; Property is approximately 12,000 acres in Imperial and Riverside Counties, identified as Assessor Parcel Nos. 815302008, 815190007, 821100019, 866130002, 866210010, 878040008, 815320007, 815190014, 821150018, 866130003, 872080006, 878050003, 827190003, 852200007, 821160012, 866130004, 872080007, 878050004, 827190004, 815200011, 821160013, 866240004, 872080008, 878050005, 827190010, 827061004, 824200009, 866240009, 872090005, 878050006, 833030012, 827061005, 824200014, 866250008, 872090006, 878050010, 833050007, 827062006, 824200016, 867200009, 872090007, 878050011, 833050008, 827062007, 824200020, 866250011, 827061006, 824200017, 863140001, 869130001, 872100001, 878050013, 833050012, 827062016, 863140002, 869270006, 872100002, 878092003, 833050014, 827062017, 863140004, 869270010, 872100003, 878092016, 833060001, 827071002, 863150001, 869290012, 872100005, 878092017, 833060004, 827080004, 863170006, 869291005, 872100009, 878101004, 833060024, 827080027, 863180003, 869291009, 872100013, 878101005, 833060025, 827080028, 863180004, 869292001, 872340018, 878151005, 833060027, 830210010, 863220005, 869292003, 872352003, 878152003, 833100005, 830230006, 866040004, 875021001, 872352010, 878152031, 833100007, 833140005, 866080001, 875021002, 872352017, 878200023, 833100011, 833200006, 866080002, 875021006, 872360001, 878200025, 833100012, 833210006, 866080003, 875021007, 872360003, 878240009, 833100016, 833210012, 866080005, 875021008, 872370002, 878240010, 833100017, 833210013, 866080012, 875021013, 872370008, 878240011, 833210017, 866090002, 875021014, 872370013, 878240012, 833220002, 866090009, 875022003, 872370014, 833220003, 866090010, 875022004, 872370016, 833220004, 866090013, 875022005, 872370018, 833230001, 866090014, 875022006, 875131009, 833230002, 872150005, 875022012, 8751310010, 833260001, 875160006, 875030012, 875171001, 833260003, 872160007, 875030014, 875171002, 833260004, 872160008, 875030027, 878060002, 833260005, 872160009, 875030028, 878070001, 833270003, 872180009, 875040006, 833270004, 872280004, 875070001, 833270005, 878030009, 875071002, 833280002, 878030016, 875071003, 878091001, 875071004, 875091005, 875071005, 878091006, 875071006, 878091011, 875071007, 878091014, 875071012, 875071013, 875071014, 875071015; agency negotiators: Timothy Blair and Lilly Shraibati; negotiating parties: Metropolitan and Desert Milling, Inc., Joey Deconinck Farms, HayDay Farms, Cox & Wegis Land Co., and La Valle Sabbia; under negotiation: price and terms; to be heard in closed session pursuant to Gov. Code Section 54956.8]
7. MANAGEMENT REPORT
   a. Real Property Development and Management Manager's Report

8. FOLLOW-UP ITEMS
   None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Organization, Personnel and Technology Committee

Meeting with Board of Directors*

November 8, 2016

10:30 a.m. -- Room 2-145

* 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 meeting of the Organization, Personnel and Technology Committee held August 16, 2016

3. CONSENT CALENDAR ITEMS -- ACTION

None
4. OTHER BOARD ITEMS – ACTION

8-7 Adopt CEQA determination and appropriate $2.16 million; award $1.571 million procurement contract to OPT Tech Corp. for EMC Corp. data storage equipment; and authorize a storage system upgrade for Metropolitan’s datacenter (Approp. 15487). (OP&T)

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. Appropriate $2.16 million; and

b. Award $1.571 million procurement contract to OPT Tech Corp. for EMC Corp. data storage equipment.

8-8 Adopt CEQA determination and approve Metropolitan Water District of Southern California’s Salary Schedule Pursuant to CalPERS Regulations. (OP&T)

Recommendation:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and adopt the salary schedule attached to the board letter.

8-9 Adopt CEQA determination, appropriate $1.54 million and authorize implementation of Information Technology Cyber Security Upgrades (Approp. 15378). (OP&T)

[Any discussions of threats to public services or facilities to be heard in closed session pursuant to Gov. Code Section 54957(a). Consultation with Metropolitan’s security operations manager]

5. BOARD INFORMATION ITEMS

None
6. COMMITTEE ITEMS
   b. Conference with Labor Negotiators. (OP&T)
      [Conference with labor negotiators; to be heard in closed session pursuant to
      Gov. Code Section 54957.6. Agency representative: Stephen 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, the Association of Confidential
      Employees, and the Supervisors Association]

7. MANAGEMENT REPORT

8. FOLLOW-UP ITEMS
   None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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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.
REVISED AGENDA

Regular Board Meeting

November 8, 2016

12:00 p.m. – Board Room

Tuesday, November 8, 2016
Meeting Schedule

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<thead>
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</table>

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

1. Call to Order
   (a) Invocation
   (b) Pledge of Allegiance: Director Elsa Saxod

2. Roll Call

3. Determination of a Quorum

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 October 11, 2016. (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 October
   C. Approve committee assignments
D. Chairman's Monthly Activity Report

E. Nomination and Election for Board Secretary for two-year term effective January 1, 2017

6. DEPARTMENT HEADS' REPORTS

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

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

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

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

7. CONSENT CALENDAR ITEMS — ACTION

7-2 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the North Hollywood Area Water Recycling Project. (WP&S)

Recommendation:

Option #1:

Review and consider the information provided in the adopted Final MND, Addenda, and Notices of Exemption and adopt the Lead Agency’s findings and MMRP related to the proposed action, and

Authorize the General Manager too enter into a Local Resources Program agreement with Los Angeles Department of Water and Power for the North Hollywood Area Water Recycling Project for up to 300 AFY of recycled water under terms included in the board letter.

7-3 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Sepulveda Basin Sports Complex Water Recycling Project. (WP&S)
Recommendation:

Option #1:

Review and consider the information provided in the adopted final MND and Addenda and adopt the Lead Agency’s findings and MMRP related to the proposed action, and

Authorize the General Manager to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Sepulveda Basin Sports Complex Water Recycling Project for up to 350 AFY of recycled water under terms included in the board letter.

7-4  Adopt CEQA determination and authorize entering into a Local Resources Program agreement with Eastern Municipal Water District for Perris II Brackish Groundwater Desalter. (WP&S)

Recommendation:

Option #1:

Review and consider information provided in the adopted 2015 MND and MMRP, and adopt the Lead Agency’s findings related to the proposed action, and

Authorize the General Manager to enter into a Local Resources Program agreement with Eastern Municipal Water District for the Perris II Brackish Groundwater Desalter for up to 5,500 acre-feet per year of recovered groundwater under terms included in the board letter.

7-5  Adopt CEQA determination and authorize entering into a Local Resources Program agreement with the City of Torrance and the Water Replenishment District of Southern California for the Groundwater Reliability Improvement Program Recycled Water Project. (WP&S)

Recommendation:

Option #1:

Review and consider the information provided in the certified EIR and Addendum and adopt the Lead Agency’s findings and MMRP related to the proposed action, and

Authorize the General Manager to enter into a Local Resources Program agreement with the City of Torrance and the Water Replenishment District of Southern California for the GRIP Recycled Water Project for up to 10,000 AFY of advanced treated recycled water under the terms included in the board letter.
7-6 Adopt CEQA determination and authorize entering into a Water Savings Incentive Plan Agreement with Tri-Star Dyeing and Finishing Inc. (WP&S)

Recommendation:

Option #1:

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

Authorize entering into a Water Savings Incentive Program agreement with Tri-Star Dyeing and Finishing, Inc.

7-7 Adopt CEQA determination and approve Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States. (WP&S)

Recommendation:

Option #1:

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

Authorize the General Manager to execute the agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States for five years, subject to the proposed agreement being in a form approved by the General Counsel and further providing that the proposed agreement will become effective only upon approval and execution by the parties of Minute 32X to the Treaty and adoption of the joint engineering report that are both consistent with the terms of the proposed settlement.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

8-1 Adopt CEQA determination and adopt resolution designating authorized agents to accept federal and state funding for declared disasters and to sign official correspondence for disaster assistance. (E&O)
Recommendation:

**Option #1:**

Adopt the CEQA determination that the proposed action is not defined a project and is not subject to CEQA, and
Approve the Designation of Applicant’s Agent Resolution for Non-State Agencies.

---

**8-2**

Adopt CEQA determination and appropriate $13.8 million; and award $9,595,000 contract to McMillen LLC (dba McMillen Jacobs Associates) for seismic upgrades to the 6.9 kV switch houses at the Colorado River Aqueduct pumping plants (Approp. 15438). (E&O)

Recommendation:

**Option #1:**

Adopt the CEQA determination that the proposed action is categorically exempt, and
a. Appropriate $13.8 million; and
b. Award $9,595,000 contract to McMillen LLC (dba McMillen Jacobs Associates) for seismic upgrades to the 6.9 kV switch houses at the Colorado River Aqueduct pumping plant.

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**8-3**

Adopt CEQA determination and appropriate $7.8 million; and award $4.58 million contract to Spiniello Companies for Stage 2 lining repairs on the Orange County Feeder (Approp. 15377). (E&O)

Recommendation:

**Option #1:**

Adopt the CEQA determination that the proposed action has been previously addressed in the adopted MND and MMRP; review and approve Addendum No. 1, and
a. Appropriate $7.8 million; and
b. Award $4.58 million contract to Spiniello Companies for Stage 2 lining repairs on the Orange County Feeder.

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**8-4**

Adopt CEQA determination and appropriate $8.1 million; and award $4,426,000 contract to Woodcliff Corporation for seismic upgrades to the Administration Building at the Robert B. Diemer Water Treatment Plant (Approp. 15436). (E&O)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and
a. Appropriate $8.1 million; and
b. Award $4,426,000 contract to Woodcliff Corporation for seismic upgrades to the Administration Building at the Diemer plant.

8-5 Adopt CEQA determination and authorize an amendment to the agreement with the Southern California Public Power Authority for the sale of renewable power from four hydroelectric power plants. (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt and is not subject to CEQA, and
Authorize the General Manager to approve amending the Power Purchase and Sale Agreement between Southern California Public Power authority and Metropolitan Water District of Southern California, MWD Agreement Number AR1095, as described in the board letter.

8-6 Adopt CEQA determination and authorize an amendment to an existing office lease in Sacramento between SFI 1121L Street, LLC and Metropolitan to expand the space by 768 rentable square feet and extend the term for ten years. (RP&AM)

[Conference with real property negotiators; Commercial office space located at 1121 L Street, Sacramento, California; agency negotiators: Metropolitan and SFI 1121 L Street, LLC; under negotiation: price and terms; to be heard in closed session pursuant to Gov. Code Section 54956.8]

8-7 Adopt CEQA determination and appropriate $2.16 million; award $1.571 million procurement contract to OPT Tech Corp. for EMC Corp. data storage equipment; and authorize a storage system upgrade for Metropolitan’s datacenter (Approp. 15487). (OP&T)

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. Appropriate $2.16 million; and
b. Award $1.571 million procurement contract to OPT Tech Corp. for EMC Corp. data storage equipment.
8-8 Adopt CEQA determination and approve Metropolitan Water District of Southern California's Salary Schedule Pursuant to CalPERS Regulations. (OP&T)

Recommendation:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and adopt the salary schedule attached to the board letter.

8-9 Adopt CEQA determination, appropriate $1.54 million and authorize implementation of Information Technology Cyber Security Upgrades (Approp. 15378). (OP&T)

[Any discussions of threats to public services or facilities to be heard in closed session pursuant to Gov. Code Section 54957(a). Consultation with Metropolitan’s security operations manager]

Added 8-10 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, CPF-14-514004 and CPF-16-515282; and the appeal of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901 and A148266; and in connection with these matters, and adopt the CEQA determination and authorize an increase in maximum amount payable under contracts for legal services with Manatt, Phelps & Phillips, LLP in the amount of $300,000 for a total amount not to exceed $400,000. (L&C)

[Conference with legal counsel – existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

9. BOARD INFORMATION ITEMS

9-1 Overview of proposed Lower Colorado River Basin Drought Contingency Plan. (WP&S)

9-2 Compliance with Fund Requirements and Bond Indenture Provisions. (F&I)
10.  FUTURE AGENDA ITEMS

11.  ADJOURNMENT

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

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

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.
COMMITTEE ASSIGNMENTS

Director Saxod was assigned to the Communications and Legislations Committee and the Finance and Insurance Committee. (Agenda Item 5C)

ENGINEERING AND OPERATIONS COMMITTEE

Approved the Designation of Applicant’s Agent Resolution for Non-State Agencies. (Agenda Item 8-1)

Appropriated $13.8 million; and awarded $9,595,000 contract to McMillen LLC (dba McMillen Jacobs Associates) for seismic upgrades to the 6.9 kV switch houses at the Colorado River Aqueduct pumping plants. (Approp. 15438) (Agenda Item 8-2)

Appropriated $7.8 million; and awarded $4.58 million contract to Spiniello Companies for Stage 2 lining repairs on the Orange County Feeder. (Approp. 15377) (Agenda Item 8-3)

Appropriated $8.1 million; and awarded $4,426,000 contract to Woodcliff Corporation for seismic upgrades to the Administration Building at the Diemer plant. (Approp. 15436) (Agenda Item 8-4)

Authorized the General Manager to approve amending the Power Purchase and Sale Agreement between Southern California Public Power Authority and Metropolitan Water District of Southern California, MWD Agreement Number AR1095, as described in the Board letter. (Agenda Item 8-5)

REAL PROPERTY AND ASSET MANAGEMENT COMMITTEE

Authorized an amendment to an existing office lease in Sacramento between SFI 1121L Street, LLC and Metropolitan to expand the space by 768 rentable square feet and extend the term for ten years. (Agenda Item 8-6 heard in closed session)

LEGAL AND CLAIMS COMMITTEE

Authorized an increase in maximum amount payable under contracts for legal services with Manatt, Phelps & Phillips, LLP in the amount of $300,000 for a total amount not to exceed $400,000, for the San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., cases. (Agenda Item 8-10 heard in closed session)

ORGANIZATION, PERSONNEL AND TECHNOLOGY COMMITTEE

The following matter was DEFERRED -- Appropriate $2.16 million; and award $1.571 million procurement contract to OPT Tech Corp. for EMC Corp. data storage equipment. (Approp. 15487) (Agenda Item 8-7)

Approved Metropolitan Water District of Southern California's Salary Schedule Pursuant to CalPERS Regulations. (Agenda Item 8-8)
The following matter was DEFERRED -- Appropriate $1.54 million and authorize implementation of Information Technology Cyber Security Upgrades. (Approp. 15378) (Agenda Item 8-9)

**CONSENT CALENDAR**

In other action, the Board:

Authorized the General Manager to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power for the North Hollywood Area Water Recycling Project for up to 300 AFY of recycled water under terms included in the Board letter. (Agenda Item 7-2)

Authorized the General Manager to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Sepulveda Basin Sports Complex Water Recycling Project for up to 350 AFY of recycled water under terms included in the Board letter. (Agenda Item 7-3)

Authorized the General Manager to enter into a Local Resources Program agreement with Eastern Municipal Water District for the Perris II Brackish Groundwater Desalter for up to 5,500 acre-feet per year of recovered groundwater under terms included in the Board letter. (Agenda Item 7-4)

Authorized the General Manager to enter into a Local Resources Program agreement with the City of Torrance and the Water Replenishment District of Southern California for the GRIP Recycled Water Project for up to 10,000 AFY of advanced treated recycled water under the terms included in the Board letter. (Agenda Item 7-5)

Authorized entering into a Water Savings Incentive Program agreement with Tri-Star Dyeing and Finishing, Inc. (Agenda Item 7-6)

Authorized the General Manager to execute the Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States for five years, subject to the proposed agreement being in a form approved by the General Counsel and further providing that the proposed agreement will become effective only upon approval and execution by the parties of Minute 32X to the Treaty and adoption of the joint engineering report that are both consistent with the terms of the proposed agreement. (Agenda Item 7-7)

**OTHER MATTERS:**

In other action, the Board:

Elected Director Blois for Board Secretary for a two-year term effective January 1, 2017. (Agenda Item 5E)

**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.
November 30, 2016

Attention: Imported Water Committee

Metropolitan Water District’s Potential Regional Recycled Water Program (Presentation)

Purpose
This memo provides a report on the status of Metropolitan Water District’s (MWD) potential regional recycled water program with the Los Angeles County Sanitation Districts (LACSD).

Background
In March 2010, MWD authorized $500,000 for its share of a $1 million “joint groundwater replenishment” study with LACSD (Pilot Study).1 According to MWD and LACSD, the purpose of the study was to explore the feasibility of a regional recycled water program that would involve a new advanced water treatment (AWT) plant to reuse treated wastewater for groundwater replenishment in Los Angeles County. The AWT plant would treat effluent from the LACSD’s Joint Water Pollution Control Plant (JWPCP) located in the city of Carson, in the southern part of Los Angeles County. JWPCP is LACSD’s largest treatment plant, and its terminus plant, with a total permitted capacity of 400 million gallons per day (MGD).

MWD staff provided an update on its recycled water activities by PowerPoint in July 2011.2 Staff concluded that the regional recycled water program was feasible, but identified a number of legal, technical, and regulatory challenges. Staff presented “next steps,” including that it would complete the Pilot Study and return to the Board later in 2011 with a final report.

No further updates were given to the MWD Board until September 2015, more than four years later. At that time, staff presented a board memo stating that it has an “opportunity to explore the potential development of a regional recycled water program,” with a 150 MGD project that would produce up to 168,000 acre-feet of recycled water annually to “meet groundwater recharge and storage requirements” in Los Angeles and Orange counties. During its oral report, MWD staff stated that the product water would cost about $1,600 per acre-foot.3 The Water Authority Delegates asked several questions regarding the benefits, costs, and risks posed by the potential regional recycled water supply program.4 The Delegates also noted that MWD had yet to complete an update to its Integrated Water Resources Plan (IRP), which would provide analysis related to MWD’s need for the project after taking into account projected demand for MWD water, MWD’s other planned water supply investments, and MWD member agencies’ local water supply investments. In its 2011 PowerPoint presentation, MWD staff identified projected lower long-term demand for MWD water as a “changing condition.” A number of

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1 MWD’s total Board-authorized funding at that time was $947,000, with the remaining funds stated to be for MWD staff’s activities related to the pilot program and development of a public outreach strategy.
3 MWD’s calendar year 2015 untreated tier 1 rate, which is the rate groundwater basins pay for replenishment water, was $582 per acre-foot at that time.
other MWD directors voiced similar concerns as the Delegates about MWD expanding its role beyond supplying imported water and assuming potentially expansive legal and financial risks. Municipal Water District of Orange County commented that while the board memo stated that the proposed terms and conditions of MWD’s Memorandum of Understanding with LACSD would be similar in approach to the Ground Water Replenishment System developed, and funded, jointly by Orange County Water District and Orange County Sanitation District, they in fact were not. MWD’s Chairman Record and General Manager Kightlinger assured board members that these questions would be discussed during “Phase 2” of the 2015 IRP update. In January 2016, the MWD Board approved the 2015 IRP Update without such a discussion. Although MWD is moving forward with the LACSD project, it is not included as a water supply resource in the 2015 IRP Update. Staff also said that if the program moves forward, MWD would complete a cost of service study to determine how to allocate the program’s costs to MWD rates.5

In November 2015, staff requested, and the Board authorized $15 million for a “demonstration program” that included:

- A 1-MGD demonstration plant;
- Feasibility studies for the distribution system needed for the full-scale program to deliver product water to groundwater basins; and
- A financing plan to assess the full-scale program’s economic viability.

All of these costs are currently being borne entirely by MWD. Staff gave an updated cost for the full scale program of about $1,700 per acre-foot during the November 2015 board discussion. Staff also said it planned to return to the Board in November 2016 with the results of its feasibility studies and a financing plan. However, a report was not provided at MWD’s November 2016 meetings. According to staff, MWD needs to complete the “conceptual design” of the full-scale plant and seek authorization for the full-scale program by December 2016 so that the distribution pipelines can qualify for exemption from the California Environmental Quality Act (CEQA) under SB 88.6 It remains unclear when MWD will provide a report on the status of the feasibility studies and financing plan and if MWD intends to seek Board approval at its December 2016 meeting for the full-scale program’s design.

In response to directors’ inquiries about the findings of the pilot study,7 staff initially denied the existence of the study but later said that it was in draft form and refused to provide it to the Board. Later review of the October 2015 pilot study reveals that the total estimated cost of the

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5 Director Steiner, asked “[a]nd you’ll be doing a cost of service study on that?” To which, MWD Assistant General Manager/Chief Operating Officer Man, replied “[a]bsolutely.” However, in its 2016 rate-setting, MWD did not conduct an independent cost of service study and did not allocate the LACSD costs to the groundwater agencies that are identified and expected to benefit. MWD continues to deny that it has any obligation to allocate costs according to the proportional benefits received by its member agency customers, an issue that is on appeal.

6 A drought trailer bill passed in June 2015 that “provides a narrowly tailored CEQA exemption during a drought state of emergency proclaimed by the Governor for a public agency to mitigate drought conditions by building or expanding a recycled water pipeline and related groundwater replenishment infrastructure if it is within existing rights of way, does not impact wetlands or sensitive habitat, and where the construction impacts are fully mitigated. The authority granted under SB 88 sunsets on January 1, 2017.”

7 Among other things, the October 2015 draft of the updated pilot study estimated the product water cost at $2,309 per acre-foot. In response to directors’ questions at the November MWD Board meeting, Man stated that the product water’s cost of $2,309 per acre-foot was not in any of MWD’s “current analyses.”
project at that time was more than $3.6 Billion, with the proposed full-scale program divided into three phases, which would each take seven to eight years to be implemented:

1. 70 MGD to the West Coast, Central, and Main San Gabriel basins;
2. 50 MGD to the Central and Orange County basins (to be completed in 2022); and
3. 30 MGD to the Raymond and Chino basins (to be completed in 2035).

Three months after the Board’s authorization of the “demonstration program,” in February 2016, staff released to the Board via mail a revised pilot study (MWD Revised Pilot Study) dated 2015. Among other things, the MWD Revised Pilot Study reported that the most recent groundwater replenishment regulations for pathogen removal needs to be incorporated into the program, and that up-stream nitrification treatment is needed to prevent the spoiling of filters in the AWT plant’s purification process. The MWD Revised Pilot Study no longer included details of the phased approach, but provided an evaluation of three scenarios: 1) groundwater recharge only; 2) groundwater recharge with surface water augmentation added; and 3) groundwater recharge with direct potable reuse added. The estimated unit costs were $2,309 per acre-foot (AF), $2,467/AF, and $2,154/AF, for scenarios 1, 2 and 3, respectively. Scenario 1 was further explored and the study found the cost could be reduced to $2,106/AF by eliminating two basins from the program.

In the same email, MWD staff announced it had formed an eight-member “advisory panel” composed of “key subject matter experts,” who will “provide independent review and critical input on the scope and direction of the project during its demonstration project phase.” According to MWD’s website, the panel meets periodically “to review and discuss selected topics,” such as program feasibility and planning, demonstration plant design, program implementation, and “groundwater basins and water delivery” analyses. As part of its tasks, the panel is to provide written reports “documenting the issues, discussed recommendations, alternatives, and other issues to be considered” during its meetings with LACSD, MWD, and consultant staff. The advisory panel met with MWD, LACSD, and program design consulting staff on March 31 and April 1, 2016. Following these meetings, the panel issued a report dated June 30, 2016, which is posted on MWD’s website but has not been formally presented to the

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9 The MWD Revised Pilot Study also noted that basin specific replenishment water quality standards, such as the Main San Gabriel Basin’s standard for Boron, must also be considered.
10 All three scenarios have an ultimate yield of 168,000 acre-feet.
11 This cost includes capital for treatment, conveyance, distribution, administration, engineering, and construction management expenses, plus a 35% “scope contingency” amortized at 4% over a 30-year period. Additionally, the cost includes operations and maintenance expenses for the treatment, conveyance, and land use (MWD would lease the land from LACSD that the AWT plant would be built on).
12 The report did not pursue scenarios 2 and 3 further because of regulatory uncertainties and potential impacts to MWD’s distribution system associated with these scenarios.
13 Basins included in scenario 1 were: Central, West, Orange County, Main San Gabriel, Raymond and Chino basins. The study found by dropping Raymond and Chino basins, it could reduce the unit cost by $203/AF, but did not explain whether the remaining basins would have sufficient capacity to take the product water.
14 The members of the advisory panel can be found here: [http://mwdh2o.com/AboutYourWater/program-advisory-panel](http://mwdh2o.com/AboutYourWater/program-advisory-panel)
In March 2016, MWD staff recommended and the Board approved two contracts totaling $3.1 million for design of the demonstration plant and full-scale recycled water delivery system. The Delegates opposed the action and sent a letter reserving all rights and giving notice of intent to challenge and seek recovery of illegal rates and charges. Also, the Delegates urged MWD to consider its current treatment cost predicament as a precursor to what will happen if it forge ahead with this multi-billion-dollar program without conducting any analysis to ensure these costs will not be stranded later. The Delegates also expressed concern that MWD plans to move forward with the full-scale program without having the results from the demonstration plant, which may reveal fatal flaws and inform the financing plan. Even though staff had earlier emphasized the importance of the demonstration plant, it responded that it already had “a good sense” of the product water’s quality and therefore it was not necessary to await those results. MWD plans to begin preliminary design, permitting, and right-of-way actions for the full-scale program, while constructing and then operating the demonstration plant. The Delegates have also raised numerous times the need for MWD to secure agreements with the water agencies and groundwater basins it expects to purchase and take the plant’s product water; so far, no agreements are in place. In August 2016, MWD’s consultant, MWH Americas, Inc., provided certain updates on the program, but none of the key issues were addressed.

Discussion

MWD was created by the Legislature as a supplemental supplier of imported water, initially from the Colorado River and later from the State Water Project. As these imported water sources have become less available and more expensive, MWD’s member agencies, including the Water Authority and other water suppliers, are increasingly developing their own water supplies, such as recycled water, which are locally controlled and have become cost-effective.

Created under state law, the LACSD is a public agency that provides wastewater and solid waste management for residents in Los Angeles County. LACSD is composed of 24 independent special districts, serving 78 cities, including portions of the city of Los Angeles and unincorporated Los Angeles County. Governed by a Board of Directors made-up of the mayors from each member city and the Chair of the Los Angeles County Board of Supervisors, LACSD works under a Chief Engineer/General Manager.

As noted above, additional and significant financial, technical, operational, and legal analysis should be conducted before MWD commits any more funding or votes to proceed with this program; otherwise, the likelihood of stranding costs is significant given the demonstrated lower demand for MWD water supplies. Water Authority staff and Delegates continue to reference

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15 The Advisory Panel’s June 30, 2016 report can be found here: http://mwddh2o.com/PDF_About_Your_Water/Advisory%20Panel%20Report%20on%20Demonstration%20Plant%20Design%2006302016%20FINAL.pdf


17 More information on LACSD’s service area found here: http://www.lacsd.org/wastewater/wastewater_services/proposition_218/facilities.asp

18 See Stratecon Inc., report Metropolitan Water District of Southern California Water Supply Assessment and Use Among its 26 Member Agency Customers, April 2016, at page 11 found here: http://www.mwdfacts.com/wp-
the ongoing treatment cost recovery controversy as a reminder that the MWD Board is at a crossroads and can no longer count on demand for its water supply materializing.\textsuperscript{19} The difficult discussion about how to allocate treatment costs fairly \textit{ex post facto} underscores the importance of MWD and its member agencies agreeing on how project costs will be recovered \textit{before} the MWD Board commits to spending millions, let alone billions of dollars.\textsuperscript{20}

There are also substantial concerns about how the costs of this program will be allocated, not only among MWD member agencies, but among the LACSD agencies that will benefit from it. At this point, MWD continues to deny that it has any legal responsibility to allocate its costs according to proportional benefits; this is one of the issues on appeal in the Water Authority’s rate litigation. Moreover, based on the Water Authority’s 2015 Urban Water Management Plan, the Water Authority can manage its projected MWD demand within MWD’s existing supply programs; accordingly, the Water Authority does not need MWD to invest in additional supplies.

**Next Steps**

As detailed in this memo, MWD has many technical, financial, legal, and operational issues to analyze before it votes to proceed with the LACSD regional recycled water program. Water Authority staff will continue to closely monitor the progress of this program, report updates to its Imported Water Committee, and make Board recommendations as appropriate.

Prepared by: Liz Mendelson-Goossens, Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
Approved by: Dennis A. Cushman, Assistant General Manager

\textsuperscript{19} More information on MWD’s failed fixed treatment charge is contained in the memo, “\textit{MWD’s Fixed Treatment Charge Discussion}” found in the Water Authority’s March 2016 Board packet starting on page 341: \url{http://www.sdcwa.org/sites/default/files/files/board/2016_Agendas/2016_03_24BoardPacketSECURE2.pdf}.

\textsuperscript{20} MWD has refused for more than 20 years to address this problem, which was identified by the Blue Ribbon Task Force Report in 1993. The Report is found here: \url{http://www.mwdfacts.com/wp-content/uploads/2016/10/1994-01_MWD_Blue_Ribbon_Task_Force_Report.pdf}. 

\url{content/uploads/2016/10/2016-04-09_Stratecon_Study_re_MWD_Services_to_MA.pdf}. Moreover, this analysis predates the State Water Resources Control Board’s plan to develop and impose near- and long-term mandatory water use efficiency practices and standards that would further suppress demand for MWD water.
November 30, 2016

Attention: Imported Water Committee

Colorado River Board Representative’s Report. (Discussion)

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

Discussion
This report covers activities from the November 9, 2016 CRB meeting in Ontario, California.

Agency Updates
Imperial Irrigation District (IID): IID stated that the district’s reservoir siting program is moving forward and recently received approval from the Bureau of Reclamation (Reclamation) as beneficial use of Colorado River water. IID is currently facing an underrun of its annual apportionment of approximately 120,000 acre-feet and also over-conserving by 40,000 acre-feet through its on-farm conservation program. The agricultural district will be impacted by new minimum wage and overtime regulations which will likely have impacts on water deliveries to farms in the coming years.

Special Presentation: Palo Verde Ecological Reserve Water Accounting
CRB staff presented on water use accounting issues at the Lower Colorado River Multi-Species Conservation Program’s (LCR MSCP) Palo Verde Ecological Reserve (PVER). PVER is a thousand-acre habitat conservation area located in the Palo Verde Irrigation District (PVID). For water accounting purposes, Reclamation has established methods for estimating unmeasured return flows within PVID. Based on site characteristics and water use needed by the habitat, PVER likely has more unmeasured return flows to the river than the Reclamation assumption. Moving forward, the involved agencies are working to establish better water management at the site and updating water accounting for PVID to match PVER’s actual conditions. Revisions to the unmeasured return factor for PVER will result in more water going to the Metropolitan Water District of Southern California (MWD) through California’s priority system.

Colorado River Basin Water Report
Reservoir and hydrologic conditions as of October 31, 2016 are shown in Table 1.

<table>
<thead>
<tr>
<th>Conditions as of October 31, 2016</th>
<th>Volume (million acre-feet)</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total System Storage</td>
<td>29.87</td>
<td>50%</td>
</tr>
<tr>
<td>Lake Powell</td>
<td>12.68</td>
<td>52%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>9.70</td>
<td>37%</td>
</tr>
<tr>
<td>Unregulated Inflow to Lake Powell Forecasted for Water Year 2016</td>
<td>9.62</td>
<td>89% (of average)</td>
</tr>
</tbody>
</table>
**Drought Contingency Planning**

Discussions have continued the development of a Drought Contingency Plan (DCP) for the Lower Basin States of California, Arizona, and Nevada to supplement the existing 2007 Interim Guidelines for the Coordinated Operation of Lake Mead and Lake Powell through 2026. MWD recently provided details of the proposed DCP in a presentation to its Water Planning and Stewardship Committee. Under the DCP, each of the Lower Basin States would reduce annual diversions at specific trigger elevations in Lake Mead. The additional stored water could be recovered by the contributing agencies under certain conditions or if the lake recovers to elevation 1,110 feet. The DCP will also include clear rules regarding storage and release of Intentionally Created Surplus (ICS) water below 1,075 feet. The DCP consultation process will continue over the next several months, with potential approvals in December or January. The California parties recognize that ongoing issues related to the Bay-Delta and restoration at the Salton Sea continue in parallel along with DCP efforts. When asked at the CRB meeting, IID’s representative indicated that there would need to be an actionable plan at the Salton Sea by the state in order for IID to participate in DCP.

**Colorado River Basin Salinity Control Program**

On October 25, Reclamation hosted a tour of the Paradox Valley Unit (PVU) which has prevented 2.2 million tons of salt from reaching the Colorado River in its 20 years of operation. The Salinity Control Forum is looking at a variety of alternatives for future PVU operations, which will likely include a second injection well. The draft PVU Alternatives Environmental Impact Statement (EIS) is expected in November 2018 with a final Record of Decision expected by the end of 2019. Additionally, Reclamation’s “stress test” hydrology will be used in the upcoming Triennial Review process.

**Negotiations of Minute 32X**

The bi-national negotiating group that is evaluating options for the potential successor to Minute 319 met on November 7-9 in San Diego to continue discussions of potential items to include in the next Minute. Mexico’s participation in DCP efforts has continued to be a topic of the bi-national discussions. Elements under discussion include whether to extend or expand some of the current provisions of Minute 319 through 2026 so that the new Minute would coincide with the timeline of the 2007 Interim Guidelines. In addition to the uncertainty about the level of DCP contributions Mexico may agree to, there’s also uncertainty regarding specifics of water conservation projects that will be included.

**Glen Canyon Dam Adaptive Management Program**

The Long-Term Experimental and Management Plan (LTEMP) that will guide operations of Glen Canyon Dam for the next twenty years includes experimental activities designed to balance the benefits to downstream resources with water supply requirements and hydropower generation. The LTEMP EIS was finalized in October and a Record of Decision is expected in December. High flow experiments (HFE) are sometimes performed to mobilize sediment and combat erosion of beaches in the Grand Canyon. This year, after eradicating a population of invasive sunfish, an HFE was implemented from November 7 to November 12.
Lower Colorado River Multi-Species Conservation Program
The LCR MSCP Steering Committee met on October 26 and approved the addition of the northern Mexican gartersnake, which was recently federally listed as a threatened species under the Endangered Species Act, as a covered species under the program.

Colorado River Authority
The Colorado River Authority, a joint powers authority made up of the six water agencies of the CRB, met following the CRB meeting and approved funding for a Lower Colorado River tour for Upper Basin representatives planned for the spring of 2017.

Prepared by: Kara Mathews, Senior Water Resources Specialist
Reviewed by: Doug Wilson, CRB Representative
Attention: Imported Water Committee

State Water Resources Control Board Salton Sea Management Plan Update (Presentation)

Purpose
This report provides a review of the State Water Resources Control Board (State Water Board) November 15, 2016 public workshop on the status of the Salton Sea Management Program (SSMP).

Background
In November 2014, the Imperial Irrigation District (IID) petitioned the State Water Board to modify its 2002 Order that requires fifteen years of mitigation water to be delivered to the Salton Sea to offset the environmental impacts of the Water Authority and Coachella Valley Water District transfers from the Imperial Valley (QSA transfers). The petition requested the State Water Board condition the QSA water transfers on the state satisfying its restoration obligations at the Salton Sea. In response, the State Water Board held a public workshop in March 2015 where the Water Authority and other interested parties presented and gave testimony regarding IID’s request. Included in the Water Authority’s comments was a recommendation that the Governor’s Office seek a consensus-based resolution of Salton Sea issues through the establishment of a stakeholder-based task force. The Water Authority’s proposal also included a list of both pilot projects currently underway at the Sea as well as examples of progressive air quality control measures in place in other parts of the State.

As a result of the March 2015 workshop, the Governor’s office established the Salton Sea Task Force (task force) comprised of representatives from the California Natural Resources Agency (Natural Resources), the California Environmental Protection Agency and the Administration itself. In September 2015, the state named Bruce Wilcox, formerly IID’s environmental mitigation biologist for the QSA Joint Powers Authority (JPA), as Assistant Secretary for Salton Sea policy to lead the task force. The task force released the concept of a SSMP in November 2015, which concentrated on the short-term goal of creating 12,000 acres of habitat. The State Board held additional workshops in January and April 2016, and received an update from Natural Resources in August 2016.

Discussion
On Tuesday, November 15, the State Water Board held its fourth workshop on the Salton Sea to hear reports on the status of the SSMP with an emphasis on steps taken to address air quality and protect human health. The workshop consisted of three panels: panel I – status update on the (SSMP), panel II – air quality and dust control projects, and panel III – local entity panel.

The first panel included an update from Bruce Wilcox, Assistant Secretary for Salton Sea policy for the California Natural Resources Agency—and the lead on the SSMP. Mr. Wilcox laid out a Phase I ten-year plan for restoration projects with the clear focus on addressing air quality and habitat. Other presentations included testimony on social justice and human health issues; habitat suitability; restoration progress at Red Hill Bay; and project management suggestions.

The second panel focused on best management practices and lessons learned from other regions in California suffering from air quality and dust control issues. Brian Schmid, IID’s air quality
monitoring consultant, gave an overview of IID’s air quality monitoring program including its comprehensive science-based adaptive management component. The Torres Martinez Desert Cahuilla Tribe was also represented on the panel and raised major concerns regarding community health.

The local entity panel had representation from IID, Imperial County, and the Pacific Institute. Michael Cohen from the Pacific Institute indicated that because of the 15-year mitigation water program, the water agencies (via the QSA Joint Powers Authority - “QSA JPA”) have continued to meet their State Water Board mitigation obligations to maintain salinity and elevation at the Sea. He urged the state take action commensurate with that of the QSA JPA towards progress at the Sea. Imperial County’s legal counsel indicated that the county will begin enforcement actions soon—putting the responsibility and cost of dust control on the landowner and requiring strict compliance with approved best available control measures (BACM) by the Imperial County Air Pollution Control District. IID’s General Manager stated that without action at the sea, IID would be precluded from participation in Colorado River Drought Contingency Plan (DCP) negotiations. IID specifically requested a focused ten-year road map for the sea with designated milestones, prioritization, and enforcement with full commitment—including funding—from the state no later than December 1, 2016 so that the IID Board and State Water Board could approve the plans and order its implementation by December 31, 2016.

The Water Authority submitted written comments (Attachment 1) focused on QSA mitigation efforts at the Salton Sea, air quality issues in the Salton Sea basin that pre-date the QSA, the need for a comprehensive financing plan, support for the momentum created by the Salton Sea Task Force, and concerns regarding potential unmitigated environmental impacts from the proposed DCP. If an agreement on the DCP is reached, there must be a clear delineation between impacts to the Sea caused by the QSA—which the QSA Joint Powers Authority (QSA JPA) and the State have a responsibility to mitigate for—and new impacts by any additional programs beyond the State Water Board’s 2002 Order. While the QSA JPA and State investment toward mitigation is substantial, our funding must be

The November workshop allowed stakeholders to give an update to the State Board on restoration projects being carried out at the sea and voice their concerns over the slow progress from the State to date. The State Board did not offer any specific comments for moving forward, but asked that Bruce Wilcox look for smaller scale projects that could be carried out sooner rather than later. It is anticipated that workshops of a similar nature will continue in 2017.

Prepared by: Kimberlyn Velasquez, Assistant Water Resources Specialist
Reviewed by: Dan Denham, Colorado River Program Director
Approved by: Maureen A. Stapleton, General Manager

Attachments:

Attachment 1 - Statement of the San Diego County Water Authority for the November 15, 2016 State Water Resource Control Board Workshop on the Status of the Salton Sea
Attachment 2 - Statement of Imperial Irrigation District for the November 15, 2016 State Water Resource Control Board Workshop on the Status of the Salton Sea
San Diego County Water Authority
4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600  FAX (858) 522-6568  www.sdcwa.org

November 10, 2016

VIA EMAIL

Jeanine Townsend, Clerk of the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814
commentletters@waterboards.ca.gov


Dear Ms. Townsend:

The San Diego County Water Authority respectfully submits these written comments to the State Water Resources Control Board for consideration at its November 15, 2016 public workshop regarding the status of actions identified by the Salton Sea Task Force.

We thank you for your time and consideration with this important matter.

Sincerely,

Maureen A. Stapleton
General Manager

The San Diego County Water Authority (Water Authority) respectfully submits these written statements to the State Water Resource Control Board (State Water Board) for consideration at its November 15, 2016 workshop regarding the status of the Salton Sea and revised Order WRO 2002-13. This workshop represents the fourth workshop held by the State Water Board to discuss the Salton Sea, and the third since Governor Edmund G. Brown announced the establishment of the Salton Sea Task Force (Task Force) to oversee the State’s fulfillment of its restoration obligations.

Order WRO 2002-13 established the legal framework that required the Imperial Irrigation District (“IID”) to conserve water and authorized the transfer of that water to the Water Authority. In reliance upon WRO 2002-13, billions of dollars were committed by California agencies to implement a series of collective agreements commonly known as the Quantification Settlement Agreement (“QSA”). Through the QSA Joint Powers Authority, the parties’ collective commitment to mitigating the impacts of the conservation and IID/Water Authority transfer on the Salton Sea continues to be fulfilled.

Supportive of the State’s Momentum:

In addition to discharging its obligation to mitigate impacts of the IID/Water Authority transfer, the Water Authority remains a strong supporter of a pragmatic Salton Sea restoration plan and it fully embraces the efforts by the California Natural Resources Agency, in partnership with the Salton Sea Authority and other stakeholders, to develop the Salton Sea Management Program (SSMP).

Prior to the State Water Board’s March 18, 2015 workshop on the Salton Sea, the Water Authority proposed the establishment of a state task force to oversee a comprehensive restoration program. We were pleased when the Administration announced the Salton Sea Task Force made up of state environmental, air quality and water regulatory agencies in October 2015. The Water Authority believes that the initial findings of the Task Force, calling for up 12,000 acres of habitat at the Sea in the near term and up to 25,000 acres in the mid- to long-term range, are feasible goals.

Additionally, we support the appointment of the California Natural Resources Agency to lead the state’s effort to develop a feasible restoration approach and the selection of Bruce Wilcox, to serve as Assistant Secretary for Salton Sea Policy. Mr. Wilcox’s knowledge of the issues pertaining to the Sea, his ability to work collaboratively with all stakeholders, and his genuine desire to carry out an effective restoration program make him the right choice to lead the state’s effort.
The result of this new period of momentum at the Salton Sea has been the development of the SSMP, a feasible phased approach by the state to meet its restoration responsibilities. The SSMP focuses on addressing air quality to protect the regional communities that are impacted by exposed shoreline playa and on the development of habitat to ensure the Sea continues to function as part of the Pacific Flyway for migratory birds. As you are aware, Phase 1 projects have been announced and construction is anticipated to begin in 2017, with some of the earth work and electrical work already underway. While the steps identified so far represent a small percentage of the acreage called for by the Task Force, they represent a pathway forward and should not be dismissed. Projects moving forward under Phase 1 will lead to additional projects, all of which will build upon each other. Moving forward, all stakeholders must work collaboratively to ensure the state continues to show progress.

The Water Authority has had an active role in the SSMP process, serving on stakeholder committees established under the Task Force including the long-range and financial planning committee, air quality committee, and public outreach committee. We will continue to participate—both as a way to remain engaged and to ensure the state fulfills its responsibilities.

**Steps Toward Additional Funding:**

A critical step toward SSMP implementation came when the Governor included $80.5 million in Proposition 1 funding for the Salton Sea as part of the 2016 budget. While this was less than what was hoped for (the stakeholders—including the Water Authority—together requested at least $100 million for the Sea), it represents an effort by the state to recognize its commitment and prioritize the Sea. However, the state’s funding responsibility cannot end there. We believe there must be an annual allotment from the state if the SSMP is to be successful.

It is positive to see other funding sources starting to develop. In particular, the recent Memorandum of Understanding (MOU) signed between the U.S. Department of Interior and California Natural Resources Agency included the announcement of a $30 million federal investment in the Salton Sea. Perhaps of equal importance to that funding announcement is that the MOU represents a new commitment to addressing the Salton Sea by the federal government, which is a significant landowner at the Sea. The Department of Interior pledging its support for the SSMP is a sign of the much-needed collaboration between state and federal agencies to address restoration.

In addition to the funding announced in the MOU, there are other potential resources—including $30 million in Federal WRDA funding and $10 million from the Water Funder Initiative. There is also the possibility of funding through an incremental financing tax district around the Sea. However, none of that negates the state’s responsibility to serve as the lead in developing funding for its SSMP. It is also vital that the available funds be used prudently with the focus on air quality and habitat projects—and not “additional studies”.
Lower Colorado River Drought Contingency Talks Could Adversely Impact the Sea:

At the urging of the Department of Interior, Section 5 Contractors on the Colorado River have been engaged in compartmentalized negotiations designed to put more water behind Lake Mead for the primary benefit of Arizona and Nevada through a Drought Contingency Plan (DCP). Under the DCP, it has been proposed that as much as 60 percent of the water contributed from California to storage within Lake Mead will come from IID through additional efficiency based conservation. This new conservation will have an impact on the Salton Sea. Consequently, while the Department’s motives may be laudable, unless fully mitigated - the DCP appears inconsistent with the objectives established in the recent memorandum executed by the Department and the State of California in furtherance of Salton Sea restoration.

The Water Authority’s interest and concern is straightforward. WR 2002-13 established a delicate balance between requiring more efficient water use on the one hand and the protection of the environment on the other hand. The QSA expressly relieved IID of having to undertake additional water conservation efforts. It is unimaginable that the DCP will spur IID into additional conservation and reduced inflow to the Salton Sea on the heels of the scheduled termination of 150,000 acre feet per year of mitigation water at the end of 2017.

Environmental review for the QSA was no simple undertaking. It created a baseline for future administration of the Colorado River. Exhaustive environmental review and State and Federal approvals carefully balanced ecosystem needs with those of consumptive water users to require conservation and allow the transfers to proceed. However, the DCP, in its purported current form, calls for up to 210,000 acre feet of water to be removed from the IID service area when certain Lake Mead elevations are reached. If impacts of these transfers are mitigated in a manner consistent with the State Water Board’s 15-year mitigation water program for the QSA transfers, 315,000 acre-feet of mitigation water would be necessary to completely mitigate salinity and elevation impacts of the DCP – each year this maximum volume is stored in Lake Mead.

If an agreement on the DCP is reached, there must be a clear delineation between impacts to the Sea caused by the QSA—which the QSA Joint Powers Authority (QSA JPA) and the State have a responsibility to mitigate for—and new impacts by any additional actions beyond WR 2002-13. While the QSA JPA and State investment toward mitigation is substantial, our funding must be used in an exact manner to solely address QSA impacts. The QSA parties cannot be asked to bear the brunt of the Department of Interior’s aspirational goal of benefitting Arizona and Nevada. Already, the QSA frequently and unjustly is blamed for impacts to the Sea despite the mitigation flows provided since 2003 and funded at great cost.

The Water Authority will continue to meet its obligations toward the QSA and its impacts, but we will not be held accountable for—nor be willing to fund mitigation to address—those impacts caused by new policies reached through the DCP. Re-opening the underlying environmental and regulatory review and approvals of the QSA to authorize the DCP is not supported by the benefits obtained under the current proposal.
Conclusion:

The Water Authority will continue to do its part, along with its QSA JPA partners, to fund a robust mitigation program at the Sea up to the funding cap of $287 million (in nominal dollars) as established by State Legislation. Additionally, the Water Authority, the Imperial Irrigation District and the Coachella Valley Water District committed to provide $67 million toward the state’s Salton Sea Restoration Fund as seed money for restoration projects. We are encouraged by the recent progress at the Sea and will continue to support efforts by the state to meet its restoration obligations.

For the first time in years, the state has committed to provide leadership in addressing the Salton Sea and has momentum toward prioritizing the Sea. We believe the SSMP provides an effective framework to address the larger issue of restoration, and that, while time is of the essence, it is not too late. It is important for all stakeholders to continue to work collaboratively to ensure progress continues and to refrain from compartmentalized DCP negotiations that will unfairly and unwisely shift the burden away from those that will truly benefit.
November 10, 2016

VIA ELECTRONIC MAIL
commentletters@waterboards.ca.gov

Felicia Marcus
Chair, State Water Resources Control Board
1001 “I” Street
Sacramento, California 95814

Re: Comment Letter – Salton Sea

Dear Chair Marcus:

Imperial Irrigation District (IID) is pleased to submit the enclosed comments for consideration by the State Water Resources Control Board during next Tuesday’s workshop on the Salton Sea.

Specifically, IID is requesting that the State Water Resources Control Board adopt or cause the California Natural Resources Agency to adopt a 10-year Roadmap for the Salton Sea’s restoration no later than December 31, 2016. The failure to adopt such a Roadmap would, in IID’s view, represent the State of California’s failure to meet its commitments to the people of the Salton Sea region, in violation not only of California law but also the recent Memorandum of Understanding between the United States Department of the Interior and the California Natural Resources Agency.

IID looks forward to sharing its views on this important matter with you and your colleagues next Tuesday.

Very truly yours,

Kevin Kelley
General Manager
STATE WATER RESOURCES CONTROL BOARD
PUBLIC WORKSHOP REGARDING THE STATUS OF THE SALTON SEA
TUESDAY, NOVEMBER 15, 2016, 11 A.M.

THIS BOARD MUST TAKE IMMEDIATE ACTION TO REQUIRE A ROADMAP
FOR A SMALLER BUT SUSTAINABLE SALTON SEA

A Call to Action

The Notice of Public Workshop provided a useful history of the process proposed for implementing a concrete program for restoration of the Salton Sea. It went on to note that over a year ago the Salton Sea Task Force adopted principles for a successful Salton Sea Management Program. The Notice also correctly described that this Board is mandated by the Task Force directive and by its Revised Order WRO 2002-0013 to monitor and assess progress being made toward restoration. As discussed more fully below, the Task Force has moved little beyond these general principles. The Task Force has not outlined goals and objectives with metrics and deadlines to accomplish restoration, despite the requests of many parties during this Board’s workshops. The Task Force has not established priorities among the goals, the most important of which is the protection of the public health of those near the Salton Sea. This failure to move forward quickly in a concrete way is no longer just an abstract concern calling out for more study. This failure threatens the health of the people living near the Salton Sea. It threatens the habitats of countless species. If continued, it will make it impossible for the Imperial Irrigation District to participate in a lower Colorado River drought program and this failure threatens the viability of the Quantification Settlement Agreement (QSA) itself.

A. There is Insufficient Concrete Progress Toward Restoration of the Salton Sea.

As IID emphasized in its presentation before the SWRCB in January of this year, it is imperative that the Board take immediate and definitive action before the end of 2016 to adopt a 10-year Roadmap for Salton Sea restoration that will hold the State accountable in meeting its Salton Sea obligations. There currently is no plan with goals and objectives, with enforceable metrics and with actionable timelines. These are required because already the Task Force's actions are not keeping pace with the rate of expansion of playa exposure. And, most certainly, the Task Force will not be able to keep pace with the exponentially increasing rate of playa exposure starting at the beginning of 2017. Indeed, if there is no concrete program in place at the start of 2017, the Board, the IID and the State of California will find themselves facing a 150,000-acre-foot shortfall in mitigation water to the Sea. This is not a surprise—it is specified in this Board's Order and required by the QSA. There will be no action plan containing compensating measures to avoid the environmental and public health consequences that will begin to spiral out of control in 2018.
SWRCB’s 2002 Order allowing the proposed QSA water transfers to proceed without unreasonable impacts presupposes and requires State implementation of Salton Sea restoration. It relies on the 15-year mitigation water delivery period to hold the line against degradation while the restoration plan is developed. That 15-year period will expire next year, but there is still no concrete plan for restoration. The QSA was expressly conditioned on the development of such restoration plan during this period. It has not happened and the inevitable health risks are now about to occur. The condition of 15 years of mitigation water contributions to the Sea was straightforward. All knew that the transfers would cause significant harm to air quality and habitat, the contributions would serve to stabilize regional environmental and air quality conditions for a long enough period for the State to study the feasibility of long-term restoration actions, develop a plan for restoration and begin implementation of the restoration plan. That did not happen during the 15 years, it still has not happened, and the rate of playa exposure has far outstripped the recent attempts to start a program of restoration. Damage is occurring daily and will increase exponentially. There simply is no tenable alternative to fulfillment of the State’s obligation. There is no time to look in vain for a less expensive, less difficult "Plan B".

In developing its 2002 Order approving the transfers, the Board determined two things. First, the QSA transfers are of overriding importance to the State’s water supply reliability. However, the transfers could only be permitted and allowance of the transfers be determined as reasonable if the anticipated Salton Sea air quality and habitat impacts and the mitigation measures set forth in the EIRs and ordered by the Board were implemented. The Board intended that those mitigation measures, including the 15-year mitigation water requirement, be crafted to rely on the presumption that the State would begin to restore the Sea within the initial 15-year period. This reliance on action by the State was appropriately based not only on assurances from State officials—as Director Kuhn detailed in the initial Salton Sea Workshop in March 2015—but also on “QSA legislation” (a package of three bills, SB 277, SB 317, and SB 654) in which the California Legislature agreed to assume the costs of Salton Sea restoration and QSA mitigation, except for the first $133 million (2003 dollars) in mitigation costs to be borne by IID, Coachella Valley Water District and San Diego County Water Authority. In SB 277, the Salton Sea Restoration Act, the Legislature declared it to be “the intent of the Legislature that the State of California undertake the restoration of the Salton Sea ecosystem and the permanent protection of the wildlife dependent on that ecosystem.” The sponsors of the bill explained that it entailed “a commitment on the part of the State to restore the Salton Sea,” and that SB 277 “states that it is the responsibility of the State of California to restore the Salton Sea.” The QSA partners directly relied upon these State commitments. In signing the QSA, all of the QSA partners agreed that the transfers were “premised on,” among other things, the “continuation of the QSA Legislation in full force and effect without material modification.” This Board in granting the transfers relied on this same immutable premise.

In 2013, the Legislature and Administration renewed the State’s commitment to Salton Sea restoration by enacting AB 71, which reaffirmed that it remains “the intent of the Legislature” to “[p]ermanently protect fish and wildlife that are dependent on the Salton Sea ecosystem,” “[r]estore the long-term stable aquatic and shoreline habitat for fish and wildlife that depend on the Salton Sea,” and “[m]inimize noxious odors and other water and air quality problems.” AB 71 also provided that the California Natural Resources Agency (CNRA) would lead the Salton Sea restoration efforts. The 2014 California Water Action Plan, as updated in 2016, calls on the
SWRCB to oversee CNRA leadership in the development and implementation of a comprehensive and accelerated response to the air quality and ecological needs at the Sea. Despite these renewed commitments, with the exception of the work performed by IID, there has been virtually no concrete, on-the-ground effort by the State to address the scale of the looming transfer impacts.

Frustrated by the State’s sluggish response to the impending crisis at the Sea, the purpose of IID’s Petition filed with the Board in November 2014 was to prompt timely Board action requiring the State to fulfill its commitment to restore the Salton Sea as a condition of the QSA transfers. IID filed its Petition three years ahead of the environmental and public health “cliff” looming at the end of 2017, understanding that it could take many months for stakeholders to develop a consensus-based State-led restoration plan and a realistic, viable mechanism to fund it. Tragically, in the intervening 24 months since IID’s Petition was filed, though we have witnessed an escalating sense of activity and continual renewing of State verbal commitments, the State has not translated these into immediately implementable plans scaled to keep pace with acknowledged acceleration of impacts in terms of exposed acreage and loss of habitat. Rather, the State’s actions since 2014 and this Board’s initial 2015 Workshop have been little more than window dressing on continuing State dithering and digressions into “studying” the problem without new or more comprehensive plans or progress.

In October of 2015, the Task Force’s “Agency Actions” document called for accelerated planning and permitting and “immediate implementation” of projects responding to air quality and natural resource impacts at the Sea, specifically “staged to address the expected progression of playa exposure,” under the oversight of this Board and the California Air Resources Control Board. But instead of prompting immediate implementation, the Task Force’s manifesto was followed by 12 months of CNRA “process” and public presentations. Similarly, CNRA’s April 2016 AB1095 “shovel-ready” project report issued in response to the AB1095 deadline simply catalogued pre-existing IID and State efforts, such as the previously developed permitted Species Conservation Habitat and Red Hill Bay projects, the Torres-Martinez Wetlands, and IID’s Backbone Infrastructure project. As the non-governmental organizations pointed out at this Board’s April 2016 Workshop and again before the August 2016 SSMP Update, even these projects touted by CNRA and the Task Force are far too limited to address anticipated transfer impacts, and instead of moving forward even with these, the State seems committed only to re-studying, re-engineering and representing the existing plans and designs, rather than making concrete on-the-ground progress. As recently as last week, CNRA’s SSMP presentation consisted of a “plan” allowing available budget to drive Salton Sea restoration, representing not an implementable, serious Roadmap responding to transfer impacts and critical restoration goals with adequate metrics and timelines but a Roadmap for excusing failure by pointing to funding limitations. This “plan” responds to ostensibly ambitious goals, such as construction of an extensive “perimeter” lake, but these goals have not been formulated coherently to efficiently address the anticipated brunt of the transfers’ public health impacts, which primarily will consist of rapid southern Sea playa exposure and deteriorating air quality conditions, which must be addressed in concert with available water supply infrastructure and assured deliverable inflows.

At the August 2016 SWRCB meeting, IID informed the Board of an additional element of urgency bearing on the Board’s need to take immediate action to hold the State accountable at the Salton Sea. Adequately addressing Salton Sea imperatives has become a condition precedent
for dealing with California and the Lower Colorado River Basin States’ water supply reliability issues. It was against this backdrop that the State of California executed a Memorandum of Understanding (MOU) with the Federal government, the purpose of which was to catalyze State restoration leadership and immediate implementation efforts to facilitate Lower Colorado drought contingency efforts. On August 31, CNRA and the U.S. Department of the Interior signed the MOU, recognizing a Salton Sea Roadmap as a prerequisite for addressing Colorado River drought contingency planning, ensuring California water supply reliability and requiring immediate SSMP implementation to achieve critical restoration goals. Both the Obama and the Brown Administrations recognized as a “critical” priority the Task Force’s goal of creating 25,000 acres of habitat and/or dust suppression projects by 2025. This MOU commitment compels an immediate, adequate and implementable Salton Sea Roadmap.

IID and the County of Imperial commend both the Obama and Brown Administrations for recognizing the dire threat that a shrinking Salton Sea poses to hundreds of thousands of Southern Californians’ public health and to the Pacific Flyway. The SWRCB must act now to ensure that Salton Sea Roadmap implementation can keep pace with transfer impacts. Pursuant to the MOU commitments, as well as its own 2002 Order, the California Water Code, the California Water Plan, and the Administration’s own Task Force manifesto, this Board remains the entity with jurisdiction over the QSA transfers and their impacts and is empowered and charged with adopting and enforcing essential Roadmap metrics and timelines.

While adopting the language of the Task Force’s mandate, the Notice refers to a successful Salton Sea Management Program. Of course, “management” of a problem implies that its potentially catastrophic immediate effects have been averted, so that the task remaining is to monitor and redirect remedial efforts as needed. However, an agency cannot “manage” a problem that is nearing the point of unmanageable injury to public health and countless species. The action called for is concrete programs and projects that will avoid the disaster, not "manage" it. The precipitous decline of the Salton Sea, if left unchecked, will, as so deftly described in others’ comments, result in irremediable damage to myriad wildlife species and will cause unimaginable damage to the health of people. Because avoiding these results is clearly the goal of the Task Force, of the Governor, and of this Board, IID provides a specific proposal for development of a Salton Sea restoration Roadmap. There are three principal reasons why this action must be taken immediately.

1) The Colorado River faces a drought of enormous proportion, and IID has been called upon to participate in a Drought Contingency Program (DCP) to help build elevation in Lake Mead to avoid lower priority States’ loss of needed water supply. IID has been engaged in negotiating agreements for Lake Mead storage of water generated as a result of conservation. Obviously, more conservation and storage in Lake Mead will mean less drainage flow to the Sea, potentially exacerbating the problem of exposed playa when the goal is to decrease that exposure. IID has made clear from the beginning of these negotiations that it cannot participate in a DCP unless there is a concrete plan in place to ensure that participation to save other states will not add to the destruction of the Salton Sea. A Salton Sea Roadmap is indispensable to address this issue.

2) While the circulated SSMP documents have included well-meaning language aimed at protecting public health, efforts to date fall far short of this critical goal. Remediation
and elimination of emissive playa must be governed by some demonstrable goals and objectives supported by basic principles. First, in the area of air quality protection, efforts must be undertaken that optimize the protection of the greatest number of affected families; i.e., at the south end of the Salton Sea. Second, since the crisis is itself precipitated by diminishing water supply, water-intensive efforts must be minimized and non-water-consuming technologies must be used where feasible. There is no evidence these principles have been followed here. To the contrary, current Task Force proposals and those of the Assistant Secretary press for the development of a perimeter lake of depth to generate recreational value. In none of the discussions are there hydrologic studies that demonstrate there is sufficient water to maintain it. Since the Task Force efforts do not prioritize among public health, habitat development and energy, the perimeter lake proposal is indifferent to these considerations. There is no explanation of how the use of water for these purposes would optimize protection of public health while generating species habitat. There is no description of the criteria for selection of this option or that there was a process of optimizing the method of reducing playa exposure by relying on the lodestones of the three critical restoration goals of protection of public health, habitat creation and development of geothermal energy. Without evidence to the contrary, the option of a perimeter lake seems to be moving inexorably forward, without consideration of these vital criteria or how the perimeter lake would ensure failure of all restoration efforts. A Roadmap timed and scaled to the critical MOU/Task Force goals would ensure accountability and prevent incurrence of such stray sunk-resource costs, and likely demonstrate this option is the least likely to serve as the most efficient means of restoration.

3) Finally, the progress thus far is woefully inadequate. There is no way for an agency to “manage” its way out of the upcoming cliff at the end of 2017. If not resolved soon, the problem may defy resolution. Consider the reality that at the same time that IID faces pressures to store conserved water in Lake Mead, fallowing for generation of transfer water is programmed to end. This double-barreled reality must be understood, faced, planned for and integrated into a concrete Roadmap for protection of the Sea. The QSA partners, IID specifically, the county of Imperial and the environmental community, cannot withstand the consequences of default by neglect. Most significantly, IID cannot stand idly by when the consequences of continuing the transfers result in catastrophic injury to the Imperial Valley, the loss of vital habitat solely because of a default by the State.

B. The Proposed Roadmap That Will Finally Begin the Road to Restoration

IID and the County of Imperial propose that the State of California adopt a “Roadmap” for the restoration of the Salton Sea that will assure a “smaller but sustainable” Salton Sea for generations to come. In order to meet the schedule in the MOU, approximately 3,000 acres of habitat restoration and/or dust suppression projects must be constructed every year through 2025. The map and table included herein show the acreages and areas that are likely to be needed. This Roadmap will serve to guide and coordinate these efforts. IID and the county believe that the state of California can, should and must adopt such a Roadmap no later than December 31, 2016.
The 10-year Roadmap should commit the State of California to:

Identify interim acreages for habitat restoration and/or dust suppression for each year between 2017 and 2025 and timely construct the projects to meet those interim acreage targets.

Provide the necessary resources to construct those habitat restoration and/or dust suppression projects.

Include the development of 500 MW of geothermal projects, including the 250 MW already called for by the federal government, no later than 2025.

Include in each year’s budget, from FY 2018 through FY 2026, an amount sufficient to construct the projects identified in the Roadmap.

Conduct quarterly oversight hearings, convened jointly by the State Water Resources Control Board and the California Air Resources Board. The Governor – we believe – has given the two Boards authority to compel sister agencies to take the actions necessary to timely construct projects at the Salton Sea. It is now time to exercise that authority.

Require all state agencies to streamline permitting processes for habitat restoration and/or dust suppression projects.

The time for planning and discussion has passed. The time for action is now. We need a 10-year Roadmap to restore the Salton Sea before it disappears.

2003 – 2017 Projected Salton Sea Exposed Playa Acreage = 18,625 acres
2017 – 2025 Projected Salton Sea Exposed Playa Acreage = 38,442 acres
SSMP Planned Near-Term Habitat = 1.217 acres
C. The State’s Salton Sea Management Plan Must Be Completely Overhauled

Data from hydrologic modeling forecasts indicate nearly 38,500 acres of playa at the Salton Sea will become exposed by 2025 after mitigation water deliveries are completed in 2017. This is in addition to the nearly 19,000 acres of lands previously underwater that will have already been exposed since the transfer of conserved water from the QSA began in 2003. In order to meet the MOU’s mid-term goal of 25,000 acres of habitat creation and dust suppression projects at the sea by 2025, this will require approximately 65 percent of each year’s newly exposed playa to be included within dust suppression and/or habitat creation projects (see table below). On average, this necessitates projects addressing 3,125 acres each year, with annual targets ranging from 2,300 to 3,600 acres during this eight-year period.

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<th>2018-2025 Roadmap to Salton Sea Task Force Milestones</th>
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<td>Total Projected Salton Sea Exposed Playa Acreage</td>
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<th>Annual Playa Acreage Coverage Milestones</th>
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<th>Cumulative Playa Acreage Coverage Milestones</th>
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Mid-Term SSMP Playa Coverage Acreage Target/Eight-year (2018-2025) Cumulative Projected Increase in Exposed Playa = 25,000/38,442 = 65.03%. 18,625 acres of playa are projected to be exposed prior to 2018; this acreage is not included in the 65% playa coverage calculation.

Based on the presentations made recently by the California Natural Resources Agency, current Salton Sea management plan near-term actions anticipate Proposition 1-funded projects encompassing nearly 15,000 acres by 2021. While in theory this acreage would be on track to meet 2021’s cumulative coverage milestone of 15,500 acres (see table above), CNRA’s cost estimates associated with the various projects currently being envisioned around the New, Alamo and Whitewater Rivers are over $450 million, vastly exceeding current funding appropriations of $80.5 million. With unit costs ranging from $19,000 to over $160,000 per acre, the current “plans” do not reflect the implementation needs of the state and region, not to mention the Task Force’s 25,000-acre target. Even with funding, projects such as the Species Conservation Habitat Project, under development since at least 2010, continue to be delayed by the State, with construction now postponed until at least 2017 (and a price tag of more than $30 million for 640 acres; unit costs approaching $50,000 per acre). Moreover, the State has admitted that funding will drive the selection of projects, rather than recognizing that public health and environmental protection need to drive State funding and project prioritization. This is unacceptable.

Given that the State estimates low-berm project (i.e., less water-intensive) costs are only about 60 percent of the expense of high berm project (i.e., higher water-use habitat) costs, a different
approach should be considered that focuses, at least initially, on the more cost-effective and higher priority air quality projects that also generally require less water. This would allow for more rapid implementation, minimize public health impacts, and afford time to obtain additional funding for both construction and future operation and maintenance. While this would push some of the habitat-centric features to lower elevations, it would address exposed acreage in a timelier manner with nearer-term health benefits, and allow for the necessary permitting, design, coordination and construction at lower elevations that currently seems problematic for the State to realistically address.

Critical to both air quality and habitat features is the development of the backbone infrastructure that will result in the conveyance facilities needed to move the agricultural drainage waters to the restoration and mitigation sites. Similarly, while unit costs indicate the most cost-effective projects occur in the Whitewater area, the largest area of exposed acreage will occur on the southern end of the Salton Sea, near those communities least able to afford adequate health care or with sufficient access to medical services, so cost-effectiveness cannot be the sole decision criteria in the State’s planning efforts.

Lastly, it is important to recognize that, while the concept of using economic development around the perimeter of the Salton Sea to fund restoration is appealing, it is entirely unrealistic in this initial phase of restoration. The immediate priority of the State of California must be dust suppression; otherwise, fugitive dust emissions are likely to cause a public health crisis in the adjacent communities, and particularly for those on the south end of the Sea. Moreover, a deep-water perimeter lake would require disproportionate quantities of the limited water supply available, and for relatively modest environmental and public health benefits. It is time to see such a perimeter lake for what it is: a distraction from the critical path to address the environmental and public health crisis at the Salton Sea.

D. Failure by the State is Not an Option for IID, the County of Imperial, the Environmental Community or IID’s Colorado River Partners

The Obama and Brown Administrations have recognized that it is necessary to move toward a “smaller but sustainable” Salton Sea to avoid a public health and environmental disaster. But, for the past year, the Natural Resources Agency has allowed anticipated funding constraints to define and limit the scope of its management program for Salton Sea restoration.

The failure of the State of California to adequately address the QSA water transfer impacts on Salton Sea elevation will be life-threatening for people, will result in the destruction of irreplaceable species habitat, and in this time of drought on the Colorado River, will make it impossible to guarantee a reliable water supply for Southern California or address proactive drought-planning efforts in the Colorado River basin. Cooperation among the Lower Basin States for the management of the ongoing 17-year drought on the Colorado River requires the State of California to develop and implement a plan to restore the Salton Sea, as contemplated in the MOU.
IID filed its petition with the State Water Resources Control Board seeking action by the State of California two years ago. Since that time, the Governor has appointed an assistant secretary for the Salton Sea and the Legislature has appropriated $80 million. The Governor has directed the State Water Resources Control Board and the California Air Resources Board to oversee an aggressive program to move toward a smaller but sustainable Salton Sea. The State of California and the United States have entered into the MOU acknowledging that restoring the Sea is of critical national importance and must begin immediately. These are good first steps, but they have not resulted in even one acre of on-the-ground projects at the Salton Sea.

Too little has been accomplished. The State Water Resources Control Board has provided the Assistant Secretary with numerous opportunities for presentation of a plan with adequate and necessary metrics and timelines, but none has been forthcoming. As of today, the still-tentative and budget-driven product from the Natural Resources Agency still does not contain the comprehensive concrete restoration actions that are required to meet the Administration’s stated short- and medium term restoration goals. Based on experience of the past year, there is little – if any – chance that projects could be implemented quickly enough to meet the mid-term targets in the MOU. Moreover, once the Salton Sea starts to recede in earnest, it will be difficult for projects to “catch up” to the receding shoreline. And there is an even broader gap in project planning for the looming air quality problems that will start to rapidly deteriorate the public health once the mitigation water ends in less than one year.

This Board, IID and the State of California are now at a crossroads. The Sea is at the precipice of a future that none would like to imagine, but still no progress is being made. The QSA transfers were entered into by IID to end years of conflict among water users on the Colorado and they have had that effect. IID reluctantly agreed to the transfers and this Board approved them based upon the express condition that the State would restore the Sea. IID believed the Board when it imposed that condition. The Board meant to enforce the condition when it adopted it. But the Sea recedes and the exposed playa expands. IID believes in the integrity of this Board. Neither IID nor this Board believes that by allowing the transfers, they have agreed to some Faustian bargain with the State from which they cannot escape. If the State breaches its promise, there are remedies, but pursuit of those remedies can be avoided if restoration can simply begin now.

Two outcomes await the completion of this workshop. One is continuation of the status quo, which will ultimately mean the destruction of the of the Sea, catastrophic fugitive dust emissions that will plague the poorest part of California, and the collapse of the Pacific Flyway. This outcome will mean the loss of the option of water conservation efforts to build elevation in Lake Mead as part of the developing Colorado River Basin drought planning measures. Finally, this outcome will ultimately mean creation of a rift in the compliance with the QSA. In the view of IID all participants could collectively turn the corner, adopt an enforceable 10-year Roadmap, and begin to fund the necessary projects to backstop the Colorado River water supply that will soon be ending and develop and implement rational projects on the ground that will resist the destruction generated by the lethargy that stands as an impediment to resolution of complex problems.
IID and the County of Imperial call upon the State Water Resources Control Board and the Air Resources Board to exercise the authority given to them by the Governor and order the Natural Resources Agency to submit a legally enforceable 10-year Roadmap to both Boards no later than December 1, 2016, so that both Boards can approve that plan and order its implementation by December 31, 2016. Absent such action, IID and the County intend to take all necessary steps to require action by the State of California. The protection of our residents and our unique environment requires no less.
November 30, 2016

Attention: Imported Water Committee

Proposed Lower Colorado River Drought Contingency Plan update. (Presentation)

Purpose
This report provides an update on the Lower Colorado River Drought Contingency Plan (DCP) including impacts on the Salton Sea and Quantification Settlement Agreement (QSA).

Background
At the urging of the Department of Interior, Lower Basin water users on the Colorado River have been engaged in compartmentalized negotiations designed to put more water behind Lake Mead for the primary benefit of Arizona and Nevada through a DCP. Current drought operations on the Colorado River are governed by the shortage reductions outlined in the “2007 Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead” (2007 Interim Guidelines) which identify cutbacks to Arizona and Nevada if Lake Mead drops to defined trigger elevations. Due to its high priority water rights in the Lower Basin, California does not face a cutback under the 2007 Interim Guidelines. The DCP, however, proposes cutbacks to the Lower Basin States in addition to those outlined in the 2007 Interim Guidelines, including cuts to California. It is proposed that California users take a reduction of 200,000 to 350,000 acre-feet per year if Lake Mead reaches specified elevations with cuts to individual agencies based on average annual diversions of Colorado River water. Under the DCP, 60 percent of the water contributed from California to storage within Lake Mead will come from Imperial Irrigation District (IID) through additional efficiency-based conservation. This new conservation will have an impact on the Salton Sea and surrounding communities unless mitigation activities are implemented. While the DCP motives may be laudable, unless fully mitigated it appears inconsistent with the objectives established in the recent memorandum of understanding executed by the Department of Interior and the State of California in furtherance of Salton Sea restoration.

Discussion
The Water Authority’s concerns with the DCP are straightforward. The QSA water transfers\(^1\) established a delicate balance between requiring more efficient water use on the one hand and protection of the environment on the other hand. The QSA expressly relieved IID of having to undertake additional water conservation efforts. The DCP proposes spurring IID into additional conservation and reduced inflow to the Salton Sea at a time when the scheduled termination of 150,000 acre feet per year of mitigation water at the ends in 2017.

Environmental review for the QSA was no simple undertaking. The QSA created a baseline for future administration of the Colorado River. Exhaustive environmental review and State and Federal approvals carefully balanced ecosystem needs with those of consumptive water users to

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\(^1\) The QSA water transfers include the IID-Water Authority conserved water transfer and the IID-Coachella Valley Water District (CVWD) conserved water acquisition. The QSA Joint Powers Authority (consisting of the Water Authority, CVWD, IID, and the State) oversees environmental mitigation obligations associated with these combined water transfers only.
require conservation and allow the transfers to proceed. However, the DCP, in its purported current form, calls for up to 210,000 acre feet of water to be removed from the IID service area when certain Lake Mead elevations are reached. If impacts of these transfers are mitigated in a manner consistent with the State Water Resources Control Board’s 15-year mitigation water program for the QSA transfers, 315,000 acre-feet of mitigation water would be necessary to completely mitigate salinity and elevation impacts of the DCP – each year this maximum volume is stored in Lake Mead.

If an agreement on the DCP is reached, there must be a clear delineation between impacts to the Sea caused by the QSA—which the QSA Joint Powers Authority (QSA JPA) and the State have a responsibility to mitigate for—and new impacts by any additional programs beyond the QSA water transfers. While the QSA JPA and State investment toward mitigation is substantial, our funding must be used in an exact manner to solely address QSA impacts. The QSA parties cannot be asked to bear the costs for the Department of Interior’s aspirational goal of benefiting Arizona and Nevada, or the desires of these states to avoid the long-established shortage formulas they agreed to previously. Already, the QSA is frequently and unjustly blamed for impacts to the Sea despite the mitigation flows provided since 2003 and funded at great cost.

The Water Authority will continue to meet its QSA obligations and mitigate the impacts of the QSA water transfers, but will not be held accountable for—nor be willing to fund mitigation to address—impacts caused by new policies reached through the DCP. Re-opening the underlying environmental and regulatory review and approvals of the QSA to authorize the DCP is not supported by the benefits obtained under the current proposal.

Prepared by:    Dan Denham, Colorado River Program Director
Approved by:   Maureen Stapleton, General Manager
November 30, 2016

Attention: Imported Water Committee

Metropolitan Water District Program Report (Information)

Purpose
This report summarizes activities of interest associated with the Metropolitan Water District of Southern California (MWD) and MWD Member Agencies.

Discussion
This section provides a summary of key issues at the November 7 and 8, 2016 meetings of the MWD Board of Directors. The MWD Board will meet next on December 12 and 13, 2016.

Local Resources Program Agreements
The MWD Board authorized agreements for four new Local Resources Program (LRP) projects with: 1) Los Angeles Department of Water and Power (LADWP) for the North Hollywood Area Water Recycling Project; 2) LADWP for the Sepulveda Basin Sports Complex Water Recycling Project; 3) Eastern Municipal Water District for Perris II Brackish Groundwater Desalter; and 4) the city of Torrance and the Water Replenishment District of Southern California for the Groundwater Reliability Improvement Program (GRIP) Recycled Water Project. Combined, these projects are projected to produce 16,150 acre-feet of local supplies annually and obligate MWD to pay up to $123.7 million in subsidies over the agreements’ 25-year terms. However, in justifying MWD funding for these projects, MWD staff relied on outdated information, ignored changed circumstances, and did not provide sufficient data to demonstrate why regional funding should be used to support these projects.

Water Savings Incentive Plan Agreement
The MWD Board also authorized entering into a Water Savings Incentive Program (WSIP) with Tri-Star Dyeing and Finishing, Inc., to install an onsite wastewater treatment and recycling plant. MWD estimated that over 10 years, this agreement would save Tri-Star 3,538 acre-feet of water and obligate MWD to pay $692,000 in subsidies for the project. Similar to the LRP funding, MWD staff did not provide sufficient justifications to demonstrate why regional funding should be used to support this agreement.

Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters
The MWD Board approved an agreement for temporary emergency delivery of a portion of the Mexican Treaty Waters (Colorado River) to the international boundary in the vicinity of Tijuana, Mexico. This agreement is similar to prior agreements to deliver Mexico’s Colorado River apportionment as emergency supplies to Tijuana. The agreement coordinates delivery of water to Mexico through MWD’s, the Water Authority’s, and Otay Water District’s systems to the international border.
Agreement with the Southern California Public Power Authority

The MWD Board authorized an amendment to the agreement with the Southern California Public Power Authority for the sale of renewable power from four hydroelectric power plants. MWD has 16 hydroelectric power plants; of these, MWD has agreements to sell power from four plants to the Southern California Public Power Authority (SCPPA) through 2023. MWD reported that since it first entered into the agreement with SCPPA in 2008, the renewable energy market has changed; there is now a more available renewable energy supply hence prices for this power have declined. MWD and SCPPA have reached agreement to modify the terms resulting in a lower payment from SCPPA to MWD. The current price for power is fixed at $94.83 per megawatt-hour through June 30, 2017 and then the price will be adjusted to $54.71 per megawatt-hour. The amendment eliminates the ability of either party to terminate the Agreement at-will prior to the current expiration date of December 31, 2023.

Overview of proposed Lower Colorado River Drought Contingency Plan

The elevation of Lake Mead hit a record low in summer of 2016. Although the Basin States agreed to the 2007 Interim Shortage Guidelines (ISG), MWD reported that without additional actions Lake Mead’s elevation will likely decline more rapidly than previously forecasted. To reduce the frequency and likelihood of Lake Mead’s elevation hitting 1,020 feet, the Bureau of Reclamation, Lower Basin States and the four major California Section 5 water contractors developed a proposal that, if agreed to, would require California to reduce its Colorado River water diversions below its 4.4 MAF basic apportionment, and for Nevada and Arizona to reduce beyond the volumes agreed to in the 2007 ISG. Under the 2007 ISG, California is not required to curtail its diversions because of its senior water rights on the river. Under the proposed agreement, four California Colorado River users (Palo Verde Irrigation District, Imperial Irrigation District, MWD, and Coachella Valley Water District) would reduce their diversions in proportion to their current deliveries of Colorado River water, if Lake Mead’s elevation reaches or drops below 1,045 feet. MWD had previously stated that the Plan will not impact the Water Authority’s Quantification Settlement Agreement supplies. California’s maximum reduction would be 350,000 acre-feet annually if Lake Mead’s elevation reaches 1,030 feet or below.

The MWD Committees and Board also:

- Conducted an AB1234 Ethics Training;
- Authorized an amendment to an existing office lease in Sacramento;
- Appropriated $13.8 million; and awarded $9,595,000 contract to McMillen LLC (dba McMillen Jacobs Associates) for seismic upgrades to the 6.9 kV switch houses at the Colorado River Aqueduct pumping plants;
- Approved MWD’s Salary Schedule Pursuant to CalPERS Regulations;
- Heard oral report on Outreach and Public Education activities;
- Heard in closed session, oral reports on the following:
  - Security Update; and
  - Conference with Labor Negotiators; and
- In closed session, heard a report on the rate litigation with the Water Authority; and in connection with these matters authorize an increase in maximum amount payable under contract for legal services with Manatt, Phelps & Phillips, LLP., by $300,000 to an amount not to exceed $400,000; with this action, the Board increased MWD’s maximum amount payable for legal expenses related to the rate litigation against the Water Authority to $25.9 million.
MWD Member Agencies.

Municipal Water District of Orange County (MWDOC).

At MWDOC’s November 2 Board meeting with its MWD representatives, staff provided an update on the Department of Water Resources’ and State Water Resources Control Board’s actions in response to Governor Brown’s Executive Order B-37-16. The state agencies are developing proposals related to long-term water use efficiency targets and Water Shortage Contingency Plans. Following MWDOC staff’s oral report, MWDOC directors, MWDOC MWD Delegates, and MWDOC member agency staff and directors discussed the proposals.

MWDOC and MWD Director Dick expressed concern with the additional staffing and other resource needs to comply with the “draconian” proposals. MWDOC and MWD Director Brett Barbre agreed and suggested that the state may need enabling legislation to implement these proposals, and encouraged the group to be prepared to “fight” such legislation. Noting that the long-term water use efficiency proposal calls for an indoor water use standard (in addition to outdoor standards), Moulton Niguel Water District Board President Froelich suggested that demand forecasts should be updated and projects such as California WaterFix need to be examined to see if they will be needed. Santa Margarita Water District Board Vice-President Gibson spoke on behalf of the Association of California Water Agencies to convey its efforts to protect local decision-making and encourage local supply development while addressing long-term water use efficiency. Cautioning that water agencies may be agreeing to regulations that are not necessary, Gibson questioned what agencies will do with surplus water if the proposed water use efficiency targets force demands below available supplies.

2016 Election Results.

MWDOC is composed of member agencies, including water districts that are governed by boards of directors comprised of elected officials. Some of these directors’ seats were up for election on November 8; the Attachment summarizes the election’s outcome, excluding results for the Water Authority.

Prepared by: Anne Middleton, Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment: Summary of 2016 Election Results related to MWD member agencies
<table>
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<th>MWD Member Agency</th>
<th>Elected Board Members</th>
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<td>Calleguas Municipal Water District</td>
<td>Scott Quady*</td>
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<td></td>
<td>Thomas Slosson*‡</td>
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<td>Andy Waters*‡</td>
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<td>Central Basin Municipal Water District</td>
<td>Pedro Aceituno</td>
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<td>Phillip “Phil” Hawkins*</td>
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<td>Leticia Vasquez-Wilson*</td>
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<td>Eastern Municipal Water District</td>
<td>Randy Record*‡</td>
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<td>Ron Sullivan*‡</td>
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<td>Foothill Municipal Water District</td>
<td>Garry Bryant*‡</td>
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<td>Landrena Dansby*‡</td>
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<tr>
<td>Inland Empire Utilities Agency</td>
<td>Paul Hofer*</td>
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<td></td>
<td>Kati Parker†</td>
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<td>Charles Caspary*‡</td>
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<td>Leonard Polan*‡</td>
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<td>Danny Horan*‡</td>
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<td>Charles Treviño*‡</td>
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<td>Michael Touhey*</td>
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<td>Donald L. Dear*</td>
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<td>Carol Kwan*‡</td>
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<tr>
<td>Western Municipal Water District</td>
<td>Donald Galleano*‡</td>
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<td></td>
<td>S.R. “Al” Lopez*</td>
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</tbody>
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* Indicates incumbent  
† Indicates unseated incumbent  
‡ Indicates ran unopposed  
Highlight indicates MWD Director
November 30, 2016

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v. Metropolitan Water District of Southern California;
    Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004;
    CPF-16-515282; BS164526; A146901; and A148266

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code
§54956.9(d)(1), to discuss the above-referenced matter at the December 8, 2016 meeting.

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

Prepared by: Mark J. Hattam, General Counsel
1. Roll call – determination of quorum.

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

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

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

I. CONSENT CALENDAR

1. Extension of Water Conservation Garden Operating Agreement. Jason Foster
   Staff recommendation: Approve a six-month extension of the current Operation Agreement between the Water Conservation Garden Authority and the Friends of the Water Conservation Garden (IRS 501(c)(3)) for the continued operation and maintenance of the Water Conservation Garden through June 30, 2017. (Action)

II. ACTION/DISCUSSION/PRESENTATION

1. Legislative issues.
   1-A Washington report by Ken Carpi. (In person report) (Supplemental Materials)
1-B Sacramento report.

1-C Proposed 2017 Legislative Policy Guidelines.
Staff recommendation: Adopt the proposed 2017 Legislative Policy Guidelines. (Action)

1-D Water Authority Sponsorship of Legislation in the 2017 State Legislative Session.
Staff recommendation: Sponsor Legislative Proposal #1 to advance robust state funding opportunities to address outstanding state settlement obligations, including Salton Sea restoration and implementation of the Quantification Settlement Agreement. (Action)

III. INFORMATION

1. Live WaterSmart Campaign Update. Mike Lee
3. Small Contractor Outreach and Opportunities Program (SCOOP) Quarterly Report. Teresa Penunuri
4. Government Relations Update. Glenn Farrel
5. Quarterly report on Public Outreach and Conservation activities. Jason Foster

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Cogle
Clerk of the Board

NOTE: This meeting is called as a Legislation, Conservation, and Outreach Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
November 30, 2016

Attention: Legislation, Conservation and Outreach Committee


Purpose
The attached report summarizes activities performed in support of the Legislation, Conservation and Outreach Committee Work Plan for calendar years 2015 and 2016.

Background

Discussion
The Legislation, Conservation and Outreach Committee is responsible for matters relating to legislation, lobbying and intergovernmental relations; community relations; media relations and online communications; water conservation programs; and the Small Contractor Outreach and Opportunities Program (SCOOP).

The attached report lists the Legislation, Conservation and Outreach Committee Work Plan items for calendar years 2015 and 2016 and summarizes the activities taken to achieve the work plan. The items correlate to the 2014-2019 Business Plan goals, which were in effect when the work plan was adopted. The work plan was prepared under the direction of the Legislation, Conservation and Outreach Committee Chair and Vice Chairs.

Prepared by: Jason Foster, Director of Public Outreach and Conservation
Reviewed by: Gary Croucher, Chair, Legislation, Conservation and Outreach Committee

Attachment:

1. Final Report on the Committee Work Plan
Business Plan Items

Water Use Efficiency

1. **Per Capita Water Consumption** – Encourage efforts by the Water Authority and member agencies to maintain or improve the region’s overall per capita water use goal of 174 gallons per person per day through December 2015 and at or below 167 gallons per person per day through 2020. (December 2016 – Goals #2, 5)

   **Activities:**
   Regional per-capita water use was calculated at 143 gallons per day for the fiscal year ending in June 2015, and continued to decline as the region increased water conservation efforts to comply with state-mandated emergency water-use reductions that took effect in June. Per-capita water use declined to 119 gallons per day for the fiscal year ending in June 2016. Starting June 2016, the state returned to a locally based approach to drought management that balances available supplies and demands, and the Water Authority Board committed to continue advancing water-use efficiency across the region through programming and outreach.

   In January 2015, the Committee reviewed the status of, and provided input to staff on the WaterSmart Turf Replacement Rebate Program and the Pilot Artificial Turf Discount Program.

   In April 2015, the Committee approved and recommended to the full Board executing a two-year professional services agreement in an amount not-to-exceed $468,412 with Mission Resource Conservation District to implement the WaterSmart Field Services Program through June 30, 2017, with an option for a two-year extension.

   In May 2015, the Committee approved and recommended to the full Board an amendment to the professional services contract with DeLorenzo International (DLI) to increase the contract value by $455,000 to a not-to-exceed amount of $744,000 and extend the term for two years from July 1, 2015 through June 30, 2017 for implementation services for the WaterSmart Landscape Makeover Program.

   In May 2015, the Committee approved and recommended to the full Board executing a three-year professional services agreement with Mission Resource Conservation District in an amount not-to-exceed $470,000 to administer the Agricultural Water Management Program.

   In July 2015, the Committee reviewed and provided input to staff on water conservation measures at Water Authority facilities.

   In August 2015, the Committee hosted a special meeting to review and provide feedback to staff on water conservation opportunities for disadvantaged communities in the Water Authority’s service area.
In October 2015, the Committee reviewed the development of the Sustainable Landscapes Program, a grant-funded partnership program highlighting the emerging direction of water-efficient landscape education and upgrade incentives.

In April 2016, the Committee approved and recommended to the full Board executing Amendment 6 to the professional services contract with WaterWise Consulting, Inc., for $1,383,150, increasing the authorized cumulative contract amount from $2,178,406 to a not-to-exceed amount of $3,561,556, and extending the term from its current end date of September 30, 2017 to June 30, 2019. The amendment enabled WaterWise to administer retrofit incentives for the Sustainable Landscapes Program.

In May 2016, the Committee reviewed the state Independent Technical Panel’s recommendations to the Legislature on landscape water-use efficiency.

In June 2016, the Committee reviewed and provided input on a new outreach campaign to replace the “When in Drought” drought response campaign, which wound down that month following the conclusion of state-mandated emergency water use reductions. The new campaign, themed “Live WaterSmart,” aims to promote ongoing water-use efficiency as a permanent and positive lifestyle and launched in July 2016.

In September 2016, the Committee approved and recommended to the full Board executing an amendment to the professional services contract with WSA Marketing for $100,000, increasing the authorized cumulative contract amount from $146,500 to an amount not to exceed $246,500, to continue implementation the Qualified Water Efficient Landscaper (QWEL) training program through June 2017.

2. **External Funding** – Provide input on external funding program goals, appropriate resources to support these activities, and reporting frequency to the Board. Encourage funding agreements (grants, utility funding, other) to minimize operational funds needed for current and future water use efficiency programs. (December 2016 – Goals #1, 4, 8)

**Activities:**

In January 2015, the Committee approved and recommended to the full Board executing an amendment to a partnership agreement with San Diego Gas & Electric to increase the agreement amount by $339,640, and extend the agreement by one year. The amendment allowed an additional distribution system audit to be performed as part of the Leak Loss Detection Program, and it provided additional time to complete post-installation data reporting and verification for the WaterSmart Landscape Efficiency Program.

In February 2015, the Committee approved and recommended to the full Board adoption of a resolution directing staff to apply for a 2015 WaterSMART grant from the U.S. Bureau of Reclamation seeking $300,000 in federal funds to continue the WaterSmart Turf Replacement Rebate Program. The Water Authority’s grant application was not selected for funding.
In April 2015, the Committee reviewed Water Authority drought response outreach and conservation activities, including a pending application for approximately $7 million in Integrated Regional Water Management Proposition 84 Final Round grant funding to support a variety of water conservation and outreach programs. The Department of Water Resources announced preliminary approval in fall 2015 for the Water Authority to receive approximately $3.8 million to support sustainable landscaping incentives, water-use audits and surveys, a correctional facility water efficiency retrofit project, an agricultural soil mapping and moisture-sensing project to improve irrigation efficiency, and water conservation outreach and education activities. DWR announced the $3.8 million award to the Water Authority in early 2016, and an executed grant agreement is expected by the end of calendar year 2016.

In September 2015, the Committee approved and recommended to the full Board executing an agreement with the County of San Diego to allow the pass-through of $160,000 from a Department of Water Resources Integrated Regional Water Management Proposition 84 grant for the installation of water-efficient devices at the County of San Diego’s Kearny Mesa Juvenile Detention Facility.

In January 2016, the Committee approved and recommended to the full Board awarding a four-year professional services contract with an option for two additional years to Hoch Consulting for grant administration services in the amount of $768,000.

3. **Partnerships** – Review and encourage partnerships with private or nonprofit organizations that generate value-added to regional conservation initiatives. (December 2016 – Goal #3)

**Activities**

In January 2015, the Committee reviewed the status and provided input to staff on the Pilot Artificial Turf Discount Program. The pilot program launched in February 2015 and featured a 10 percent discount on turf materials and installation from participating artificial turf retailers.

In February 2015, the Committee reviewed the status of several landscape education-related programs, including the seasonal San Diego County Garden-Friendly Plant Fairs hosted by the Water Authority and member agencies in partnership with The Home Depot.

The Committee received monthly Drought Response Outreach Update reports from January 2015 through May 2016, reviewing and providing input to staff on a variety of drought response activities, including community partnerships to support the When in Drought campaign.

The Committee also received monthly Live WaterSmart Campaign Updates starting in July 2016, reviewing and providing input to staff on a variety of activities, including community partnerships to support the Live WaterSmart water efficiency campaign.
4. **MWD Conservation Funding** – Review and support outreach and other efforts to increase the number of rebates issued to Water Authority service area customers. (June 2016 – Goal #6)

**Activities**
In March, June, September and December 2015, the Committee received quarterly reports of Public Outreach and Conservation Department activities, including updates on regional participation in MWD-administered conservation programs.

In response to drought, MWD increased its fiscal years 2015-2016 budget for conservation programs from the original $60 million at the start of July 2014 eventually to a total of $450 million in May 2015. The Water Authority’s financial contribution to support MWD’s FY 2015-2016 conservation program is approximately $107 million. Overall, the region has received approximately $55.7 million in MWD-administered incentives and rebates from the start of this budget cycle through October 2016.

**Water Shortage and Drought Response Management**
1. **Drought Response Outreach** – Review, evaluate and provide direction with regard to preferred outreach strategies, programs and partnerships that raise regional awareness and compliance with any mandatory water use restrictions in effect and that keep water use at a level that meets or is below shortage allocations or other agency-set targets and avoids financial penalties. (December 2016 – Goals #3, 4)

**Activities**
The Committee received monthly Drought Response Outreach Update reports from January 2015 through May 2016, reviewing and providing input to staff on a variety of activities including advertising and other tactics for the “When in Drought: Save Every Day, Every Way” outreach campaign, content and navigation improvements for the When in Drought web portal and WaterSmartSD.org regional water conservation website, community partnerships and enhancements to water-efficient landscape education classes and programs.

In May 2015, Committee members participated in special Board meeting focused on drought response at which the Board approved $1 million to support additional resources, programs and actions to help the Water Authority and its 24 member agencies achieve new state-mandated reductions in water use that took effect June 1, 2015. The funding supported enhanced advertising, the development of a water waste reporting smartphone application, expanding the availability of home water-use surveys, creating an online version of the Water Authority’s award-winning WaterSmart Landscape Makeover Series classes, and developing a water efficiency training and certification program for landscape professionals.

In June 2015, the Committee reviewed and provided input to staff on turf replacement rebate programs and alternative approaches for drought response and ensuring water supply reliability.

In June 2016, the Committee reviewed and provided input on a new outreach campaign to replace the “When in Drought” drought response campaign, which
wound down that month following the conclusion of state-mandated emergency water use reductions. The new campaign, themed “Live WaterSmart,” aims to promote ongoing water-use efficiency as a permanent and positive lifestyle and launched in July 2016.

**Government Relations Outreach**

1. **Legislative Policy Guidelines** – Review, provide input and consider approval of Legislative Policy Guidelines for the following calendar year. (December 2015 and December 2016 – Goal #3)

   **Activities**
   The Committee reviewed and sought input on proposed federal legislative priorities for 2015 in January 2015. In February 2015, the Committee approved and recommended to the full Board a final set of federal legislative priorities for 2015.

   In October 2015, the Committee reviewed and sought input on proposed Legislative Policy Guidelines for 2016. In December 2015, the Committee leadership participated in a detailed briefing and discussion of the proposed Legislative Policy Guidelines through the LCO pre-brief meeting. At the December 2015 Board meeting, the Committee approved and recommended to the full Board a final set of Legislative Policy Guidelines for 2016, which was approved.

   The Committee reviewed and sought input on proposed federal legislative priorities for 2016 in January 2016. In February 2016, the Committee approved and recommended to the full Board a final set of federal legislative priorities for 2016.

   In October 2016, the Committee reviewed and sought input on proposed Legislative Policy Guidelines for 2017. At the December 2016 Board meeting, the Committee is scheduled to review, approve and recommend to the full Board a final set of Legislative Policy Guidelines for 2017.

2. **Bay-Delta** – Continue to evaluate, advocate and encourage Bay-Delta solutions that are consistent with the Board’s Bay Delta Policy Principles. (December 2015 – Goal #2)

   **Activities**
   In February 2015, Water Authority Board members, including members of the Committee, adopted a 2015-2016 Bay-Delta Work Plan.

   In April 2015, Water Authority Board members, including members of the Committee, reviewed the state treasurer's assessment of the affordability and financing considerations of the Bay Delta Conveyance Facility.

   In July 2015, Water Authority Board members, including members of the Committee, received an overview of the history and current direction of water reliability activities in the Bay-Delta.

   In August 2015, Water Authority Board members, including members of the Committee, participated in a briefing on the California WaterFix proposal conducted
by California Natural Resources Secretary John Laird and Deputy Secretary for Water Policy Karla Nemeth.

In September 2015, Water Authority Board members, including members of the Committee, reviewed the Bay Delta Conservation Plan/California WaterFix Partially Recirculated Draft Environmental Impact Report/Supplemental Draft Environmental Impact Statement and provided input on issues to include in the Water Authority’s comment letter to the Department of Water Resources on the PRDEIR/SDEIS.

In October 2015, Water Authority Board members, including members of the Committee, reviewed the Water Authority’s comment letter to the Department of Water Resources on the PRDEIR/SDEIS.

In December 2015, Water Authority Board members, including members of the Committee, reviewed and provided input to staff on the potential cost impacts to the Water Authority from the Bay Delta Conservation Plan/California WaterFix.

In March 2016, Water Authority Board members, including members of the Committee, reviewed MWD’s potential purchase of property in the Bay-Delta from Delta Wetlands Properties.

In July 2016, Water Authority Board members, including members of the Committee, received a report about the status of the Delta Stewardship Council’s Delta Plan.

In October 2016, Water Authority Board members, including members of the Committee, considered a staff report on the projected costs and proposed benefits of the California WaterFix project, and received a presentation related to the economics and financing of the WaterFix project by Dr. David Sunding, representing the California Natural Resources Agency.

3. **Water Bond** – Evaluate proposals to implement Proposition 1, including funding appropriations to ensure that funding for local supply development, conservation, storage and other investments is equitable to the San Diego region. (December 2016 – Goal #2)

**Activities**

In May 2015 and during November/December 2015, Committee members participated in a legislative advocacy visit to Sacramento and in a series of legislative briefings in the district offices of the San Diego legislative delegation. During those legislative briefings, Committee members discussed the importance of developing new local and regional water supplies to create greater regional self-sufficiency, and the extent to which Proposition 1 bond funds could be instrumental in moving some of those projects forward.

In June 2016, Water Authority Board members, including members of the Committee, participated in legislative briefings in Sacramento to discuss Salton Sea and QSA implementation. These briefings included discussion as to the opportunity to secure Proposition 1 funding to fulfill state obligations at the Salton Sea. Also in
June 2016, the State Legislature approved an appropriation of $80 million in Proposition 1 funds in the State Budget for Salton Sea mitigation projects.

The Committee also participated in three legislative roundtables where water bond funding was discussed:

- May 29, 2015: Senator Marty Block and Assemblymember Brian Jones
- October 16, 2015: Assembly Speaker Toni Atkins
- June 10, 2016: Assemblymember Brian Jones and Assemblymember Marie Waldron

Discussions during the legislative roundtables emphasized the importance of developing new local and regional water supplies, and the extent to which water bond funding could be available to continue making regional progress.

4. **State Appropriations** – Review and support efforts to pursue and secure state funding, including water bond funding, to support regional and local projects and programs including water recycling, potable reuse, conservation, and seawater and brackish groundwater desalination. (December 2016 – Goal #2)

**Activities**
In May 2015 and during November and December 2015, Committee members participated in a legislative advocacy visit to Sacramento and in a series of briefings in the district offices of the San Diego legislative delegation. During those legislative briefings, Committee members discussed the importance of developing new local and regional water supplies to create greater regional self-sufficiency, and the extent to which state funding assistance, such as through Proposition 1 bond funds, could be instrumental in moving some of those projects forward.

In June 2016, Water Authority Board members, including members of the Committee, participated in legislative briefings in Sacramento to discuss Salton Sea mitigation and QSA implementation. These briefings included discussion as to the opportunity to secure Proposition 1 funding to fulfill state obligations at the Salton Sea. Also in June 2016, the State Legislature approved an appropriation of $80 million in Proposition 1 funds in the State Budget for Salton Sea mitigation projects.

5. **Federal Funding Authorizations** – Review and encourage efforts for the region to work together to pursue and secure federal funding authorizations through the Water Resources Development Act or through other federal financing programs, such as the National Infrastructure Bank or the Water Infrastructure Finance and Innovation Authority (WIFIA) for Water Authority and member agency projects. (October 2016 – Goal #4).

**Activities**
In September 2015, representatives of the LCO Committee participated in a legislative advocacy trip to Washington, D.C., sponsored by the San Diego Regional Chamber of Commerce. During meetings and briefings sessions, Committee members encouraged federal funding for regional water projects.
In October 2015, the Committee reviewed and sought input on proposed Legislative Policy Guidelines for 2016. In December 2015, the Committee leadership participated in a detailed briefing and discussion of the proposed Legislative Policy Guidelines through the LCO pre-brief meeting. At December 2015 Board meeting, the Committee approved and recommended to the full Board a final set of Legislative Policy Guidelines for 2016. Within the updated guidelines, the Committee approved modifications to reflect Board policy direction to encourage federal legislation that would revitalize the Title XVI federal funding authorization program.

In September 2016, Committee members participated in a legislative advocacy trip to Washington, D.C., sponsored by the San Diego Regional Chamber of Commerce. During meetings and briefings sessions, Committee members encouraged federal funding for regional water projects.

During September 2016, the U.S. Senate approved its version of the WRDA measure, which includes funding authorizations that would benefit local water supply development, and a provision to improve federal involvement in Salton Sea mitigation activities. The House version of the WRDA is expected to come before the full House early in a post-election “lame duck” session of Congress.

In October 2016, the Committee reviewed and sought input on proposed Legislative Policy Guidelines for 2017. At the December 2016 Board meeting, the Committee is scheduled to approve and recommend to the full Board a final set of Legislative Policy Guidelines for 2017. Within the updated guidelines, the Committee is scheduled to approve modifications to reflect Board policy direction to encourage federal legislation that would revitalize the Title XVI federal funding authorization program.

6. **Relationship Building** – Encourage staff efforts to host at least two Legislative Roundtable events in San Diego during the 2015 calendar year and conduct at least one legislative advocacy trip to Sacramento during 2015. Participate in Legislative Roundtables if available. (July 2016 – Goals #6, 7)

**Activities**

In May 2015 and during November and December 2015, Committee members participated in legislative advocacy visits to Sacramento and in a series of legislative briefings in the district offices of the San Diego legislative delegation.

In June 2016, Water Authority Board members, including members of the Committee, participated in legislative briefings in Sacramento to discuss Salton Sea mitigation and QSA implementation.

In September 2015 and September 2016, representatives of the LCO Committee participated in legislative advocacy trips to Washington, D.C., sponsored by the San Diego Regional Chamber of Commerce.

The Committee also participated in four legislative roundtables:

- May 29, 2015: Senator Marty Block and Assemblymember Brian Jones
Public Affairs Outreach

1. Public Support for Supply Reliability Efforts – Encourage the development and implementation of regional outreach and communications initiatives designed to increase awareness and support for the Water Authority’s diversification strategy and related issues, including:
   a. Communications and outreach activities that raise the percentage of the public who view water service as a utility with “good” value to 67 percent by April 2017;
   b. Communications and outreach activities that achieve or sustain at least 80 percent support for the Water Authority’s long-term overall water supply diversification strategy through June 2017;
   c. Programs and outreach activities that help sustain 90 percent or greater public agreement that water use efficiency is an important civic duty by June 2017;
   d. Communications and outreach activities that sustain a 67 percent or greater awareness among residents that indirect potable reuse is a safe and acceptable part of the region’s drinking water supply by June 2017.
   (December 2016 – Goals #3-12, 14)

Activities

The Water Authority conducted a public opinion poll in March 2015 that found three of the four targets related to items 1a through 1d were being achieved, and support for the fourth was increasing. The poll found:

1a. 67 percent of residents felt the water service they received was an “excellent” or “good” value;
1b. 84 percent of residents supported the Water Authority’s long-term overall water supply diversification strategy;
1c. 87 percent of residents agreed that it was their civic duty to use water efficiently (up from 82 percent in 2014); and
1d. 73 percent of residents supported the idea of using advanced treated recycled water as an addition to the existing supply of drinking water.

In March, June, September and December 2015 and in March, June and September 2016, the Committee received quarterly reports of Public Outreach and Conservation Department activities, including activities designed to raise awareness and support for the Water Authority’s diversification strategy and related issues. The Committee is expected to receive another quarterly report at the December 2016 meeting.

In July 2015, the Committee reviewed the status of, and provided input to staff on Citizens Water Academy program activities.

In August 2015, the Committee reviewed and provided input to staff on the updated standard community presentation on the Water Authority, which focuses on the region’s supply diversification strategy, drought response, and MWD rate litigation.
In April 2016, the LCO Committee Chair and Vice Chair attended the California Municipal Utilities Association’s 2016 Resource Efficiency Awards to help accept the award for Best Water Program among medium-sized water for the Water Authority's “When in Drought” campaign.

In June 2016, the Committee reviewed and provided input on a new outreach campaign to replace the “When in Drought” drought response campaign, which wound down that month following the conclusion of state-mandated emergency water use reductions. The new campaign, themed “Live WaterSmart,” aims to promote ongoing water-use efficiency as a permanent and positive lifestyle and launched in July 2016.

In October 2016, the LCO Committee Chair and Board Chair attended the annual awards for the San Diego/Imperial counties chapter of the Public Relations Society of America to help accept two major awards (best Integrated Communications program and Best in Show) given to the Water Authority for the “When in Drought” campaign.

2. **Small-Business Outreach** – Review and encourage efforts that enable Water Authority to achieve or exceed the Board’s established target for small-business participation percentage of total procurement dollars. (The Board target for fiscal year 2016 was 30 percent.) (June 2016 – Goal #3)

**Activities**

In March, June and December 2015 and in March 2016, the Committee received and reviewed Small Contractor Outreach and Opportunity Program (SCOOP) quarterly reports. The Committee is also scheduled to receive and review a quarterly report in December 2016.

In August 2015, the Committee reviewed the history and provided input to staff on the current direction of SCOOP.

In September 2015, the Committee reviewed the SCOOP annual report. SCOOP exceeded the Board’s established target for fiscal year 2015, achieving 63 percent small-business participation.

In June 2016, the Committee received and reviewed a SCOOP quarterly report and approved and recommended to the full Board adopting a SCOOP program goal of 20 percent small-business participation in Water Authority contracts for fiscal year 2017.

In September 2016, the Committee reviewed the SCOOP annual report. SCOOP did not achieve the Board’s established target of 30 percent for fiscal year 2016, achieving 28 percent small-business participation.

3. **School Education** – Review and encourage school education programs and initiatives designed to help reach more than 1,200 teachers and 40,000 students in the San Diego region annually. (June 2016 – Goal #13)
Activities
The Water Authority’s education program reached 79,665 students and 3,139 teachers between January 2015 and October 2016, putting the program on track to achieve its target for both years by December 2016.

In April 2015 the Committee approved and recommended to the full Board an amendment to the professional services contract with Building Blocks Entertainment, Inc., to conduct elementary school assemblies. The amendment was to increase the contract value by $80,000 to a not-to-exceed amount of $230,000 and to extend the contract for two years. The amended contract would terminate on June 30, 2017.

Metropolitan Water District
1. MWD Issues Outreach – Review and encourage outreach efforts locally and statewide to inform public officials, the media and other stakeholders on the issues at stake in the Water Authority’s rate litigation against MWD, and achieve 50 percent or greater public awareness of the litigation by December 2017. (December 2016 – Goal #9)

Activities
In March, June, September and December 2015 and in March, June and September 2016, the Committee received quarterly reports of Public Outreach and Conservation Department activities, including community presentations designed to raise awareness of the Water Authority’s rate litigation against MWD. The Committee is expected to receive another quarterly report at the December 2016 meeting.

In August 2015 the Committee reviewed and provided input to staff on the updated standard community presentation on the Water Authority, which focuses on the region’s supply diversification strategy, drought response, and MWD rate litigation.

Other Items
1. Legislation – Consider and adopt positions on legislation and/or sponsor legislation that affects the Water Authority’s interests and the attainment of the Water Authority’s Business Plan goals. (Annually)

Activities
During 2015, the Committee actively engaged in shaping and directing staff activities relative to the successful sponsorship of three bills during the state legislative sessions. All three bills sponsored by the Water Authority were approved by the Legislature and signed into law by the Governor:

• AB 149 (Chavez)
• AB 349 (Gonzalez)
• SB 208 (Lara)

In February 2015, the Committee approved and recommended to the full Board the following positions on bills:
Oppose on SB 143 (Stone)
In March 2015, the Committee approved and recommended to the full Board the following positions on bills:
- Support if Amended on AB 88 (Gomez)
- Support on AB 401 (Dodd)
- Support if Amended on AB 585 (Melendez)
- Support on AB 603 (Salas)
- Support and Seek Amendments on AB 606 (Levine)
- Support on SB 385 (Hueso)
- Support and Seek Amendments on SB 553 (Wolk)

In April 2015, the Committee approved and recommended to the full Board the following positions on bills:
- Support if Amended on AB 645 (Williams)
- Support on AB 723 (Rendon)
- Support if Amended on AB 1095 (Garcia)
- Support if Amended on AB 1332 (Quirk)
- Support if Amended on AB 1333 (Quirk)
- Support and Seek Amendments on SB 317 (DeLeon)
- Support if Amended on SB 350 (DeLeon)
- Support and Seek Amendments on SB 555 (Wolk)

In May 2015, the Committee approved and recommended to the full Board the following positions on bills:
- Support on AB 1139 (Campos)
- Support and Seek Amendments on AB 1201 (Salas)
- Support on AB 1325 (Salas)
- Support on SB 286 (Hertzberg)
- Support if Amended on SB 551 (Wolk)

In June 2015, the Committee approved and recommended to the full Board the following positions on bills:
- Support if Amended on SB 664 (Hertzberg)
- Support on SB 758 (Block)

In July 2015, the Committee approved and recommended to the full Board the following positions on bills:
- Support on AB 392 (Atkins)
- Support on AB 1164 (Gatto)
- Support on SB 7 (Wolk)
- Oppose on SB 789 (Wieckowski)

In August 2015, the Committee approved and recommended to the full Board the following positions on bills:
- Support and Seek Amendments on S. 1894 (Feinstein)

In October 2015, the Committee approved and recommended to the full Board the following positions on bills:
- Co-Sponsorship and Support of AB 33 (Quirk)
In December 2015, the Committee approved and recommended to the full Board to co-sponsor Legislative Proposal #1 to help create an improved path forward for large-scale energy projects, including hydropower pumped storage. The Committee also approved and recommended to the full Board undertaking additionally recommended actions to make progress on the legislative proposals not recommended for bill sponsorship in 2016.

During 2016, the Committee actively engaged in shaping and directing staff activities relative to the successful sponsorship of two bills during the state legislative sessions. Both bills sponsored by the Water Authority were approved by the Legislature and signed into law by the Governor:

- AB 33 (Quirk)
- AB 2515 (Weber)

In February 2016, the Committee approved and recommended to the full Board the following positions on bills:
Support if Amended on AB 1749 (Mathis)
Oppose Unless Amended on SB 814 (Hill)

In March 2016, the Committee approved and recommended to the full Board the following positions on bills:
Support on AB 1928 (Campos)
Support on AB 2022 (Gordon)
Support if Amended on AB 2040 (Melendez)
Support on AB 2438 (Waldron)
Oppose on AB 2801 (Gallagher)
Support on ACA 8 (Bloom)
Support and Seek Amendments on SB 919 (Hertzberg)
Support on SB 927 (Anderson)
Support on SB 1173 (Hertzberg)
Support on H.R. 4615 (Huffman)
Support and Seek Amendments on S. 2533 (Feinstein)

In April 2016, the Committee approved and recommended to the full Board the following positions on bills:
Support if Amended on AB 1755 (Dodd)
Support on AB 1925 (Chang)
Support if Amended on AB 1989 (Jones)
Oppose Unless Amended on AB 2304 (Levine)
Oppose Unless Amended on AB 2583 (Frazier)
Support on SB 1415 (Bates)
Support if Amended on SB 1416 (Stone)

In May 2016, the Committee approved and recommended to the full Board the following positions on bills:
Support if Amended on AB 2444 (Garcia)
Oppose Unless Amended on AB 2480 (Bloom)
Support on AB 2543 (Gordon)
Support on AB 2555 (Levine)
Support if Amended on AB 2617 (Mayes)
Support if Amended on AB 2868 (Gatto)
Support if Amended on SB 886 (Pavley)

In June 2016, the Committee approved and recommended to the full Board the following positions on bills:
Oppose on SB 163 (Hertzberg)
Oppose on SB 885 (Wolk)
Oppose on SB 1298 (Hertzberg)

In July 2016, the Committee approved and recommended to the full Board considering sponsorship of legislation during the 2016 legislative session to clarify statutory authority under the County Water Authority Act relative to energy matters.

In September 2016, the Committee approved and recommended to the full Board a resolution of opposition to Proposition 53, the “No Blank Checks Initiative.”

2. **Polling Review** – Review findings of public opinion polls and provide direction on future polling to help achieve the Water Authority’s Business Plan goals and any other goals the Board may set. (December 2016)

**Activities**
In February 2015, the Committee reviewed and provided input to staff on recommended topic areas for the 2015 public opinion poll.

In April 2015, the Committee received and discussed the findings of the 2015 public opinion poll.

In March 2016, the Committee reviewed and provided input to staff on recommended topic areas and timing for a potential 2016 public opinion poll. Due to the pending implementation of state-mandated emergency water-use reductions and other considerations, Board leadership later decided to postpone the next public opinion poll to spring 2017.

3. **SCOOP Metrics** – In collaboration with SCOOP Committee, evaluate small-business participation target to ensure it is still appropriate; consider setting new SCOOP participation target as applicable. (June 2016)

**Activities**
In June 2016, the Committee analyzed SCOOP historical performance and current contracting trends, and it approved and recommended to the full Board adopting a SCOOP program goal of 20 percent small-business participation in Water Authority contracts for fiscal year 2017.
November 30, 2016

Attention: Legislation, Conservation and Outreach Committee

Extension of Water Conservation Garden Operation Agreement. (Action)

Recommendation
Approve a six-month extension of the current Operation Agreement between the Water Conservation Garden Authority and the Friends of the Water Conservation Garden (IRS 501(c)(3)) for the continued operation and maintenance of the Water Conservation Garden through June 30, 2017.

Alternative
Do not approve the extension of the Operation Agreement between the Garden Authority and the Friends of the Water Conservation Garden. If the extension is not approved, Garden operations and programs could be significantly impacted as there would be no contractor in place to provide these services after the current agreement expires on Dec. 31, 2016.

Fiscal impact
Funds in the amount of $287,900 are included in the Public Outreach and Conservation Department’s Fiscal Year 2016 and 2017 Budget to cover the Water Authority’s share of Water Conservation Garden operations through June 30, 2017. The extension requires no additional funding. The rate category is Customer Service.

Background
The Water Authority has been a member of the Water Conservation Garden Joint Powers Authority and supported the Garden’s efforts to promote outdoor water efficiency since 2001. For years, the Garden operated essentially as a public agency under the auspices of the JPA.

In September 2009, the Garden finished development of a Strategic Plan. It concluded the Garden would benefit by reorganizing as a non-profit entity organized under IRS Code Section 501(c)(3). At that time the Garden received approximately two-thirds of its operating expenses from JPA member dues and the other third from private donations. The primary reason to have a non-profit run the Garden was to encourage even greater fiscal sustainability through increased funding from private sources.

In the fall of 2010, the Water Authority and other Water Conservation Garden JPA agencies (city of San Diego, Helix Water District, Otay Water District, Sweetwater Authority and Cuyamaca College) negotiated and approved a five-year Operation Agreement for the non-profit Friends of the Water Conservation Garden to operate the Garden as an independent contractor. The Friends of the Water Conservation Garden was a significant contributor to the Garden’s private fund-raising efforts and participated in the Strategic Plan process. The parties also agreed to a multi-year funding plan to help support fiscal stability at the Garden during this period.

Previous Board Action: In December 9, 2010, the Board Approved the key components of Operation Agreement between the Water Conservation Garden Authority and the Friends of the
Water Conservation Garden (IRS 501(c)(3)), approved the inclusion of $368,871 in the Fiscal Years 2012 and 2013 budget and indicate support for future funding levels when the Board establishes the budget for Fiscal Years 2014 and 2015.

Discussion

The Friends of the Water Conservation Garden has operated the Garden in accordance with the agreement since it took effect on Jan. 1, 2011. Key terms of the agreement include:

- The Friends’ operation of the Garden is subject to the License Agreement between the Garden Authority and the Grossmont Cuyamaca Community College District. The District is the underlying land owner and leases approximately 5 acres at no cost to the Garden Authority for the Garden facilities.
- The term of the Operating Agreement is five (5) years concluding on December 31, 2016.
- The Friends are responsible for all aspects of the operations and maintenance of the Garden, including the employees.
- The Friends must obtain approval from the JPA in advance for any buildings or exhibits that exceed $35,000 in value.
- The JPA will annually review the budget for the Garden, and it can request revisions.
- The JPA can audit the Friends’ operation of the Garden at any time.

During this time the Garden, under the leadership of the Friends and the Garden’s executive director, have taken a number of steps to broaden the Garden’s sources of financial support and reduce long-term reliance on JPA funds. These steps include creating new fund-raising activities such as the annual Enchanted Garden Gala, establishing an endowment fund, creating a new structure for corporate sponsorships and increasing educational contracts and facility rentals.

In Fiscal Year 2017 the Garden projects approximately 55 percent of its funding will come from non-JPA sources such as sponsorships, private donations and income from other sources such as facility rentals and gift shop sales, while 45 percent of its income will be from JPA dues. The Garden is continuing to explore additional funding opportunities, including grants, exhibit naming rights and charging admission.

In August 2016, the JPA agencies and the Friends began discussions regarding updating and extending the Operating Agreement. As part of these discussions, both parties have expressed interest in amending the agreement to better define how JPA dues and other funds are to be used and facilitate more-efficient operations of the Garden. They have also discussed developing a new multi-year funding plan as part of this agreement that would continue to reduce the Garden’s reliance on JPA dues.

On Nov. 9, the Friends and the JPA agencies conditionally agreed to an amendment to extend the current agreement for six months to June 30, 2017. The extension would allow for the continued operation of the Garden while both parties negotiate the terms of the new agreement, which they plan to accomplish by spring 2017. The extension would also enable the terms of the new agreement to synchronize with the budget cycles of the Garden and the
JPA agencies. Once negotiations are completed, the terms of the new agreement would be brought to the Water Authority Board for approval.

Prepared by: Jason Foster, Director, Public Outreach and Conservation
Approved by: Dennis A. Cushman, Assistant General Manager

2. Proposed first amendment to Water Conservation Garden Operation Agreement
WATER CONSERVATION AUTHORITY

WATER CONSERVATION GARDEN OPERATION AGREEMENT

(Cuyamaca College Water Conservation Garden)

THIS WATER CONSERVATION GARDEN OPERATION AGREEMENT (Cuyamaca College Water Conservation Garden) (this “Agreement”) is dated as of October 13, 2010, for reference purposes only, and is entered into by and between the WATER CONSERVATION AUTHORITY, a Joint Powers Agency (the “Authority”), and FRIENDS OF THE WATER CONSERVATION GARDEN, a California nonprofit public benefit corporation (the “Operator”)(collectively the "Parties"), with reference to the following recited facts:

RECITALS

A. As of the date of this Agreement, Grossmont-Cuyamaca Community College District (“GCCCD”), a California community college district and the Authority have entered into that certain License Agreement for Operation of a Water Conservation Garden, dated August 1, 2006 (“License Agreement”), attached hereto as Exhibit C and incorporated herein by reference, with respect to certain real property specifically described in the License Agreement for operation of a water conservation demonstration garden (“Garden”); and

B. The Authority and the Operator desire to provide for the Operator to assume all responsibility for operation and maintenance of the Garden in accordance with the License Agreement and the terms and conditions of this Agreement.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION AND THE PROMISES OF THE AUTHORITY AND THE OPERATOR SET FORTH IN THIS AGREEMENT, THE AUTHORITY AND THE OPERATOR AGREE, AS FOLLOWS:

1. DEFINITIONS. The following definitions apply in this Agreement:

1.1 “Application” means any agreement, application, certificate, document, or submission (or amendment of any of the foregoing): (a) necessary or appropriate for any activity regarding the Garden that this Agreement requires or allows, including any application for any building permit, certificate of occupancy, utility service or connection, easement, covenant, condition, restriction or such other instrument as the Operator may from time to time reasonably request in performing its obligations under this Agreement; (b) to enable the Operator from time to time to seek any Approval or to use or operate the Garden in accordance with this Agreement; or (c) otherwise reasonably necessary and appropriate to permit the Operator to perform its obligations under this Agreement.

1.2 “Approvals” means any and all licenses, permits, approvals, consents, certificates (including certificate(s) of occupancy), rulings, variances, authorizations, or amendments to any of the foregoing as shall be necessary or appropriate under any Law to commence, perform, or complete any use, maintenance, repair or operation of the Garden.
1.3 "Authority" means the Water Conservation Authority, a California joint powers authority.

1.4 "Authority Activity" shall have the meaning ascribed to the term in Section 5.13.

1.5 "Authority Parties" means, collectively, the Authority, its governing board, officers, employees, agents and legal representatives.

1.6 "Authority Party" means, individually, the Authority and each of its officers, employees, agents and legal representatives.

1.7 "Authority Representative" means an employee or agent of the Authority designated, from time to time by the Authority through Notice to the Operator. As of the Effective Date, the Authority Representative is the President of the Authority.

1.8 "Automobile Liability Insurance" means insurance coverage against claims of personal injury (including bodily injury and death) and property damage covering all owned, leased, hired and non-owned vehicles used by the Operator, with minimum limits for bodily injury and property damage of ONE MILLION DOLLARS ($1,000,000) each occurrence and TWO MILLION DOLLARS ($2,000,000) aggregate. Such insurance shall be provided by a business or commercial vehicle policy.

1.9 "Bankruptcy Law" means Title 11, United States Code, and any other or successor state or federal statute relating to assignment for the benefit of creditors, appointment of a receiver or trustee, bankruptcy, composition, insolvency, moratorium, reorganization, or similar matters.

1.10 "Bankruptcy Proceeding" means any proceeding, whether voluntary or involuntary, under any Bankruptcy Law.

1.11 "Casualty" means any damage or destruction of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, affecting all or any part of the Garden Improvements, whether or not insured or insurable.

1.12 "Casualty Termination" means a termination of this Agreement because of a Substantial Casualty, when and as this Agreement expressly allows such a termination pursuant to Section 13.3.

1.13 "Construction" means any alteration, construction, demolition, development, expansion, reconstruction, redevelopment, repair, Restoration, or other work affecting any Garden Improvements, including new construction.

1.14 "County" means the County of San Diego, California.

1.15 "Default" means any Monetary Default or Non-Monetary Default.

1.16 "GCCCD" means the Grossmont-Cuyamaca Community College District, a California community college district.
1.17 "Educational Programming" means those certain demonstration and educational programs and activities approved by the Authority to be provided to the public by the Operator at the Garden in accordance with the terms and conditions of this Agreement.

1.18 "Effective Date" means the first date on or after January 1, 2011 on which all of the following events have occurred: (1) the Authority has received three (3) counterpart originals of this Agreement executed by the authorized representative(s) of the Operator; (2) the Authority has received a certified copy of the Operator Official Action executed by the authorized representative(s) of the Operator; (3) this Agreement has been approved by the governing board of the Authority; (4) this Agreement has been signed by the authorized representative(s) of the Authority and a fully signed original of this Agreement has been delivered to the Operator by the Authority.

1.19 "Environmental Law" means any Law regarding any of the following at, in, under, above, or upon the Garden: (a) air, environmental, ground water, or soil conditions; or (b) clean-up, control, disposal, generation, storage, release, transportation, use of, or liability or standards of conduct concerning, Hazardous Substances.

1.20 "Expiration Date" means the date when this Agreement terminates or expires in accordance with its terms, whether on the Scheduled Expiration Date, by the Authority’s exercise of remedies for an Event of Default, termination of the License Agreement, or otherwise, whichever is earlier.

1.21 "FF&E" means all movable furniture, furnishings, equipment, and personal property that may be removed without material damage to the Garden and without adversely affecting: (a) the structural integrity of the Garden Improvements; (b) any electrical, plumbing, mechanical, or other system of the Garden; (c) the present or future operation of any such system; (d) the present or future provision of any utility service to the Garden; or (e) the elements of any exhibit within the Garden. FF&E includes items such as furniture, movable equipment, telephones, telecommunications and facsimile transmission equipment, point of sale equipment, televisions, radios, network racks, and computer systems and peripherals.

1.22 "Garden" is defined in Recital A to this Agreement.

1.23 "Garden Expenses" means all costs of operating and maintaining the Garden pursuant to the terms and conditions of this Agreement incurred after the Effective Date.

1.24 "Garden Improvements" means those certain improvements in existence at the Garden as of the Effective Date and all improvements to or located at the Garden from time to time after the Effective Date.

1.25 "Garden Maintenance Standards" means the standards, specifications, protocols and conditions for maintenance of the Garden.

1.26 "Government" means each and every governmental agency, authority, bureau, department, quasi-governmental body, or other entity or instrumentality having or claiming jurisdiction over the Garden (or any activity this Agreement requires or allows), including the United States government, the State of California, the County and their subdivisions and
municipalities, including the Authority, and all other applicable governmental agencies, authorities, commissions, boards, department and subdivisions thereof.

1.27 "Group Function" means use by a Third Person of the Garden for a private event.

1.28 "Hazardous Substance" includes flammable substances, explosives, radioactive materials, asbestos, asbestos-containing materials, polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, medical wastes, toxic substances or related materials, explosives, petroleum and petroleum products, and any "hazardous" or "toxic" material, substance or waste that is defined by those or similar terms or is regulated as such under any Law, including any material, substance or waste that is: (i) defined as a "hazardous substance" under Section 311 of the Water Pollution Control Act (33 U.S.C. § 1317), as amended; (ii) substances designated as "hazardous substances" pursuant to 33 U.S.C. § 1321; (iii) defined as a "hazardous waste" under Section 1004 of the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq., as amended; (iv) defined as a "hazardous substance" or "hazardous waste" under Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Reauthorization Act of 1986, 42 U.S.C. § 9601 et seq. or any so-called "superfund" or "superlith" law; (v) defined as a "pollutant" or "contaminant" under 42 U.S.C.A. § 9601(33); (vi) defined as "hazardous waste" under 40 C.F.R. Part 260; (vii) defined as a "hazardous chemical" under 29 C.F.R. Part 1910; any matter within the definition of "hazardous substance" set forth in 15 U.S.C. § 1262; (viii) any matter, waste or substance regulated under the Toxic Substances Control Act ("TSCA") [15 U.S.C. Sections 2601, et seq.]; any matter, waste or substance regulated under the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801, et seq.; any matter, waste or substance regulated under the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, et seq.; those substances listed in the United States Department of Transportation (DOT) Table [49 CFR 172.101], or designated by the EPA, or any successor authority, as a hazardous substance [40 CFR Part 302]; and those substances defined as "hazardous waste" in Section 25117 of the California Health and Safety Code or, as a "hazardous substance" in Section 25316 of the California Health and Safety Code; (ix) subject to any other Law regulating, relating to or imposing obligations, liability or standards of conduct concerning protection of human health, plant life, animal life, natural resources, property or the enjoyment of life or property free from the presence in the environment of any solid, liquid, gas, odor or any form of energy from whatever source; or (x) other substances, materials, and wastes that are, or become, regulated or classified as hazardous or toxic under federal, state, or local laws or regulations and in the regulations adopted pursuant to said laws, and shall also include manure, asbestos, polychlorinated biphenyl, flammable explosives, radioactive material, petroleum products.

1.29 "Hazardous Substance Discharge" means any deposit, discharge, generation, release, or spill of a Hazardous Substance that occurs at or from the Garden, or into the Garden, or that arises at any time from the use or operation of the Garden or any activities conducted at the Garden or any adjacent or nearby real property, or resulting from seepage, leakage, or other transmission of Hazardous Substances from other real property to the Garden, whether or not caused by a Party to this Agreement and whether occurring before or after the Effective Date.
1.30 “Indemnify” means, where this Agreement states that the Parties shall "indemnify" each other from, against, or for a particular matter, that the Parties shall indemnify the other and defend and hold each other harmless from and against any and all loss, claims, liability, penalties, judgments, damages, and other injury, detriment, or expense that each Party suffers or incurs: (a) from, as a result of, or on account of the particular matter; or (b) in enforcing the other Party’s indemnity obligation.

1.31 “Law” means all laws, ordinances, requirements, orders, proclamations, directives, rules, and regulations of any Government affecting the Garden or this Agreement in any way, including any use, maintenance, taxation, operation, or occupancy of, or environmental conditions affecting the Garden or otherwise relating to this Agreement or any Party’s rights or remedies under this Agreement, or any Transfer of any of the foregoing, whether in force on the Effective Date or passed, enacted, or imposed at some later time, subject in all cases, however, to any applicable waiver, variance, or exemption.

1.32 “Legal Costs” of any Person means all reasonable costs and expenses such Person incurs in any legal proceeding (or other matter for which such Person is entitled to be reimbursed for its Legal Costs), including reasonable attorneys’ fees, court costs and expenses.

1.33 “Liability Insurance” means commercial general liability insurance against claims for personal injury, death, or property damage occurring upon, in, or about the Garden or adjoining streets or passageways, providing coverage for a combined single limit of Two Million Dollars ($2,000,000) for any one occurrence.

1.34 “License Agreement” is defined in Recital A to this Agreement.

1.35 “Maintenance and Repair” means all routine and ordinary maintenance and repairs to the Garden required to preserve and operate the Garden in first-class condition during the Term, in accordance with the Garden Maintenance Standards, including any required Renovation.

1.36 “Modification” means any abandonment, amendment, cancellation, discharge, extension, modification, rejection, renewal, replacement, restatement, substitution, supplement, surrender, termination, or waiver of a specified agreement or document, or of any of its terms or provisions, or the acceptance of any cancellation, rejection, surrender, or termination of such agreement, document, or terms.

1.37 “Modify” means agree to, cause, make, or permit any Modification.

1.38 “Monetary Default” means the Operator’s failure to pay or deposit any money (including insurance premiums) when and as this Agreement requires.

1.39 “Non-Monetary Default” means the Operator’s: (a) failure to comply with any affirmative or negative covenant or obligation in this Agreement, except a Monetary Default; or (b) breach of any representation or warranty (as of the date made or deemed made).

1.40 “Notice” means any consent, demand, designation, election, notice, or request relating to this Agreement, including any Notice of Default.
1.41 "Notify" means give a Notice.

1.42 "Notice of Default" means any Notice claiming or giving Notice of a Default or alleged Default.

1.43 "Operating Inventory" means consumable items used or held in storage for use in the operation of the Garden, including bathroom supplies, paper towels, cleaning materials, supplies, gardening supplies and equipment and other similar items.

1.44 "Operator" means the Friends of the Water Conservation Garden, a California nonprofit public benefit corporation.

1.45 "Operator Official Action" means the official action of the Operator's governing body authorizing the Operator's entry into and performance of this Agreement, in substantially the form attached to this Agreement as Exhibit "B," signed by the authorized representative(s) of the Operator.

1.46 "Operator Parties" means, collectively, the Operator, its directors, officers, employees, agents and legal representatives.

1.47 "Operator Party" means, individually, the Operator and each of its directors, officers, employees, agents and legal representatives.

1.48 "Parties" means, collectively, the Authority and the Operator.

1.49 "Party" means, individually, either the Authority or the Operator, as applicable.

1.50 "Person" means any association, corporation, Government, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization or other entity of any kind.

1.51 "Prohibited Lien" means any mechanic's, vendor's, laborer's, or material supplier's statutory lien or other similar lien arising from work, labor, services, equipment, or materials supplied, or claimed to have been supplied, to the Operator (or anyone claiming through the Operator).

1.52 "Property Insurance" means insurance providing coverage against loss, damage, or destruction of the Garden and all Garden Improvements by fire and other hazards encompassed under the broadest form of property insurance coverage then customarily used for like properties in the County (except earthquake or war risk) from time to time during the Term, in an amount equal to 100% of the replacement value (without deduction for depreciation) of all of the Garden Improvements (excluding excavations and foundations) and in any event sufficient to avoid co-insurance, with "ordinance or law" coverage. Such insurance may contain a deductible clause not exceeding Five Thousand Dollars ($5,000). To the extent customary for like properties in the County at the time, such insurance shall include coverage for earthquake; coverage for explosion of steam and pressure boilers and similar apparatus located at the Garden; coverage for terrorism; an "increased cost of Construction" endorsement; and an endorsement covering demolition and cost of debris removal.
1.53 "Property Insurance Proceeds" means net proceeds (after reasonable costs of adjustment and collection, including Legal Costs) of Property Insurance, when and as received by the Authority or the Operator.

1.54 "Renovation" means the replacement, major repair, renewal or reconstruction of all or any portion of the Garden Improvements, including building roofs, slabs, foundations or walls; heating, ventilation, air conditioning, plumbing, sewer, utility, irrigation or drainage systems; lighting; paved areas, including circulation walkways; signage, windows, awnings, patio covers and exterior façade components and coverings.

1.55 "Restoration" means, after a Casualty, the alteration, clearing, rebuilding, reconstruction, repair, replacement, restoration and safeguarding of the damaged or remaining Garden Improvements, substantially consistent with their condition before the Casualty, subject to any changes in Law that would limit any such activities.

1.56 "Restoration Funds" means any Property Insurance Proceeds (and deposits by the Operator) to be applied to Restoration.

1.57 "Restore" means accomplish a Restoration.

1.58 "Scheduled Expiration Date" means 11:59 p.m. on December 31, 2016 (5 years).

1.59 "Substantial Casualty" means a Casualty that: (a) renders 40% (forty percent) or more of the Garden not capable of being used or occupied for more than one hundred eighty (180) days; (b) requires Restoration whose cost the Authority reasonably estimates in writing would exceed Two Hundred Thousand Dollars ($200,000); or (c) pursuant to Law, prevents the Garden from being Restored to substantially the same bulk, and for the same use(s), as before the Casualty.

1.60 "Term" is defined in Section 4.

1.61 "Third Person" means any Person that is not a Party or an elected official, officer, director, manager, shareholder, member, principal, partner, employee or agent of a Party.

1.62 "Unavoidable Delay" means delay in performing any obligation under this Agreement, except payment of money, arising from or on account of any cause whatsoever beyond the obligor’s reasonable control, despite such obligor’s reasonable diligent efforts, including industry-wide strikes, labor troubles or other union activities, the obligor’s inability to obtain required labor or materials after commercially reasonable efforts to do so, litigation (unless caused by the obligor), Casualty, accidents, Laws, governmental preemption, war, or riots. Unavoidable Delay shall exclude delay caused by the obligor’s financial condition, illiquidity, or insolvency. Any Party claiming Unavoidable Delay shall Notify the other Party: (a) within ten (10) days after the claiming Party knows of any such Unavoidable Delay; and (b) within ten (10) days after such Unavoidable Delay ceases to exist. To be effective, any such Notice must describe the Unavoidable Delay in reasonable detail. Where this Agreement states that performance of any obligation is subject to Unavoidable Delay(s) or words of similar import, such Unavoidable Delay(s) shall extend the time for such performance only by the number of days by which such Unavoidable Delay(s) actually delayed such performance.
1.63 "Waiver of Subrogation" means a provision in, or endorsement to, any insurance policy, by which the carrier agrees to waive rights of recovery by way of subrogation against either Party to this Agreement for any loss such policy covers.

1.64 "Workers' Compensation Insurance" means worker's compensation insurance complying with the provisions of California law and an employer's liability insurance endorsement with commercially standard limits covering all employees of the Operator, its contractors and vendors.

2. INCORPORATION OF LICENSE AGREEMENT. This Agreement is expressly subject to all of the terms and conditions of the License Agreement and this Agreement shall automatically terminate on the termination of the License Agreement in its entirety. The Authority shall have the right to modify or amend the License Agreement with the reasonable consent of the Operator. All of the terms and conditions of the License Agreement are incorporated into this Agreement by reference.

3. ASSUMPTION OF LICENSE OBLIGATIONS. The Operator hereby acknowledges and assumes all obligations of the Authority under and pursuant to the terms and conditions of the License Agreement regarding use and operation of the Garden.

4. TERM. The "Term" of this Agreement shall: (a) commence, if at all, on the Effective Date; and (b) continue until the Scheduled Expiration Date, unless terminated sooner.

5. GARDEN OPERATION AND MAINTENANCE.

5.1 Operation And Maintenance Covenant. The Authority hereby contracts with the Operator to maintain and operate the Garden pursuant to the terms of this Agreement, and the Operator covenants and agrees to continuously maintain and operate the Garden pursuant to the terms of this Agreement, throughout the entire Term.

5.2 Operations and Maintenance License. The Authority hereby licenses the Operator to enter the Garden to perform Maintenance and Repair and to operate the Garden as provided in this Agreement, without further consent or approval from the Authority, except as otherwise provided in this Agreement.

5.3 Permits, Licenses, Etc. The Operator shall, for the full Term, at the Operator's sole cost and expense, maintain all franchises, permits, contractual arrangements, licenses, and registrations necessary for the Operator to conduct all operations, Maintenance and Repair, Educational Programming and other activities relating to the Garden to be undertaken by the Operator pursuant to this Agreement.

5.4 Abandonment. The Operator shall not abandon or surrender the operation of all or any part of the Garden during the Term, except as otherwise expressly provided in Section 14 or Section 17.

5.5 General Operational Responsibilities. The Operator shall have the following described general responsibilities regarding operation of the Garden, which the Operator shall perform at Operator's sole expense:
5.5.1 enter into and pay any costs associated with contracts for the furnishing of utilities, maintenance, telecommunications, repair and other services to the Garden;

5.5.2 incur and pay such expenses as shall be reasonably necessary for the proper operation of the Garden;

5.5.3 maintain a level of Operating Inventory reasonably appropriate for supplying the needs of the Garden and its users;

5.5.4 apply for, obtain and maintain all licenses and permits required of the Operator in connection with the operation of the Garden. The Authority shall reasonably cooperate with the Operator in the application for, obtaining and maintenance of such licenses and permits; provided that such cooperation by the Authority is legally permitted and does not result in any direct or indirect cost to the Authority;

5.5.5 exercise reasonable efforts to do, or cause to be done, all acts in and about the Garden as shall be reasonably necessary to comply with any applicable insurance policies or Law;

5.5.6 maintain FF&E and purchase new FF&E as necessary to perform Maintenance and Repair and operate the Garden, including replacing worn out, damaged, destroyed, lost or stolen FF&E;

5.5.7 in accordance, as applicable, with defense and indemnification rights contained in contracts of insurance procured and maintained by the Operator, defend and settle claims, lawsuits and demands relating to the Garden and retain legal counsel (and pay legal fees and costs) who, under the direction of the Operator or the insurance carrier, will defend any claims or actions brought against the Operator Parties relating to the Garden and will institute and defend any and all legal actions or proceedings as shall be reasonably necessary to collect charges, fees or other income for the Garden, or to cancel or terminate any license, vendor or concession agreement or other contract on the grounds of default. The Operator shall notify the Authority of any claims or lawsuits relating to the Garden on a timely basis. Legal counsel to the Operator’s insurance carrier that is providing a defense to the Authority Parties shall be deemed satisfactory to the Authority, subject to any conflict of interest or incompetency of such legal counsel; and

5.5.8 prepare, schedule and provide Educational Programming at the Garden.

5.5.9 hire, train, and supervise all employees necessary for operation of the Garden, including providing Educational Programming to the public;

5.5.10 make reasonable good faith marketing and outreach efforts to market the Garden and Educational Programming to the public, including maintenance of the current website marketing the Garden;

5.5.11 establish accounting and payroll procedures and functions for the Garden; and
5.5.12 continue to operate the Garden on the days and at hours consistent with the Authority’s practices as of the Effective Date, or greater, subject to closure due to inclement weather, Casualty, or Unavoidable Delay.

5.6 Maintenance and Repair. Except to the extent that this Agreement otherwise expressly provides or allows, the Operator shall, during the Term, keep and maintain the Garden in good order, condition, and repair, at Operator’s sole cost and expense, subject to Casualty, reasonable wear and tear, and any other condition that this Agreement does not require the Operator to repair or Restore. The Operator’s obligation to maintain the Garden includes the obligation to make all repairs and Restorations that the Garden may require (including plumbing, heating, air conditioning, ventilating, electrical, lighting, fixtures, walls, any required Renovation, building systems, ceilings, floors, windows, doors, plate glass, skylights, landscaping, driveways, site improvements, curb cuts, parking lots, fences and signs located in, on or at the Garden, together with any sidewalks and streets adjacent to the Garden) by Law, pursuant to applicable insurance policies or pursuant to the Garden Maintenance Standards, from time to time during the Term, whether structural or nonstructural, foreseen or unforeseen, capital or operating. The Operator shall remove trash, snow, mud, sand and debris from the Garden and the adjoining sidewalks and maintain them in a reasonably clean condition.

5.7 Contracts and Agreements. All equipment leases, financing agreements, contracts and agreements relating to the Garden (including without limitation contracts for utility services, telecommunications services, Maintenance and Repair, pest control, supplies, landscaping services, and agreements for Group Functions), entered into during the Term shall be entered into by the Operator as the contracting party. The Operator shall not have any authority to enter into any equipment lease, financing agreement, contract or agreement that extends beyond the Term of this Agreement or that is secured by all or any part of the Garden or the Garden Improvements. All contracts entered into by the Operator regarding the Garden shall automatically expire on the Expiration Date.

5.8 No Discrimination or Segregation. Developer covenants by and for itself and all Persons claiming under or through it that there shall be no discrimination against or segregation of any Person or group of Persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the use, occupancy, tenure, or enjoyment of the Garden nor shall the Operator or any Person claiming under or through the Operator establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of users or vendors of the Garden.

5.9 Noise. The Operator shall not use or permit the use of the Garden in any manner that creates or maintains any noise or sound that, when measured at any place along the boundary line of the Garden, exceeds the applicable sound level standard established by any Government for the Garden.

5.10 Nuisance. The Operator shall not itself and shall not allow any other Person to use the Garden for any unlawful purpose and shall not itself and shall not allow any other Person
to perform, permit or suffer any act or omission upon or about the Garden that would result in a nuisance or a violation of any Law, as the same may now or hereafter be in force and effect.

5.11 Signage.

5.11.1 All signs on or in the Garden will be maintained by the Operator in good condition during the Term.

5.11.2 At the Authority's request, the Operator will remove signs identified by the Authority that are installed on or in the Garden by the Operator on or before the Expiration Date, except as otherwise agreed between the Operator and the Authority, and repair and restore any damage caused by installation or removal of such signs. All signs on or in the Garden shall comply with all applicable Laws.

5.11.3 The Operator shall not cause or allow the display of any advertising of alcohol, tobacco products or adult entertainment on, in or about the Garden.

5.12 Group Functions. The Operator shall be responsible for administration of Group Functions at the Garden, including approving applications for Group Functions, entering into Group Function agreements and charging fees for Group Functions.

5.13 Authority Activities. The Authority shall have the right to use the Garden for Authority initiated special events that are scheduled with the prior approval of the Operator, in the Operator's reasonable discretion (each, an "Authority Activity"). The Garden shall be available for each Authority Activity free of any facility rental or admission charge to the Authority.

5.14 Payment of Prevailing Wages.

5.14.1 When so required by California law, the Operator agrees that not less than "prevailing wages," as that term is defined in California Labor Code Sections 1770, et seq., shall be paid by the Operator, its contractors, and any subcontractors to all laborers employed in connection with the Construction or installation of any improvements or Maintenance and Repair related to the Garden. The Operator shall maintain and shall cause each of its contractors to maintain certified payroll records, pursuant to California Labor Code Section 1776, relative to all work performed relating to the Garden. The Authority shall have the right, but not the obligation, to inspect and copy all of the Operator's payroll records and the payroll records of each of the Operator's contractors and subcontractors relating to the Garden. The Authority shall also have the right to exercise the remedies provided in the California Labor Code, in addition to all other remedies available to the Authority at law, under contract, or in equity, in the event of a breach or Default by the Operator of its obligations under this Section 5.14.

5.14.2 THE OPERATOR, ON BEHALF OF ITSELF, ITS SUCCESSORS, AND ASSIGNS, WAIVES AND RELEASES THE AUTHORITY FROM ANY RIGHT OF ACTION THAT MAY BE AVAILABLE TO ANY OF THEM PURSUANT TO CALIFORNIA LABOR CODE SECTION 1781. THE OPERATOR ACKNOWLEDGES THE PROTECTIONS OF CALIFORNIA CIVIL CODE SECTION 1542 RELATIVE TO THE
WAIVER AND RELEASE CONTAINED IN THIS SECTION 5.14, WHICH READS AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.


5.14.4 ADDITIONALLY, THE OPERATOR SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE AUTHORITY, PURSUANT TO THE PROVISIONS OF SECTION 13, AGAINST ANY CLAIMS PURSUANT TO CALIFORNIA LABOR CODE SECTION 1781 ARISING FROM THIS AGREEMENT OR THE CONSTRUCTION OR INSTALLATION OF ANY IMPROVEMENTS OR MAINTENANCE AND REPAIR RELATING TO THE GARDEN, UNDERTAKEN BY OR ON BEHALF OF THE OPERATOR.

Initials of Authorized Operator Representative

5.15 Independent Contractor. The Operator shall at all times be an independent contractor under this Agreement. Nothing contained in this Agreement shall be construed to be or create a partnership or joint venture between the Authority and the Operator or its successors or assigns.

6. OPERATOR ACCEPTANCE OF CONDITION OF GARDEN. The Operator agrees to accept the Garden on the Effective Date in an "as-is" condition, subject to any and all physical, legal or other faults. The Operator acknowledges that the Operator will be accepting the Garden based upon the Operator's own investigations of the Garden's condition. Except as otherwise specifically stated in this Agreement, the Operator also agrees to accept the Garden based on the Operator's knowledge that neither the Authority nor any agent of the Authority, has made any representation or warranty whatsoever, express or implied, with regard to the physical condition of the Garden or the suitability of the Garden for any particular purpose or use, including, without limitation, any representations or warranties regarding the applicability or non-applicability of any Law, the soil or subsoil, surface or subsurface conditions, topography, possible Hazardous Substance contamination, fill, drainage, access to public roads, availability of utilities, existence of underground storage tanks, applicability of or compliance with any Environmental Laws, environmental impact report requirements or any other matter of any nature whatsoever.
7. GARDEN EXPENSES

7.1 Operator to Pay All Garden Expenses. Except as expressly provided in Section 7.3, the Operator shall pay all Garden Expenses. The Operator shall pay and discharge, as and when due, each and every item of expense, of every kind and nature whatsoever, related to or arising from the Garden, or by reason of or in any manner connected with or arising from the operation, management, maintenance, repair, use or any other matter affecting the Garden and attributable to the Term. The Operator further acknowledges and agrees that the Operator will be solely responsible for operating losses or deficits arising in the operation of the Garden during the Term and that any such losses or deficits shall not abate any obligations of the Operator under this Agreement.

7.2 Acknowledgment of Possessory Interest Tax. The Operator acknowledges that, if and to the extent that this Agreement gives rise to assessment of a possessory interest tax under Revenue and Taxation Code Section 107 or any other tax, the Operator shall be obligated to pay such tax.

7.3 Annual Budget Process.

7.3.1 On or before the Effective Date of this Agreement, Authority shall submit to Operator, Authority’s agreement to a minimum contribution of $560,000 for fiscal year 2011-2012, plus projected declining minimum annual contributions for each of the subsequent three fiscal years, as detailed in Exhibit D.

7.3.2 On or before each May 15 during the Term, Operator shall submit to Authority an annual operating budget for the Garden for the fiscal year beginning on the immediately following July 1 showing, at a minimum, projected income from Garden operations for such fiscal year (including the specific amounts of fees or charges to be assessed for Garden use during such fiscal year), projected Operator fundraising revenue for Garden Expenses for such calendar year and the projected amount of Garden Expenses for such fiscal year, each on a semi-annual and annual basis. Each proposed annual budget shall be in a form reasonably acceptable to Authority. Each proposed annual budget shall show assumptions and anticipated significant events during the subject fiscal year. Within thirty (30) calendar days following the Authority’s receipt of the proposed annual budget for the Garden for a particular fiscal year, Authority shall provide any requested revisions to the proposed annual budget to the Operator. Authority and Operator shall work in good faith to mutually agree upon an annual budget for the Garden for each full or partial fiscal year during the Term prior to the first day of each such fiscal year. Failure of Authority and Operator to agree on the total annual budget for a particular fiscal year on or before July 15 of such calendar year shall entitle either Party to terminate this Agreement on sixty (60) calendar days’ Notice. Each party shall make a good faith effort to work cooperatively to agree on annual budget and consent to annual budget cannot be unreasonably withheld.

7.4 Fundraising. The Operator shall at all times during the term maintain its non-profit status with both the federal government of the United States and the government of the State of California. The Operator shall at all times during the Term make good faith fundraising efforts for the collection of charitable donations of funds from Persons other than the Authority
to pay Garden Expenses in accordance with the then current annual budget for the Garden approved by the Authority in accordance with Section 7.3.

7.5 **Income.** All income or other consideration from licensees, concessionaires and fees or other charges for admission to use of the Garden due or becoming due to the Operator after the Effective Date shall be applied to the payment of Garden Expenses. On or before the Effective Date of this Agreement, any Authority reserves, including but not limited to checking, savings, and investment accounts, shall be transferred to Operator reserves for Garden Expenses. Surplus income shall be applied toward Operator reserves to be used for Garden Expenses.

7.6 **Utilities.** The Operator shall arrange and pay for all fuel, gas, light, power, water, sewage, garbage disposal, telephone and other utility charges, and the expenses of installation, maintenance, use, and service in connection with the foregoing, for the Garden during the Term. The Authority shall have absolutely no liability or responsibility for any utilities or other services for the Garden during the Term.

8. **RECORDS, REPORTS AND AUDITS**

8.1 **Sales Recording and Records.** The Operator shall record at the time of sale, in the presence of the customer, receipts from sales or other transactions, whether cash or credit, in a cash register or registers, or a point of sale terminal or terminals, having a tape that accumulates and consecutively numbers all transactions. A receipt from any transaction showing the correct amount of purchase shall be offered to the customer at the time of any transaction, including any cash sale. Transactions not ordinarily recorded in a cash register or point of sale terminal shall be noted on and kept in a ledger format.

8.2 **Retention of Books and Records.** The Operator shall, for a period of five (5) years following the end of the Term, keep and maintain, safe and intact, all of the records, books and accounts required to be maintained by the Operator regarding the Garden pursuant to this Agreement, and shall from time to time, upon request, make these records available to the Authority, the Authority’s auditor, representative or agent for examination at any reasonable time, on ten (10) calendar days advance Notice. The Authority shall also have the right to make abstracts from the records or make copies of any or all of the records. In addition, on request of the Authority or the Authority’s representative, the Operator shall furnish copies of the Operator’s State of California and local sales and use tax returns.

8.3 **Annual Update to Strategic Plan.** On or before May 15, 2012, Operator will prepare an Update to Strategic Plan for the Garden. On or before each June 15 during the Term, Operator will review Strategic Plan with Authority.

9. **LEGAL COMPLIANCE.** The Operator shall during the Term, at the Operator’s sole cost and expense, in all material respects: (a) comply with all Laws; and (b) procure and comply with all Approvals required by Law.

10. **ALTERATIONS TO GARDEN.** Operator shall not do any of the following without the prior written approval of Authority: (a) construct any new buildings or exhibits within the Garden with a value in excess of Thirty-Five Thousand Dollars ($35,000.00); (b) remove any exhibits; or (c) construct an exhibit so significant as to change the focus or purpose of the
exhibit. Operator may make new plantings, modify existing exhibits or maintain existing buildings and exhibits as reasonably required or desirable in the normal operation of the Garden in accordance with its obligations under this Agreement, without any further consent of Authority.

11. PROHIBITED LIENS

11.1 Operator’s Covenant. If a Prohibited Lien is filed, then the Operator shall, within fifteen (15) days after receiving notice of such filing, cause such Prohibited Lien to be released. If the Authority receives notice of any such filing, then the Authority shall promptly Notify the Operator.

11.2 Protection of the Authority. NOTICE IS HEREBY GIVEN THAT THE AUTHORITY SHALL NOT BE LIABLE FOR ANY LABOR OR MATERIALS FURNISHED OR TO BE FURNISHED TO THE OPERATOR UPON CREDIT AND THAT NO MECHANIC’S OR OTHER LIEN FOR ANY SUCH LABOR OR MATERIALS SHALL ATTACH TO OR AFFECT THE FEE ESTATE. NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR CONSTRUED IN ANY WAY TO CONSTITUTE THE AUTHORITY’S CONSENT OR REQUEST, EXPRESS OR IMPLIED, BY INFERENCE OR OTHERWISE, TO ANY CONTRACTOR, SUBCONTRACTOR, LABORER, EQUIPMENT OR MATERIAL SUPPLIER FOR THE PERFORMANCE OF ANY LABOR OR THE FURNISHING OF ANY MATERIALS OR EQUIPMENT, NOR AS GIVING THE OPERATOR ANY RIGHT, POWER OR AUTHORITY TO CONTRACT FOR, OR PERMIT THE RENDERING OF, ANY SERVICES, OR THE FURNISHING OF ANY MATERIALS OR EQUIPMENT THAT WOULD GIVE RISE TO THE FILING OF ANY LIENS AGAINST THE FEE ESTATE. THE OPERATOR SHALL INDEMNIFY THE AUTHORITY AGAINST ANY ACTION UNDERTAKEN BY THE OPERATOR OR ANYONE CLAIMING THROUGH THE OPERATOR, AND AGAINST ALL PROHIBITED LIENS, PURSUANT TO SECTION 13.

11.3 Garden Not Subject to Mechanic’s Liens. The Garden is owned by the GCCCD, which is a public entity, and as a result, the Garden is not subject to the imposition of mechanic’s liens. The Operator agrees to notify, in writing, each provider of labor, material or services on or to the Garden of such fact and that neither the GCCCD, the Authority nor the Garden shall be responsible for payment of any claims by any such providers of labor, material or services. The Authority shall have the right at all reasonable times to post and keep posted on the Garden any notices that the Authority may deem necessary for the protection of the Authority or the Garden from mechanic’s liens or other claims. The Operator shall give the Authority, at least, ten (10) calendar days prior Notice of the commencement of any work on the Garden with a reasonably anticipated cost exceeding Ten Thousand Dollars ($10,000) and that could otherwise give rise to a mechanic’s lien or other similar claim or lien, but for the Authority’s ownership of the Garden, to enable the Authority to post any notices that the Authority may deem appropriate.

12. HAZARDOUS SUBSTANCES

12.1 Restrictions. The Operator shall not cause or permit to occur on, under or at the Garden during the Term: (a) any violation of any Environmental Law; or (b) the use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous
Substance, or transportation to or from the Garden of any Hazardous Substance, unless both: (i) reasonably necessary and customary to operate and maintain the Garden for uses this Agreement permits; and (ii) in compliance with all Environmental Law.

12.2 Compliance; Clean-Up. The Operator shall, at the Operator’s sole expense: (a) comply with all Environmental Laws applicable to the Garden and, to the extent Environmental Law requires, clean up any Hazardous Substance Discharge; (b) make all submissions to, deliver all information required by, and otherwise fully comply with all requirements of any Government under Environmental Law; (c) if any Government requires any clean-up plan or clean-up because of a Hazardous Substances Discharge, prepare and submit the required plans and all related bonds and other financial assurances; (d) promptly and diligently carry out all such clean-up plans; and (e) Indemnify the Authority Parties against any Hazardous Substances Discharge or violation of Environmental Law, in accordance with Section 13.

13. INDEMNIFICATION; LIMIT ON LIABILITY OF AUTHORITY

13.1 Operator Indemnification of Authority Parties. The Operator shall Indemnify the Authority Parties against any: (a) wrongful act, wrongful omission, or negligence of the Operator (and anyone claiming by or through the Operator) or its or their shareholders, directors, officers, elected officials, partners, attorneys, agents or employees; (b) breach or Default by the Operator under this Agreement; or (c) breach of any representation or warranty the Operator makes in this Agreement; (d) any Application made at the Operator’s request; (e) use, occupancy management or operation of the Garden; (f) any agreements that the Operator (or anyone claiming through the Operator) makes regarding the Garden; (g) the condition of the Garden or any street, curb or sidewalk adjoining the Garden, or of any vaults, tunnels, passageways or space under, adjoining or appurtenant to the Garden; and (h) any accident, injury or damage whatsoever caused to any Person in or on the Garden or upon or under the sidewalks adjoining the Garden.

13.2 Authority Indemnification of Operator. The Authority shall Indemnify the Operator against any: (a) wrongful act, wrongful omission, or negligence of the Authority (and anyone claiming by or through the Authority) or its or their shareholders, directors, officers, elected officials, partners, attorneys, agents or employees; (b) breach or Default by the Authority under this Agreement; or (c) breach of any representation or warranty the Authority makes in this Agreement; (d) any Application made at the Authority’s request; and (e) any agreements that the Authority (or anyone claiming through the Authority) makes regarding the Garden.

13.3 Limitation on Liability of the Authority. During the Term: (a) the Operator is and shall be responsible for operation of the Garden; and (b) the Authority shall not be liable for any injury or damage to any property (of the Operator or any other Person) or to any Person occurring on or about the Garden, except to the extent caused by the Authority’s intentional or negligent act or omission. Provisions of this Agreement or the License Agreement regarding the Authority's rights or obligations with respect to the Garden shall not impose upon the Authority any liability to Third Persons. Nothing in this Agreement shall be construed to exculpate, relieve, or Indemnify the Authority from or against any liability of the Authority: (i) to Third Persons existing on or before the Effective Date; or (ii) arising from the Authority’s wrongful intentional act or negligence.
13.4 **Strict Liability.** The indemnification obligations of the Operator under this Agreement shall apply regardless of whether liability without fault or strict liability is imposed or sought to be imposed on one or more of the Authority Parties.

13.5 **Independent of Insurance Obligations.** The Operator’s indemnification obligations under this Agreement shall not be construed or interpreted as in any way restricting, limiting, or modifying the Operator’s insurance or other obligations under this Agreement and is independent of the Operator’s insurance and other obligations under this Agreement. The Operator’s compliance with its insurance obligations and other obligations under this Agreement shall not in any way restrict, limit, or modify the Operator’s indemnification obligations under this Agreement and are independent of the Operator’s indemnification and other obligations under this Agreement.

13.6 **Survival of Indemnification and Defense Obligations.** The indemnification and defense obligations of the Operator under this Agreement shall survive the expiration or earlier termination of this Agreement, until all claims against any of the Authority Parties involving any of the indemnified matters are fully, finally, and absolutely and completely barred by the applicable statutes of limitations.

14. **INSURANCE**

14.1 **Operator to Insure.** The Operator shall, during the Term, maintain the following insurance (or its then reasonably available equivalent): (a) Property Insurance; (b) Liability Insurance; (c) Automobile Liability Insurance; (d) Worker’s Compensation Insurance; and (e) Director and Officers Insurance.

14.2 **Nature of Insurance Program.** All Property Insurance and Liability Insurance policies this Agreement requires will be procured by the Operator through GCCCD or otherwise shall be issued by carriers that: (a) are listed in the then current “Best’s Key Rating Guide—Property/Casualty—United States & Canada” publication (or its equivalent, if such publication ceases to be published) with a minimum financial strength rating and a minimum financial size category equivalent to that of GCCCD; and (b) are admitted to do business in the State by the State Department of Insurance. The Operator may provide any Property Insurance or Liability Insurance coverage under a “blanket” or “umbrella” insurance policy, provided that: (i) such policy specifies the amount(s) of the total insurance allocated to the Garden, which amount(s) shall, when combined with the underlying policy liability limits, equal or exceed the amount(s) required by this Agreement and shall not be reduced for claims made for other properties; and (ii) such policy otherwise complies with this Agreement.

14.3 **Policy Requirements and Endorsements.** All insurance policies this Agreement requires shall contain (by endorsement or other policy provision) the following provisions:

14.3.1 **Insured.** Liability Insurance policies shall name both the Authority and the GCCCD as an “additional insured.” Property Insurance policies shall name both the Authority and the GCCCD as loss payee, as their respective interests may appear. Notwithstanding anything to the contrary in this Section 14.3.1, all Property Insurance Proceeds shall be paid and applied as this Agreement provides.
14.3.2 Primary Coverage. All policies shall be written as primary policies, not contributing to or in excess of any coverage that the Authority may carry.

14.3.3 Contractual Liability. Liability Insurance policies shall contain contractual liability coverage, for the Operator’s indemnity obligations under this Agreement. The Operator’s obtaining or failure to obtain such contractual liability coverage shall not relieve the Operator from nor satisfy any indemnity obligation of the Operator under this Agreement.

14.3.4 Notice to the Authority. Each insurance policy shall require the carrier to give the Authority no less than thirty (30) calendar days’ advance written notice of any cancellation, non-renewal, material change in coverage or available limits of liability under any insurance policy required by this Agreement; provided, however, only ten (10) calendar days’ advance written notice shall be required for cancellation of any insurance policy for non-payment of the premium.

14.4 Deliveries to the Authority. On the Effective Date, and no later than twenty (20) days before any Liability Insurance, Automobile Liability Insurance or Property Insurance expires, is cancelled or its liability limits are materially reduced or exhausted, the Operator shall deliver to the Authority policies of insurance evidencing the Operator’s maintenance of all Liability Insurance, Automobile Liability Insurance and Property Insurance this Agreement requires, in each case providing coverage for, at least, twelve (12) months from the date delivered.

14.5 Waiver of Certain Claims. Policies of Liability Insurance or Property Insurance shall include a Waiver of Subrogation, by endorsement or other policy provision. The Parties release each other, and their respective authorized representatives, from any claims for damage to any Person or property that are caused by or result from risks insured against under such insurance policies.

14.6 No Representation. Neither Party makes any representation that the limits, scope, or forms of insurance coverage this Agreement requires are adequate or sufficient.

15. CASUALTY

15.1 Notice. If either Party becomes aware of any Casualty, such Party shall promptly Notify the other Party.

15.2 Effect of Casualty. If any Casualty occurs, then: (a) this Agreement shall not terminate or be impaired; and (b) the Operator shall Restore with reasonable promptness regardless of cost. If, however, the Casualty is a Substantial Casualty, then the Operator may, by Notice to the Authority, given within thirty (30) days after the occurrence of the Casualty, terminate this Agreement effective sixty (60) days after such Notice, provided that the Operator assigns to the Authority all of the Operator’s right, title and interest in and to any Property Insurance Proceeds (and rights thereto) arising from the Casualty.

15.3 Obligation to Restore. If the Operator does not timely elect to terminate this Agreement or is required to Restore the Garden Improvements pursuant to this Agreement, the Operator shall immediately deposit with the Authority either an amount equal to the deficiency
in insurance proceeds actually available for Restoration and the cost of Restoration, or security reasonably satisfactory to the Authority for such deficiency. If the Operator is required or elects to Restore, the Operator shall, as soon as is reasonable under the circumstances, commence and continue thereafter diligently and without interruption, at the Operator's sole cost and expense (but the Operator may use any insurance proceeds available for such purpose), Restore the Garden Improvements as nearly as possible to the condition they were in immediately prior to the Casualty, or with such changes or alterations as may be approved by the Authority.

15.4 Adjustment of Claims; Use of Property Insurance Proceeds. Unless the Operator has validly elected a Casualty Termination, the Operator shall have the sole right and authority to adjust any insurance claim. Property Insurance Proceeds shall be disbursed to the Operator, to be held in trust for the benefit of the Authority, and released by the Operator in installments based on progress of completion of work of Restoration.

16. ASSIGNMENT. The Operator may not assign this Agreement, without the Authority's prior written consent, which may be given or withheld in the Authority's sole and absolute discretion. Any approved assignee of the Operator shall assume all obligations and liabilities of the Operator under this Agreement in a writing reasonably satisfactory to the Authority, on the effective date of any such assignment. After the Operator assigns this Agreement and the assignee assumes the Operator's obligations under this Agreement, in accordance with this Agreement, the assignor shall have no obligation or liability under this Agreement, except: (a) any obligation to hold and apply Restoration Funds held by the assignor at the date of the assignment (unless transferred to the assignee in a form acceptable to the Authority); and (b) any unperformed obligations that arose before the assignment (unless assumed in writing by the assignee in a form acceptable to the Authority). If the Operator assigns this Agreement, then as between the Authority and the Operator, the Operator shall be deemed to have assigned to the assignee all claims against the Authority then existing, and the assignee shall be deemed, by assuming this Agreement, to have assumed all liabilities and obligations of the Operator then existing or thereafter arising under this Agreement (except as this Agreement otherwise expressly states).

17. AUTHORITY AND GCCCD ACCESS TO GARDEN. Notwithstanding anything to the contrary in this Agreement, the Authority, its agents, representatives or designees may enter the Garden to: (a) ascertain whether the Operator is complying with this Agreement; (b) cure the Operator's Defaults; (c) inspect the Garden; or (d) perform such tests, borings, and other analyses as the Authority determines may be necessary or appropriate relating to (non)compliance with any Law or possible Hazardous Substances Discharge. In addition, the GCCCD shall retain all rights of access to the Garden reserved to it in the License Agreement. In entering the Garden, the Authority or its designees shall not unreasonably interfere with operation of the Garden.

18. NO PROPERTY ESTATE OR INTEREST CONVEYED. Notwithstanding any provision of this Agreement to the contrary, the Parties do not intend to convey any interest or estate in real or personal property between them and nothing in this Agreement shall be construed or interpreted as a grant of any interest or estate in any property, except to the extent that Operator agrees to assignment of rights in License Agreement, which provides that property of Authority shall go to Operator in the event of Authority dissolution. If this Agreement or
any provision of this Agreement is construed or interpreted by a court of competent jurisdiction as conveying an estate or interest in property between the Parties (excepting FF&E on the Expiration Date), then any Party not then in Default of this Agreement may, in such Party's sole and absolute discretion, terminate this Agreement, without liability to the other Party or any other person for such termination, by delivering Notice of termination to the other Party within thirty (30) calendar days following notice of such court determination. Without limiting the right of either Party to terminate this Agreement, pursuant to the immediately preceding sentence, if neither Party has exercised its contractual right to terminate this Agreement within thirty (30) calendar days following notice of such court determination, then upon the expiration of such thirty (30) calendar day period, the Parties' respective rights to terminate this Agreement pursuant to this Section 18 shall be extinguished.

19. EVENTS OF DEFAULT; REMEDIES

19.1 Definition of "Event of Default." An "Event of Default" means the occurrence of any one or more of the following:

19.1.1 Monetary Default. If a Monetary Default occurs and continues for ten (10) calendar days after Notice from the Authority, specifying in reasonable detail the amount of money not paid and the nature and calculation of each such payment.

19.1.2 Prohibited Liens. If the Operator fails to cause any Prohibited Lien to be released within fifteen (15) calendar days after Notice from the Authority of such lien.

19.1.3 Bankruptcy or Insolvency. If the Operator ceases to do business as a going concern, ceases to pay its debts as they become due or admits in writing that it is unable to pay its debts as they become due, or becomes subject to any Bankruptcy Proceeding (except an involuntary Bankruptcy Proceeding dismissed within sixty (60) calendar days after commencement), or a custodian or trustee is appointed to take possession of, or an attachment, execution or other judicial seizure is made with respect to, substantially all of the Operator's assets or the Operator's interest in this Agreement (unless such appointment, attachment, execution, or other seizure was involuntary and is contested with diligence and continuity and vacated and discharged within sixty (60) calendar days).

19.1.4 Non-Monetary Default. If any Non-Monetary Default, other than those addressed in Sections 19.1.2 and 19.1.3, occurs and the Operator does not cure such Non-Monetary Default within thirty (30) calendar days after Notice from the Authority describing the Default in reasonable detail, or, in the case of a Non-Monetary Default that cannot with reasonable due diligence be cured within thirty (30) calendar days from such Notice, if the Operator shall not: (i) within thirty (30) calendar days after the Authority's Notice, advise the Authority of the Operator's intention to take all reasonable steps to cure such Non-Monetary Default; (ii) duly commence such cure within such period, and then diligently prosecute such cure to completion; and (iii) complete such cure within a reasonable time under the circumstances.

19.2 Remedies. If an Event of Default occurs, then the Authority shall, in the Authority's sole discretion, have any or all of the following described remedies, all cumulative
(so exercise of one remedy shall not preclude exercise of another remedy), in addition to such other remedies as may be available at Law or in equity or under any other terms of this Agreement. The Authority’s remedies shall include:

19.2.1 Termination of Agreement. Either Party may initiate termination of this Agreement if the other party fails to act in good faith under this Agreement and/or breaches any of the terms herein. To initiate termination, either party may provide the other with a Notice of Intent to Terminate or by any other lawful means. Within thirty (30) days of delivery and receipt of such Notice, either party may elect for the parties to proceed to mediation with a mutually agreed upon mediator. The cost of mediation will be equally divided by the parties. If no request for mediation is made by either party within thirty (30) days, the Agreement shall terminate immediately. If the parties participate in mediation and at the completion of such mediation either party still seeks to terminate the Agreement, the Agreement shall terminate immediately. Upon termination of the Agreement, such date of termination shall be the Expiration Date, and the Operator shall immediately vacate the Garden. Additionally, the either Party may bring an action to recover any amount necessary to compensate itself for all detriment proximately caused by the other Party’s failure to perform their obligations under this Agreement.

19.2.2 Receipt of Moneys. No receipt of money by the Authority from the Operator after Notice of Default, the Expiration Date, or the giving of any Notice of termination of this Agreement, shall reinstate, continue, or extend this Agreement or affect any Notice previously given to the Operator, or waive the Authority’s right to enforce payment of any amount payable or later falling due, or the Authority’s right to enter the Garden, except as this Agreement expressly states otherwise, it being agreed that after service of Notice of Default or Notice of termination of this Agreement or the commencement of suit or proceedings, or after final order or judgment, the Authority may demand, receive, and collect any moneys due or thereafter falling due, without in any manner affecting any such Notice, proceeding, order, suit or judgment, all such moneys collected being deemed payments on account of use of the Garden or, at the Authority’s election, on account of the Operator’s liability to the Authority.

19.2.3 No Waiver. No failure by the Authority to insist upon strict performance of any covenant, agreement, term or condition of this Agreement or to exercise any right or remedy upon a Default, and no acceptance of full or partial payment during continuance of any such Default, shall waive any such Default or such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Agreement to be performed or complied with by the Operator, and no Default, shall be Modified, except by a written instrument executed by the Authority. No waiver of any Default shall Modify this Agreement. Each and every covenant, agreement, term and condition of this Agreement shall continue in full force and effect with respect to any other then-existing or subsequent Default of such covenant, agreement, term or condition of this Agreement.

19.2.4 Security Devices. The Authority may change the locks and other security devices providing admittance to the Garden.

19.2.5 Damages. Subject to Section 26.2, the Authority may recover from the Operator all damages the Authority incurs by reason of the Operator’s Default, including
reasonable costs of removing the Operator’s personnel or property from the Garden, and any and all other damages legally recoverable by the Authority, and reimbursement of the Authority’s reasonable out of pocket costs. The Authority may recover such damages at any time after the Operator’s Default, including after the Expiration Date.

19.2.6 Injunction of Breaches. Whether or not an Event of Default has occurred, the Authority may obtain a court order enjoining the Operator from continuing any Default or from committing any threatened Default. The Operator specifically and expressly acknowledges that damages would not constitute an adequate remedy to the Authority for any Non-Monetary Default.

19.2.7 Continue Agreement. The Authority may, in the Authority’s sole discretion, maintain the Operator’s right to operate the Garden pursuant to this Agreement. In that case, this Agreement shall continue and the Authority may continue to enforce it.

19.2.8 Restoration Funds. Upon any termination of this Agreement, to the extent that the Authority then holds any Restoration Funds, they shall be the sole property of the Authority and may be applied solely as the Authority directs.

19.3 Authority’s Right to Cure. 30 days after a request to Operator by Authority to cure Operator’s Default under this Agreement, the Authority, without waiving or releasing the Operator from any obligation or Default and without waiving the Authority’s right to take such action as this Agreement may permit as a result of such Default, may (but need not) make any payment or take any action on behalf of the Operator to cure any Default of the Operator. The Operator shall reimburse the Authority for an amount equal to all reasonable sums paid, and reasonable costs and expenses incurred, by the Authority in exercising its cure rights under this Section 19.3. Pursuant to paragraph 17, the Authority may enter the Garden to cure said Default.

19.4 Failure to Vacate. If for any reason or no reason the Operator does not vacate the Garden (removal of all of the Operator’s personnel and property) on or before the Expiration Date, then the Authority will suffer injury that is substantial, difficult, or impossible to measure accurately. Therefore, if the Operator remains in the Garden after the Expiration Date, either by its personnel or its property or both, for any reason or no reason, then in addition to any other rights or remedies of the Authority, the Operator shall pay to the Authority, as liquidated damages and not as a penalty, for each day during which the Operator remains in the Garden after the Expiration Date, a sum equal to One Thousand Dollars ($1,000.00).

19.5 Survival. No entry into or onto the Garden by the Authority shall relieve the Operator of its liabilities and obligations under this Agreement, all of which shall survive such entry. Termination of this Agreement shall not relieve the Operator of any liabilities or obligations of the Operator arising under this Agreement prior to the date of termination.

20. END OF TERM. Upon any Termination Date: (a) the Operator shall vacate the Garden (removal of all of the Operator’s personnel), in the condition this Agreement requires, subject to any Casualty that this Agreement does not require the Operator to Restore, and all Garden Improvements and FF&E used in the operation of the Garden shall be the sole and exclusive property of the Authority; (b) the Operator shall deliver the Garden free and clear of all claims,
except claims that the Authority or any of its agents caused; (c) all unspent income or other consideration due or becoming due for use of the Garden as of the Expiration Date shall be immediately transferred to the Authority; and (d) the Parties shall cooperate to achieve an orderly transition of operation of the Garden from the Operator to the Authority or a designee of the Authority, without interruption, including delivery of such books and records (or copies thereof) as the Authority reasonably requires.

21. **NO INTENDED THIRD PARTY BENEFICIARIES.** This Agreement does not, and shall not be deemed or construed to, confer upon or grant to any Third Person (excepting permitted successors or assigns of the Operator or the Authority pursuant to the terms of this Agreement) any right to claim damages or to bring any suit, action or other proceeding against either the Authority or the Operator because of any breach of this Agreement or to enforce any term, covenant, condition, restriction, reservation, provision or agreement contained in this Agreement.

22. **NOTICES.** All Notices shall be in writing and addressed to the Authority or the Operator (and their designated copy recipients) as set forth in Exhibit “A.” Notices (including any required copies) shall be delivered personally or by Federal Express, United Parcel Service or other nationally recognized overnight (one business day) courier service to the addresses set forth in Exhibit “A,” in which case they shall be deemed delivered on the date of delivery (or when delivery has been attempted twice, as evidenced by the written report of the courier service) to such address(es). Either Party may change its address for delivery of Notices by Notice in compliance with this Agreement. Notice of such a change shall be effective only upon receipt. Any Party giving a Notice may request the recipient to acknowledge receipt of such Notice. The recipient shall promptly comply with any such request, but failure to do so shall not limit the effectiveness of any Notice. Any attorney may give any Notice on behalf of its client.

23. **NO BROKER.** Each Party: (a) represents and warrants that it did not engage or deal with any broker or finder in connection with this Agreement and no Person is entitled to any commission or finder’s fee on account of any agreement or arrangement made by such Party; and (b) shall Indemnify the other Party against any breach of such representation.

24. **MODIFICATION.** Any Modification of this Agreement must be in writing and signed by the Party to be bound.

25. **SUCCESSORS AND ASSIGNS.** This Agreement shall bind and benefit the Authority and the Operator and their successors and assigns, but this Section 25 shall not limit or supersede any Transfer restrictions contained in this Agreement. Nothing in this Agreement confers on any Person (except the Authority and the Operator) any right to insist upon, or to enforce against the Authority or the Operator, the performance or observance by either Party of its rights or obligations under this Agreement.

26. **MISCELLANEOUS**

26.1 **Waiver of Non-Disturbance.** Notwithstanding anything to the contrary in this Agreement, Operator expressly agrees that this Agreement shall terminate and expire in the event that the License Agreement terminates or expires during the Term. To that end, Operator
expressly waives any claim of any right to non-disturbance upon expiration of the License Agreement.

26.2 No Consequential Damages. Whenever either Party may seek or claim damages against the other Party (whether by reason of a breach of this Agreement by such Party, in enforcement of any indemnity obligation, for misrepresentation or breach of warranty, or otherwise), neither the Authority nor the Operator shall seek, nor shall there be awarded or granted by any court, arbitrator, or other adjudicator, any speculative, consequential, collateral, special, punitive, or indirect damages, whether such breach shall be willful, knowing, intentional, deliberate, or otherwise. The Parties intend that any damages awarded to either Party shall be limited to actual, direct damages sustained by the aggrieved Party. Neither Party shall be liable for any loss of profits suffered or claimed to have been suffered by the other.

26.3 No Waiver by Silence. Failure of either Party to complain of any act or omission on the part of the other Party shall not be deemed a waiver by the noncomplaining Party of any of its rights under this Agreement. No waiver by either Party at any time, express or implied, of any breach of this Agreement shall waive the same such breach at another time or any other breach.

26.4 Survival. All rights and obligations that by their nature are to be performed after any termination of this Agreement shall survive any such termination.

26.5 Unavoidable Delay. Each Party’s obligation to perform or observe any nonmonetary obligation under this Agreement shall be suspended during such time as such performance or observance is prevented or delayed by Unavoidable Delay.

26.6 Authority Contract Administration. The Authority Representative shall administer this Agreement on behalf of the Authority. Except as otherwise expressly provided in this Agreement, the Authority Representative has the authority to approve or consent to those matters in this Agreement requiring the Authority’s approval or consent and to make all other decisions on behalf of the Authority, subject to the Authority Representative’s retained and reserved sole and absolute discretion to seek approval of the Authority’s governing board of any such matter. The Authority may revoke the authorization provided to the Authority Representative in this Section 26.6, at any time, by Notice of such revocation to the Operator.

27. INTERPRETATION, EXECUTION, AND APPLICATION OF AGREEMENT

27.1 Captions. The captions of this Agreement are for convenience and reference only and in no way affect this Agreement.

27.2 Counterparts. This Agreement may be signed in counterpart originals, each of which shall constitute an original of this Agreement and that, collectively, shall constitute one and the same agreement.

27.3 Entire Agreement. This Agreement contains all of the terms, covenants, conditions and agreements between the Parties regarding the Garden. The Parties have no other understandings or agreements, oral or written, regarding the Garden.
27.4 **Governing Law.** This Agreement, its interpretation and performance, the relationship between the Parties, and any disputes arising from or relating to any of the foregoing, shall be governed, construed, interpreted, and regulated under the laws of the State of California, without regard to principles of conflicts or choice of laws.

27.5 **Partial Invalidity.** If any term or provision of this Agreement or its application to any Person or circumstance shall to any extent be invalid or unenforceable, then the remainder of this Agreement, or the application of such term or provision to Persons or circumstances, except those as to which it is invalid or unenforceable, shall not be affected by such invalidity. All remaining provisions of this Agreement shall be valid and be enforced to the fullest extent Law allows.

27.6 **Principles of Interpretation.** No inference in favor of or against any Party shall be drawn from the fact that such Party has drafted any part of this Agreement. The Parties have both participated substantially in the negotiation, drafting, and revision of this Agreement, with advice from counsel and other advisers of their own selection. A term defined in the singular in this Agreement may be used in the plural, and vice versa, all in accordance with ordinary principles of English grammar, which also govern all other language in this Agreement. The words “include” and “including” shall be construed to be followed by the words: “without limitation.” Each collective noun in this Agreement shall be interpreted as if followed by the words “(or any part of it),” except where the context clearly requires otherwise. Every reference to any document, including this Agreement, refers to such document as Modified from time to time (except any Modification that violates this Agreement), and includes all exhibits, schedules, and riders to such document. The word “or” includes the word “and.”

27.7 **Reasonableness.** Wherever this Agreement states that a Party’s approval shall be “reasonable” or not unreasonably withheld: (a) such approval shall not be unreasonably delayed or conditioned; (b) no withholding of approval shall be deemed reasonable, unless withheld by Notice specifying reasonable grounds, in reasonable detail, for such withholding, and indicating specific reasonable changes in the proposal under consideration that would make it acceptable; and (c) if a Party grants its consent to any matter, this shall not waive its rights to require such consent for any further or similar matter.

27.8 **Time of Essence.** Time is of the essence with respect to the performance of each term, provision, covenant or agreement contained in this Agreement.

27.9 **Exhibits.** All of the exhibits attached to this Agreement are as follows and are incorporated into this Agreement by reference:

- Exhibit “A” = Notice Addresses
- Exhibit “B” = Form of Operator Official Action
- Exhibit "C" = License Agreement
- Exhibit "D" = Authority Annual Contribution Commitment

[Signatures on next page]
SIGNATURE PAGE
TO
WATER CONSERVATION GARDEN OPERATION AGREEMENT

IN WITNESS WHEREOF, the Authority and the Operator have signed this Agreement by and through the signatures of their authorized representatives set forth below:

AUTHORITY:
WATER CONSERVATION AUTHORITY,
a California joint powers authority

By: [Signature]
Board President

ATTEST:

By: [Signature]
Board Secretary

OPERATOR:
FRIENDS OF THE WATER CONSERVATION GARDEN, a California nonprofit public benefit corporation

By: [Signature]
Name: MICHAEL GRISDALE
Title: PRESIDENT

By: [Signature]
Name: ELEANOR HUGUS
Title: Sec. Treasurer

ACKNOWLEDGEMENT AND CONSENT TO ASSIGNMENT OF RIGHTS UNDER LICENSE AGREEMENT

The undersigned hereby acknowledges and consents to the assignment of rights and obligations by the Authority to the Operator under the License Agreement pursuant to the terms and conditions of this Agreement up and until this Agreement expires or is otherwise terminated.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT, a California community college district:

By: [Signature]
Name: CINDY MILES
Title: Chancellor

00488.00001/220985.2
EXHIBIT “A”

NOTICE ADDRESSES

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<th>Party</th>
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<th>With a copy to</th>
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<td>Authority</td>
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<td>Best Best &amp; Krieger LLP</td>
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<td></td>
<td>12122 Cuyamaca College Drive West</td>
<td>655 West Broadway</td>
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<tr>
<td></td>
<td>El Cajon, CA 92019</td>
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<td></td>
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<td>San Diego, California 92101</td>
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<td>Fagen Friedman &amp; Fulfrost</td>
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EXHIBIT “B

FORM OF OPERATOR OFFICIAL ACTION

[Attached behind this cover page]

Exhibit “B”
Resolution #2

RESOLUTION OF THE BOARD OF DIRECTORS OF
FRIENDS OF THE WATER CONSERVATION GARDEN,
A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION

At a meeting of the board of directors of Friends of the Water Conservation Garden, a California nonprofit public benefit corporation (the "Corporation"), duly held on Dec 14, 2010, at which meeting all of the directors of the Corporation were in attendance, the following resolutions were unanimously adopted:

WHEREAS, the Corporation is about to enter into that certain Water Conservation Garden Operation Agreement with the Water Conservation Authority, a California joint powers authority ("the Authority"), dated as of Oct 13, 2010 (the "Agreement"), to maintain and operate certain real property and improvements specifically described in the Agreement (the "Garden"); and

WHEREAS, the Board of Directors of the Corporation has reviewed the Agreement and all documents executed or to be executed in connection with the Agreement and considers the transaction to be in the best interest of the Corporation.

NOW, THEREFORE, BE IT RESOLVED that the Corporation execute the Agreement and all documents previously presented to, reviewed, and approved by the Board of Directors of the Corporation.

RESOLVED, FURTHER, that the following officers of the Corporation acting alone be, and they hereby are, authorized, empowered, and directed on behalf of the Corporation to execute and deliver the Agreement and all other documents to be executed in connection with it, and to take all actions that may be necessary to exercise the Corporation’s rights and perform the Corporation’s obligations under the Agreement and any such other documents:

President
Michael Grisdale
Secretary
Eleanor Hugus

The authority conferred by this Resolution shall be considered retroactive and any and all acts authorized in this Resolution that were performed before the passage of this Resolution are hereby approved and ratified by the Corporation. The authority conferred by this Resolution shall continue in full force and effect until the Authority shall have received notice in writing, certified by the Secretary of the Corporation, of the revocation of this authority by a separate resolution duly adopted by the Board of Directors of the Corporation.

The undersigned, Eleanor Hugus, Secretary of the Corporation, certifies that the foregoing is a true copy of the Resolution duly adopted by the Board of Directors of the Corporation at a meeting held on Dec 14, 2010.

Exhibit “B”
IN TESTIMONY WHEREOF, I have executed this Resolution and affixed the corporate seal of the Corporation, as of December 14, 2010.

Date: 12/14/10

Name: Eleanor Hughes

Secretary

Exhibit "B"
EXHIBIT “C”

LICENSE AGREEMENT

[Attached behind this cover page]
LICENSE AGREEMENT FOR
OPERATION OF A WATER CONSERVATION GARDEN

THIS AGREEMENT is made and entered into this First day of August, 2006, by and between the GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT, on behalf of CUYAMACA COLLEGE (hereinafter, "the District"), and the WATER CONSERVATION GARDEN AUTHORITY, a Joint Powers Agency formed pursuant to Government Code section 65000 (hereinafter, "the Authority"), with reference to the following facts:

A. The parties have previously entered into an Agreement dated April 6, 1993, for the establishment of a Water Conservation Garden at Cuyamaca College for public education purposes and to assist in reducing the demand for imported water in the San Diego region. Pursuant to that Agreement, the Authority has operated a Water Conservation Garden at Cuyamaca College since 1999.

B. The parties desire to extend the term of their agreement and otherwise more clearly set forth the relationship of the parties and the terms of operation of the Water Conservation Garden (hereinafter referred to as "the Garden");

NOW, THEREFORE, the parties hereby agree as follows:

1. LICENSE TO USE LAND. The District hereby grants to the Authority the right to use the approximate 4.28-acre portion of the Cuyamaca College campus, commonly known as the existing Water Conservation Garden and located at 12122 Cuyamaca College Drive West, El Cajon, California (more particularly described in Exhibits A and B attached hereto and incorporated by this reference herein), for purposes of operating a water conservation demonstration garden for public educational purposes.

2. LICENSE TO USE ADDITIONAL PARCELS OF LAND. The District hereby grants to the Authority the right to use the approximate .20-acre portion of the Cuyamaca College campus, commonly known as the Future Parcel "A" located at 12122 Cuyamaca College Drive West, El Cajon, California (more particularly described in Exhibits A and B attached
hereof and incorporated by this reference herein), subject to the District and the Authority signing an agreement defining the terms and conditions for the use of the future parcel. Additionally, the District hereby grants to the Authority the right to use the approximate .37-acre portion of the Cuyamaca College campus, commonly known as the Future Parcel "B" located at 12122 Cuyamaca College Drive West, El Cajon, California (more particularly described in Exhibits A and B attached hereto and incorporated by this reference herein), subject to the District and the Authority signing an agreement defining the terms and conditions for the use of the future parcel.

3. TERM. The term of this Agreement shall be from August 1, 2006 to and including July 31, 2033. This Agreement may be renewed for an additional ten-year period by mutual agreement of the parties. This Agreement shall supersede all previous agreements between the parties hereto, provided that it shall not supersede the Joint Powers Agreement Creating the Water Conservation Authority.

4. OPERATION AND MAINTENANCE. The Authority shall operate the Garden and shall make it accessible for visitation by members of the general public for a reasonable number of hours each week. The Authority will maintain the Garden on a continuing basis at a level consistent with its condition at the time of execution of this License Agreement. In the event that the Authority fails to adequately maintain the Garden at such level, or fails to use and maintain the land for a demonstration garden, the District may give written notice of default of this obligation. If the default is not remedied within sixty (60) days from the date such notice is delivered, the District may then elect to terminate this Agreement without any further obligation to the Authority. Operation and maintenance of the Garden shall be at no cost to the District, and Authority shall pay for all required utilities.

5. INSURANCE. The District shall obtain and keep in force a policy of Commercial General Liability Insurance, Automobile Liability Insurance and Property Insurance in amounts acceptable to Authority insuring the District and naming the Authority as additional insured. The District shall also obtain and keep in force a policy of Workers' Compensation Insurance covering District's employees.
Authority will obtain and keep in force Comprehensive Commercial General Liability and Automobile Insurance, in an amount of $1,000,000 per occurrence, $1,000,000 aggregate, and additional Property and Casualty Insurance covering the Authority and the Garden naming the District as additional insured. The Authority shall also obtain and keep in force a policy of Workers’ Compensation Insurance covering Authority’s employees.

6. INDEMNIFICATION. The District agrees to protect, save, defend and hold harmless the Authority and its agents, officers and employees from any and all claims, liabilities, expenses or damages of any nature, including attorneys’ fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of or in any way connected with District’s use of the Garden, including negligent acts, errors or omissions or willful misconduct by the District, District’s agents, officers, or employees. The only exception to the District’s responsibility to protect, save, defend and hold harmless the Authority is for those claims arising from the sole negligence, willful misconduct or active negligence of the Authority.

The Authority agrees to protect, save, defend and hold harmless the District and its Governing Board members, agents, officers and employees from any and all claims, liabilities, expenses or damages of any nature, including attorneys’ fees, for injury or death of any person, damage to property, or interference with use of property, arising out of its use of the licensed property. The only exception to the Authority’s responsibility to protect, save, defend and hold harmless the District is for those claims arising from the sole negligence, willful misconduct or active negligence of the District.

7. APPLICATION OF HOLD HARMLESS CLAUSES. The hold harmless provisions set forth in Section 5 shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation on the amount of indemnification to be provided by either party.

8. ALCOHOLIC BEVERAGES. Both parties understand that California law generally prohibits the possession or use of alcoholic beverages on a community college campus except under certain specified conditions. The Authority agrees that it shall not allow alcoholic
beverages to be brought into or consumed in the Garden, except under the conditions set forth in
Business and Professions Code section 25608. The parties recognize that legislation has been
introduced that would allow alcoholic beverages to be served in the Garden; if such legislation is
enacted into law, the parties agree to be governed by the law as amended by the legislation.

9. WATER GARDEN EMPLOYEES. The Authority shall be responsible for the
hiring, retention, discipline, and termination of the Garden employees.

10. DISTRICT'S RIGHT TO USE THE GARDEN. The District shall have the right
to utilize the Garden at reasonable times for District and College events and for College classes.
Prior arrangements for such use shall be made with the Executive Director of the Garden.

11. OBLIGATIONS UPON TERMINATION. Upon expiration or termination of this
Agreement for any reason, the Authority will leave the Water Conservation Garden in its then-
current condition on the date of expiration, and any remaining improvements and equipment
shall become the property of the District.

12. NOTICES. All notices permitted or required under this Agreement shall be given
to the respective parties at the following address, or such other address as the respective parties
may provide in writing for this purpose:

The District: Vice Chancellor, Business Services
Grossmont-Cuyamaca Community College District
8800 Grossmont College Drive
El Cajon, California 92020

The Authority: Executive Director
Water Conservation Garden
12122 Cuyamaca College Drive West
El Cajon, CA 92019

13. SUCCESSORS AND ASSIGNS. This Agreement shall be binding on the
successors and assigns of the party and shall not be assigned by either party without the prior
written consent of the other party.
14. GOVERNING LAW. This Agreement shall be governed by the laws of the State of California. Any action brought to enforce the terms of this Agreement shall be brought in a state or federal court located in the County of San Diego, State of California.

15. SEVERABILITY. If any section, subsection, sentence, clause, or phrase of this Agreement or the application thereof to any of the parties is for any reason held invalid or unenforceable, the validity of the remainder of the Agreement shall not be affected thereby and may be enforced by the parties to this Agreement.

16. AMENDMENTS. This Agreement may not be amended except by a writing signed by the District and the Authority.

17. INTERPRETATION. In interpreting this Agreement, it shall be deemed that it was prepared jointly by the parties with full access to legal counsel of their own. No ambiguity shall be resolved against any party on the premise that it or its attorneys were solely responsible for drafting this Agreement or any provision thereof.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings, or agreements.

WATER CONSERVATION GARDEN AUTHORITY  GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

By:  ___________________________  By:  ___________________________

Its:  President  Its:  President

WATER CONSERVATION GARDEN AUTHORITY  GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

Approved by the Board of Directors on  ___________________________

Approved by the Board of Trustees on  ___________________________

X:\WP2006\Grossmont\Water Conservation Garden\Water Garden License Agreement 4-20-06.doc

5
EXHIBIT 'A'

LEGAL DESCRIPTION

WATER GARDEN PARCEL

EXISTING PARCEL

Those portions of Tract "E" and Tract "F" of RANCHO JAMACHA in the County of San Diego, State of California, according to Partition Map thereof, filed in the Office of the County Clerk of San Diego County, Case No. 13, Superior Court, entitled William M. Keighler, Et Al., VS. Mary H Eddy, Et Al., Being more particularly described as follows:

Commencing at a 2" pipe with disk stamped "RCE 13782", marking a point on the Northerly line of County of San Diego Tract 4032-4, according to Map thereof No 11285 in the County of San Diego, State of California, filed in the Office of the County Recorder July 11, 1985 as File No. 85-247463 of Official Records, said 2" pipe bears North 58°23'07" East, 928.98 feet (North 57°54'39" East, 928.52) from a 2" pipe with disk stamped "RCE 13782", also marking a point on the Northerly line of said Map No. 11285; thence retracing along said Northerly line South 58°23'07" West, 346.41 feet to a point of intersection with the Northeastern right-of-way of Cuyamaca College Drive West (60 feet wide), said intersection being the TRUE POINT OF BEGINNING; thence North 31°36'10" West, 150.35 feet; thence South 58°23'50" West, 36.89 feet to the beginning of a non tangent curve concave Southwesterly having a radius of 240.00 feet and to which a radial bears North 19°50'25" East; thence Westerly 78.97 feet along said curve through a central angle of 18°51'11"; thence North 40°34'04" West, 5.38 feet; thence South 88°24'57" West, 6.87 feet; thence South 30°41'32" West, 6.15 feet; thence South 82°24'56" West, 138.87 feet to a point herein designated as Point 'A'; thence North 03°22'50" West, 67.95 feet; thence North 75°27'17" East, 12.38 feet to the beginning of a curve concave Northwesterly having a radius of 166.50 feet; thence Northwesterly 200.93 feet along said curve through a central angle of 69°08'35"; thence North 80°51'14" West, 21.57 feet; thence North 05°17'39" East, 15.06 feet; thence South 82°15'22" East, 21.09 feet to the beginning of a non tangent curve concave Southwesterly having a radius of 166.50 feet and to which a radial bears South 89°03'30" East; thence Northwesterly 233.40 feet along said curve through a central angle of 80°18'59"; thence South 58°11'04" West, 11.19 feet; thence North 87°14'33" West, 13.10 feet; thence North 39°29'11" West, 12.06 feet to the beginning of a non tangent curve concave Northwesterly having a radius of 90.00 feet and to which a radial bears South 04°12'25" West; thence Northwesterly 67.28 feet along said curve through a central angle of 42°24'54"; thence North 42°57'41" West, 34.59 feet; thence North 47°28'48" East, 122.39 feet; thence South 86°19'44" East, 52.01 feet; thence South 59°25'04" East, 348.57 feet; thence South 23°83'28" East, 84.82 feet; thence South 75°02'48" East, 57.59 feet to a point herein designated as Point 'B'; thence South 41°21'13" East, 92.86 feet; thence South 06°55'10" West, 23.80 feet; thence South 86°54'19" East, 44.08 feet; thence South 42°24'51" East, 66.14 feet; thence South 03°31'01" West, 87.49 feet to a point on the Northerly line of said Map No. 11285; thence along said Northerly line South 58°23'07" West, 256.54 feet to the TRUE POINT OF BEGINNING.
EXHIBIT 'A'

TOGETHER WITH: (PROPOSED PARCEL "A")

BEGINNING at the hereinabove described Point 'A'; thence South 72°57'56" West, 30.28 feet to the beginning of a non-tangent curve concave Northeastwardly having a radius of 245.00 feet to which a radial bears South 03°30'02" East; thence Westerly 108.59 feet along said curve through a central angle of 25°23'38" to the beginning of a compound curve concave Northeastwardly having a radius of 20.00 feet to which a radial bears South 21°47'36" West; thence Northwesterly 23.88 feet along said curve through a central angle of 68°24'15"; thence North 00°11'51" East, 19.14 feet to a point herein referenced as Point 'C', said point also being the beginning of a curve concave Southeastwardly having a radius of 10.00 feet; thence Southeastwardly 13.58 feet along said curve through a central angle of 77°45'05"; thence North 77°59'56" East, 38.33 feet; thence South 63°21'11" East, 18.77 feet; thence North 88°18'34" East, 37.29 feet; thence North 75°27'37" East, 45.81 feet; thence South 03°22'30" East, 67.65 feet to the point of BEGINNING.

TOGETHER WITH: (PROPOSED PARCEL "B")

BEGINNING at the hereinabove described Point 'B'; thence South 41°21'32" East, 92.86 feet; thence South 00°55'30" West, 23.80 feet; thence South 36°54'19" East, 44.08 feet; thence South 42°24'51" East, 66.14 feet; thence North 40°21'20" East, 94.57 feet; thence North 61°39'21" West, 65.11 feet; thence North 47°25'43" West, 101.29 feet; thence North 71°24'33" West, 25.56 feet; thence South 84°06'49" West, 19.79 feet; thence South 44°32'14" West, 46.41 feet to the point of BEGINNING.

Containing 211,796 or 4.86 Acres.

All as shown on map attached herewith and made a part hereof.

Prepared By: Nolte Associates, Inc.

[Signature]

Paul G. Robotta Date
L.S. 5334

Page 2 of 2
NOTE:
The survey for the boundary of Cuyamaca College was based on the title report prepared by First American Title Insurance Company Order No. NC3-65188-30, dated December 24, 2003.
EXHIBIT “D”

AUTHORITY ANNUAL CONTRIBUTION COMMITMENT

[Attached behind this cover page]
## Summary Table

**Proposed Income Distribution Between Water Agencies and Other Income as a Planning Document for the Contract between the WCGA and The Friends of the Water Conservation Garden**

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% Water Agency Funding:
- 65%
- 76%
- 71%
- 65%
- 61%
- 58%
- 55%

msw 9/9/10
### Agency Total

**Total Income Contribution by Agency - JPA Dues and Supplemental Share**

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msw 9/9/10
WATER CONSERVATION AUTHORITY

FIRST AMENDMENT TO
WATER CONSERVATION GARDEN OPERATION AGREEMENT
The WATER CONSERVATION GARDEN

The Water Conservation Garden Operation Agreement dated October 13, 2010 between the Water Conservation Authority and Friends of the Water Conservation Garden (collectively Parties) is amended as follows.

1. Paragraph 1, DEFINITIONS, section 1.58 SCHEDULED EXPIRATION DATE is amended to mean June 30, 2017. The Agreement is amended for continued operation and maintenance services, and to align the Friends of the Water Conservation Garden’s Operations budget with the budgets of the agencies which make up the Joint Powers Agency.

2. Paragraph 4, TERM, is amended to reflect the extension of the Agreement.

3. Pursuant to Paragraph 14, INSURANCE, Friends of the Water Conservation Garden shall provide updated insurance documents to the Water Conservation Authority as required.

4. All other terms, covenants, and conditions in the original Agreement as amended shall remain in full force and effect, and shall be applicable to this Amendment.

The individuals executing this amendment to Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

IN WITNESS WHEREOF, the Parties have executed this First Amendment to the Agreement on the date set forth below.

AUTHORITY
WATER CONSERVATION AUTHORITY, a Joint Powers Authority

By: __________________________
   Board President

DATED: ________________________

ATTEST:

By: __________________________
   Board Secretary

OPERATOR
FRIENDS OF THE WATER CONSERVATION GARDEN,
a California nonprofit benefit corporation

By: __________________________
   Name: _______________________
   Title: ________________________

By: __________________________
   Name: _______________________
   Title: ________________________
November 30, 2016

Attention: Legislation, Conservation and Outreach Committee


Staff Recommendation
Adopt the proposed 2017 Legislative Policy Guidelines

Alternatives
1. Direct staff to make additional modifications to the Legislative Policy Guidelines as determined by the Board.

2. Do not adopt the proposed 2017 Legislative Policy Guidelines.

Purpose
This memo presents proposed 2017 Legislative Policy Guidelines to the Board for consideration and adoption.

Fiscal Impact
There is no fiscal impact.

Background
The Water Authority maintains a set of legislative policy guidelines to direct staff and legislative advocates on issues of importance to the Water Authority, its member agencies, and the San Diego region. The proposed modifications to the Water Authority’s Legislative Policy Guidelines, identified in the attached matrix (Attachment 1) and the draft 2017 Legislative Policy Guidelines (Attachment 2) represent policy positions adopted by the Board during the course of the 2016 calendar year and recommendations from staff, member agencies, and Board members.

The Board approved an original set of Legislative Policy Guidelines in December 1993. They are reviewed and updated annually. The guidelines provide a useful framework for staff and legislative advocates to evaluate the potential impact of state and federal legislation on the Water Authority and its member agencies. The guidelines also permit staff and the Water Authority’s legislative advocates to act in a timely fashion between Board meetings on issues that are clearly within the guidelines. Such actions are then reported to the Board during the next regular monthly Board meeting.

Staff and legislative advocates consult the guidelines to determine recommended positions on legislation. Irrespective of whether a staff recommended position on legislation meets, or fails to meet the principles set forth in the guidelines, staff brings those recommendations before the Board for consideration of adopting a formal position in support or opposition, accordingly. Prior to each Board meeting, staff provides a written report on recommended positions, an analysis of each bill, and a discussion of the measure’s relevance to the Legislative Policy Guidelines and other Board policies.
Discussion
This report presents an updated version of the Water Authority’s Legislative Policy Guidelines for the 2017 calendar year. Updates, revisions, and added guidelines reflect new positions and policy principles the Board discussed and adopted during the course of the 2016 calendar year, as well as new changes recommended by staff, member agencies, and Board members.

In the proposed 2017 Legislative Policy Guidelines presented to the Board at its October 27 meeting, staff identified proposed updates to sections related to:

- Imported Water Supply
- Local Water Resources
- Water Use Efficiency
- Energy
- Climate Change

Additional modifications have been made to the proposed Legislative Policy Guidelines at the request of Board members since the October 27 Board meeting, and those modifications can be found in the following sections:

- Local Water Resources
- Water Facilities/Facility Improvement
- Water Use Efficiency
- Energy

The proposed 2017 Legislative Policy Guidelines are attached. Revisions, updates, and recommended additions are underlines, while deletions are represented by strike-throughs. When the Board adopts the updated Guidelines, staff will incorporate changes into the final document.

During 2017, staff will begin the process of working with the Board, member agencies, and Water Authority staff to undertake a comprehensive restructuring of the Legislative Policy Guidelines document to eliminate redundancies, improve groupings and categorization of policy guidelines, and strive to ensure the final product is more “user friendly” for staff, member agencies, Board members, and the public.

Prepared by: Glenn A. Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment 1: Matrix of Proposed Modifications to the Legislative Policy Guidelines
Attachment 2: Proposed 2017 Legislative Policy Guidelines
# Matrix of Proposed Modifications to the Legislative Policy Guidelines

<table>
<thead>
<tr>
<th>LPG Section</th>
<th>Page Number</th>
<th>Item Number</th>
<th>Description of Proposed Change</th>
<th>Submitted By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imported Water Supply</td>
<td>5</td>
<td>Support – 16</td>
<td>Revises LPG related to Salton Sea and QSA implementation funding to strengthen and clarify existing policy direction.</td>
<td>Water Authority Staff</td>
</tr>
<tr>
<td>Local Water Resources</td>
<td>11</td>
<td>Support – 21</td>
<td>Modifies LPG to properly address the advanced scope of the policy direction.</td>
<td>Member Agency</td>
</tr>
<tr>
<td>Local Water Resources</td>
<td>11</td>
<td>Oppose – 2</td>
<td>Modifies LPG to clarify Board policy direction relative to the pending long-term drought regulations and implementing legislation.</td>
<td>Board Member</td>
</tr>
<tr>
<td>Local Water Resources</td>
<td>12</td>
<td>Oppose – 8</td>
<td>Adds new LPG to reflect Board policy direction related to legislative efforts to mandate reduced or eliminated ocean discharge of treated wastewater.</td>
<td>Member Agency</td>
</tr>
<tr>
<td>Water Facilities/Facility Improvement</td>
<td>15</td>
<td>Oppose – 9</td>
<td>Adds new LPG to reflect Board policy direction related to the pending long-term drought regulations and implementing legislation.</td>
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<tr>
<td>Water Use Efficiency</td>
<td>16</td>
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<td>Water Authority Staff</td>
</tr>
<tr>
<td>Water Use Efficiency</td>
<td>16</td>
<td>Support – 1</td>
<td>Modifies LPG to clarify Board policy direction relative to the pending long-term drought regulations and implementing legislation.</td>
<td>Board Member</td>
</tr>
<tr>
<td>LPG Section</td>
<td>Page Number</td>
<td>Item Number</td>
<td>Description of Proposed Change</td>
<td>Submitted By</td>
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<tr>
<td>----------------------</td>
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<td>----------------------</td>
</tr>
<tr>
<td>Water Use Efficiency</td>
<td>18</td>
<td>Support 20</td>
<td>Adds new LPG to reflect Board policy direction related to pending long-term drought regulations and implementing legislation.</td>
<td>Board Member</td>
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<tr>
<td>Water Use Efficiency</td>
<td>18</td>
<td>Support 21</td>
<td>Adds new LPG to reflect Board policy direction relative to federal tax exemption for water use efficiency rebates.</td>
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<tr>
<td>Energy</td>
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<td>Water Authority Staff</td>
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<td>Energy</td>
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<td>Support 3</td>
<td>Technical modifications to clarify scope of policy direction.</td>
<td>Water Authority Staff</td>
</tr>
<tr>
<td>Energy</td>
<td>25</td>
<td>Support 7</td>
<td>Technical modifications to clarify scope of policy direction.</td>
<td>Water Authority Staff</td>
</tr>
<tr>
<td>Energy</td>
<td>26</td>
<td>Support 15</td>
<td>Adds new LPG to reflect Board policy direction relative to wheeling acquired or produced energy.</td>
<td>Board Member</td>
</tr>
<tr>
<td>Energy</td>
<td>27</td>
<td>Oppose 12</td>
<td>Adds new LPG to reflect Board policy direction relative to wheeling acquired or produced energy.</td>
<td>Board Member</td>
</tr>
<tr>
<td>Climate Change</td>
<td>39</td>
<td>Support 7</td>
<td>Revises LPG related to compliance with statutory requirements to reflect the most updated information.</td>
<td>Water Authority Staff</td>
</tr>
</tbody>
</table>
2016-2017 Legislative Policy Guidelines

Purpose

The San Diego County Water Authority’s legislative policy guidelines reflect policy positions adopted by the Board of Directors through 2015-2016. The guidelines provide direction to staff and the legislative advocates when they evaluate proposed legislation that may affect the Water Authority, its member agencies, or regional water management and use. Legislation that meets, or fails to meet, the principles set forth in the guidelines may be supported or opposed accordingly. The guidelines permit staff and the Water Authority’s legislative advocates to act in a timely fashion between Board meetings on issues that are clearly within the guidelines. Such actions are then reported to the Board during the next regular monthly Board meeting.

While the title of this document suggests these policy guidelines are applicable solely to state and federal legislative issues reviewed by the Water Authority, increasingly state and federal regulatory and administrative bodies are developing rules, guidelines, white papers, and regulations that can significantly affect the Water Authority and its member agencies. Water Authority staff, including the Water Authority’s legislative team, often utilize these Legislative Policy Guidelines to provide guidance on emerging and active regulatory and administrative issues.

Legislation that does not meet the principles set forth in the guidelines or that has potentially complicated or varied implications will not be acted upon by staff or the legislative advocates in between Board meetings and will instead be presented to the Board directly for guidance in advance of any position being taken.
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Bill Positions Considered by the Water Authority Board of Directors

The following represent active bill positions that may be recommended by the Water Authority staff for consideration by the Water Authority's Board of Directors in providing guidance to the Water Authority staff and legislative advocates. Once adopted by the Board of Directors, the bill position will be communicated with the author of the legislation and may be communicated with other legislators, legislative staff, the Administration, member agencies, and the public. Advocacy strategies and activities will be directed toward implementation of the Board's policies through advancement of the Water Authority adopted bill position.

- **SUPPORT**: This position reflects the Water Authority’s unconditional interests to see the legislation become law. Water Authority staff and legislative advocates will work for passage of the bill in its present form.

- **SUPPORT AND SEEK AMENDMENTS**: This position reflects the similar level of unconditional support for a bill as the SUPPORT position. However, this position connotes that the Water Authority would prefer specific amendments to be considered that would improve the measure. Water Authority staff and legislative advocates will communicate and advocate in support of the legislation even if amendments proffered by the Water Authority are not included in the measure.

- **SUPPORT IF AMENDED**: This is an affirmative position that connotes conditional support for a measure, but only if it is amended to incorporate specific amendments approved by the Water Authority Board. Water Authority staff and legislative advocates will not advocate in support of the legislation unless it is amended as requested by the Water Authority.

- **OPPOSE**: This position reflects the Water Authority’s unconditional interests to defeat the legislation. Water Authority staff and legislative advocates will work for defeat of the measure in its present form, and will not pursue amendments to address the measure’s shortcomings.

- **OPPOSE UNLESS AMENDED**: This is a position that connotes conditional opposition to a measure, unless it is amended to incorporate specific amendments approved by the Water Authority Board. Water Authority staff and legislative advocates will actively work to defeat the legislation until and unless it is amended as requested by the Water Authority. If legislation is amended as requested by the Water Authority, the Water Authority staff and legislative advocates will cease working to defeat the legislation, but will not advocate in support of the measure unless further directed by the Water Authority Board.

All other bills that are of potential interest or concern to the Water Authority are monitored by the staff and legislative advocates, as reflected on the monthly bill matrix provided to the Board. If any of those measures are amended, they are reevaluated to determine if a formal position should be recommended for Board consideration.
Imported Water Supply

The Water Authority relies on imported water from the Sacramento-San Joaquin Delta and from the Colorado River for a significant portion of its water supply. This section details the Water Authority’s policies toward legislation that affects the imported water supply. Policies specifically relating to the Sacramento-San Joaquin Delta are listed in the next section entitled “Bay-Delta.”

The Water Authority supports funding and other incentives for ecosystem restoration and other improvements to the Colorado River that improve water supply and water supply reliability. The Water Authority also supports a robust and effective means of transferring water from one part of the state to another as needed, either year-by-year or longer term.

The Water Authority supports legislation that requires MWD to treat its member agencies equitably in proportion to their financial contributions. The Water Authority supports the protection of the Water Authority’s preferential rights at MWD, and supports legislation requiring MWD to enter into contractual financial agreements with its member agencies, before it embarks on major capital investments, under which the member agencies would pay an equitable portion of MWD’s fixed costs of capital development and operations regardless of the amount of water the member agencies purchase in any particular year.

The Water Authority opposes broad-based user fees and so-called “public goods charges” that are not tied to specific projects with identified costs that provide specific benefits. The Water Authority also opposes legislation that would transfer control of the State Water Project from the state to MWD, the State Water Contractors, the Central Valley Project Contractors, the State and Federal Water Contractors Authority, or to any entity comprised of MWD and other water contractors.

It shall be the Water Authority’s policy to support legislation that:

1. Provides for development of a comprehensive state water plan that balances California’s competing water needs and results in a reliable and affordable supply of high-quality water for the San Diego region.

2. Supports implementation and funding of the California Colorado River Water Use Plan, including the Lower Colorado River Multi-Species Conservation Program.

3. Provides funding for Colorado River salinity control projects and other water quality management efforts.

4. Encourages and facilitates voluntary water transfers consistent with other Water Authority policies and agreements.

5. Provides appropriate protection or mitigation for the environment, groundwater basins, water-rights holders and third-party impacts within the district transferring water.
6. Creates a water transfer clearinghouse that serves as a neutral information resource that focuses on the collection, assembly and dissemination of information on water transfers.

7. Streamlines the permitting and approval process for implementing transfers that will improve water management consistent with other Water Authority policies and agreements.

8. Encourages efficient use of existing facilities to advance voluntary transfers of water consistent with other Water Authority policies and agreements.

9. Provides that any water transfer between users within counties, watersheds or other areas of origin shall be deemed not to operate to the injury of any use of water with a point of diversion that is not located within the same hydrologic area as the transferor of the water.

10. Amends the Metropolitan Water District Act to change voting allocation on its Board of Directors based on a member agency’s total financial contribution to MWD, and in a manner similar to the voting allocation method of the County Water Authority Act.

11. Provides an appropriate level of accountability and cost control over MWD spending.

12. Protects and safeguards the Water Authority’s Preferential Rights in the Metropolitan Water District Act.

13. Requires MWD to refund or credit to its member agencies revenues collected from them that result in reserve balances greater than the maximum reserve levels established pursuant to state legislation.

14. Requires MWD to enter into take-or-pay contracts with its member agencies to assure MWD’s long-term financial viability to pay for major capital investments, including the State Water Project, regardless of whether a member agency buys water from MWD in any particular year, before MWD commits to paying for its share of the costs of a Delta conveyance project.

15. Investigates and provides financial support to projects designed to mitigate potential negative impacts of climate change on water supply reliability.

16. Provides for the state to fund and state and federal authorizations and appropriations of non-fee-based funds to implement Salton Sea mitigation and restoration solutions, consistent with its obligations under Chapters 611, 612, and 613 of the Statutes of 2003.

17. Revises the Quantification Settlement Agreement mitigation measures for the Salton Sea to limit the costs imposed on the funding parties to the amount
committed in accordance with the QSA legislation.

It shall be the Water Authority’s policy to oppose legislation that:

1. Establishes a broad-based user fee that does not support a specific program activity; any fee must provide a clear nexus to the benefit the fee would provide.

2. Makes urban water supplies less reliable or substantially increases the cost of imported water without also improving the reliability and/or quality of the water.

3. Adversely affects water management efforts by granting property rights status for the right to use or receive water and requires compensation for federal actions that impact users of water from federal projects.

4. Revises the Central Valley Project Improvement Act to jeopardize the Act’s environmental integrity, compromise State Water Project supply reliability and/or limit the ability of urban agencies to transfer and/or bank CVP water for use both within and outside the CVP service area.

5. Creates a water transfer clearinghouse that is anything other than a neutral information resource.

6. Increases regulatory or procedural impediments to water transfers at the local or state level.

7. Imposes additional mitigation costs or obligations for the Salton Sea on the non-state parties to the Quantification Settlement Agreement.

8. Transfers operational control of the State Water Project or any of its facilities to MWD, the State Water Project contractors, Central Valley Project contractors, the State and Federal Contractors Water Agency, any entity comprised of MWD or other water project contractors, or any other special interest group.
Bay-Delta

Generally, the Water Authority has supported an implementable and affordable solution to the conflicts between water supply exports and Delta ecosystem protection. These long-standing Delta conflicts have made water supply less reliable. The Water Authority is also interested in ensuring that the solution to Delta conflicts be cost-effective, and that the water contractors who finance the solution be capable of financing and maintaining improvements to the Delta. The Water Authority supports Delta solution costs being shared equitably among beneficiaries of the improvements, and that MWD member agencies be required to make firm commitments to pay their share of MWD’s State Water Project contract obligations.

It shall be the Water Authority’s policy to support legislation that:

1. Requires the Delta Stewardship Council or DWR to provide periodic analyses of the cost of proposed Delta improvements to the Legislature and the public.

2. Provides conveyance and storage facilities that are cost-effective for the San Diego region’s ratepayers, improve the reliability and quality of the San Diego region’s water supplies, and protect the Bay-Delta’s ecosystem.

3. Requires water agencies and other entities that contract to pay the costs of improvements in the Delta to obtain take-or-pay contracts with their member agencies to pay the fixed costs of the improvements.

4. Implements a long-term, comprehensive solution for the Bay-Delta that:
   a) Achieves the co-equal goals of water supply reliability and environmental restoration embodied in the 2009 Delta bill package.
   b) Provides deliberative processes that are designed to ensure a meaningful dialogue with all stakeholders in order to reduce future conflicts and challenges to implementation of a Bay-Delta solution.
   c) Provides regulatory certainty and predictable supplies to help meet California’s water needs in the long-term.
   d) Provides a Bay-Delta solution that acknowledges, integrates and supports the development of water resources at the local level including water use efficiency, seawater and brackish water desalination, groundwater storage and conjunctive use, and recycled water including direct and indirect potable reuse.
   e) Improves the ability of water-users to divert water from the Delta during wet periods, when impacts on fish and ecosystem are lower and water quality is higher.
   f) Develops a statewide water transfer market that will improve water management.
   g) Improves coordination of Central Valley Project and State Water Project operations.
   h) Restores the Bay-Delta ecosystem to a point where species listed under the state and federal Endangered Species Acts are no longer threatened or
endangered, taking into account all factors that have degraded Bay-Delta habitat and wildlife.

i) Ensures a meaningful dialogue with all stakeholders and that ecosystem restoration issues are addressed in an open and transparent process.

j) Provides a Bay-Delta solution and facilities that are cost-effective when compared with other water supply development options for meeting Southern California’s water needs.

k) Identifies the total cost of any Bay-Delta solution before financing and funding decisions are made, which must include the cost of facilities, mitigation and required or negotiated ecosystem restoration.

l) Allocates costs of the Bay-Delta solution to stakeholders in proportion to benefits they receive.

m) Requires a firm commitment and funding stream by all parties to pay for the proportional benefits they will receive from a Bay-Delta solution, through take-or-pay contracts or the legal equivalent.

n) Conditions financial support on provisions allowing access to any water conveyance or storage facilities that are included in the Bay-Delta solution.

o) Uses public funds to support specific projects and actions with identified costs that protect and restore the environment and provide broad-based public benefits.

p) Provides “right-sized” facilities to match firm commitments to pay for the Bay-Delta solution.

q) Provides SWP contractors and their member agencies access to all SWP facilities to facilitate water transfers.

r) Continues state ownership and operation of the SWP as a public resource.

s) Improves efficiency and transparency of all SWP operations.

5. Authorizes and appropriates the federal share of funding for the long-term Bay-Delta solution.

6. Provides the ongoing state share of funding for the long-term Bay-Delta solution.

7. Provides state funding for aquatic toxicity monitoring in the Bay-Delta. Such legislation should not place a surcharge on water supply exports nor should it substantively reduce funding for other measures that protect the environment and public health.

It shall be the Water Authority’s policy to oppose legislation that:

1. Imposes water user fees to fund ecosystem restoration and other public purpose, non-water-supply improvements in the Delta that benefit the public at large.

2. Transfers operational control of the SWP or any of its facilities to MWD, the State Water Project Contractors, Central Valley Project Contractors, the State and Federal Contractors Water Agency, any entity comprised of MWD or other water project contractors, or any other special interest group.
Local Water Resources

In recent years, the Water Authority and its member agencies have made great progress in diversifying and improving the reliability of the region’s water supply and developing local water resources to reduce reliance on increasingly unreliable imported water supplies. This section details the Water Authority’s policies toward legislation that affects local water resources.

Generally, the Water Authority supports state and federal legislation that provides funding for the development of local water supplies. The Water Authority supports legislation that funds, promotes, or facilitates the development of groundwater, recycling, and seawater desalination facilities. The Water Authority supports legislation that provides local agencies with regulatory flexibility with respect to local water supplies that may raise water quality concerns, such as recycled water, potable reuse, graywater, and storm water runoff.

The Water Authority supports legislation that provides local decision-making authority for potable reuse, stormwater, conservation, recycling, seawater desalination, and other alternative sources of water. The Water Authority has been very active in shaping state laws that promote water conservation, both indoor and landscape.

The Water Authority generally opposes legislation that imposes unreasonable regulations on local water supplies, or that interferes with the authority of local agencies to regulate the discharge of contaminants into local water sources. The Water Authority opposes legislation that restricts the ability of local water agencies to capture and manage stormwater runoff, or diminishes the water rights of downstream water users through the capture or management of stormwater runoff upstream.

It shall be the Water Authority’s policy to support legislation that:

1. Provides funding or other incentives for conservation, peak management programs, water recycling, potable reuse, groundwater recovery and recharge, surface water development and management projects, including reservoir management, source water protection and watershed planning studies and facilities that sustain long-term reliable water resources.

2. Provides funding for seawater and brackish groundwater desalination studies and facilities, including concentrate disposal facilities.

3. Recognizes and supports the development of seawater desalination as a critical new water supply for the state and especially San Diego County.

4. Recognizes and supports the development of potable reuse as a critical new water supply for the State and especially San Diego County.

5. Encourages seawater desalination facilities to co-locate with existing coastal power stations.
6. Preserves and protects potential seawater desalination sites and existing coastal facilities including intake and discharge infrastructure that could be used or reused by a seawater desalination facility.

7. Ensures that desalination intake and discharge regulations are science-based, considering site-specific conditions and recognizing that not all technologies or mitigation strategies are feasible or cost-effective at every site.

8. Authorizes and facilitates expanded use of local water resources including water recycling, potable reuse, graywater, and rainwater harvesting (e.g., cisterns and rain barrels), and brackish groundwater.

9. Facilitates and encourages the use of rainwater-capture systems (e.g. rain barrels and cisterns) and alternative water sources (e.g. air conditioner condensate) for use in irrigation.

10. Authorizes local governmental agencies to regulate the discharge of contaminants to the sewer collection system that may adversely affect water recycling and reuse.

11. Encourages dual plumbing in new development where non-potable recycled water is likely to be available to enable utilization of recycled water.

12. Encourages the use of recycled water in commercial, industrial, institutional, and residential settings.

13. Provides financial incentives to assist in the disposal of concentrate, sludge, and other byproducts created in the water treatment process.

14. Ensures the Water Authority and its member agencies receive the dry-year water supply benefits of its investment in local water supply sources.

15. Provides for the interchangeability of funding for groundwater and surface water enhancements to best fit the hydrogeologic attributes of a particular region.

16. Provides for watershed planning, watershed signage, and actions to protect source water - including reservoirs - such as land acquisition around reservoirs, limited land use, and increased buffer areas.

17. Promotes uniform regulatory interpretation of state recycled water system standards.

18. Supports beneficial revisions to the California Plumbing Code that facilitate recycled water systems.

19. Authorizes, promotes, and provides incentives for potable reuse projects.

20. Streamlines regulatory processes and requirements to encourage and support
the development of potable reuse and non-potable reuse as a municipal water supply.

21. **Treats** Defines purified recycled water as a source of water supply, and not as a waste.

22. Provides funding for potable reuse demonstration projects and studies.

23. Ensures that decision-making with regard to stormwater management and recapture is kept at the local or regional level through local water agencies, stormwater districts, cities, counties, and regional water management groups.

24. Recognizes that stormwater management and recapture are important tools in a diversified water portfolio that can help to achieve improved water quality in local surface and groundwater supplies, augment surface and groundwater supplies for local water agencies, and promote landscape conservation from a water runoff perspective.

25. Promotes and encourages the use of stormwater management to reduce pollutant loading, increase local municipal water supplies, and improve water quality through low-impact development and watershed-based stormwater treatment systems.

26. Provides incentives for the local or regional use of stormwater management, nutrient management, and recapture.

27. Reduces or removes regulatory hurdles that hinder the use of stormwater management and recapture.

28. Encourages land use practices that promote efficient landscape design, groundwater recharge, and reduce runoff of pollutants into local water supplies.

29. Preserves the local water agency’s ability to establish local priorities for water resources planning decisions.

30. Allows local agencies to achieve compliance with emergency or non-emergency drought regulations or objectives through a combination of water conservation measures and development and implementation of local water supply sources that are not derived from the Delta.

It shall be the Water Authority’s policy to oppose legislation that:

1. Limits the ability of local governmental agencies to regulate the discharge of contaminants to the sewer collection system that may adversely affect water recycling and reuse.

2. Establishes unreasonable regulatory requirements or fees relative to the safe use of recycled water which may unreasonably impede or create a disincentive to its
3. Contributes to the degradation of source water quality around reservoirs and groundwater basins.

4. Restricts the ability of the Water Authority or its member agencies to manage, store, or distribute water supplies through actions to manage or recapture stormwater.

5. Diminishes the water rights or legal historical uses of downstream water users through actions to manage or recapture stormwater.

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

7. Creates stranded assets by establishing long-term demand management and water supply requirements that are inconsistent with the Urban Water Management Planning Act.

7.8. Mandates the reduction of wastewater discharges to the ocean absent inclusion of funding to offset the significant costs of implementation.
Water Facilities/Facility Improvement

The construction, maintenance, and operation of water facilities is an essential activity of the Water Authority. This section details the Water Authority’s policies toward legislation that affects water facilities and facility improvement.

Generally, the Water Authority supports legislation that provides state and federal funding for water storage, watershed protection, treatment and delivery facilities, groundwater recharge, canal lining, and other water infrastructure development, security, maintenance, and rehabilitation. The Water Authority also supports legislation that prevents the spread of dreissenid mussels and other non-native aquatic species. The Water Authority supports the protection of habitats and cultural resources connected with water facilities or water facility improvements.

The Water Authority generally opposes legislation that restricts local control and discretion over water facilities and facility operations. The Water Authority also generally opposes legislation that shifts the risks of legal liability from contractors to public agencies. The Water Authority opposes legislation that restricts the Water Authority from using its own employees on construction projects, and legislation that interferes with public agencies’ ability to respond to emergencies that would disrupt water service.

It shall be the Water Authority’s policy to support legislation that:

1. Funds or otherwise facilitates construction and/or maintenance of public water storage, watershed areas, and treatment and delivery facilities and facilitates maintenance and/or enhancement of groundwater recharge spreading areas and groundwater basin rehabilitation that benefit San Diego County.

2. Funds or otherwise facilitates the operation and maintenance of canal lining projects that enhance water supplies.

3. Provides funding for water infrastructure development, infrastructure security, and infrastructure rehabilitation and replacement projects that benefit San Diego County.

4. Funds enhancements to water treatment, recycling, and potable reuse facilities to meet increased regulations.

5. Funds improvements to water treatment facilities that allow greater use of State Water Project water.

6. Provides funding for the preservation of cultural resources affected by construction or operation of water conveyance and storage facilities.

7. Provides funding for habitat preservation programs that address impacts resulting from construction or operation of water system facilities.

8. Recognizes water agencies as emergency responders in the event of a sudden,
unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent and mitigate the loss or impairment of life, health, property or essential public services due to natural disasters (e.g., wildfires, earthquakes), power outages as well as terrorist and other criminal activities.

9. Provides funding for projects that enhance security against terrorist acts or other criminal threats to water operations, facilities, or supplies.

10. Provides funding for the control, prevention, or eradication of non-indigenous aquatic species, including dreissenid mussels.

11. Authorizes state and federal wildlife agencies to provide assistance to local water agencies in the control, prevention, and eradication of non-indigenous aquatic species, including dreissenid mussels.

12. Exempts owners and operators of water supply facilities from criminal and civil liabilities associated with dreissenid mussel infestations if due diligence requirements are being met.

13. Provides incentives that encourage the optimization, expansion, and cooperative use of existing surface reservoirs.

14. Provides funding for projects that improve the security of the facilities and operations of the Water Authority and its member agencies.

15. Provides funding to water agencies for the voluntary retrofit of facilities for on-site generation of chlorine.

16. Requires mandatory inspections of boats for evidence of potential dreissenid mussel infestation before allowing boat launching in reservoirs.

17. Provides incentives that encourage contractors to recycle or reduce waste associated with the construction of water facilities.

It shall be the Water Authority’s policy to oppose legislation that:

1. Imposes or mandates recreational activities on drinking water reservoirs and reservoir property where such activities have been determined to be inappropriate by the reservoirs’ owners and operators.

2. Impairs the Water Authority’s and/or its member agencies’ ability to provide and operate the necessary facilities for a safe, reliable, and operationally flexible water system.

3. Limits the Water Authority’s and/or its member agencies’ sole jurisdiction over the planning, design, routing, approval, construction, operation, or maintenance of water facilities.
4. Shifts the risks of indemnity for damages and defense of claims from contractors to the Water Authority and/or its member agencies.

5. Impairs the Water Authority’s and/or its member agencies’ ability to execute construction projects using its own employees.

6. Restricts the Water Authority’s and/or its member agencies’ ability to respond swiftly and decisively to an emergency that threatens to disrupt water deliveries or restricts the draining of pipelines or other facilities in emergencies or for repairs or preventive maintenance.

7. Authorizes state and federal wildlife agencies to control, prevent, or eradicate invasive species in a way that excessively interferes with the operations or water supplies of local water agencies.

8. Prohibits the use of alternative contract procurement methods that can be utilized in the construction of water facilities.

8-9. Prohibit or in any way limit the ability of the Water Authority or its member agencies from making full beneficial use of any water, wastewater, or recycling facility and resource investments.
The Water Authority has been a statewide leader in sponsoring legislation to improve water use efficiency. The Water Authority championed statewide requirements for ultra-low-flow toilets, high-efficiency clothes washers, water meters, and sponsored legislation that created a statewide task force on outdoor landscape water use efficiency. The Water Authority urged the San Diego delegation to the state Legislature to vote for SBX7-7, which established a statewide goal of a 20 percent reduction in per capita water use by 2020. In 2014, the Water Authority sponsored AB 2067—which was signed into law—that simplifies the Urban Water Management Planning Act’s reporting requirements for demand management measures.

The Water Authority’s legacy as a leader in advancing statewide water use efficiency initiatives has continued through today, as the Water Authority has sponsored legislation in recent years to improve demand management measure reporting in urban water management plans, allow for installation of synthetic grass in common interest developments, and require the state to undertake regular updates of the model water efficient landscape ordinance.

The Water Authority generally supports water saving measures, such as graywater use, rainwater capture, submetering, plumbing retrofits, and others. The Water Authority has supported implementation and coordination of Best Management Practices as defined by the California Urban Water Conservation Council and Demand Management Measures under the Urban Water Management Planning Act.

The Water Authority generally opposes statewide requirements for conservation-based water rates that override the rate-setting authority of local agencies. The Water Authority also opposes the promulgation of conservation practices or standards that override the authority of local agencies.

It shall be the Water Authority’s policy to support legislation that:

1. Furthers the statewide goal of a 20 percent reduction in per capita water use by 2020 as set forth in SBX7-7, enacted in November 2009, and preserves water agency discretion and options for achieving this objective, or any subsequent state mandated water use efficiency goals or standards.

2. Promotes statewide implementation of foundational Best Management Practices (BMPs) as defined by the California Urban Water Conservation Council (CUWCC) and Demand Management Measures (DMMs) as defined in the Urban Water Management Planning Act.

3. Provides loans and grants to fund incentives for water efficient devices, practices, and demonstration projects and studies.

4. Ensures accurate and meaningful reporting of implementation of water conservation measures.

5. Encourages implementation of effective water management practices for urban landscape and agricultural irrigation.
6. Designates the CUWCC or other entity representing stakeholder interests as being responsible for developing a framework for determining water agency compliance with water conservation BMPs. This framework should promote water agency incentives for BMP compliance and avoid prescriptive regulations.

7. Encourages the use of graywater where it complies with local guidelines and regulations and is cost-effective.

8. Establishes standards for the utilization of high-efficiency commercial coin-operated and residential clothes washers.

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

10. Encourages plumbing fixture retrofit upon real property resale.

11. Encourages stakeholders to implement statewide landscape water conservation standards and regulations.

12. Restricts Property Owner Associations from forbidding the use of California native plants, other low water use plants, or artificial turf in well-maintained landscapes.

13. Restricts Property Owner Associations from forbidding retrofits of multiple unit facilities for the purpose of submetering, if feasible.

14. Ensures plumbing codes and standards that facilitate the installation and/or retrofit of water efficient devices.

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

16. Provides incentives, funding, and assistance to water agencies so that they can meet the water demand management measure requirements in the Urban Water Management Planning Act.

17. Encourages reasonable tracking of water use and improved efficiency in the Commercial, Industrial, and Institutional (CII) sector.

18. Provides incentives, funding, and other assistance to facilitate water use efficiency partnerships with the energy efficiency sector.

19. Creates a process for development and implementation of emergency drought declarations and regulations that recognizes variations among communities, regions, and counties with respect to their abilities to withstand the impacts and effects of drought.
20. Recognizes variations among communities, regions, and counties with respect to their abilities to withstand the impacts and effects of droughts, and ensures that any temporary or permanent statutory or regulatory direction for improving water use efficiency to meet statutory or regulatory goals or standards is focused on regional achievement of objectives rather than a one-size-fits-all approach.

21. Provides for federal tax exempt status for water use efficiency rebates, consistent with income tax treatment at the state level.

It shall be the Water Authority’s policy to oppose legislation that:

1. Repeals cost-effective efficiency standards for water-using devices.

2. Prescribes statewide mandatory urban and agricultural water conservation management practices, including, but not limited to, methods, measures, programs, budget allocation, and designation of staff dedicated to water conservation programs, that override the authority of the boards of directors of local water agencies to adopt management practices that are most appropriate for the specific needs of their water agencies.

3. Prescribes mandatory conservation-based rate structures that override the authority of the boards of directors of local water agencies to set rate structures according to the specific needs of the water agencies.

4. Mandates regulation of the CII Sector in a manner that is discriminatory, or sets unachievable Best Management Practices or compliance targets.

5. Mandates that water agencies include an embedded energy calculation for their water supply sources in the Urban Water Management Plan or any other water resource planning or master planning document.

6. Creates a “one-size-fits-all” approach to emergency drought declarations and regulations that ignores variations among communities, regions, and counties with respect to their ability to withstand the impacts and effects of drought.*
Biological and Habitat Preservation

The Water Authority generally supports the preservation of biological and habitat values through comprehensive approaches that provide the necessary regulatory certainty for long lead time water supply projects. The Water Authority also believes that water storage and conveyance facilities provide inherent long-term habitat values that should be recognized in the regulatory process.

The Water Authority supports regulatory exemption of emergency activities when the emergency threatens the continued delivery of safe and clean water. The Water Authority also supports efforts to provide state and federal funding for habitat conservation efforts in San Diego County, on the Salton Sea, Colorado River, and at the Bay-Delta.

The Water Authority generally opposes regulations that reduce or limit the use of existing water rights or supplies, restrict the development of future water supplies, or interfere with the operation, maintenance, or repair of existing water conveyance and storage facilities.

It shall be the Water Authority’s policy to support legislation that:

1. Supports development of comprehensive multi-species habitat conservation plans that anticipate and mitigate project development impacts while preserving representative ecosystems, rather than individual species.

2. Exempts operation, maintenance, and repair of water system facilities from endangered species and other habitat conservation regulations because they provide beneficial cyclical habitat values to declining species and foster biological diversity in California.

3. Provides environmental regulatory certainty for implementation of existing and proposed long-term water supply programs.

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

5. Incorporates an emergency exemption for “take” of a listed species listed under the state or federal Endangered Species Acts when necessary to mitigate or prevent loss of or damage to life, health, property, or essential public services.

6. Encourages species listings, critical habitat designation, and recovery plans developed pursuant to the state or federal Endangered Species Acts to be consistent with existing interstate compacts, tribal treaties, and other state and federal agreements.

7. Provides state and/or federal funding for the restoration of the Salton Sea.
8. Provides federal and/or state funding to implement actions that address the ecological and water supply management issues of the Lower Colorado River from Lee’s Ferry to the southerly international border with Mexico.

9. Provides federal and/or state funding to implement actions that address the ecological and water supply management issues of the Sacramento-San Joaquin River Delta.

10. Facilitates implementation of the Conserved Water Transfer Agreement with the Imperial Irrigation District and other Quantification Settlement Agreement programs with impacts or potential impacts to species and habitat along the lower Colorado River and at the Salton Sea.

11. Consolidates wetlands regulations to alleviate multi-agency jurisdiction over the same environmental resource.

12. Designates feral pigs as a noxious invasive animal species in the San Diego region, or authorizes actions, including eradication, to protect the region’s waters and natural landscapes from damage by feral pigs.

13. Streamlines filing of CEQA notices of determination for multi-county water projects by making those notices available on the CEQAnet website through the Governor’s Office of Planning and Research.

It shall be the Water Authority’s policy to oppose legislation that:

1. Provides for after-the-fact reduction in quantity or quality of a public water supply due to new restrictions on the operation or use of water supply facilities unless funding for alternate sources of water is provided.

2. Imposes endangered species or habitat conservation requirements that restrict the operation, maintenance, or repair of public water supply, conveyance, treatment, or storage facilities.

3. Imposes a “utility user fee” or “surcharge” on water for the purposes of financing open space/habitat preservation, restoration, or creation.
Fiscal Policy and Water Rates

The Water Authority generally supports legislation that improves the Water Authority's ability to obtain cost-effective financing for the construction, operation, and maintenance of public facilities. The Water Authority supports legislation that is consistent with the Board’s policy principles adopted in 2006, regarding user fees and statewide water infrastructure funds. The Water Authority supports legislation that promotes local control over water rates, but ensures that rate-making is undertaken pursuant to a clearly defined cost-of-service basis and foundation.

The Water Authority generally opposes unfunded federal or state mandates that are not accompanied by subventions. The Water Authority opposes legislation that reallocates the Water Authority’s revenues or reserves to statewide purposes. The Water Authority opposes imposition by the state of a “public goods charge,” or excise tax on water for statewide purposes. The Water Authority opposes state-imposed user fees on water imposed by the state unless the fee is restricted to paying for specific projects and programs with identified costs and clearly identified benefits. The Water Authority opposes the imposition of a state water user fee to pay the interest or principal on a statewide water bond. The Water Authority opposes legislation that would interfere with public agencies’ ability to set their own rates and manage their own finances.

It shall be the Water Authority’s policy to support legislation that:

1. Requires the federal and state governments to provide subvention to reimburse local governments for all mandated costs or regulatory actions.
2. Provides the Water Authority and its member agencies with additional forms of cost-effective financing for public facilities.
3. Revitalizes the Title XVI federal funding program by converting new authorizations to a competitive grant program with congressional oversight.
4. Provides the Water Authority and its member agencies with grant funding for public facilities.
5. Is consistent with the policy principles adopted by the Board of Directors on February 23, 2006, regarding a proposed Water Resources Investment Fund.
6. Maintains the authority of water agencies to establish water rates locally, consistent with cost-of-service requirements of the law.
7. Maximizes the ability of water agencies to design rate structures to meet local water supply goals and that conform to cost-of-service requirements of the law.

It shall be the Water Authority’s policy to oppose legislation that:

1. Imposes mandated costs or regulatory constraints on local governments without providing subventions to reimburse local governments for such costs.
2. Is inconsistent with the Water Authority’s and its member agencies’ current investment policies and practices.

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

4. Impairs the Water Authority’s or its member agencies’ ability to provide reasonable service at reasonable costs to member agencies or to charge all member agencies the same rate for each class of service consistent with cost-of-service requirements of the law.

5. Undermines or weakens cost-of-service rate-making requirements in existing law.

6. Pre-empts the Water Authority’s or its member agencies’ ability to impose or change rates, charges, fees, or assessments.

7. Impairs the Water Authority’s or its member agencies’ ability to maintain reasonable reserve funds and obtain and retain reasonable rates of return on its reserve accounts.

8. Imposes additional administrative requirements and/or restricts the Water Authority’s or its member agencies’ ability to finance public facilities through the issuance of long-term debt.

9. Reduces the Water Authority’s or its member agencies' revenues without giving the Water Authority and its member agencies a commensurate public benefit that is clearly identifiable and separate from a general statewide benefit.

10. Restructures the Water Authority’s or its member agencies’ responsibilities without also providing the commensurate restructuring of revenues.

11. Requires the expenditure of Water Authority or member agency funds to accomplish federal water supply commitments such as may be required in national treaties.

12. Weakens the protections afforded the Water Authority or its member agencies under California’s Proposition 1A (November 2, 2004).

13. Mandates a specific rate structure for retail water agencies.

14. Imposes a water user fee on water agencies or water users that does not provide a commensurate and directly linked benefit in the local area or region from which the water user fee is collected.

15. Imposes a water user fee for statewide projects or programs, for which the
projects or programs are not clearly defined, the beneficiaries identified, and the reasonable costs identified.

16. Imposes a water user fee in order to create a state fund that can be used to finance undefined future projects and programs.

17. Allows the state to retain more than five percent of water user fees for administrative costs.

18. Does not restrict the use of water user fees to only the specific purposes for which they are imposed, without any possibility of diversion to meet other fiscal needs of the state.

19. Imposes a “public goods charge” or “water tax” on public water agencies or their ratepayers.

20. Imposes a fee on water users to repay the principal and interest on a statewide general obligation bond.

21. Interferes with the responsibility of a region, operating under an Integrated Regional Water Management Plan, for setting priorities and generating projects to be paid from any IRWM accounts and grants.

22. Interferes with the control exercised by the San Diego funding subregion over the use and expenditure of any water user fee revenues that may be dedicated to the region.

23. Reduces or eliminates the tax-exempt status on municipal financings.

24. Establishes regulatory or permit fees that lack a nexus to the costs of oversight.
Right of Way and Property

The Water Authority generally supports legislation that improves its ability to maintain and protect its property, rights of way, easements, pipelines, and other facilities. The Water Authority generally opposes legislation that interferes with or increases the cost of obtaining, maintaining, and protecting property and rights of way.

It shall be the Water Authority's policy to support legislation that:

1. Improves the Water Authority's and its member agencies' efforts to maintain and protect its property, rights of way, easements, pipelines, and related facilities and minimizes liability to the Water Authority.

2. Protects the Water Authority's and its member agencies' properties from restrictions when surrounding properties are incorporated into preservation areas.

It shall be the Water Authority's policy to oppose legislation that:

1. Impairs the Water Authority's or its member agencies' efforts to acquire property or property interests required for essential capital improvement projects or acquisition of property to meet pipeline water drain-down needs for existing facilities.

2. Increases the cost of property and right of way acquisition.

3. Restricts the Water Authority's or its member agencies' use of public rights of way or increases the cost of using public rights of way.

4. Restricts the transfer of property acquired for purposes of environmental mitigation or environmental mitigation credits to other public or private entities for long-term management.
Energy

Electricity for moving water is a major cost to the Water Authority. Generally, the Water Authority supports legislation that helps to lower the cost of electricity. The Water Authority has some capacity to generate electricity and has acquired federal preferential power, so it supports legislation that helps it to utilize or market the electricity it produces and acquires. The Water Authority also supports actions related to energy creation that will reduce the overall cost of water. The Water Authority’s goal is to ensure that existing and planned facilities are built and operated in a manner that is environmentally sensitive, reliable, and energy efficient. This section outlines the Water Authority’s policies toward legislation that affects renewable energy, energy consumption, and efficiency and conservation related to existing or planned facilities.

The Water Authority generally supports legislation that will facilitate the development of renewable and alternative energy sources. The Water Authority also supports legislation that will provide funding for projects to increase energy efficiency, reliability, and reduce peak demands.

The Water Authority generally opposes legislation that would increase the cost of its power supply. The Water Authority also opposes legislation that would interfere with its ability to produce electricity, buy or sell, and deliver electrical power or natural gas.

It shall be the Water Authority’s policy to support legislation that:

1. Provides opportunities for reduced energy rates under tariff schedules for the Water Authority and its member agencies.
2. Provides greater flexibility in the utilization of Water Authority and its member agencies’ facilities for generation and acquisition of electrical and natural gas power.
3. Provides the Water Authority and its member agencies with greater flexibility in the permitting, construction, and operation of its existing and potential in-line hydroelectric, solar, wind, battery, nanogrid, microgrid, and closed-loop pumped-storage projects.
4. Provides protection to water agencies in San Diego County from energy rate increases and provides rate relief for member agencies.
5. Makes SWP power available for all water projects.
6. Promotes the classification of electricity generated by in-line hydroelectric and closed-loop pumped storage facilities as a clean, environmentally sound, and renewable energy resource.
7. Provides funding, including state and federal grants, for in-line hydro-electric, solar, wind, battery storage, biogas cogeneration, nanogrids, microgrids, and
closed-loop pumped storage facilities as a means of reducing greenhouse gas emissions.

8. Promotes the expansion of closed-loop pumped storage facilities to provide a clean and environmentally sound energy resource.

9. Promotes the expansion of in-line hydroelectric energy recovery systems at treatment facility discharge systems.

10. Promotes funding for use of renewable energy in the operation of water agency facilities in San Diego County.

11. Prohibits investor-owned utilities from implementing rate changes that undercut the financial viability of renewable energy facilities obligated under long-term Power Purchase Agreements.

12. Promotes the production, purchase, delivery, and use of alternative sources of energy on a wholesale basis.

13. Facilitates the Water Authority’s opportunities to exercise the authorities granted by the County Water Authority Act, Section 45-5.1.

14. Promotes large-scale (greater than 50 MW) pumped storage as counting toward energy storage procurement targets.

14.15. Provides clear statutory, regulatory, or administrative authority for the Water Authority to wheel acquired or produced power to itself, its member agencies, or entities with which the Water Authority is under contract for the purchase, treatment, transport, or production of water.

It shall be the Water Authority’s policy to oppose legislation that:

1. Adversely affects the cost of energy needed to operate MWD’s facilities, State Water Project facilities, or the facilities of the Water Authority and its member agencies.

2. Adversely affects the ability of the Water Authority or its member agencies to own, operate, and/or construct work for supplying its member public agencies, or its own facilities with natural gas and electricity.

3. Impedes the Water Authority’s or its members agencies’ ability to contract for, deliver, and use the purchase of natural gas and electricity from the United States, the State of California, and any other public agency or private entity and sell the gas and electricity to any public agency or private entity engaged in retail sales of electricity and gas.

4. Reduces the Water Authority or its member agencies’ ability to maintain high
5. Restricts the Water Authority or its member agencies’ ability to expand or improve infrastructure or facilities.

6. Restricts or caps future energy demands needed for possible expansion of recycled water, potable reuse, and desalination projects.

7. Adversely affects the Water Authority or its member agencies’ ability to expand cogeneration or polygeneration at planned or existing facilities.

8. Inhibits the scientific advancement of energy and water efficient/conserving technologies that may be implemented at Water Authority and member agency facilities.

9. Prevents the Water Authority and its member agencies from enhancing energy reliability and independence for their facilities.

10. Imposes greenhouse gas reduction obligations on a public water agency for electricity purchased or produced for the sole purpose of operating its system.

11. Does not count or credit qualified renewable energy projects toward accomplishment and satisfaction of the California Renewables Portfolio Standard objectives.

11. Prohibits the Water Authority from wheeling — or securing statutory, regulatory, or administrative authority necessary to wheel — acquired or produced power to itself, its member agencies, or entities with which the Water Authority is under contract for the purchase, treatment, transport, or production of water.
Local Autonomy

The Water Authority generally opposes legislation that interferes with the Water Authority’s Board of Directors’ ability to govern the Water Authority’s affairs or govern relations with its employees.

It shall be the Water Authority’s policy to oppose legislation that:

1. Diminishes the power of the Water Authority Board of Directors to govern the Water Authority’s affairs.

2. Modifies the committee or board voting structure or member agency board representation unless such changes have been expressly authorized by the Water Authority Board of Directors.

3. Diminishes the power or rights of the Water Authority to govern relations with its employees.
Land Use and Water Management Planning

The Water Authority generally supports legislation that coordinates land use planning with water management planning. The Water Authority also supports legislation that protects flood plains and water recharge basins.

The Water Authority generally opposes legislation that interferes with the Water Authority’s ability to forecast demand and plan for water management.

It shall be the Water Authority’s policy to support legislation that:

1. Promotes enhanced coordination and linkage of general plans and water management plans.

2. Recognizes regional efforts to coordinate land use planning and water management planning in a manner consistent with the goals and objectives established by regional growth management strategies, affordable housing mandates, and local general plans.

3. Discourages piecemeal or uncoordinated land use and water management planning.

4. Requires that projected population and other demographic factors utilized in forecasting future water demands in accordance with the Urban Water Management Planning Act and SB 610 and SB 221, be consistent with the regional growth management plans and general plans applicable to the territory within the service area of the supplier.

5. Allows and funds land exchanges between local public agencies and federal or state agencies when mutually beneficial to all agencies and enhances water resources for the region.

6. Designates public lands that are tributary to drinking source water reservoirs as wilderness, habitat preserve, open space, or other protected status, provided such designation does not impede current or reasonable future use of those water resources.

7. Provides funding for, or otherwise facilitates, development of groundwater management plans pursuant to AB 3030.

8. Protects floodplains and lands over prime groundwater recharge zones for stormwater catchment and bioremediation.

9. Considers the multiple local variables and priorities that are associated with water supply planning and selection of water resources for implementation.

10. Reduces the water quality impacts caused by runoff into local reservoirs using a watershed based approach.
It shall be the Water Authority’s policy to oppose legislation that:

1. Restricts or limits the effectiveness of the Water Authority or its member agencies in its continuing efforts to meet its obligations under the Regional Comprehensive Plan and develop demand forecasts based on SANDAG regional growth forecasts and general plan use information.

2. Restricts the Water Authority’s or its member agencies’ ability to utilize a demand forecasting methodology that is best suited for the region.

3. Imposes land use designations that preclude the use of such lands for public water infrastructure determined necessary to ensure a cost-effective, safe, and reliable water supply.

4. Requires the use of specific evaluation criteria in water supply planning and selection of potential water supply projects that fail to take into account or conflicts with existing local and regional planning policies and implementation priorities.

5. Imposes mandates requiring specific water resources be developed by water agencies that fail to take into account local factors, such as water reliability, hydrologic and geographic characteristics, and the economic, political, public acceptance, and social environment, which can influence selection of resources and/or fails to take into account or conflicts with existing local and regional planning policies and implementation priorities.
Integrated Regional Water Management Planning

The Water Authority, along with the City of San Diego and the County of San Diego, developed the San Diego Integrated Water Management Plan. The Water Authority generally supports legislation that provides equitable funding for IRWM plans, based on population, and that allows the regions to set their own priorities for funding. The Water Authority also supports legislation that allows for binational funding for projects along the border.

The Water Authority generally opposes legislation that establishes state criteria and mandate for IRWM plans. The Water Authority also opposes legislation that excludes or reduces participation by water agencies in local IRWM plans.

It shall be the Water Authority’s policy to support legislation that:

1. Defines the “San Diego sub-region” and “San Diego county watersheds” as “those portions of the westward-flowing watersheds of the South Coast hydrologic region situated within the boundaries of San Diego County.”

2. Requires the state agencies responsible for preparing the integrated regional water management grant program guidelines to conduct a comprehensive public outreach process that ensures stakeholders have an opportunity to provide adequate input on preparation of the guidelines and that the state agencies consider and respond to comments received through the outreach process.

3. Provides for population-based distribution of funds to ensure adequate distribution of grant funding throughout the state.

4. Allows for creation of sub-area plans that enhance, but do not duplicate or replace, a larger recognized integrated regional water management plan.

5. Requires the state to rely on the local process for selection and ranking of projects included in an approved integrated regional water management plan.

6. Establishes a task force to provide recommendations to the state on improving the integrated regional water management planning process in California.

7. Provides for the use of state grant funds for binational projects where the projects benefit water supply or water quality in the San Diego region.

8. Improves and streamlines the state’s reimbursement process to ensure timely remittance of IRWM funds.

9. Promotes the ability of the Regional Water Management Group to more directly administer state grant funds specifically identified for IRWM Programs.

10. Ensures discretion for Regional Water Management Groups to determine the
composition and structure of their organization, rather than through the imposition of a “one size fits all” mandated structure applied statewide.

It shall be the Water Authority’s policy to oppose legislation that:

1. Mandates a specific composition and management structure of the regional water management group that oversees integrated regional water management planning efforts within a region.

2. Precludes water wholesalers from serving on a regional water management group.

3. Dilutes public water agency participation on the regional water management group.

4. Establishes funding criteria that limits local discretion in project selection.
Jurisdictional Authority

It shall be the Water Authority’s policy to refer all such legislation to the Board of Directors.
**Binational Issues**

The Water Authority generally supports legislation that funds and encourages cooperative projects that serve the San Diego/Baja California area. The Water Authority opposes legislation that takes away local control over binational water supply and infrastructure projects.

It shall be the Water Authority’s policy to support legislation that:

1. Provides funding for development of Board-approved water supply and infrastructure projects to serve the San Diego/Baja California region while protecting local interests.

2. Encourages enhanced cooperation between entities in San Diego and Baja California in development of supply and infrastructure projects that will benefit the entire border region.

It shall be the Water Authority’s policy to oppose legislation that:

1. Would usurp local control over the financing and construction of water supply and infrastructure projects in the San Diego/Baja California region.
Water Quality Issues

Water quality is a major concern of the Water Authority. The Water Authority generally supports legislation that assists in providing high-quality water to the San Diego region through cleanup and remediation of contaminants and protection of water sources.

The Water Authority generally opposes legislation that regulates the conveyance, storage, and distribution of water supplies under the Clean Water Act.

It shall be the Water Authority’s policy to support legislation that:

1. Assists in achieving a year-round blend of imported water supplies that achieve Board-adopted water quality objectives from MWD that allows the region to maximize development of recycled water and reduce financial costs to the customer due to high levels of total dissolved solids in imported water supplies.

2. Assures cost-effective remediation and cleanup of contaminants of concern that have impacted groundwater and surface water.

3. Provides the necessary funding for research on the occurrence, treatment, health effects, and environmental clean-up related to contamination of drinking water sources.

4. Incorporates sound scientific principles in adopting drinking water standards for drinking water contaminants.

5. Provides for the protection of source water such as reservoirs and groundwater basins so that the waters can be beneficially used for consumptive purposes.

6. Implements and funds the San Diego Regional Water Quality Control Board’s triennial review of water quality standards.

7. Exempts the conveyance, storage, or release of water supplies from regulation as a discharge under the Clean Water Act and other water quality control laws.

8. Appropriately protects drinking source water reservoirs as special-purpose, man-made water bodies different in character than natural waterways, rivers, lakes, and coastal waters, while allowing maximum flexibility for operations as part of a managed water supply system.

9. Exempts terminal reservoirs with no significant nexus to the watershed from regulation under the federal Clean Water Act.

10. Revises NPDES standards and procedures to facilitate inland discharge of recycled water.

11. Establishes appropriate quality standards, testing procedures, and treatment
processes for emerging contaminants.

12. Directs the state's participation or assistance in water quality issues related to or threatening the Colorado River water source.

13. Provides funding and support for Colorado River salinity control projects and other water quality management efforts.

14. Alters the definition of “lead free” to reduce the permissible amount of lead in fixtures, plumbing, and pipe fittings to be installed for the delivery of drinking water.

It shall be the Water Authority’s policy to oppose legislation that:

1. Regulates the conveyance, storage, or release of water supplies as a discharge under the Clean Water Act and other water quality control laws.
California State Reorganization

In recent years, there has been considerable discussion of reorganizing the state government. One proposal that keeps recurring is the elimination of the Colorado River Board. The board is funded entirely by the California public agencies that take water from the river, and it is important because it serves as a liaison to other states and the federal government. The Water Authority generally supports legislation that preserves the Colorado River Board.

The Water Authority also supports legislation that makes the Regional Water Quality Control Boards more consistent in their application of state water quality laws. The Water Authority also supports legislation that allows non-state water contractors to access the SWP system to convey transferred water.

The Water Authority generally opposes legislation that would eliminate the Colorado River Board or the regional water quality control boards without creating other bodies that carry out their functions.

It shall be the Water Authority’s policy to support legislation that:

1. Preserves the California Colorado River Board.
2. Ensures the interests of the members of the California Colorado River Board continue to be addressed in any state government reorganization.
3. Ensures consistent application of the law by the State Water Resources Control Board and the nine Regional Water Quality Control boards.
4. Provides for continued certification by the state of urban water agency conservation efforts and achievements as reported to the CUWCC by signatories to the CUWCC Memorandum of Understanding.
5. Ensures that any reorganization of the State Water Project, including operations and management, preserves the ability for non-State Water Project contractors to access the facility for transportation of water to a non-State Water Project contractor.

It shall be the Water Authority’s policy to oppose legislation that:

1. Eliminates the California Colorado River Board without providing a comparable structure or forum that ensures the Water Authority’s interests in the Colorado River are preserved.
2. Eliminates the State Water Resources Control Board and/or the nine Regional Water Quality Control boards without ensuring that the functions and expertise of the boards is maintained in any reorganized entity.

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Metropolitan Water District Board of Directors

It shall be the Water Authority’s policy to oppose legislation that:

1. Returns the Metropolitan Water District to its membership structure prior to the enactment of SB 1885 (Ayala) in 1998.
Climate Change

The potential effects of climate change are an important concern in water management planning. The Water Authority generally supports legislation that incorporates considerations of climate change into water management planning, as long as the climate change information is developed and provided by the state. The Water Authority also supports legislation that allows water agencies to partner with energy providers to improve energy efficiency in the conveyance and use of water. The Water Authority supports legislation that encourages innovation in developing responses to climate change, with maximum control at the local level.

The Water Authority generally opposes legislation that does not allow local control over responses to climate change. The Water Authority also opposes legislation that prohibits water agencies from entering into the carbon credits market.

It shall be the Water Authority’s policy to support legislation that:

1. Incorporates state provided climate change information into statewide, regional, and local water management planning, and provides funding for projects that assist in adapting to effects of climate change on the state’s water supply.

2. Provides financial support to local projects designed to mitigate or adapt to potential negative impacts of climate change on water supply reliability.

3. Encourages water agencies to partner with energy providers to help fund water conservation and other programs that result in reduction of greenhouse gas emissions and/or provides opportunities and incentives for voluntary implementation of local water and renewable energy projects that directly or indirectly reduce greenhouse gas emissions.

4. Promotes public-private partnerships, encourages innovation, and focuses on quantifiable performance goals as opposed to top-down, “one size fits all” mandates.

5. Promotes continued development and deployment of more sophisticated and integrated hydrological, water quality, and meteorological water monitoring for the purpose of assessing water supply conditions resulting from climate change.

6. Promotes the coordination and integration of local, state and federal climate change policies and practices to the greatest extent feasible.

7. Provides incentives, funding, and assistance to water agencies so that they can comply with AB 32 (2006) requirements, and updated statutory requirements imposed pursuant to SB 32 (2016) that even further increase greenhouse gas emission reduction targets by 2030.

It shall be the Water Authority’s policy to oppose legislation that:
1. Requires incorporation of climate change considerations into statewide, regional, and local water management planning unless climate change information is provided by the state.

2. Imposes top-down, “one size fits all” climate change mandates that fail to account for hydrological, meteorological, economic, and social variation across the state and/or that fail to incorporate local and regional planning and implementation priorities and protocols.

3. Establishes a “loading order” for the development of local water supplies based on embedded energy.

4. Does not allow water agency participation in the carbon credits market.
Water Bonds

The Water Authority generally supports water bond legislation that provides an equitable share to the San Diego region, focuses on statewide priorities that achieve the coequal goals of improving water supply reliability and restoring ecosystems in the Delta. The Water Authority also supports bond legislation that ensures the grant application is not unduly burdensome and is open and transparent.

However, the Water Authority generally opposes water bond legislation that does not provide equitable funding for the San Diego region. The Water Authority also opposes water bond legislation that does not result in real improvements in water supply and water supply reliability and resolve statewide conflicts over water supply.

It shall be the Water Authority’s policy to support water bond legislation or an initiative that:

1. Provides an equitable share of funding to San Diego County, with major funding categories being divided by county and funded on a per-capita basis to ensure bond proceeds are distributed throughout the state in proportion to taxpayers’ payments on the bonds.

2. Focuses on statewide priorities, including restoration of fish and wildlife habitat, construction of an improved method of conveyance of water through or around the Delta that provides water supply reliability to Delta water users, promotion of greater regional and local self-sufficiency, surface storage, and promotion of water use efficiency.

3. Provides the states’ share of funding for projects that advance the achievement of the co-equal goals of water supply reliability and Delta ecosystem restoration.

4. Provides funding for water infrastructure that resolves conflicts in the state’s water system and provides long-term benefits to water supply, water supply reliability, water quality, and ecosystem restoration.

5. Defines the “San Diego sub-region” and “San Diego county watersheds” as “those portions of the westward-flowing watershed of the South Coast hydrologic region situated within the boundaries of San Diego County.”

6. Includes within IRWM funding money that a region may use over time to develop and refine its plan and to develop institutional structures necessary to establish and implement the plan.

7. Gives primary consideration to funding priorities established by local and regional entities through their IRWM planning process.

8. Ensures that the application process for funding is not unnecessarily burdensome and costly, with an emphasis on streamlining the process.

9. Limits state overhead to no more than five percent of bond funding amounts.
10. Places as much emphasis and provides at least as much funding for surface storage as for groundwater storage.

11. Funds emergency and carryover storage projects such as the San Vicente dam raise project.

12. Consolidates administration of all voter-approved water-related bond funding in one place, preserves existing expertise within the state bureaucracy to manage bond funding processes, and provides consistent application and evaluation of bond funding applications.

It shall be the Water Authority’s policy to oppose water bond legislation or an initiative that:

1. Does not provide an equitable share of funding to San Diego County, based on San Diego County taxpayers’ proportional contribution to repayment of the bond.

2. Does not provide funding for infrastructure that resolves statewide or regional conflicts over water supplies.

3. Does not provide funding that results in net increases in real water supply and water supply reliability.

4. Commits a significant portion of its funding to projects that do not result in net increases in real water supply or water supply reliability.
November 30, 2016

Attention: Legislation, Conservation and Outreach Committee

Water Authority Sponsorship of Legislation in the 2017 State Legislative Session. (Action)

Staff recommendation
Sponsor Legislative Proposal #1 to advance robust state funding opportunities to address outstanding state settlement obligations, including Salton Sea restoration and implementation of the Quantification Settlement Agreement.

Alternatives
1. Do not sponsor the recommended legislative proposal.
2. Do not undertake the additional recommended actions.

Fiscal Impact
There is no direct fiscal impact.

Discussion
Staff has considered and evaluated three legislative proposals for possible sponsorship of legislation during the 2017 state legislative session. The process to solicit legislative proposals for consideration of possible bill sponsorship in 2017 has involved the solicitation of concepts and proposals from Water Authority staff, member agency General Managers, and Board members. Of the three possible legislative proposals considered (identified in the chart below), staff is recommending Water Authority sponsorship of one proposal during the 2017 state legislative session – Legislative Proposal #1 – and several additional actions to make progress on advancing the policy initiatives embodied within the legislative proposals not recommended for bill sponsorship in 2017. The legislative proposals are identified below and evaluated in more detail in Attachment 1.

<table>
<thead>
<tr>
<th>LEGISLATIVE PROPOSAL</th>
<th>RECOMMENDED FOR BILL SPONSORSHIP IN 2017?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Advance robust state funding opportunities through a general obligation bond measure to address outstanding state settlement obligations, including Salton Sea restoration and implementation of the Quantification Settlement Agreement.</td>
<td>YES – Pursue opportunities to introduce stand-alone legislation to provide robust state funding to fulfill the state’s settlement obligations, including Salton Sea restoration and QSA implementation.</td>
</tr>
</tbody>
</table>

1 The Board of Directors previously approved sponsorship of legislation at its July 28, 2016 Board meeting to clarify statutory authority under the County Water Authority Act relative to energy matters. Staff will continue pursuing this Board direction in 2017.
### LEGISLATIVE PROPOSAL

<table>
<thead>
<tr>
<th>LEGISLATIVE PROPOSAL</th>
<th>RECOMMENDED FOR BILL SPONSORSHIP IN 2017?</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Create future long-term water use efficiency standards that promote economic</td>
<td>NO – Closely monitor developments at the SWRCB and within the Legislature to determine whether Water</td>
</tr>
<tr>
<td>growth, maintain the quality of life within the community, and incentivize local</td>
<td>Authority-sponsored legislative action may be necessary at a future point during 2017.</td>
</tr>
<tr>
<td>water supply development.</td>
<td></td>
</tr>
<tr>
<td>3. Improve the process for implementation of actions resulting from declaration of</td>
<td>NO – Closely monitor developments at the SWRCB, including any potential revisitation of mandatory water</td>
</tr>
<tr>
<td>a drought emergency.</td>
<td>use restrictions resulting from application of drought emergency regulations, to determine whether</td>
</tr>
<tr>
<td></td>
<td>Water Authority-sponsored legislative action may be necessary at a future point during 2017.</td>
</tr>
</tbody>
</table>

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

Attachment 1: State Legislative Proposals – 2017
STATE LEGISLATIVE PROPOSALS – 2017

PROPOSAL #1 – Advance robust state funding opportunities through a general obligation bond measure, or similar state funding instrument, to address outstanding state settlement obligations, including Salton Sea restoration and implementation of the Quantification Settlement Agreement

Background on Issue

In 2014, Proposition 1 was approved by California voters, authorizing the issuance of $7.545 billion in general obligation bonds to finance a variety of water projects. Among the various funding chapters of Proposition 1, Chapter 6 – Protecting Rivers, Lakes, Streams, Coastal Waters, and Watersheds – was allocated $1.495 billion for expenditures and grants for multi-benefit ecosystem and watershed protection and restoration projects. Within the allocation for Chapter 6 was a specific allocation of $475 million to fulfill the obligations of the state in complying with the terms of:

- Subsection (d) of Section 3406 of the Central Valley Project Improvement Act
- Interstate compacts set forth in Section 66801 of the Government Code (Tahoe Regional Planning Compact)
- Intrastate or multiparty water quantification settlement agreement provisions, including ecosystem restoration projects, as set forth in Chapters 611, 612, 613, and 614 of the Statutes of 2003 (the 2003 Colorado River Quantification Settlement Agreement and Salton Sea Restoration Act)
- The settlement agreement referenced in Section 2080.2 of the Fish and Game Code (San Joaquin River Restoration Settlement Act)
- Any intrastate or multiparty settlement agreement related to water acted upon before December 31, 2013 (Klamath Hydroelectric Settlement Agreement)

The statutory text of Proposition 1 did not specify how much, if any, of the $475 million amount should be allocated to each state obligation. Moreover, the total cost to fulfill all of these state commitments greatly exceeds $475 million.

During the 2016 State Budget deliberations, the Legislature agreed with the Governor’s budget request to allocate the $475 million in the following manner:
The 2003 Quantification Settlement Agreement (QSA) enabled California to implement major Colorado River water conservation and transfer programs, stabilizing water supplies for up to 75 years and reducing the state’s demand on the river to its 4.4 million acre-foot entitlement. It also provided a restoration path for the environmentally sensitive Salton Sea. As part of the agreements implementing the QSA and the water transfers from Imperial Valley to San Diego and the Coachella Valley, the Water Authority, Imperial Irrigation District (IID), and the Coachella Valley Water District (CVWD) committed to pay up to $388 million to mitigate the impacts of the QSA transfers. Any mitigation expenses above that amount are the unconditional responsibility of the State of California, pursuant to state statute. Additionally, the Water Authority, IID, and CVWD agreed to pay $67 million as seed money to jump-start a state restoration program at the Salton Sea; the Water Authority has fully paid its share of this funding.

The Water Authority has met all of its financial commitments since 2003 and is in compliance with all state and federal environmental obligations. Most of the funding contributed by the Water Authority has gone toward providing bucket-for-bucket mitigation water to the Salton Sea from 2003 through 2017 to eliminate any impact of the QSA transfers to the salinity and elevation at the Sea. During this 15-year mitigation period, California statutes implementing the QSA directed the state to develop and begin implementing a Salton Sea restoration program. To-date, the state has not fully developed and implemented a significant restoration program.

From the signing of the QSA in 2003, the Water Authority has advocated for the state to meet both its mitigation and restoration obligations. Most recently, the Water Authority urged the creation of a task force that would oversee restoration efforts and be led by the Governor’s office. The 2015 State Budget created a Salton Sea Task Force and set aside funding to hire a leader for the effort. The Water Authority was also instrumental in ensuring that Proposition 1 contained funding opportunities for Salton Sea restoration, which ultimately helped secure an $80 million funding allocation for Salton Sea restoration in the 2016 State Budget.

Even with recent expenditures and the allocation of substantial Proposition 1 funding for the Salton Sea restoration effort, current sources of funding are woefully inadequate to implement a

<table>
<thead>
<tr>
<th>Statewide Obligations</th>
<th>Department</th>
<th>Proposition 1 Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Klamath Hydroelectric Settlement Agreement</td>
<td>Natural Resources Agency</td>
<td>$250 million</td>
</tr>
<tr>
<td>Central Valley Project Improvement Act</td>
<td>Natural Resources Agency</td>
<td>$90 million</td>
</tr>
<tr>
<td>Salton Sea Restoration Act</td>
<td>Department of Water Resources</td>
<td>$80 million</td>
</tr>
<tr>
<td>San Joaquin River Restoration Settlement Act</td>
<td>Department of Water Resources/ Department of Fish and Wildlife</td>
<td>$45 million</td>
</tr>
</tbody>
</table>

*This total does not include $10 million (approx. 2 percent of the $475 million) set aside for bond administration costs.*
desired restoration program. The latest planning estimates place the costs to the State of California for Salton Sea restoration at $2 billion to $3 billion.

The cost estimates to address other state obligations, such as those specifically identified in Proposition 1, are also substantial. For example, recent estimates to address long-term restoration at the San Joaquin River range from $1.2 billion to $1.7 billion, and implementation of a recently-prepared long-range plan to support the Tahoe Regional Planning Compact is estimated to cost $920 million. ¹

Absent a substantial state general obligation bond measure to fund these critical state obligations, there will be little progress made toward addressing the needs within each affected region, there will be a risk that planning and restoration efforts will fail, and there will continue to be piecemeal efforts to fund the various restoration obligations through future water bonds, future parks and resources bonds, cap-and-trade funds, and likely consideration of a new public goods charge.

Additionally, as the state lags in fulfilling the funding needs for its existing obligations, new state obligations continue to emerge. For example, the Yuba Accord is a recently-approved landmark agreement to balance the interests of environmental protection with agriculture, urban water uses, and hydroelectric operations along the Yuba River. This is the type of settlement that may also pursue state funding for implementation of any state obligations that may exist relative to environmental protection or flood control.

**Recommended Approach**

Staff recommends the Board sponsor legislation in 2017 to pursue opportunities for a robust state general obligation bond, or similar state financing instrument or approach, to fulfill the state’s settlement obligations, including Salton Sea restoration and QSA implementation. The sponsorship approach would require extensive outreach to other directly affected interests, and a broad coalition would need to be developed to advance a general obligation bond funding approach.

**PROPOSAL #2 – Create future long-term water use efficiency standards that promote economic growth, maintain the quality of life within the community, and incentivize local water supply development**

**Background on Issue**

The Governor’s May 2016 Executive Order directed the State Water Resources Control Board (SWRCB) to undertake an effort with the Department of Water Resources (DWR) and stakeholders to define and establish water efficiency standards for the state to ensure a more reliable water supply and to make state water users more resilient and prepared for future drought conditions over the long-term.

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¹ Legislative Analyst’s Office – Analysis and Recommendations – Assembly Budget Subcommittee No. 3 on Resources and Transportation Hearing – April 13, 2016 – pg. 12
The SWRCB and DWR are expected to release recommendations to the Legislature in January 2017 relative to any statutory reforms or revisions that would be necessary to implement long-term water use efficiency standards. At this time, it is unclear how those recommendations will be shaped and to what extent any future statutory standards would be acceptable to, and achievable by the Water Authority and its member agencies. Additionally, it is unclear whether any long-term water use efficiency standards will recognize and embody the notion of drought-sustainable water supply development as a balance to achievement of mandated water use reductions or compliance with stringent efficiency standards.

Recommended Approach
Staff recommends the Water Authority continue to closely monitor developments at the SWRCB and DWR over the coming months. The Water Authority and its member agencies are continuing to work constructively through the state’s working group process, and it is too early to know the legislative direction that may be advanced by the Administration relative to long-term water use efficiency standards.

The staff will continue to work through the ongoing regulatory and working group processes to protect the region’s interests, and will revisit the necessity of presenting the Board with a proposal for legislative sponsorship – or a recommendation for action on an Administration-sponsored measure – as the legislative session gets under way in early 2017.

PROPOSAL #3 – Improve the process for implementation of actions resulting from declaration of a drought emergency

Background on Issue
Under existing law, the Governor is authorized to proclaim a state of emergency within any area of the state that is affected or likely to be affected by conditions of disaster or of extreme peril to the safety of persons and property.2

On January 17, 2014, Governor Jerry Brown proclaimed a State of Emergency to exist throughout California due to severe drought conditions, and on April 25, 2014, the Governor proclaimed a continued State of Emergency to exist throughout California due to the ongoing drought.

The emergency proclamation and the resulting implementation of the emergency proclamation that has occurred over nearly three years by the SWRCB covered the entire State of California, and neither the proclamation nor the emergency regulations to implement the proclamation have been specific to certain regions or communities of the state. The statute grants broad discretion relative to geographic area within which an emergency declaration may apply, and does not require any findings to be made regarding the geographic applicability of an emergency declaration.

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2 Government Code Sections 8625 and 8558.
Many communities throughout the state have been actively engaged in the SWRCB’s regulatory and working group processes, and have outlined many hydrologic, climatological, and regional water supply variations unique to different communities and regions throughout the state in their arguments for alternative paths to compliance with the SWRCB’s regulatory approach. A one-size-fits-all process for executing and implementing actions related to the drought emergency is not nimble and flexible enough to recognize meaningful distinctions in water supply conditions and effects of drought on a region-by-region basis. An enhanced process that examines regional conditions and balances required actions to implement a future drought emergency with the true expected effects of the dry hydrology on any particular region, would provide a more meaningful and customized implementation of actions that reflect each region’s needs and realities.

**Recommended Approach**
Staff recommends the Water Authority continue to closely monitor developments at the SWRCB over the coming months. The Water Authority and its member agencies are continuing to work constructively through the SWRCB’s working group process, and it is too early to know the legislative direction that may be advanced by the Administration relative to long-term water use efficiency standards.

The staff will continue to work through the ongoing regulatory and working group process to achieve the region’s objectives, and will revisit the necessity of presenting the Board with a proposal for legislative sponsorship – or a recommendation for action on an Administration-sponsored measure – as the legislative session gets under way in early 2017.
November 30, 2016

Attention: Legislation, Conservation and Outreach Committee

Live WaterSmart Campaign Update (Information)

Purpose
This report provides an update on communications and outreach activities designed to promote ongoing drought awareness and encourage long-term water-use efficiency in the San Diego region.

Background
On February 13, 2014, the Water Authority Board activated its Water Shortage and Drought Response Plan due to worsening water supply conditions. The Water Shortage and Drought Response Plan calls for a communications strategy to help achieve increased water conservation by the public, and to enhance public understanding of how ratepayers’ investments in projects and their commitment to water conservation have reduced the region’s vulnerability to shortages from drought conditions. That strategy, in the form of the “When in Drought: Save Every Day Every Way” outreach campaign, was in place from April 2014 through June 2016. At key points along the way, staff updated the campaign to meet changing drought response conditions.

Starting June 2016, the state returned to a locally based approach to drought management that balances available supplies and demands. The Water Authority and its member agencies calculated that they have all of the water supplies needed to meet demands under the state’s stringent formula, which accounts for three more dry years. In May 2016, the Water Authority Board committed to continue advancing water-use efficiency across the region through a new outreach campaign designed to emphasize wise and efficient water use as a positive and permanent lifestyle, no matter the weather. That campaign, themed “Live WaterSmart,” was launched July 26, 2016, in coordination with member agencies and community partners.

Discussion
This memo covers drought response communications and outreach activities for mid-October 2016 through mid-November 2016. Highlights for the period include promotion of a new incentive to encourage sustainable landscape retrofits, a new multi-pronged partnership with San Diego State’s Athletics Department, a rain barrel promotion and distribution initiative with the Solana Center for Environmental Innovation and water-efficiency outreach at numerous regional events.

Community Events and Presentations:
Water Authority management and staff delivered nine presentations to provide updates and share information about water supplies, current regulations and conservation programs. A list of these presentations is in Exhibit 1. Staff also handed out water efficiency-related educational materials at seven events. These included the Building Industry Association San Diego’s Meet the Builders event, Master Gardener’s Plantstravaganza, Community Associations Institute San Diego Trade Show, Movie in the Park at Waterfront Park, San Diego Botanic Garden’s Family Fall Festival, Connecting Women to Power 2016 Business Conference, and the Water Conservation Garden’s Fall Plantstravaganza.
Media Relations:
During the reporting period, staff issued two news releases related to the Live WaterSmart campaign. (See Exhibit 1.) Staff fielded requests from local media for information about regional water use during September, rebates for turf replacements and the State Water Resources Control Board’s development of statewide water-use regulations for 2017 and beyond.

Community Partnerships:
The Water Authority joined with San Diego State University’s Athletics Department to showcase WaterSmart Checkups and the Live WaterSmart campaign. The promotion includes glossy mailers sent to 3,500 season ticketholders for men’s basketball, as well as radio ads, scoreboard recognition during games and ads on goAztecs.com. This partnership also will promote winter/spring efficiency tips, such as turning off sprinklers during and after rainstorms.

Also on the college front, the San Diego Community College District posted electronic Live WaterSmart ads across its campuses.

The Water Authority also teamed up with Ace Hardware in Carlsbad to hand out WaterSmart Checkup reminders along with Live WaterSmart promotional items such as hose nozzles and food scrapers on Nov. 10.

Coordination with Member Agencies:
Staff hosted its monthly Joint Public Information Council/Conservation Coordinators meeting with member agency representatives on Nov. 7. Staff provided member agencies with updates about Live WaterSmart outreach, rain barrel distribution events, and other programs.

At the suggestion of member agencies, staff also started developing Live WaterSmart materials for local hotels and motels to promote water-saving efforts. Through the development and placement of new cards and table tents, the Water Authority will encourage guests to reuse towels and linens instead of having them laundered daily.

Conservation Programs:
San Diego Sustainable Landscapes Program
The San Diego Sustainable Landscapes Program, a partnership managed by the Water Authority, started offering grant-funded financial incentives on October 19 for qualified participants who upgrade residential turf lawns to landscapes that provide multiple environmental benefits. Staff promoted the new incentive through a variety of outreach channels.

WaterSmart Landscape Makeover Program
During the reporting period, two WaterSmart Landscape Makeover series concluded, one at MiraCosta College in Oceanside with 21 graduates and the other at the SDG&E Energy Innovation Center with 30 graduates. Staff also coordinated with the cities of Escondido and Oceanside to host three-hour design workshops.

Rain Barrel Distribution Program
The Water Authority formalized a collaboration with Solana Center to distribute rain barrels across the region at a significant savings. The program encourages residents to save water this
winter by purchasing rain barrels at a discounted price and then take advantage of a regional $75 rebate before it is reduced to $35 on Jan. 1, 2017. Rain barrels must be ordered online at www.rainbarrelprogram.org/sandiego and picked up at one of four locations in early December. Participating agencies are City of Escondido, Helix Water District, Olivenhain MWD, Otay Water District, Rincon del Diablo MWD, San Dieguito Water District, Santa Fe Irrigation District and Sweetwater Authority.

**WaterSmart Field Services**
Approximately 260 field services (including WaterSmart Checkups) were performed in October. That was an 8 percent decrease compared to September, and an increase of 7 percent compared to August.

**Advertising:**
The Water Authority placed a Mandarin ad in two local Chinese publications to complement earlier outreach in Filipino and Vietnamese publications. The landing page and Top Ten tips fact sheet for the Live WaterSmart campaign were also translated into Mandarin, Spanish and Vietnamese. The digital media campaign for Live WaterSmart concluded in mid-October.

**Social Media and Online Resources:**
Staff continues to use social media channels, making more than 50 original posts to Facebook and Twitter during this period, mainly to promote WaterSmart tips and resources. The Water Authority continued using #WaterSmartWednesday to draw regular attention to WaterSmart living. Members of the public engaged (retweeted, replied, followed, etc.) more than 100 times with our tweets related to drought management actions, water conservation events and promotions, and other topics connected to conservation and drought.

Since May 2015, the Water Authority’s Facebook page “likes” have increased from 1,621 to 7,795, a 381 percent increase. Over the same period, the Water Authority’s Twitter account “followers” have grown from 1,386 to 2,459, a 77 percent increase.

Website activity between October 10 and November 8 included more than 65,000 page views on sdcwa.org, more than 20,000 on WaterSmartSD.org, more than 4,100 for the eGuide to a WaterSmart Lifestyle, and more than 6,500 for the WaterSmart Landscape Makeover Program. As of November 8, the “When in Drought: Report Waste” app had been used to report more than 800 water-waste issues.

Staff also issued three WaterSource e-newsletters during the reporting period promoting the Live WaterSmart campaign and other resources.

Prepared by: Mike Lee, Senior Public Affairs Representative
Reviewed by: Jason Foster, Director, Public Outreach and Conservation
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment:
Exhibit 1 – Water Efficiency Outreach Activities
EXHIBIT 1
Water Efficiency Outreach Activities
Mid-October 2016 to Mid-November 2016

<table>
<thead>
<tr>
<th>GROUPS RECEIVING PRESENTATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elks Rotary Club</td>
</tr>
<tr>
<td>Helix Water District Board</td>
</tr>
<tr>
<td>NAIOP Commercial Real Estate Development Association Board</td>
</tr>
<tr>
<td>San Diego IEEE Life Member Affinity Group</td>
</tr>
<tr>
<td>CAI-San Diego Chapter</td>
</tr>
<tr>
<td>UC San Diego</td>
</tr>
<tr>
<td>Port of San Diego Board</td>
</tr>
<tr>
<td>San Diego Sustainability Circles (2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NEWS RELEASES/ADVISORIES ISSUED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Authority, Solana Center Team Up to Offer Rain Barrel Discounts</td>
</tr>
<tr>
<td>New Incentive Available for Sustainable Landscape Projects</td>
</tr>
</tbody>
</table>
November 30, 2016

Attention: Legislation, Conservation and Outreach Committee

SCOOP Quarterly Report (Information)

Background
The purpose of SCOOP is to maximize small-business participation on the San Diego County Water Authority’s contracts and procurements. SCOOP provides small businesses with resources and information through training, networking, and technical assistance. This report provides a summary of SCOOP program metrics and activities from July 1, 2016 through September 30, 2016.

Discussion

Outreach Activities
During the first quarter, Water Authority representatives participated in four events with three business organizations and other government agencies.

A highlight of the outreach activities was Navy Gold Coast Procurement event. The conference brought in more than 500 attendees to learn more about contracting with the military and other public agencies.

SCOOP Training
SCOOP training focuses on how to do business with the Water Authority. SCOOP offers six online courses via the Water Authority website that averages 100 page views per month. Ratings from the course evaluations indicated continued high levels of satisfaction with the online training program.

Program Measurements
The Water Authority’s cumulative total of contract and purchase order awards through the first quarter was approximately $11 million. Small businesses received approximately $5.7 million, or 50 percent, of total dollars awarded. Small businesses received awards in several procurement sectors, with approximately $3.6 million awarded in construction, $2 million awarded for professional services, and $111,000 awarded for purchase orders. Minority- and women-owned businesses received approximately $2 million.

The number of companies receiving contract or purchase order awards was 148. Of those, 46, or 31 percent, were small businesses. Fourteen, or nine percent, were minority- and women-owned businesses.

Further details of SCOOP statistics are given in the attached exhibits. Information on minority-owned and women-owned businesses is made available to the Board for statistical purposes only.
Prepared by: Teresa Penunuri, Public Affairs Supervisor
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis Cushman, Assistant General Manager

Attachments
1. Exhibit A – SCOOP Program Measurements Summary
2. Exhibit B – SCOOP Measurements Detail
3. Exhibit C - SCOOP Outreach Activities
### EXHIBIT A
**SCOOP Measurements Summary**
July 1, 2016 – September 30, 2016


<table>
<thead>
<tr>
<th>FY 2017 YTD</th>
<th>FY 2016 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>1. Number of qualified small businesses capable of bidding on Water Authority projects</td>
<td>2451</td>
</tr>
<tr>
<td>2. Number of bidders submitting bids and proposals for contracts</td>
<td>95</td>
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<tr>
<td>3. Number of businesses participating on Water Authority procurements (contracts and purchase orders)</td>
<td>148</td>
</tr>
<tr>
<td>4. Number of contracting opportunities</td>
<td>49</td>
</tr>
<tr>
<td>5. Amount committed to small businesses</td>
<td>$11,239,213</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>FY 2017 YTD</th>
<th>FY 2016 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>1. Number of qualified M/W businesses capable of bidding on Water Authority projects</td>
<td>2451</td>
</tr>
<tr>
<td>2. Number of bidders submitting bids and proposals for contracts</td>
<td>95</td>
</tr>
<tr>
<td>3. Number of businesses participating on Water Authority procurements (contracts and purchase orders)</td>
<td>148</td>
</tr>
<tr>
<td>4. Number of contracting opportunities</td>
<td>49</td>
</tr>
<tr>
<td>5. Amount committed to minority and women-owned businesses</td>
<td>$11,239,213</td>
</tr>
</tbody>
</table>
EXHIBIT B
SCOOP Measurements Detail
July 1, 2016 – September 30, 2016

1. Number of qualified businesses capable of bidding on Water Authority projects. “The Network” is the Water Authority’s SCOOP database and online vendor registration, notification, and solicitation system. Of the 2,451 total businesses currently in the system, 723 (29 percent) are small businesses, and 584 (24 percent) are minority- and women-owned businesses. This measurement forms a baseline of small businesses that are interested in working with the Water Authority on the types of procurements we issue.

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Amount of qualified businesses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>2451</td>
<td>723</td>
<td>29%</td>
</tr>
<tr>
<td>Minority- or Women-owned</td>
<td>2451</td>
<td>584</td>
<td>24%</td>
</tr>
</tbody>
</table>

Information taken from The Network’s Business Classification and Minority Company Statistics as of 10/10/2016
2. **Number of businesses submitting bids and proposals.**
   This metric measures bidders on contract opportunities. During the first quarter, 42 (44 percent) of businesses bidding or proposing on Water Authority contracts were small businesses.

Twenty-one (18 percent) bidders and proposers were minority- and women-owned businesses.

### B-2. Number of bidders submitting bids and proposals for contracts.

<table>
<thead>
<tr>
<th>FY 2017 YTD</th>
<th>Total</th>
<th>Small</th>
<th>% Small</th>
<th>M/W</th>
<th>% M/W</th>
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<td><strong>Design Build</strong></td>
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<td><strong>Design Build Subtotal</strong></td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>4</td>
<td>1</td>
<td>25%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Subs</td>
<td>21</td>
<td>6</td>
<td>29%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Construction Subtotal</strong></td>
<td>25</td>
<td>7</td>
<td>28%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>47</td>
<td>15</td>
<td>32%</td>
<td>9</td>
<td>19%</td>
</tr>
<tr>
<td>Subs</td>
<td>22</td>
<td>20</td>
<td>91%</td>
<td>9</td>
<td>41%</td>
</tr>
<tr>
<td><strong>Prof. Services Subtotal</strong></td>
<td>69</td>
<td>35</td>
<td>51%</td>
<td>18</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>1</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Subs</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Other Subtotal</strong></td>
<td>1</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Bidders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>52</td>
<td>16</td>
<td>31%</td>
<td>9</td>
<td>17%</td>
</tr>
<tr>
<td>Subs</td>
<td>43</td>
<td>26</td>
<td>60%</td>
<td>9</td>
<td>21%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>95</td>
<td>42</td>
<td>44%</td>
<td>18</td>
<td>19%</td>
</tr>
</tbody>
</table>
3. Number of businesses participating on Water Authority procurements.

The total number of small companies doing business with the Water Authority was 46, or 31 percent of all companies. This measurement indicates the volume of Water Authority procurement opportunities. Small businesses often pursue and are awarded contracts and purchase orders that are smaller in value, so the number of businesses commencing work on Water Authority procurements is an important measurement of small-business success. The number of minority- and women-owned businesses doing business with the Water Authority was 14, or 9 percent.

<table>
<thead>
<tr>
<th>B-3. Number of businesses participating on Water Authority procurements (contracts and purchase orders)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017 YTD</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Design Build</td>
</tr>
<tr>
<td>Primes</td>
</tr>
<tr>
<td>Subs</td>
</tr>
<tr>
<td>Design Build Subtotal</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Primes</td>
</tr>
<tr>
<td>Subs</td>
</tr>
<tr>
<td>Construction Subtotal</td>
</tr>
<tr>
<td>Professional Services</td>
</tr>
<tr>
<td>Primes</td>
</tr>
<tr>
<td>Subs</td>
</tr>
<tr>
<td>Prof. Services Subtotal</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Primes</td>
</tr>
<tr>
<td>Subs</td>
</tr>
<tr>
<td>Other Subtotal</td>
</tr>
<tr>
<td>Contracts</td>
</tr>
<tr>
<td>Primes</td>
</tr>
<tr>
<td>Subs</td>
</tr>
<tr>
<td>Contracts Subtotal</td>
</tr>
<tr>
<td>Vendors</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

4. Number of contracting opportunities.

This measurement reflects the number of prime contractors and consultants that have a direct contract with the Water Authority. Small businesses received 19, or 39 percent, of the 49 total contracts awarded through the end of the first quarter.
Procurements valued at $10,000 through $150,000 form the basis for the new Sheltered Market Program. Small businesses received seven, or 47 percent, of the 15 procurements in this dollar value range. Of those, one was identified as a sheltered market opportunity.

5. Amount committed to small businesses.

The overall small-business participation goal on initial contract and purchase awards for fiscal year 2017 is 20 percent. Through the end of the first quarter, the amount committed to small businesses was approximately $5.7 million, or 50 percent, of total procurement dollars awarded. Small businesses received awards in each procurement sector, with approximately $3.6 million awarded in construction, $2 million awarded for professional services, and $111,000 awarded for purchase orders.

SCOOP requires small-business outreach from primes to subs on larger, more complex projects that have multi-sub opportunities. Small businesses were successful as subcontractors on Water Authority construction and professional service contracts, receiving approximately $400,000 as construction subcontractors, and approximately $111,000 as subconsultants on service agreements.

As vendors, minority- and women-owned businesses received approximately $182,000 during the reporting period.
B-5. Amount committed to small and minority- and women-owned primes, subcontractors and vendors

<table>
<thead>
<tr>
<th>FY 2017 YTD</th>
<th>Total</th>
<th>Small</th>
<th>% Small</th>
<th>M/W</th>
<th>% M/W</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Design Build</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Subs</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Design Build Subtotal</strong></td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$3,293,972</td>
<td>$3,178,000</td>
<td>96%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Subs</td>
<td>$3,599,000</td>
<td>$400,000</td>
<td>11%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Construction Subtotal</strong></td>
<td>$6,892,972</td>
<td>$3,578,000</td>
<td>52%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$2,376,736</td>
<td>$1,869,123</td>
<td>79%</td>
<td>$1,801,966</td>
<td>76%</td>
</tr>
<tr>
<td>Subs</td>
<td>$148,188</td>
<td>$111,670</td>
<td>75%</td>
<td>$64,795</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Prof. Services Subtotal</strong></td>
<td>$2,524,924</td>
<td>$1,980,793</td>
<td>78%</td>
<td>$1,866,761</td>
<td>74%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$361,060</td>
<td>$111,060</td>
<td>31%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Subs</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Other Subtotal</strong></td>
<td>$361,060</td>
<td>$111,060</td>
<td>31%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$5,670,708</td>
<td>$5,047,123</td>
<td>89%</td>
<td>$1,801,966</td>
<td>32%</td>
</tr>
<tr>
<td>Subs</td>
<td>$3,747,188</td>
<td>$511,670</td>
<td>14%</td>
<td>$64,795</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Contracts Subtotal (Design Build, Construction and Professional Services)</strong></td>
<td>$9,417,896</td>
<td>$5,558,793</td>
<td>59%</td>
<td>$1,866,761</td>
<td>20%</td>
</tr>
<tr>
<td>Vendors</td>
<td>$1,821,317</td>
<td>$98,855</td>
<td>5%</td>
<td>$182,456</td>
<td>10%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$11,239,213</td>
<td>$5,657,648</td>
<td>50%</td>
<td>$2,049,217</td>
<td>18%</td>
</tr>
</tbody>
</table>
EXHIBIT C

SCOOP Outreach Activities
July 1, 2016 – September 30, 2016

Water Authority representatives attended four different outreach events with three small business, trade, and community organizations as indicated in the following chart.

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mana de San Diego</td>
</tr>
<tr>
<td>North County Small Business Development Center</td>
</tr>
<tr>
<td>Navy Gold Coast</td>
</tr>
</tbody>
</table>
November 30, 2016

Attention: Legislation, Conservation and Outreach Committee

Government Relations Update. (Information)

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

Discussion

The Legislature
The State Legislature is scheduled to convene for an organizational session beginning on December 5, 2016. During the organizational session, legislators will be sworn-in to office, officers will be elected, and bills can be introduced. Legislators will then return during the first week of January to begin the 2017-18 two-year legislative session.

November 2016 General Election
The 2016 general election was held on November 8, 2016. The presidential election captivated headlines and attention locally and nationwide, as Republican Donald Trump secured sufficient electoral votes to defeat Democrat Hillary Clinton, although Clinton carried California with 61.7% of the vote and San Diego County with 55.9% of the vote.

There were also a number of important state races that will impact activity in Sacramento. All 80 State Assembly seats and half (20) of the State Senate seats were contested during the November 8 election. Additionally, all of the seats in the U.S. House of Representatives and one of California’s U.S. Senate seats were also contested during the election. California voters also considered 17 statewide ballot measures and numerous local races and propositions. Final certified results are due to the California Secretary of State for presidential electors on December 6, and all other state contests on December 9. The Secretary of State will then certify the statewide results by December 16.

It is important to note that latest reports indicate more than 4 million late-arriving mail and provisional ballots remain to be counted in California. While this staff memo projects outcomes based on best available information, it is conceivable that outstanding, uncounted ballots could shift some final results.

State Assembly
In the California State Assembly, Democrats gained three seats previously held by Republicans, and have now gained a two-thirds supermajority in the Assembly. While the Democrats’ gain in the State Assembly is not being heralded as a great success given the perceived vulnerability of Republicans to even greater losses, the two-thirds super-majority in the Assembly will still potentially make rule waivers and procedural votes easier for the Democrats, although may have only limited impact on policy decisions.
All seven of the San Diego Assembly delegation seats were contested during the election. There were no changes in the party designation of those seven seats, with Republicans retaining four of the San Diego Assembly seats, and Democrats retaining three of those seats.

## San Diego Assembly Delegation

<table>
<thead>
<tr>
<th>Assembly District</th>
<th>Democrat Candidate/Vote %</th>
<th>Republican Candidate – Vote %</th>
</tr>
</thead>
<tbody>
<tr>
<td>71</td>
<td>N/A</td>
<td>Leo Hamel – 33.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Randy Voepel – 66.1% √</td>
</tr>
<tr>
<td>75</td>
<td>Andrew Masiel Sr. – 36.5%</td>
<td>Marie Waldron – 63.5%* √</td>
</tr>
<tr>
<td>76</td>
<td>N/A</td>
<td>Rocky Chavez – 59.9%* √</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thomas Krouse – 40.1%</td>
</tr>
<tr>
<td>77</td>
<td>Melinda Vasquez – 41.8%</td>
<td>Brian Maienschein – 58.2%* √</td>
</tr>
<tr>
<td>78</td>
<td>Todd Gloria – 68.8% √</td>
<td>Kevin Melton – 31.2%</td>
</tr>
<tr>
<td>79</td>
<td>Shirley Weber – 63.8%* √</td>
<td>John Moore – 36.2%</td>
</tr>
<tr>
<td>80</td>
<td>Lorena Gonzalez – 75.6%* √</td>
<td>Lincoln Pickard – 24.4%</td>
</tr>
</tbody>
</table>

*Denotes incumbent

### State Senate

In the State Senate, Democrats were unable to gain the one seat needed to achieve a two-thirds supermajority. The seat previously held by a Republican (Senator Huff – termed out) in Senate District 29 remains in-flux at this time, although the most recent vote tallies have widened the lead in favor of the Republican seeking the seat. It appears that seat will be retained as a Republican seat.

In San Diego County, only one of the four seats within the San Diego State Senate delegation was contested during the election. With Senator Marty Block relinquishing the Senate District 39 seat, Senator-Elect Toni Atkins won the seat while receiving 62.3 percent of the vote, as compared with the challenger John Renison, who received 37.7 percent of the vote.

### Congress

On an national basis, Republicans were able to withstand losses of previously-held seats in both the Senate and House to retain control of Congress. In the House of Representatives, Democrats achieved a net gain of six seats previously held by Republicans. Republicans now retain 238 seats in the House and the Democrats retain 193 seats (218 of 435 seats are needed for majority). In the U.S. Senate, Democrats achieved a gain of two seats previously held by Republicans. Republicans now retain 51 seats in the Senate and Democrats retain 48 seats (a Senate race in Louisiana still requires a runoff election) (51 of 100 seats are needed for majority).

The outcome of the Congressional races in San Diego mirrored the state legislative outcomes for San Diego County, in that there were no changes to the composition of the delegation:
San Diego Congressional Delegation

<table>
<thead>
<tr>
<th>Congressional District</th>
<th>Democrat Candidate/Vote %</th>
<th>Republican Candidate/Vote %</th>
</tr>
</thead>
<tbody>
<tr>
<td>49</td>
<td>Doug Applegate – 49.0%</td>
<td>Darrell Issa – 51.0%*+</td>
</tr>
<tr>
<td>50</td>
<td>Patrick Malloy – 35.9%</td>
<td>Duncan Hunter – 64.1%* √</td>
</tr>
<tr>
<td>51</td>
<td>Juan Vargas – 71.8%* √</td>
<td>Juan Hidalgo Jr.- 28.2%</td>
</tr>
<tr>
<td>52</td>
<td>Scott Peters – 56.6%* √</td>
<td>Denise Gitsham – 43.4%</td>
</tr>
<tr>
<td>53</td>
<td>Susan Davis – 65.9%* √</td>
<td>James Veltmeyer – 34.1%</td>
</tr>
</tbody>
</table>

*Denotes incumbent
+ While the final vote count remains in-flux at this time, the most recent vote tallies have widened the lead in favor of incumbent Darrell Issa. It appears the seat will be retained by the incumbent.

The U.S. Senate seat relinquished by Senator Barbara Boxer was retained by the Democrats in a same-party contest that resulted in a victory by Kamala Harris, with 62.7 percent of the vote, as compared with Loretta Sanchez, with 37.3 percent of the vote.

Ballot Measures
In terms of ballot measures, Californians voted for many progressive causes, including legalizing marijuana, taxing tobacco, and extending a tax on the highest earners in the state, but also voted to expedite the death penalty, and not to repeal it. Proposition 53, on which the Water Authority Board of Directors adopted a resolution in opposition at its September 22, 2016 meeting, failed passage with 48.6 percent vote in support of the initiative, and 51.4 percent rejecting the initiative.

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

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Participated in legislative and Administration briefings involving Water Authority Board members and staff.
- Represented the Water Authority in a variety of venues on Water Authority issues.
- Coordinated with V. John White, Bob Giroux, and Water Authority staff on various legislative issues of importance to the Water Authority.

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

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

Participated in legislative and Administration briefings involving Water Authority Board members and staff.

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

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

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

Washington, D.C.

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

Prepared by: Glenn A. Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager
November 30, 2016

Attention: Legislation, Conservation and Outreach Committee

Quarterly report on Public Outreach and Conservation activities (Information)

Background
From September 2016 through November 2016, the Public Outreach and Conservation Department supported Water Authority outreach programs and projects to promote water-use efficiency, assisted member agencies, worked with communities directly affected by Water Authority construction projects, conducted media relations activities, worked on education programs, and supplied information through various means, including publications and online communications. (Information regarding specific “Live WaterSmart” water efficiency outreach campaign activities is provided in separate monthly reports to the Board.)

Discussion
During the quarter, the Water Authority was recognized for several outreach efforts with regional awards at the annual Public Relations Society of America’s San Diego-Imperial Chapter banquet on Oct. 20. At that event, the “When in Drought: Save Every Day, Every Way” campaign won the Best of Show award, along with a Silver Bernays Award of Excellence for Integrated Communications. The Water Authority also shared two Bronze Bernays Awards of Excellence as part of the team that developed informational tour boards and media kits for the Claude “Bud” Lewis Carlsbad Desalination Plant (with Southwest Strategies and Poseidon Water). In addition, the Water Authority was honored for the best news release and the best public outreach or trade publication (for its 2015 Annual Report) by the San Diego Press Club on Oct. 25.

Highlights of department activities during the past quarter are listed below.

Local Legislative Relations and Civic Engagement
Staff made 25 presentations to civic groups, including the Board of Directors of the San Diego Chapter of the California Restaurant Association; the National City Neighborhood Council Quarterly breakfast and the Business Alliance for Water. The General Manager provided updates on water issues to the boards of the Regional Chamber of Commerce, the Regional Economic Development Corp. and the Port Commission. A legislative roundtable was held Sept. 2 with Congressman Scott Peters. Water Authority Board members and staff participated in the annual San Diego Regional Chamber of Commerce Washington, D.C., legislative trip. Staff also provided a Salton Sea briefing for the staff of Senator Barbara Boxer. Briefings were also held for local staff of Congressman Darrell Issa, Congresswoman Susan Davis and Congressman Duncan Hunter. A water issues briefing was also held with local labor leaders. Staff also attended 20 community events during the quarter. The events are listed in Exhibit 1.

Staff conducted the Fall 2016 class of the Citizens Water Academy in September, raising the number of graduates to 326. In October, the Public Outreach and Conservation Department received a $10,000 grant from the Hans and Margaret Doe Charitable Trust to support the development of a new video that helps explain the Water Authority’s water supply planning.
process and how supply diversification and water efficiency efforts will help protect the region from future supply uncertainties. Staff will use the video to help streamline the curriculum for the Citizens Water Academy and in other outreach venues.

In October, staff coordinated distribution of an email from Board Chair Mark Muir and Vice Chair Jim Madaffer to all mayors in the Metropolitan Water District of Southern California’s service area discussing concerns over MWD’s promotion of the California WaterFix and its efforts to block discussion about project cost allocation among its member agencies.

**Facility Tours**

Public Outreach and Conservation staff hosted 17 tours of Water Authority facilities during this period. Fifteen tours featured the Claude “Bud” Lewis Desalination Plant, one featured the Lake Hodges Pump Station, and one featured the San Vicente Dam Raise.

Department staff also collaborated with the Colorado River Program to support a Board tour of the Imperial Valley on Nov. 3.

**Media Relations**

The Water Authority distributed six news releases during the period. The topics of these releases are listed in Exhibit 1.

On Sept. 30, Water Authority staff coordinated a media event at the Water Authority’s Kearny Mesa headquarters to mark the beginning of the new water year on Oct. 1. Information was provided to three news crews by incoming Board Chair Muir, Water Resources Manager Dana Friehauf and Scripps Institution of Oceanography Postdoctoral Fellow Amanda Sheffield.

Additionally, commentaries by Chair Muir about the California WaterFix were published by The San Diego Union-Tribune on Oct. 14 and the San Diego Business Journal on Oct. 17. Another commentary by Chair Muir on his vision for continuing the region’s leadership on water issues was published by the Encinitas-based Seaside Courier on Oct. 16, followed by a commentary about the Bay-Delta in the Courier on Nov. 7.

In November, the Union-Tribune published a letter to the editor from General Manager Maureen Stapleton about the San Diego region’s decreasing dependence on the Bay-Delta. This letter was submitted in response to a commentary in the paper by California Department of Water Resources Director Mark Cowin.

During the reporting period staff also fielded several media calls, providing data and arranging interviews related to regional water use, state plans for future water-use regulations and conservation programs.

**Water-Use Efficiency Programs**

**Sustainable Landscapes Program (SLP)**

The incentive portion of the Sustainable Landscapes Program launched on Oct. 19. The program received more than 500 applications by the beginning of November. Pre-conversion site inspections
are being performed daily, and the first round of Notice-to-Proceed notifications are expected to be sent to approved participants the week of Nov. 14.

**WaterSmart Checkup Program**
The WaterSmart Checkup Program provides free residential evaluations, irrigation checkups for small commercial sites and large landscape audits. Approximately 546 WaterSmart Checkups were performed during the quarter.

**WaterSmart Landscape Makeover Program**
This quarter, the Water Authority held two sessions of the four-class WaterSmart Landscape Makeover Series – one at SDG&E’s Energy Innovation Center in Clairemont Mesa and one at MiraCosta College in Oceanside. More than 50 homeowners enrolled in these series. In addition, staff coordinated with member agencies to host 10 three-hour WaterSmart Landscape Design for Homeowners workshops in their service areas.

**Qualified Water Efficient Landscaper Program Update (QWEL)**
The program is on track to achieve its initial goal of delivering 15 landscaper training classes across the region by the end of the year. As of Nov. 6, 502 participants registered for the classes, and 260 participants had completed all of the requirements needed to receive their QWEL certificate. Staff received Board approval to offer more classes in 2017 and plans for those classes are under way.

**Education Programs**
Staff worked toward completion of a retrofit of the water exhibit at the Fleet Science Center in Balboa Park, coordinating a review of the draft display panels with interested member agencies. Once that review is completed, the updated display will be produced and installed by early 2017.

Staff also worked with the Hans and Margaret Doe Charitable Trust to redirect $3,466 of remaining funds from a 2011 grant. The funds will be used to provide special performances of the agency’s popular assembly theater program to new audiences such as students in underserved communities and scouting groups in spring 2017.

Through its school assembly program, the Water Authority reached 9,675 students and 401 teachers during the quarter. Staff also continued to respond to teacher requests for support materials, including water-themed posters and the Water Authority’s history video series “To Quench a Thirst.”

**Publications and Online Communications**
Staff distributed six issues of the WaterSource e-newsletter. Staff also made posts regularly to the Water Authority’s Twitter and Facebook accounts, along with content updates to sdcwa.org, WaterSmartSD.org, and MWDfacts.com.

**Member Agency Outreach Coordination**
The Water Authority hosted three meetings of the Joint Public Information Council during the quarter to maintain dialogue with member agencies about a range of conservation and outreach
issues, including the Live WaterSmart campaign, water-use trends, changes at the California Urban Water Conservation Council, and the launch of Sustainable Landscapes Program incentives.

The Water Authority also reconvened the Potable Reuse Communications Subcommittee on Nov. 14. The committee is designed to provide timely and accurate public information about ongoing efforts at the state and local level to expand potable reuse as a reliable, drought-proof resource.

**CIP Projects**

**Carlsbad 6 Flow Control Facility**
Staff distributed a mailer notifying project neighbors within 1,000 feet of the project about the start of work activities. Two residents concerned about foot traffic and vandalism from the high school students contacted staff. Staff is coordinating with school officials and local law enforcement to ensure site safety.

**Hauck Mesa Storage Reservoir and Pipeline Surge Protection**
Staff distributed a door hanger to project neighbors to notify them about the site boring schedule and work activities.

**Nob Hill Pipeline Improvements Project**
Staff responded to several questions and concerns from project neighbors regarding project activities.

**Lake Murray Pipeline 3 Relining Project**
Staff sent a postcard regarding project start-up activities to the neighboring communities of Lake Murray. Staff provided an update on the project to the San Carlos Area Council and the Greater Navajo Planning Group.

**Miramar Pump Station Rehabilitation Project**
Staff responded to several inquiries from project neighbors regarding work hours and schedule.

Prepared by: Denise Vedder, Public Affairs Manager
Carlos Michelon, Principal Water Resources Specialist
Teresa Penunuri, Public Affairs Supervisor

Reviewed by: Jason Foster, Director of Public Outreach and Conservation

Approved by: Dennis A. Cushman, Assistant General Manager

Attachment:
Exhibit 1 – Public Outreach and Conservation Activities
### EXHIBIT 1

**Public Outreach and Conservation Activities**  
September 2016 through November 2016

<table>
<thead>
<tr>
<th>NEWS RELEASES/STATEMENTS ISSUED</th>
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<tbody>
<tr>
<td>Live WaterSmart by Turning off Irrigation Systems after Rainstorm</td>
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<tr>
<td>Mark Muir Elected Chair of Water Authority Board of Directors</td>
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<tr>
<td>San Diego County Water Supplies Sufficient to Meet Demands in 2017 and Beyond</td>
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<tr>
<td>Water Authority Earns National Award for Sustainable Management</td>
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<tr>
<td>New Incentive Available for Sustainable Landscape Projects</td>
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<td>Water Authority, Solana Center Team Up to Offer Rain Barrel Discounts</td>
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<table>
<thead>
<tr>
<th>COMMUNITY EVENTS ATTENDED</th>
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<tbody>
<tr>
<td>Alcala Bazaar at USD</td>
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<tr>
<td>Sharp Healthcare Disaster Preparedness Expo</td>
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<tr>
<td>San Diego Realtor’s Expo</td>
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<tr>
<td>Student Services Fair at UCSD</td>
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<tr>
<td>Village Garden Club of La Jolla</td>
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<td>Scripps Ranch Expo</td>
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<tr>
<td>Port of San Diego’s Sustainability Fair</td>
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<tr>
<td>South County EDC’s 26th Annual Economic Summit</td>
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<td>BIA – Meet the Builders</td>
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<tr>
<td>Master Gardener Plant Extravaganza</td>
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<tr>
<td>CAI San Diego Trade Show</td>
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<td>Movies in the Park</td>
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<tr>
<td>San Diego Botanic Garden Family Fall Festival</td>
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<tr>
<td>Connecting Women to Power 2016 Business Conference</td>
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<tr>
<td>Water Conservation Garden Fall Plantstravaganza</td>
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<tr>
<td>County Lighting and Water Conservation Fair</td>
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<tr>
<td>Point Loma Nazarene University Creation Care Week Resource Fair</td>
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<tr>
<td>IEA Annual Environmental Training Symposium and Conference</td>
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<tr>
<td>San Diego County Apartment Association Annual Meeting</td>
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<tr>
<td>Solar Gard’s Environmental Health and Safety Day</td>
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</table>
1. Call to Order.
2. Salute to the flag.
3. Roll call, determination of quorum.
   3-A Report on proxies received.
4. Additions to Agenda. (Government code Sec. 54954.2(b)).
5. Approve the minutes of the Special Board of Directors’ meeting of October 13, 2016 and Formal Board of Directors’ meeting of October 27, 2016.
6. Opportunity for members of the public who wish to address the Board on matters within the Board’s jurisdiction.
7. PRESENTATIONS & PUBLIC HEARINGS
   7-A Retirement of Director. Adopt Resolution honoring Kenneth Williams upon his retirement from the Board of Directors.
   7-B Appointment of Director. Appointment of Jerry Butkiewicz representing City of San Diego. Term ending December 5, 2022.
   7-C Recognition of Alecia Rangel, Management Analyst, Employee of the 1st Quarter.
8. REPORTS BY CHAIRS
   8-A Chair’s Report: Chair Muir
   8-B Report by Committee Chairs
      Water Planning Committee  Director Tu
      Administrative and Finance Committee  Director Arant
      Engineering and Operations Committee  Director Miller
      Imported Water Committee  Director Watton
      Legislation, Conservation and Outreach Committee  Director Croucher
9. CONSENT CALENDAR

9- 1. Resolution requesting from the Metropolitan Water District of Southern California a one-year extension of time for completion of the Rainbow Municipal Water District’s Campus Park West Annexation.
   Adopt Resolution No. 2016-__ to:
   
   a. Request the Metropolitan Water District of Southern California extend the time for completion of Rainbow Municipal Water District’s Campus Park West Annexation to December 31, 2017, in accordance with Section 3108 of Metropolitan Water District of Southern California’s Administrative Code.

   b. Reaffirm all other terms and conditions as set forth in San Diego County Water Authority Resolution No. 2015-01 and Metropolitan Water District of Southern California Resolution No. 9184.

9- 2. Agreement for Emergency Delivery of a Portion of the Mexican Treaty Waters to Tijuana for an additional five-year period.
   Reaffirm prior approval authorizing the General Manager to enter into an Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States in a form approved by General Counsel.

   Approve policy guidelines for managing the Water Authority’s carryover storage supplies.

   Note and file monthly Treasurer’s Report.

9- 5. Adopt the Vote Entitlements Resolution for Calendar Year 2017.
   Adopt Resolution No. 2016-___ establishing the vote and representative entitlements of each member agency effective January 1, 2017.

9- 6. Ordinance amending chapter 2.00 of the Administrative Code.
   Adopt Ordinance No. 2016-___, an ordinance of the board of directors of the San Diego County Water Authority amending chapter 2.00 of the Administrative Code.

   Adopt the recommended Stored Water Fund Policy.
9- 8. **Adopt Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2017.**
Adopt the Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2017.

9- 9. **Grant of Easement to San Diego Gas & Electric Company across San Diego County Water Authority fee owned property.**
Authorize the General Manager to grant a permanent easement to San Diego Gas & Electric Company across San Diego County Water Authority fee owned property at San Vicente Reservoir, for the appraised fair market value.

9-10. **Amend agreement for Consulting Services with M Strategic Communications.**
Amend the agreement with M Strategic Communications for continued consulting services to the Water Authority through June 30, 2018 by $270,000, for a period of 18 additional months, and increasing total contract funding to an amount not to exceed $776,000.

9-11. **Extension of Water Conservation Garden Operating Agreement.**
Approve a six-month extension of the current Operation Agreement between the Water Conservation Garden Authority and the Friends of the Water Conservation Garden (IRS 501(c)(3)) for the continued operation and maintenance of the Water Conservation Garden through June 30, 2017.

9-12. **Proposed 2017 Legislative Policy Guidelines.**
Adopt the proposed 2017 Legislative Policy Guidelines.

9-13. **Water Authority Sponsorship of Legislation in the 2017 State Legislative Session.**
Sponsor Legislative Proposal #1 to advance robust state funding opportunities to address outstanding state settlement obligations, including Salton Sea restoration and implementation of the Quantification Settlement Agreement.

10. **ACTION / DISCUSSION**
10-A **Audit Committee Annual Report.**
Audit Committee recommendation:
   a. Accept and file the Audit Committee Annual Report pursuant to the Administrative Code, Section 2.00.066.


10-B **Confirm the Submittal for Appointment of Director Mark Watton as the Representative and Director Doug Wilson as the Alternate Representative to the Colorado River Board of California.**
Chair recommendation: Adopt Resolution No. 2017-___ a Resolution of the San Diego County Water Authority for appointment of Director Mark Watton as the Representative and Director Doug Wilson as the Alternate Representative to the Colorado River Board of California. (Action)
10-C Public Hearing to consider adoption of a Resolution of Necessity and authorization of condemnation proceedings to acquire temporary property interests for the Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project on Assessor Parcel Numbers:

- 470-040-04 Wayne J and Robin Krumenaker, Husband and Wife as community property;
- 470-040-10 Otay Mesa International Plaza, LLC, a California limited liability company, as to an undivided 33.33 percent interest and PLM Crossroads, LLC a Delaware limited liability company, as to an undivided 66.67 percent interest, together as tenants in common, as to Parcel B;
- 470-120-13 WDS LLC;
- 470-230-13 Forties Challenge LLC;
- 470-230-14, 15, 16 South Baltimore LLC;
- 494-441-10, 11, 34 Pacific Resources Associates, LLC, a Delaware limited liability company;
- 499-361-20 Brian W. Thompson and Margery M. Thompson, husband and wife as joint tenants;
- 503-051-08 Thomas David Perkins and Anjanette F. Perkins, husband and wife as joint tenants;
- 503-051-10 John Stephen Cook, a married man as his sole and separate property;
- 578-071-01 Eileen Burnett and Ronald Chappelow, successor co-trustees, under the Hagg Inter Vivos Trust dated December 9, 1983, as may be amended from time to time

Staff recommendation:
1. That the Board of Directors:
   a) Receive public testimony;
   b) Determine that offers to acquire the necessary real property were made to the owners of the subject properties pursuant to Section 7267.2 of the Government Code;
   c) Adopt Resolution of Necessity No. 2016-__ (Attachment 1) pertaining to the acquisition of real property from the subject parcels in support of the Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project, and find that:
      1) the public interest and necessity require the project
      2) the project is planned or located in a manner that will be the most compatible with the greatest public good and least private injury; and
      3) the interest in the property sought to be acquired is necessary for the project;
   d) Authorize staff to proceed with condemnation proceedings necessary to acquire the right of way on the subject properties. (Action)
11. SPECIAL REPORTS
   11-A GENERAL MANAGER’S REPORT – Ms. Stapleton
   11-B GENERAL COUNSEL’S REPORT – Mr. Hattam
   11-C SANDAG REPORT – Chair Muir
      SANDAG Subcommittee: Borders/Regional Planning Committee – Director Saxod
   11-D AB 1234 Compliance Reports – Directors

12. CLOSED SESSION(S)
   12-A Conference with Legal Counsel – Anticipated Litigation
      Government Code §54956.9(d)(4)
      Deciding to Initiate Litigation – One Case
   12-B Conference with Legal Counsel – Anticipated Litigation
      Government Code §54956.9(d)(2)
      Risk of Litigation
   12-C Conference with Legal Counsel – Existing Litigation
      Government Code §54956.9(d)(1)
      Name of Case: SDCWA v. Metropolitan Water District of Southern California;
      Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282;
      BS164526; A146901; and A148266

13. ACTION FOLLOWING CLOSED SESSION

14. OTHER COMMUNICATIONS

15. ADJOURNMENT

Melinda Cogle
Clerk of the Board

NOTE: The agendas for the Formal Board meeting and the meetings of the Standing Committees held on the day of the regular Board meeting are considered a single agenda. All information or possible action items on the agenda of committees or the Board may be deliberated by and become subject to consideration and action by the Board.
MINUTES OF THE SPECIAL BOARD OF DIRECTORS’ MEETING  
OCTOBER 13, 2016

1. **CALL TO ORDER** Chair Muir called the Special Board of Directors’ meeting to order at 1:05 p.m.

2. **SALUTE TO THE FLAG** Director Linden led the salute to the flag.

3. **ROLL CALL, DETERMINATION OF QUORUM**
   Secretary Croucher called the roll. Directors present were Arant, Barnum, Boyle, Brady*, Cherashore*, Croucher, Evans, Fong-Sakai, Gallo, Guerin, Hall, Heinrichs, Hogan, Kennedy, Lewinger, Linden, Madaffer*, Miller, Muir, Murtland, Saxod, Steiner, Tu, Verbeke, Watkins*, Watton, Wilson and. Directors absent were Ayala, Hilliker, Morrison, Olson, Preciado, Razak, Simpson, Weston, Williams and Supervisor Roberts.

   Staff present included General Manager Stapleton, General Counsel Hattam, Assistant General Manager Cushman, MWD Program Director Chen, Colorado River Program Director Denham, and Special Counsel Frahm.

   3-A **Report on proxies received.** There were no proxies received.

4. **ADDITIONS TO AGENDA**
   There were no additions to the agenda.

5. **PUBLIC COMMENT**
   There were no members of the public who wished to speak.

6. **CLOSED SESSION(S)**

   Mr. Hattam took the Board into Closed Session at 1:08 p.m.

   6-A Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: SDCWA v. Metropolitan Water District of Southern California; Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; BS 164526; A146901 and A148266

   *Directors Cherashore and Watkins arrived at 1:28 p.m., Director Madaffer at 1:45 p.m., and Director Brady at 2:00 p.m.

   Mr. Hattam brought the Board out of closed session at 4:28 p.m. and stated there was no reportable action.
7. **ACTION FOLLOWING CLOSED SESSION**
   There were no actions following closed session.

8. **OTHER COMMUNICATIONS**
   There were no other communications.

9. **ADJOURNMENT**
   There being no further business to come before the Board, Chair Muir adjourned the meeting at 4:29 p.m.

Mark Muir, Chair

Gary Croucher, Secretary

Melinda Cogle, Clerk of the Board
MINUTES OF THE FORMAL BOARD OF DIRECTORS’ MEETING
OCTOBER 27, 2016

ADMINISTRATIVE AND FINANCE COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Arant called the Administrative and Finance Committee meeting to order at 9:00
a.m. Committee members present were Chair Arant, Vice Chairs Wilson and Razak*, and
Directors Cherashore*, Fong-Sakai*, Gallo, Hilliker*, Kennedy*, Lewinger, Muir*, Verbeke,
Watkins, Watton*, and Weston. There were no committee members absent. Also present were
Directors Ayala, Boyle, Guerin, Hall, Heinrichs, Hogan, Madaffer, Miller, Olson, Saxod,
Simpson, Steiner, and Tu. At that time, there was not a quorum of the Committee so Director
Steiner was appointed as a proxy. The meeting was then conducted as a meeting of the Board;
however, only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General
Manager Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer Harris,
Director of Administrative Services Brown, Controller Woidzik, and Administrative Services
Manager Troche.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
Chair Arant announced that for the third consecutive year, the Water Authority
Purchasing division was recognized with the Annual Achievement of Excellence in
Procurement Award from the National Procurement Institute. Chair Arant congratulated Mr.
Troche and Administrative Services Purchasing staff.

Mr. Troche highlighted internal controls related to procurement in place at the Water
Authority.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
   Staff recommendation: Note and file the monthly Treasurer’s report.

2. Establish 2017 Board meeting dates.
   Staff recommendation: Combine the November and December Board meeting
dates to December 7, 2017 and approve the 2017 Board meeting dates calendar.
Director Steiner moved, Director Weston seconded, and the motion to approve staffs’ recommendations passed unanimously.

* Vice Chair Razak and Director Muir arrived at 9:03 a.m., at which time there was a quorum of the committee, and Director Steiner was released as proxy.

II. ACTION/DISCUSSION/PRESENTATION

1. Ordinance amending chapter 1.16 of the Administrative Code.

   Staff recommendation: Adopt Ordinance No. 2016-04, an ordinance of the board of directors of the San Diego County Water Authority amending chapter 1.16 of the Administrative Code.

   Mr. Hattam described the amendments related to capacity charges refunds. Mr. Hattam referred attendees to the Board memo and attachments, found on page 19 of the Board Materials Packet.

   Director Watkins moved, Director Muir seconded, and the motion to approve staffs’ recommendation passed unanimously.

* Directors Cherashore, Hillker, and Watton arrived at 9:04 a.m.


   Ms. Stapleton provided a presentation on the updated 2017-2021 Business Plan. Ms. Stapleton stated with this iteration, the Business Plan had been restructured to provide clarity and ease of use. She reviewed highlights of the Business Plan’s key focus areas, programs, management strategies, objectives and tactics, and key performance indicators. In conclusion, she announced the Plan’s performance would be monitored through annual reports provided to the Board.

* Director Fong-Sakai arrived at 9:10 a.m.

   Directors asked questions and made comments and Ms. Stapleton provided answers.

   In response to a question by Director Muir, Ms. Stapleton stated that the update of the Board’s Strategic Plan was at the discretion of the Board Chair.

   Director Olson requested matching of costs to revenue occur on energy projects and Ms. Stapleton replied that costs to revenue matching would occur as part of the upcoming budgeting process.

   Chair Arant, and Directors Muir and Weston commended staff on the preparation of the Business Plan as well as other related planning documents.
* Director Kennedy arrived at 9:32 a.m.


Mr. Woidzik provided a presentation on the Controller’s Report through June 2016. Mr. Woidzik reviewed water sales volumes and revenue, water purchases and treatment costs, and the budget status report.

III. INFORMATION
The following information items were received and filed:
1. Board of Directors’ third quarter 2016 Expenses and Attendance.
2. Board Calendar.

IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 9:47 a.m.

IMPORTED WATER COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Watton called the Imported Water Committee meeting to order at 9:55 a.m. Committee members present were Chair Watton, Vice Chairs Saxod and Verbeke, Directors Evans, Guerin, Heinrichs, Hogan, Madaffer, Murtland, Olson, Steiner, Weston, Wilson, and Supervisor Roberts. Committee member absent was Director Barnum. Also present were Directors Arant, Ayala, Boyle, Brady, Cherashe, Croucher, Fong-Sakai, Gallo, Hall, Hilliker, Kennedy, Lewinger, Miller, Morrison, Muir, Preciado, Razak, Simpson, Tu, and Watkins. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present included General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, MWD Program Director Chen and Colorado River Program Director Denham. In addition, Dr. David Sunding of UC Berkeley and the Brattle Group was present.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
Dee Zenke, Assistant General Manager/Chief External Affairs Officer at the Metropolitan Water District, spoke to the Board about the California WaterFix project.
CHAIR’S REPORT

Chair Watton announced the State Water Resources Control Board would be holding a workshop in Sacramento on November 15, 2016 regarding the status of the Salton Sea Management Program.

Chair Watton briefed the Board on the trip that Water Authority board members and staff took to Washington D.C. to attend the San Diego Regional Chamber of Commerce delegation meeting. Directors Madaffer, Croucher, and Guerin attended as well as Mr. Denham. Highlights from the Washington DC trip included briefings with the U.S. Army Corps of Engineers and Department of Interior.

Chair Watton gave an update on Bay Delta and California WaterFix announcing there would be two WaterFix items on the agenda: One from Ms. Chen, who would be presenting an update on WaterFix, followed by Dr. David Sunding, who had performed an Economic Analysis on WaterFix for the State.

DIRECTORS’ COMMENTS

There were no Directors’ comments.

I. CONSENT CALENDAR

There were no Consent Calendar items.

II. ACTION/DISCUSSION

   1-A Recent WaterFix activities.

   Ms. Chen updated the Board on the Water Authority’s position on the Bay Delta, and recent activities related to the California WaterFix.

   1-B Presentation by Dr. David Sunding.

   Chair Watton introduced Dr. David Sunding. Dr. Sunding presented an economic analysis on the California WaterFix. After the presentation, Board members asked questions and made comments.

2. MWD issues and activities update.
   2-A Metropolitan Water District Delegates report.

   Due to time constraints, Director Steiner requested the Board refer to the written report in the Board Packet.

3. Colorado River Programs.
   3-A Colorado River Board Representative’s Report.
Due to time constraints, Director Wilson requested the Board refer to the written report in the Board Packet.

4. Metropolitan Water District’s Potential Regional Recycled Water Program.

Chair Watton announced the item would not be presented due to time constraints.

III. INFORMATION
The following information item was received and filed:
1. Metropolitan Water District Program Report.

VI. CLOSED SESSION
General Counsel Hattam took the Committee into Closed Session at 11:10 a.m.

1. Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: SDCWA v. Metropolitan Water District of Southern California
   Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; BS161729;
   A146901; and A148266

   Mr. Hattam brought the Committee out of Closed Session at 11:55 a.m. and stated there was no reportable action.

V. ADJOURNMENT
There being no further business to come before the Imported Water Committee, Chair Watton adjourned the meeting at 11:55 a.m.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE
CALL TO ORDER/ROLL CALL
   Chair Croucher called the Legislation, Conservation and Outreach Committee to order at 11:56 a.m. Committee members present were Chair Croucher, Vice Chair Guerin, Directors Barnum, Gallo, Hall, Hilliker, Madaffer, Morrison, Muir, Preciado, Saxod, Tu and Supervisor Roberts. Committee member absent was Vice Chair Steiner. Other Board members present were Directors Arant, Ayala, Boyle, Brady, Cherashe, Evans, Fong-Sakai, Heinrichs, Hogan, Kennedy, Lewinger, Linden, Miller, Olson, Verbeke, Watkins, Watton, Weston and Wilson. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

   Staff present were General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, Director of Public Outreach and Conservation Foster, Government Relations Manager Farrel and Assistant Management Analyst Ridderbusch. Also present was legislative representative Bob Giroux.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
Chair Croucher reported that the Public Outreach & Conservation department received a $10,000 grant from the Hans and Margaret Does Charitable Trust. The grant would help support development of a new video that helps explain the water supply planning process, and how the Water Authority’s diversified portfolio and water efficiency efforts would help protect the region from future supply uncertainties.

He announced that on October 20, 2016 he and Chair Muir attended the awards dinner for the local chapter of the Public Relations Society of America and reported that the Water Authority earned several top honors for its communications efforts.

He also announced that Public Outreach & Conservation department staff won two awards from the San Diego Press Club’s 43rd annual Excellence in Journalism awards in October, and they received notice that the Water Authority was a finalist for ACWA’s prestigious “Best in Blue” award, which would be announced on December 1, 2016.

I. CONSENT CALENDAR
There were no Consent Calendar items.

II. ACTION/DISCUSSION/PRESENTATION
1. Legislative Issues.


Mr. Giroux provided a Sacramento update. He reported that Water Authority sponsored bills AB 33 by Assemblymember Bill Quirk, and AB 2515 by Assemblymember Shirley Weber, were signed into law in September by the Governor. He also provided an update on Prop 53, the California Voter Approval Requirement for Revenue Bonds above $2 Billion Initiative.


Mr. Farrell presented the Board with a review of the annual update of the Legislative Policy Guidelines. He reported that staff was requesting revision suggestions from Board members and member agencies, and suggestions needed to be submitted to him by November 14, 2016. He reported that staff would present the proposed final Legislative Policy Guidelines for the Board’s consideration at the December 8, 2016 meeting.

Ms. Ridderbusch provided a summary of the 2016 Legislative Session. She reported that of the 1,059 measures the Governor considered during 2016, 900 bills became law. She stated that Water Authority sponsored bills AB 33 by Assemblymember Bill Quirk, and AB 2515 by Assemblymember Shirley Weber, were signed into law on September 26 and September 24, 2016 consecutively.

III. INFORMATION
   The following information items were received and filed:
   1. Live WaterSmart Campaign Update.
   2. Government Relations Update.

IV. ADJOURNMENT
   There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Croucher adjourned the meeting at 12:18 p.m.

ENGINEERING AND OPERATIONS COMMITTEE
CALL TO ORDER / ROLL CALL
   Chair Miller called the Engineering and Operations Committee meeting to order at 1:04 p.m. Committee members present were Chair Miller, Vice Chair Watkins, and Directors Arant, Ayala, Boyle, Brady, Croucher*, Heinrichs, Hogan, Linden, Olson, Razak, and Simpson. Committee member absent was Director Morrison. Also present were Directors Barnum, Cherashore, Evans, Fong-Sakai, Gallo, Hall, Hilliker, Kennedy, Lewinger, Madaffer, Muir, Murtland, Roberts, Saxod, Tu, Verbeke, Weston, and Wilson. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

   Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, Director of Operations and Maintenance Fisher, Director of Engineering Reed, Energy Program Manager Rodgers, Senior Engineering Manager Bousquet, Principal Engineer Kuzmich, and Construction Manager Olvera.

ADDITIONS TO AGENDA
   There were no additions to the agenda.

PUBLIC COMMENT
   There were no members of the public who wished to speak.

DIRECTORS’ COMMENTS
   There were no Directors’ comments.

CHAIR’S REPORT
   Chair Miller reported that the Emergency and Carryover Storage Project received two more awards: The 2016 Global Best Projects Awards / Award of Merit for Water/Wastewater
from Engineering News-Record; and 2016 American Public Works Association, San Diego and Imperial Counties Chapter, Project of the Year.

I. CONSENT CALENDAR

1. Service contract with OneSource Distributors, LLC, for preventative maintenance, upgrades, repair, and technical support for medium voltage variable frequency drives.
   
   **Staff recommendation:** Authorize the General Manager to award a three-year service contract to OneSource Distributors, LLC, for preventative maintenance, upgrades, repair, and technical support for medium voltage variable frequency drives for an amount not-to-exceed $573,192.

   Director Ayala moved, Director Arant seconded, and the motion to approve staffs’ recommendation passed unanimously.

   * Director Croucher arrived at 1:09 p.m. after the vote on this item.

II. ACTION/DISCUSSION/PRESENTATION

1. Nob Hill Improvements Project Update.

   Mr. Olvera gave a presentation on the Nob Hill Improvements project including project site location, project overview, access road clearing and development, tunnel operations, pipe installation, and change order status.

III. INFORMATION

1. Energy Subcommittee Update.

   Director Hogan, Energy Subcommittee Chair, reported that the subcommittee met on September 8, 2016 and agreed that they had enough information to move to the next phase and revise the work plan. On October 26, 2016 the subcommittee met with staff and determined that Navigant’s services were no longer needed, and to save funds in-house staff would finalize the report. Director Hogan then reviewed the proposed work plan changes and noted the next Engineering and Operations workshop was scheduled for April to present an update to the Committee on outreach results.

IV. CLOSED SESSION

Mr. Hattam took the committee into Closed Session at 1:21 p.m.

1. Conference with Legal Counsel – Anticipated Litigation

   Government Code §54956.9(d)(2)

   Risk of Litigation
Mr. Hattam brought the committee out of Closed Session at 1:54 p.m. and stated there were no reportable actions.

V. ADJOURNMENT
There being no further business to come before the Engineering and Operations Committee, Chair Miller adjourned the meeting at 1:55 p.m.

WATER PLANNING COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Tu called the Water Planning Committee meeting to order at 2:00 p.m. Committee members present were Chair Tu, Vice Chairs Brady and Evans, and Directors Ayala, Cherashore, Fong-Sakai, Hall, Kennedy, Lewinger, Linden, Miller, Murtland, Preciado and Simpson. Committee member absent was Director Boyle. Also present were Directors Arant, Barnum, Croucher, Gallo, Guerin, Heinrichs, Hilliker, Hogan, Madaffer*, Muir, Olson, Razak, Saxod, Steiner, Verbeke, Watkins, Watton, Weston and Wilson. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, Water Resources Director Yamada, Operations and Maintenance Director Fisher, Water Resources Managers Friehauf and Roy, and Principal Water Resources Specialist Stadler.

ADDITIONS TO THE AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
Director Tu welcomed those present and briefly reviewed the meeting agenda.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
1. Resolution for Integrated Regional Water Management Proposition 1 Disadvantaged Community Engagement Planning Grant.
   Staff recommendation: Adopt Resolution No. 2016-20 authorizing the General Manager or her designee to submit a 2016 Integrated Regional Water Management (IRWM) Disadvantaged Community Engagement Planning Grant application for $5,305,040, accept the grant funds that are awarded, and enter into contracts to distribute the funds to the project sponsors.
Director Brady moved, Director Evans seconded, and the motion to approve staff’s recommendation passed unanimously.

II. ACTION/DISCUSSION/PRESENTATIONS
   1. Policy guidelines for Managing the Water Authority’s Carryover Storage Supplies.
      Staff recommendation: Approve policy guidelines for managing the Water Authority’s carryover storage supplies.

      Ms. Friehauf presented information on guidelines proposed by Water Authority staff on management of carryover supplies during supply shortage events and normal, non-shortage, periods to help minimize or avoid potential cutbacks to member agencies during droughts. Mr. Shank presented information on the Stored Water Fund for year-end and the Stored Water Fund Policy outline. Staff responded to questions and comments by Directors Lewinger, Tu, Steiner, Razak, Weston, Arant, Guerin, Croucher and Hogan.

      Director Steiner moved and Director Cherashore seconded a motion to table the item and request it be brought back at the December 8, 2016, meeting. The motion passed unanimously.

* Director Madaffer arrived at 2:45 p.m.


      Ms. Roy presented information on status of the work of both the Expert Panel and Advisory Group formed in response to SB 918 and SB 322, to determine feasibility of adopting direct potable reuse regulations and develop surface water augmentation regulations.


      Ms. Friehauf presented information on the state’s schedule to develop a framework to use water more wisely and to strengthen local drought resilience. She reviewed the outline of the current state proposal, and main points addressed in an October 18, 2016, water agency coalition letter delivered to the state.

III. INFORMATION
   The following information items were received and filed:
   2. Review of Water Supply Conditions for the 2016 Water Year.

IV. CLOSED SESSION
   There were no Closed Session items.

V. ADJOURNMENT
Chair Tu adjourned the meeting at 3:12 p.m.

FORMAL BOARD OF DIRECTORS’ MEETING OF OCTOBER 27, 2016

1. CALL TO ORDER Chair Muir called the Formal Board of Directors’ meeting to order at 3:20 p.m.

2. SALUTE TO THE FLAG Supervisor Roberts led the salute to the flag.

3. ROLL CALL, DETERMINATION OF QUORUM
   Secretary Croucher called the roll. Directors present were Arant, Ayala, Barnum, Cherashore, Croucher, Evans, Fong-Sakai, Gallo, Guerin, Hall, Heinrichs, Hogan, Kennedy, Lewinger, Linden, Madaffer, Miller, Muir, Murtland, Olson, Preciado, Razak, Saxod, Steiner, Tu, Verbeke, Watkins, Watton, Wilson, Weston, and Supervisor Roberts. Directors absent were Boyle, Brady, Hilliker, Morrison, and Simpson.

   3-A Report on proxies received. There were no proxies assigned.

4. ADDITIONS TO AGENDA
   There were no additions to the agenda.

5. APPROVAL OF MINUTES
   Director Steiner moved, Director Murtland seconded, and the motion carried at 90.97% of the vote to approve the minutes of the Formal Board of Directors’ meeting of September 22, 2016.

6. OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD’S JURISDICTION
   There were no members of the public who wished to speak.

7. PRESENTATIONS & PUBLIC HEARINGS
   7-A Re-Appointment of Director. Re-Appointment of Director Ed Gallo representing the City of Escondido. Term ending October 18, 2022.

   Chair Muir announced the re-appointment of Director Gallo, representing the City of Escondido.

8. REPORTS BY CHAIRS
   8-A Chairs report: Chair Muir stated that in the following week he would be notifying Board Members of new committee assignments. He added that the Officers had made a recommendation to remove Conservation from the Public Outreach and Conservation Committee and add it to the Water Planning Committee. The recommendation would be brought to the Board at the December 8, 2016 Board meeting, and would include an Administrative Code amendment to reflect the change.
Chair Muir reported that he had attended the Employee Recognition Breakfast and thanked Staff for their hard work over the prior year. He reported that on October 14, 2016, the Union Tribune published a commentary by him regarding the proposed Twin Tunnels Project with a focus on how the project would be paid for, and on October 17, 2016 the San Diego Business Journal published a similar commentary by him regarding the Twin Tunnels Project.

Chair Muir announced the Water Authority was awarded the highest honor of Sustainable Water/Wastewater Utility Management, from the Association of Metropolitan Water Agencies, at the Organizational National 2016 Executive Management Conference. The award recognized Water Authority for its innovation, leadership, and resource, environmental and fiscal practices.

8-B Report by Committee Chairs:
Administrative and Finance Committee. Director Arant reviewed the meeting and the action taken.
Imported Water Committee. Director Watton reviewed the meeting and stated that no action was taken.
Legislation, Conservation and Outreach Committee. Director Croucher reviewed the meeting and stated that no action was taken.
Engineering and Operations Committee. Director Miller reviewed the meeting and the action taken.
Water Planning Committee. Director Tu reviewed the meeting and the action taken.

*Director Watkins left at 3:28 p.m., before the vote on the Consent Calendar.

9.  **CONSENT CALENDAR**
Director Tu moved, Director Croucher seconded, and the motion carried at 90.59% of the vote to approve the consent calendar. Directors voting no or abstaining are listed under the item number.

9- 1.  **Monthly Treasurer’s Report on Investments and Cash Flow.**
The Board noted and filed monthly Treasurer’s Report.

9- 2.  **Establish 2017 Board meeting dates.**
The Board combined the November and December Board meeting dates to December 7, 2017 and approved the 2017 Board meeting dates calendar.

9- 3.  **Ordinance amending chapter 1.16 of the Administrative Code.**
The Board adopted Ordinance No. 2016-04, an ordinance of the board of directors of the
San Diego County Water Authority amending chapter 1.16 of the Administrative Code.

9- 4. Service contract with OneSource Distributors, LLC, for preventative maintenance, upgrades, repair, and technical support for medium voltage variable frequency drives. The Board authorized the General Manager to award a three-year service contract to OneSource Distributors, LLC, for preventative maintenance, upgrades, repair, and technical support for medium voltage variable frequency drives for an amount not-to-exceed $573,192.

9- 5. Resolution for Integrated Regional Water Management Proposition 1 Disadvantaged Community Engagement Planning Grant. The Board adopted Resolution No. 2016-20 authorizing the General Manager or her designee to submit a 2016 Integrated Regional Water Management (IRWM) Disadvantaged Community Engagement Planning Grant application for $5,305,040, accept the grant funds that are awarded, and enter into contracts to distribute the funds to the project sponsors.

9- 6. Policy Guidelines for Managing the Water Authority’s Carryover Storage Supplies. The Board tabled the item and requested it be brought back for consideration at the December 8, 2016 meeting.

10. ACTION/DISCUSSION

10-A Biennial Review of Representatives to the Metropolitan Water District. Chair recommendation: Confirm the following Directors as Water Authority MWD representatives: Michael Hogan, Keith Lewinger, Elsa Saxod and Fern Steiner.

Director Weston moved, Director Razak seconded, and the motion carried at 90.59% of the vote to approve the Chair recommendation confirming the Water Authority MWD representatives.

11. SPECIAL REPORTS

11-A GENERAL MANAGER’S REPORT – Ms. Stapleton reminded the Board there would be no Special Board Meeting held November 10, 2016. She also announced the second Energy Workshop would take place in January 2017.

11-B GENERAL COUNSEL’S REPORT – Mr. Hattam stated he had nothing further to report.

11-C SANDAG REPORT – Chair Muir stated he had nothing to report. SANDAG Subcommittee: Borders/Regional Planning Committee – Director Saxod stated she had nothing to report.

11-D AB 1234 Compliance Reports – No reports were given.
12. **CLOSED SESSION(S)**

Mr. Hattam stated there was no need for closed session.

12-A Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v. Metropolitan Water District of Southern California; Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; BS164526; A146901; and A148266

12-B Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(2)
Risk of Litigation

13. **ACTION FOLLOWING CLOSED SESSION**

14. **OTHER COMMUNICATIONS**

15. **ADJOURNMENT**

The meeting was adjourned at 3:31 p.m.

________________________________  _______________________________
Mark Muir, Chair                Gary Croucher, Secretary

________________________________
Melinda Cogle, Clerk of the Board
RESOLUTION NO. 2016-_______

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN DIEGO COUNTY WATER AUTHORITY
HONORING KENNETH WILLIAMS
UPON HIS RETIREMENT FROM THE BOARD OF DIRECTORS

WHEREAS, Kenneth Williams served as a member of the Board of Directors of the San
Diego County Water Authority, representing the city of San Diego, from July 24, 2007 to his retirement on October 17, 2016; and

WHEREAS, he served as Chair on the Administrative and Finance Committee, and Engineering and Operations Committee, and as Vice Chair on the Audit Committee, and the Imported Water Committee; and

WHEREAS, he served as a member on the Administrative and Finance Committee, Audit Committee, Engineering and Operations Committee, Imported Water Committee, Comprehensive Reliability and Cost Assessment Ad Hoc, Legislation Conservation and Outreach Committee, and Water Planning Committee; and

WHEREAS, his contributions to the community extend beyond the activities with the San Diego County Water Authority; and

WHEREAS, his service, both public and private, has resulted in a benefit to all people of San Diego County.

NOW, THEREFORE, BE IT RESOLVED, that on behalf of its individual members, past and present, its staff, and the people of San Diego County, the Board of Directors offers its most sincere appreciation to Kenneth Williams for his dedicated service to the San Diego region.

PASSED, APPROVED, and ADOPTED this 8th day of December, 2016.

Ayes:

Noes:

Abstain:
Absent:

Mark Muir,
Chair

ATTEST:

Gary Croucher,
Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2016-_______ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Cogle
Clerk of the Board
DATE: November 30, 2016

TO: Board of Directors

FROM: Mark J. Hattam, General Counsel

RE: Credentials of Jerry Butkiewicz
City of San Diego

Transmitted herewith is notification submitted by the City of San Diego appointing Jerry Butkiewicz to the Water Authority’s Board of Directors. Mr. Butkiewicz replaces Kenneth Williams. His term will expire on December 5, 2022.

The credentials furnished are sufficient for the qualifications of Mr. Butkiewicz as a member of the Water Authority Board.

Mark J. Hattam
General Counsel

mkc

Attachment
DATE: October 27, 2016

TO: Honorable Sherri Lightner, Council President
Honorable Councilmembers

FROM: Mayor Kevin L. Faulconer

SUBJECT: Appointment to the San Diego County Water Authority Board of Directors

It is my pleasure to appoint Mr. Jerry Butkiewicz to the San Diego County Water Authority Board of Directors.

Mr. Butkiewicz was formerly the Workforce Readiness Manager for Sempra Utilities where he oversaw the company's partnership with local communities to identify and train potential candidates for highly skilled trade jobs. Previously, he served as the Executive Officer of the Labor Council for nearly 12 years, striving to provide all Californians with a fair wage, affordable health care, and a safe working environment. While at the Labor Council, Mr. Butkiewicz was active in the San Diego Greater Chamber of Commerce, the United Way of San Diego, the San Diego Workforce Partnership, the Environmental Health Coalition, and the State Workforce Investment Board.

Before joining Sempra Utilities, Mr. Butkiewicz served as the vice president and later president of the local American Postal Workers Union in Phoenix, Arizona, and the President of the local American Postal Workers Union in Oceanside, California. In each of these positions, he was responsible for representing working families in order to provide them with a better quality of life through justice in the workplace. Mr. Butkiewicz has also been the Community Service Liaison for the Central Labor Council of the San Diego and Imperial Counties, and a United States Postal Clerk.

I would like to thank Mr. Butkiewicz for his willingness to serve in this capacity and am confident he will bring valuable insight and experience to the San Diego County Water Authority Board of Directors.

KLF:fb

cc: Honorable Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Liz Maland, City Clerk
**CITY COUNCIL MEETING RESULTS**

**DATE:** TUESDAY, NOVEMBER 15, 2016, COUNCIL MEETING  
**RECORDERS:** IRVIN/SANCHEZ

This is a summary of the actions taken by the City Council.  
It is NOT equivalent to the Minutes which, when approved by the City Council,  
constitute the official record of the meeting.

<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>ACTIONS</th>
<th>R</th>
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| Approved | Approving the Council Minutes of:  
10/10/2016 – Adjourned;  
10/11/2016 – Adjourned |         |     |         | Approved by unanimous consent; 2359-not present |
| 121      | Adopted (R-2017-234)  
Confirming the appointment to the San Diego County Water Authority Board of Directors | R |     | 310796 | 4/1 | Unanimous; 239-not present |
November 30, 2016

Attention: Board of Directors

Audit Committee Annual Report (Action)

Audit Committee recommendation
1. Accept and file the Audit Committee Annual Report pursuant to the Administrative Code, Section 2.00.066.

Fiscal Impact
There is no fiscal impact associated with the recommended action.

Background
On August 27, 2009 the Board approved the establishment of an Audit Committee. The action was driven by the desire to separate oversight responsibilities for the audit function from the Administrative & Finance Committee, which is responsible for oversight of financial policy such as budgeting, financing, rates and charges.

Previous Board action: On August 27, 2009 the Board adopted Ordinance No. 2009-05 establishing the Audit Committee.

Discussion
The Committee’s work during the year focused on oversight of the annual financial audit for fiscal year 2016. The Water Authority’s auditor, Macias Gini & O’Connell, LLP (MGO) provided the Water Authority with an unqualified (or clean) opinion on the financial statements for the fiscal year ended June 30, 2016. No Management letter comments or instances of noncompliance or deficiencies in internal controls were reported.

Audit Committee Annual Report
In discharging its responsibilities, the Audit Committee held five public committee meetings and there was one independent telephonic meeting with MGO partner Kevin Starkey. Following are descriptions of the business conducted at the various meetings.

- March 28, 2016: The FY2016 Audit Calendar was presented and a discussion on the audit and CAFR timeline was held. The future Audit Committee meeting dates were included in the calendar. Staff introduced the MGO audit team, who introduced themselves and gave a brief history of MGO. The main topics for the meeting included discussion regarding the 2016 work plan, audit process, roles & responsibilities, and internal controls, as well as interim fieldwork and deliverables. The new Fair Value Measurement and Application standard (GASB 72) was discussed that dealt with the three levels of the three-tier hierarchy of input quality used to determine fair value.
• April 19, 2016: Chair Barnum welcomed Director Tony Heinrichs to the Audit Committee. He also mentioned that the Audit sub-committee would consist of himself and Vice Chair Cherashore. General Counsel Mark Hattam gave an overview of Administrative Code Section 2.00.066(b) as it pertains to the Audit Committee and that it is a standing advisory committee and their jurisdiction is to provide advice and make recommendations to the Board. Finance Director Lisa Marie Harris announced that MGO’s contract was to expire at the conclusion of the FY2015-16 audit and the Water Authority would be putting out a Request for Proposals (RFP) for the audits of the Water Authority and the QSA, JPA and that two additional meetings will be held to select the new auditor.

• May 18, 2016: Interim Controller Christopher Woidzik informed the Committee of the RFP process including key dates and scope of work to be included in the RFP. The draft RFP was presented to the Audit Committee and discussed. Additionally, the need for an RFP Auditor Selection Panel was discussed and those selected to comprise this panel would be Chair Barnum, Dan Denham, Director of the Colorado River Program, Lisa Marie Harris, Finance Director, Christopher Woidzik, Interim Controller and Joy Kleber, Accounting Supervisor.

• July 12, 2016: Christopher Woidzik, Interim Controller, discussed the process, timeline and pricing of the RFP and interview procedures included in the selection process of the next Independent Audit Services firm. He mentioned that eleven proposals were received with each being reviewed and ranked by the Auditor Selection Panel members. The top three firms were interviewed and ranked and then the cost proposals were opened. The Firm of Davis Farr, LLP was ranked highest and was also the least expensive of the three firms interviewed. The audit staff of Davis Farr, LLP was introduced to the Committee. The Firm provided background information on itself as well as services they would be providing and their audit approach to auditing the Water Authority and QSA, JPA. The Committee approved the Auditor Selection Panel’s recommendation of Davis Farr, LLP for auditing services for a five-year period from April 1, 2017 through March 31, 2022 for a not-to-exceed amount of $357,980 and directed staff to prepare an action item for consideration of the Board at its August 25, 2016 meeting.

• November 21, 2016: Vice Chair Cherashore shared the results of the independent phone call held on September 23, 2016 with MGO partner Kevin Starkey, CPA with Chair Barnum concurring with the results. Additionally, Kevin Starkey, CPA from MGO attended the November 21st meeting and explained the different auditor reports. The Committee then reviewed and discussed each of the basic financial statements, the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows for fiscal years 2016 and 2015 as well as the different sections of the CAFR. The review of the basic financial statements included discussions about the impact of future GASB pronouncements and various items in the Notes to the Financial Statements.
The Audit Committee also reviewed a draft of the Audit Committee Annual Report. Upon review and acceptance of both reports, the Committee directed staff to deliver the Audit Committee Annual Report along with the CAFR to the Board with a recommendation to accept and file.

**Comprehensive Annual Financial Statements**

The Audit Committee directed staff to deliver the Fiscal Year 2016 CAFR to the Board along with the Audit Committee Annual Report. The CAFR includes the Letter of Transmittal from the General Manager and Director of Finance/Treasurer, Auditor’s Opinion Letter, Management’s Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Other Supplementary Information, Statistical Section, and Required Continuing Disclosure.

Prepared by: David Barnum, Audit Committee Chair

**Attachments**

Attachment 1 - Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Attachment 2 - Report to the Audit Committee and Board of Directors

Attachment 3 - Water Authority Comprehensive Annual Financial Report for Fiscal Years ended June 30, 2016 and 2015 in PDF format (physical copy to be provided at the Board meeting)
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors of the
San Diego County Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the San Diego County Water Authority (Water Authority), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Water Authority’s basic financial statements, and have issued our report thereon dated November 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Authority’s internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP
San Diego, California
November 8, 2016
November 30, 2016

Attention: Audit Committee


Staff recommendation
Review and accept the draft Comprehensive Annual Financial Report for Fiscal Years ended June 30, 2016 and 2015.

Discussion
Each year the Finance department prepares the annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). These financial statements are the responsibility of the Water Authority’s management. The financial statements are then audited in accordance with generally accepted auditing standards (GAAS) and Government Auditing Standards (GAS). Macias Gini & O’Connell LLP (MGO), the Water Authority’s Certified Public Accountants work for and report their findings to the Board of Directors through the Audit Committee. MGO provided the Water Authority Board of Directors with an unqualified opinion on the financial statements.

MGO is also required to report to the Board of Directors and management regarding responsibilities under GAAS and GAS, internal control over financial reporting, compliance, and other matters. The report is based on the audit of financial statements performed in accordance with GAS.

Management will present the financial highlights for the fiscal year ended June 30, 2016 and MGO will present their audit results at the audit committee meeting. Attached are various documents related to the annual financial audit. The specific documents on which the auditor expresses an opinion are 1) the financial statements, and 2) notes to the financial statements.

In addition, the independent auditors have performed auditing procedures to ensure that all information included has been reviewed for consistency with the financial statements and other information gathered during the audit. The information subject to these procedures includes 1) the introductory section, 2) the Management’s Discussion and Analysis, 3) the supplemental information, 4) statistical section, and 5) the Continuing Disclosure.

Upon acceptance of these documents, the Finance department will deliver the Audit Committee Annual Report along with the Comprehensive Annual Financial Report (CAFR) to the Board with a recommendation to accept and file.

Prepared by: Chris Woidzik, Controller
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Sandra L. Kerl, Deputy General Manager
Audit Committee
November 21, 2016
Page 2 of 2

Attachment: 1) Management Representation Letter
November 8, 2016

Macias Gini & O'Connell LLP
225 Broadway, Suite 1750
San Diego, CA 92101

This representation letter is provided in connection with your audit of the financial statements of the San Diego County Water Authority (Water Authority), which comprise the statements of net position, statements of changes in revenues, expenses and changes in net position, and statements of cash flows as of and for the fiscal years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 8, 2016, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 23, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information of the Water Authority and component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance (if any), subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and are properly disclosed, if any, in accordance with U.S. GAAP.

9) We are not aware of any guarantees, whether written or oral, under which the Water Authority is contingently liable.

**Information Provided**

10) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the Water Authority from whom you determined it necessary to obtain audit evidence.

   d) Minutes of the meetings of Water Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud affecting the Water Authority and involves—

   o Management,

   o Employees who have significant roles in internal control, or

   o Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Water Authority’s financial statements communicated by the Board of Directors, employees, former employees, regulators, or others.

15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements

16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17) We have disclosed to you the identity of the Water Authority’s related parties and all the related party relationships and transactions of which we are aware.
Government—specific

18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20) The Water Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.

21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

22) We are not aware of any instances that have occurred of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

23) We are not aware of any instances which have occurred of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

24) We are not aware of any instances that have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

26) The Water Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

27) The Water Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

28) The financial statements properly classify all activities of the Water Authority.

29) Components of net position (net investment in capital assets; restricted; and unrestricted) have been properly classified in the financial statements.

30) The Water Authority is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB Statement No. 72, Fair Value Measurement and Application. The amounts reported represent the Water Authority's best estimate of the fair value of investments. The Water Authority has also disclosed the methods and significant assumptions used to estimate the fair value of its investments.

31) Deposits and investment securities are properly classified as to credit risk, interest rate risk, and custodial credit risk and are properly disclosed in accordance with GASB Statement No. 40. In addition, all bank and investment accounts owned and controlled by the Water Authority have been properly recorded in the general ledger accounting records.
32) All investments purchased or held at any time during the period under audit were in conformity with the provisions of the Water Authority’s investment policy, bond indentures, and California Government Code Section 53601.

33) During the audit period and through the date of this letter, no investments were sold or disposed of at a material loss.

34) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statements of net position date and have been reduced to their estimated net realizable value.

35) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

36) Expenses have been appropriately classified in the statement of revenues, expenses and changes in net position and allocations have been made on a reasonable basis.

37) Revenues are appropriately classified in the statement of revenues, expenses and changes in net position between operating, nonoperating and capital contributions.

38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

39) Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.

40) We have appropriately disclosed the Water Authority’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

41) The Water Authority has not entered into any nonexchange financial guarantees which are in effect as of June 30, 2016, and that are required to be accounted for and disclosed pursuant to GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantee.

42) The financial statements disclose all material commitments under construction contracts as of June 30, 2016 and 2015.

43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

44) The 2012 Pipeline Bonds related to the Carlsbad Desalination Project and the related capital assets, were properly recorded in the Water Authority’s financial statements as of June 30, 2016.

45) We have appropriately recorded and disclosed the Water Authority’s net pension liability, deferred outflows of resources, and deferred inflows of resources as of June 30, 2015 pursuant to the requirements of GASB Statement No. 68.

46) All disclosures and schedules required by GASB Statement No. 68 have been both properly disclosed and reported in the Water Authority’s notes to the financial statements or the Required Supplementary Information.

47) We acknowledge that the Water Authority’s Terminal Pay Plan as disclosed in Note 12(a) is not considered to be a defined benefit plan pursuant to GASB Statements No. 67 and 68, but
instead represents a funding mechanism for the purpose of paying qualified employee, earned
and unpaid vacation and sick leave, upon separation of employment from the Water
Authority due to death or retirement.

48) With respect to the budgetary comparison schedule we acknowledge our responsibility for
presenting the budgetary comparison schedule in accordance with accounting principles
generally accepted in the United States of America, and we believe the budgetary comparison
schedule, including its form and content, is fairly presented in accordance with accounting
principles generally accepted in the United States of America. The methods of measurement
and presentation of the budgetary comparison schedule have not changed from those used in
the prior period, and we have disclosed to you any significant assumptions or interpretations
underlying the measurement and presentation of the supplementary information.

49) As disclosed in Note 1(s) and Note 2(g), the Water Authority has properly disclosed the
impact due to the implementation of GASB Statement No. 72, Fair Value Measurement and
Application.

50) We each agree with the findings of specialists, as provided in writing to the Water Authority
with respect to the fiscal year ended June 30, 2016 and 2015, in evaluating the Water
Authority’s annual Other Postemployment Benefits (OPEB) expense and actuarially
determined liability and have adequately considered the qualifications of the specialist in
determining the amounts and disclosures used in the financial statements and underlying
accounting records. We did not give or cause any instructions to be given to specialists with
respect to the values or amounts derived in an attempt to bias their work, and we are not
otherwise aware of any matters that had a material impact on the independence or objectivity
of the specialist.

51) We believe that the actuarial assumptions and methods used to measure pension expense and
the net pension liability, as well as OPEB costs and liabilities for financial accounting
purposes, as provided in writing to the Water Authority with respect to the fiscal year ended
June 30, 2016 and 2015, are appropriate in the circumstances.

52) No events, including instances of noncompliance, have occurred subsequent to the date of the
statement of net position and through the date of this letter that would require adjustment to
or disclosure in the aforementioned financial statements.

Sandra L. Kerl
Deputy General Manager

Lisa Marie Harris
Director of Finance

Christopher Woidzik
Controller
November 30, 2016

Attention:       Board of Directors

From:            Mark Muir, Chair

Recommendation:  Confirm the Submittal for Appointment of Director Mark Watton as the Representative and Director Doug Wilson as the Alternate Representative to the Colorado River Board of California (Action)

Background
California Water Code Section 12512 provides the statutory method of nominating and appointing Colorado River Board representatives and alternates. It requires the Board of Directors to submit a recommendation to the Governor for the appointment of a representative and an alternate representative to the Colorado River Board if vacancies arise. The list must also contain at least two other names with a recommendation as to whom should be appointed from the list. The Governor then appoints the Water Authority’s representative and alternative representative from the designated list, or if he fails to act within 60 days following submission of the list, those directors recommended by the Board shall be deemed appointed.

Discussion
Pursuant to the Water Authority’s Administrative Code, Section 9.04.010, I have consulted with the Vice Chair and Secretary of the Board, and recommend the Board of Directors approve the submission of Director Mark Watton for appointment as the primary representative and Director Doug Wilson as the alternate representative to the Colorado River Board. I also recommend that Brian Brady be submitted as the additional nominee as required by the Water Code Section 12512.

I respectfully request the Board’s approval of Resolution No. 2016-___.

Attachment:       Resolution
RESOLUTION NO. 2016-__

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SUBMITTING NAMES AND REQUESTING APPOINTMENT BY THE GOVERNOR OF MARK WATTON AS THE WATER AUTHORITY’S REPRESENTATIVE AND DOUG WILSON AS THE WATER AUTHORITY’S ALTERNATE REPRESENTATIVE TO THE COLORADO RIVER BOARD OF CALIFORNIA

WHEREAS, under Water Code section 12512 the Water Authority is entitled to have one representative and one alternate representative appointed to the Colorado River Board; and

WHEREAS, pursuant to the California Water Code and Section 9.04.010 of the San Diego County Water Authority Administrative Code, the Board Chair has recommended the appointment of Mark Watton to serve as a member of the Colorado River Board and Doug Wilson to serve as an alternate member of the Colorado River Board; and

WHEREAS, Mark Watton has the experience and qualifications to be a member of the Colorado River Board; and

WHEREAS, Doug Wilson served as the primary member for the past two years and has the experience and qualifications to be an alternate member of the Colorado River Board; and

WHEREAS, Water Code Section 12512 requires the submission of two other names for consideration; and

WHEREAS, pursuant to the mandate of Section 12512, Chair Muir recommends Director Brian Brady be submitted as the required alternate nominee.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves as follows:

1. Mark Watton is recommended for appointment as the Water Authority’s representative to the Colorado River Board.

2. Doug Wilson is recommended for appointment as the Water Authority’s alternate representative of the Colorado River Board.

3. The General Manager is authorized to submit to the Governor of the State of California a letter recommending and requesting the appointment of Mark Watton as the Water Authority’s representative, and Doug Wilson, as the Water Authority’s alternate representative. The transmittal may also include the names of Director Brian Brady as alternate nominee and may include a copy of this resolution.
PASSED, APPROVED, and ADOPTED this 8th day of December 2016 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Mark Muir, Chair

ATTEST:

Gary Croucher, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2016-_______ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Cogle, Clerk of the Board
November 30, 2016

Attention: Board of Directors

Public Hearing to consider adoption of a Resolution of Necessity and authorization of condemnation proceedings to acquire temporary property interests for the Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project on Assessor Parcel Numbers:

- 470-040-04 Wayne J and Robin Krumenaker, Husband and Wife as community property;
- 470-040-10 Otay Mesa International Plaza, LLC, a California limited liability company, as to an undivided 33.33 percent interest and PLM Crossroads, LLC a Delaware limited liability company, as to an undivided 66.67 percent interest, together as tenants in common, as to Parcel B;
- 470-120-13 WDS LLC;
- 470-230-13 Forties Challenge LLC;
- 470-230-14, 15, 16 South Baltimore LLC;
- 494-441-10, 11, 34 Pacific Resources Associates, LLC, a Delaware limited liability company;
- 499-361-20 Brian W. Thompson and Margery M. Thompson, husband and wife as joint tenants;
- 503-051-08 Thomas David Perkins and Anjanette F. Perkins, husband and wife as joint tenants;
- 503-051-10 John Stephen Cook, a married man as his sole and separate property;
- 578-071-01 Eileen Burnett and Ronald Chappelow, successor co-trustees, under the Hagg Inter Vivos Trust dated December 9, 1983, as may be amended from time to time. (Action)

Staff recommendation
1. That the Board of Directors:
   a) Receive public testimony;
   b) Determine that offers to acquire the necessary real property were made to the owners of the subject properties pursuant to Section 7267.2 of the Government Code;
   c) Adopt Resolution of Necessity No. 2016-____ (Attachment 1) pertaining to the acquisition of real property from the subject parcels in support of the Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project, and find that:
      1) the public interest and necessity require the project
      2) the project is planned or located in a manner that will be the most compatible with the greatest public good and least private injury; and
      3) the interest in the property sought to be acquired is necessary for the project;
   d) Authorize staff to proceed with condemnation proceedings necessary to acquire the right of way on the subject properties.

Alternatives
Do not adopt the Resolution of Necessity or postpone action on the Resolution of
Necessity. This will result in delays to the project.

**Fiscal impact**
The Water Authority will deposit $257,000 with the Court for the amount offered to property owners, which is not less than the appraised value as determined by a certified independent appraiser. There are sufficient funds to support this recommendation in the approved Capital Improvement Program budget and fiscal years 2016 and 2017 appropriation. The rate category for this project is transportation.

**Background**
The Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project is part of the San Diego County Water Authority’s Aqueduct Relining and Pipe Replacement Program, which was approved by the Board in June 1993. The program involves extending the life of large diameter pre-stressed concrete cylinder pipe. This section of Pipeline 3 serves untreated water to the Perdue (Sweetwater Authority) and Otay (City of San Diego) Water Treatment Plants. The pipeline is located in a densely populated, heavily urbanized area. The Water Authority has prioritized this relining project based on the increased consequences of failure.

The project will rehabilitate approximately 22,800 feet of Pipeline 3 by installing 3/8-inch thick welded steel liners inside the existing 66- and 69-inch diameter steel pipe during a pipeline shutdown that will be coordinated with the Water Authority’s member agencies. Strategically located portals approximately 60 feet wide by 20 feet long, ranging from 10 to 35 feet deep, will be constructed for temporary access to Pipeline 3 for installation of the liners. The project is planned to occur primarily within the existing Water Authority right of way, however, additional space outside the right of way will be required in some portal locations to construct the project. The project also includes rehabilitation and abandonment of various operational structures along the alignment. A general location map is included in Figure 1.

Staff will present an information item to the Engineering and Operations committee prior to advertising for bids in the Spring of 2017. The project is currently scheduled to start construction in Fall 2017 when the pipeline can be shut down for this work, with completion estimated in summer 2018. The construction cost estimate is between $35 million and $40 million.

**Discussion**
This project requires 18 portal locations between Lake Murray and Sweetwater Reservoir. At 12 of the 18 portal sites, excavation and space needed for construction access will exceed the limits of the existing Water Authority right of way and require acquisition of temporary construction easements from 18 private property owners. Independent appraisals of these 18 private properties were completed and offers, pursuant to Government Code Section 7267.2, were made to the owners based on those appraisals. The written offers with summary statements of appraisal data were presented to the property owners between September 30 and October 13, 2016. The Water Authority’s offer letters are incorporated by reference. To date, 10 of the 18 property owners have not signed agreements granting the Water Authority temporary construction easements.
In order to ensure legal possession of all necessary property rights before the construction begins, it is necessary to adopt a Resolution of Necessity (Attachment 1) at this time regarding the 10 properties where negotiations have not successfully concluded. Notice of the hearing on consideration of adoption of the Resolution of Necessity, and the right to be heard at the hearing, was provided to the affected property owners by certified mail on November 15, 2016. The Water Authority’s notice of hearing letters are incorporated by reference.

Staff recommends the Board adopt the Resolution of Necessity for the Pipeline 3 Relining Lake Murray to Sweetwater Reservoir project.

Prepared by: Nick von Gymnich, Senior Right of Way Agent
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments:

Figure 1 – General Location Map
Attachment 1 - Resolution No. 2016-___ w/Exhibits 1-9
PROJECT: Pipeline 3 Relining, Lake Murray to Sweetwater Reservoir

FIGURE 1
RESOLUTION NO. 2016-___

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY DECLARING THE PUBLIC INTEREST AND NECESSITY TO ACQUIRE PROPERTY BY EMINENT DOMAIN FOR THE PIPELINE 3 RELINING LAKE MURRAY TO SWEETWATER RESERVOIR PROJECT

WHEREAS, the San Diego County Water Authority is a public agency, organized and existing under California law to construct, operate, control, maintain and use works, facilities, and means to provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs (West’s Cal. Water Code Appendix §45-5.); and

WHEREAS, pursuant to its statutory authority, the Water Authority intends to implement the project known as PIPELINE 3 RELINING LAKE MURRAY TO SWEETWATER RESERVOIR, including incidental, appurtenant, and related works or facilities pursuant to Code of Civ. Proc. § 1240.120, and implementation of environmental mitigation measures, if any, identified in the environmental document referenced below (the Project). This section of pipe consists of 22,800 linear feet of 66- and 69-inch pipe. The plans for the Project are on file with the Director of Engineering; and

WHEREAS, a Notice of Exemption under the California Environmental Quality Act was filed October 30, 2015 regarding the Project; and

WHEREAS, implementation of the Project requires acquisition of the property described and depicted in Exhibits 1 through 9 to this Resolution (the Property). The Property is required for a temporary period of between approximately four to nine months, as more specifically identified in the offers and descriptions of interests to be acquired. The Property will be used for construction areas that allow access to the pipeline for Project construction; and

WHEREAS, the Project is authorized by paragraphs (4), (11), and (12) of section 5 of the County Water Authority Act (West’s Cal. Water Code Appendix §45-5); and

WHEREAS, the Water Authority is authorized to acquire the Property, by eminent domain pursuant to the California Constitution, the California Eminent Domain Law and paragraph (5) of Section 5 of the County Water Authority Act (West’s Cal. Water Code Appendix §45-5); and

WHEREAS, on November 15, 2016 a notice of the meeting and hearing of the Board of Directors to consider this resolution was given in accordance with applicable law by mail to all persons whose names appear on the last equalized County Assessment Roll as having an interest in the Property, and advised said persons of their right to be heard on the matters referred to therein; and

WHEREAS, the Water Authority has established the just compensation for the Property, has provided the owners of the Property a written statement and summary of the basis for the
amount established as just compensation, and has made an offer to acquire the Property for the full amount established by the Water Authority as just compensation; and

WHEREAS, the hearing set out in the notice of hearing was held on December 8, 2016 at the time and place stated therein, and all interested parties who timely filed a request to be heard were given an opportunity to be heard, and the hearing was then closed; and

WHEREAS, funds have been budgeted and appropriated sufficient for payment of just compensation for the Property and implementation of the Project.

NOW, THEREFORE, based on the evidence presented, the Board of Directors of the San Diego County Water Authority, by vote of two-thirds or more of its members, finds, determines, declares and resolves the following:

1. The above recitations are true.

2. The public interest and necessity require the Project.

3. The Project has been planned and located in a manner most compatible with the greatest public good and the least private injury.

4. The Property is necessary for the Project. Immediate possession of the Property is necessary for implementation of the Project in a timely manner.

5. The Water Authority has complied with the requirements of Government Code § 7267.2 to the extent applicable to the Property, made the required offers to acquire the Property together with the accompanying statement of and summary of the basis for the amount established as just compensation to the owner or owners of record, which offers and accompanying statement/summary were in a form and contained all of the factual disclosures required by law, and complied with all conditions and statutory requirements necessary to exercise of the power of eminent domain to acquire the Property.

6. The General Counsel, directly or through special counsel retained by the General Counsel, is authorized and directed, on behalf of the Water Authority, to acquire the Property by eminent domain, in fee simple absolute unless a lesser estate is described for the Property in an Exhibit to this resolution, and to commence and prosecute an eminent domain action or actions for that purpose, to obtain an order of court authorizing the Water Authority to take possession of the Property at the earliest date authorized by law, to retain attorneys and experts, and to take such other actions as the General Counsel determines necessary for acquisition of the Property.

7. The General Manager is authorized and directed to deposit from Water Authority funds the amount of probable compensation for the Property pursuant to applicable law, and to take all other actions requested by the General Counsel for acquisition of the Property.

8. The General Counsel, with the approval of the General Manager, is authorized to correct any errors and make non-material changes to the description of the Property to be
acquired, or to reduce or modify the amount or interest in the Property to be acquired as needed to reduce the amount of just compensation to be paid, so long as the reduction or modification will not materially impair the implementation of the Project.

PASSED, APPROVED AND ADOPTED this _______ day of __________, 20____.

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

____________________________________
Mark Muir, Chair

ATTEST:

____________________________________
Gary Croucher, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2016-_____ was duly adopted by the requisite two-thirds vote at the meeting of the Board of Directors on the date stated above.

Melinda Cogle, Clerk of the Board
Exhibit 1

PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE §6103)

RECORDING REQUESTED BY AND WHEN RECORDED, PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

Assessor's Parcel No.: 470-040-04
Water Authority Parcel No.: P4A-TCE
Project Name & No.: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir
DOCUMENTARY TRANSFER TAX: None (Gov. Code §6103)

Gerard E. Reed, III
Director of Engineering

GRANT OF TEMPORARY CONSTRUCTION EASEMENT TO THE SAN DIEGO COUNTY WATER AUTHORITY

Wayne J. Krumenacker & Robin Krumenacker (Grantor) own the real property (APN 470-040-04) (Property) described in Deed recorded 03/06/1998, as Doc. No. 1998-0121474, for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $ 25,800

The term of this Easement is 4 months commencing February 15, 2018 and terminating June 14, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.
Assessor’s Parcel No.: 470-040-04
Water Authority Parcel No.: P4A-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along, and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass over and along the Easement Area, including access to Grantee’s other easements, and to deposit and store tools, implements, and other materials on the Easement Area and to utilize construction, automotive, and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation or objects which are located upon the Easement Area. Upon completion of any work by Grantee on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat, clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel Grantee to improve or maintain any part of the Easement Area as a roadway or private right of way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this _____ day of _______________ , 2016.

GRANTOR:

______________________________
Grantor Wayne J. Krumenacker

______________________________
Grantor Robin Krumenacker

(Notarial acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

______________________________
By: General Counsel
San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor’s Parcel Number: 470-040-04
    Water Authority Parcel Number: P4A-TCE

This is to certify that the interest in real property conveyed by ________________________ dated
______________, to the San Diego County Water Authority, is hereby accepted by the order of the
Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this __________ day of ________________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

By: Gerard E. Reed, III
    Director of Engineering
Exhibit A
EXHIBIT “A”
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 470-040-04
(R0209-R0214 P4A-TCE)

THE MOST SOUTHEASTERLY 55.00 FEET OF THAT PORTION OF LOT 57 OF LA MESA COLONY, IN THE CITY OF LA MESA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 346, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 8, 1887, DESCRIBED IN GRANT DEED, RECORDED MARCH 6, 1998 AS DOCUMENT 1998-0121474 O.R., AS SHOWN ON THE ATTACHED EXHIBIT “B”.

EXCEPTING THEREFROM THAT PORTION OF SAID DESCRIBED LAND LYING WITHIN THE EXISTING SAN DIEGO COUNTY WATER AUTHORITY RIGHT OF WAY SHOWN ON SAID RECORD OF SURVEY 17762, AS SHOWN ON THE ATTACHED EXHIBIT “B”.

CONTAINING 9,965 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998 DATE
EXPIRATION 9/30/17
MJS 12/16/15
Assessor's Parcel No.: 470-040-04
Water Authority Parcel No.: P4A-TCE
Project Name and No: R0209-R0214 - P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit B
Exhibit 2

PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE §6103)

RECORDING REQUESTED BY AND WHENRecorded, PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

Assessor's Parcel No.: 470-040-10

Water Authority Parcel No.: P5-TCE
Project Name & No.: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir
DOCUMENTARY TRANSFER TAX: None (Gov. Code §6103)

_________________________
Gerard E. Reed, III
Director of Engineering

GRANT OF TEMPORARY CONSTRUCTION EASEMENT
TO THE
SAN DIEGO COUNTY WATER AUTHORITY

Otay Mesa International Plaza, LLC & PLLM Crossroads, LLC (Grantor) own the real property (APN 470-040-10) (Property) described in Deed recorded 8/30/2002, as Doc. No. 2002-0740804, for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $ 38,300.

The term of this Easement is 9 months commencing October 1, 2017 and terminating June 30, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along,
Assessor’s Parcel No.: 470-040-10
Water Authority Parcel No.: P5A-TCE
Project Name and No: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir

and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass over and along the Easement Area, including access to Grantee’s other easements, and to deposit and store tools, implements, and other materials on the Easement Area and to utilize construction, automotive, and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation or objects which are located upon the Easement Area. Upon completion of any work by Grantee on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat, clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel Grantee to improve or maintain any part of the Easement Area as a roadway or private right of way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this ___ day of ____________, 2016.

GRANTOR: Otay Mesa International Plaza, LLC a California limited liability Company, as to an undivided 33.33 percent interest

__________________________
Grantor

__________________________
Title

GRANTOR: PLLM Crossroads, LLC, a Delaware limited liability Company as to an undivided 66.67 percent interest, together as tenants in common, as to Parcel B.

__________________________
Grantor

__________________________
Title

(Notarial acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

__________________________
By: General Counsel
San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor’s Parcel Number: 470-040-10
Water Authority Parcel Number: P5-TCE

This is to certify that the interest in real property conveyed by ________________ dated ________________, to the San Diego County Water Authority, is hereby accepted by the order of the Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this __________ day of ____________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

_____________________________________

By: Gerard E. Reed, III
    Director of Engineering
Assessor's Parcel No.: 470-040-10
Water Authority Parcel No.: P5A-TCE
Project Name and No: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit A
EXHIBIT “A”
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 470-040-10
(R0209-R0214 P5-TCE)

THAT PORTION OF LOT 57 OF LA MESA COLONY, IN THE CITY OF LA MESA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 346, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 8, 1887, SHOWN AS PARCEL “B” IN CERTIFICATE OF COMPLIANCE, RECORDED NOVEMBER 10, 2015 AS DOCUMENT 2015-0585755, LYING NORTHEASTERLY OF A LINE Lying 15.00 FEET SOUTHWESTERLY OF THE SAN DIEGO COUNTY WATER AUTHORITY RIGHT OF WAY SHOWN ON RECORD OF SURVEY 17762, RECORDED MARCH 27, 2003 AS FILE 2003-0346085 IN BOOK OF RECORD OF SURVEY MAPS AT PAGE 17762, FROM ENGINEERS STATION 4486+15 TO ENGINEERS STATION 4488+30 AND FROM ENGINEERS STATION 4489+90 TO ENGINEERS STATION 4490+00, TOGETHER WITH THAT PORTION OF SAID PARCEL B LYING NORTHEASTERLY OF A LINE Lying 27.00 FEET SOUTHWESTERLY OF SAID SAN DIEGO COUNTY WATER AUTHORITY RIGHT OF WAY FROM ENGINEERS STATION 4488+30 TO ENGINEERS STATION 4489+90, BOTH AS SHOWN ON ATTACHED EXHIBIT B, AND ON “PIPELINE 3 RELINING LAKE MURRAY TO SWEETWATER RESERVOIR” PLANS, FILED IN THE OFFICE OF THE SAN DIEGO COUNTY WATER AUTHORITY AS PROJECT R0209-R0214, SPECIFICATION NO. 622.

EXCEPTING THEREFROM THAT PORTION OF SAID DESCRIBED LAND LYING WITHIN THE EXISTING SAN DIEGO COUNTY WATER AUTHORITY RIGHT OF WAY SHOWN ON SAID RECORD OF SURVEY 17762.

CONTAINING 13,498 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998
LICENSED LAND SURVEYOR
STATE OF CALIFORNIA
No. 6998
EXPIRATION 9/30/17

MJS 12/16/15
REV. MJS 5/9/16, MJS 7/20/16
MJS 11/10/16
Assessor's Parcel No.: 470-040-10
Water Authority Parcel No.: P5A-TCE
Project Name and No: R0209-R0214 – P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit B
EXHIBIT "B"

PARCEL R0209/R0214 PORTAL 5 - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 470-040-10
PRELIMINARY TITLE REPORT PREPARED BY Chicago Title Company
NO. 00043112-994-X59 DATE: August 1, 2016

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<td>FIRE LANE ACCESS &amp; MAINTENANCE AGREEMENT</td>
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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION
*** NOT PLOTTED - ILLEGIBLE DOCUMENT

SAN DIEGO COUNTY WATER AUTHORITY

TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±13,498 SF

<table>
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<tr>
<th>SDCWA PARCEL NO.</th>
<th>PORTAL 5 TCE</th>
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<tr>
<td>(PROJECT: R0209-R0214)</td>
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VESTING: CROSSROADS / OTAY MESA

APN 470-040-10

DRAWN BY: LEW M.S. CHECK BY: M.S. 8/24/2016 SHT 2 OF 2

Page 435 of 500
PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE §6103)

RECORDING REQUESTED BY AND WHEN RECORDED, PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

Assessor's Parcel No.: 470-120-13 (Space above this line for Recorder’s use)

Water Authority Parcel No.: P6-TCE
Project Name & No.: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir
DOCUMENTARY TRANSFER TAX: None (Gov. Code §6103)

______________________________
Gerard E. Reed, III
Director of Engineering

GRANT OF TEMPORARY CONSTRUCTION EASEMENT TO THE
SAN DIEGO COUNTY WATER AUTHORITY

WDS LLC (Grantor) own the real property (APN 470-120-13) (Property) described in Deed recorded 5/29/09, as Doc. No. 2009-0287738, for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $ 134,700.

The term of this Easement is 9 months commencing October 1, 2017 and terminating June 30, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along,
Assessor’s Parcel No.: 470-120-13
Water Authority Parcel No.: P6-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass over and along the Easement Area, including access to Grantee’s other easements, and to deposit and store tools, implements, and other materials on the Easement Area and to utilize construction, automotive, and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation or objects which are located upon the Easement Area. Upon completion of any work by Grantee on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat, clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel Grantee to improve or maintain any part of the Easement Area as a roadway or private right of way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this _____ day of ______________, 2016.

GRANTOR: WDS LLC, a California limited liability company

Grantor

Grantor

(Notarial acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

By: General Counsel
San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor’s Parcel Number: 470-120-13
Water Authority Parcel Number: P6-TCE

This is to certify that the interest in real property conveyed by ______________________ dated __________, to the San Diego County Water Authority, is hereby accepted by the order of the Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this __________ day of ______________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

________________________
By: Gerard E. Reed, III
Director of Engineering
Assessor’s Parcel No.: 470-120-13
Water Authority Parcel No.: P6-TCE
Project Name and No: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit A
EXHIBIT “A”
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 470-120-13
(R0209-R0214 P6-TCE)

PARCEL 1 OF PARCEL MAP 20623, IN THE CITY OF LA MESA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JANUARY 29, 2009 AS FILE 2009-0038809 O.R.

EXCEPTING THEREFROM THAT PORTION OF SAID PARCEL 1 LYING WITHIN THE EXISTING SAN DIEGO COUNTY WATER AUTHORITY RIGHT OF WAY SHOWN ON RECORD OF SURVEY 17762, RECORDED MARCH 27, 2003 AS FILE 2003-0346065 IN BOOK OF RECORD OF SURVEY MAPS AT PAGE 17762, AS SHOWN ON THE ATTACHED EXHIBIT “B”.

CONTAINING 2.29 ACRES MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998
EXPIRATION 9/30/17

MJS 12/16/15
EXHIBIT "B"
PARCEL R0209/R0214 PORTAL 6 - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 470-120-13
PRELIMINARY TITLE REPORT PREPARED BY CHICAGO TITLE COMPANY
NO.00043114-994-X59 DATE: AUGUST 24, 2015

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<td>SDG&amp;E MAINTENANCE, CONSTRUCTION, INGRESS, AND EGRESS EASEMENT</td>
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</table>

* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION
*** EASEMENT SHOWN ON PARCEL MAP 20623 - NOT LISTED ON PTR

SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT
TCE AREA: ±2.29 AC

SDCWA PARCEL NO.: PORTAL 6-TCE
VESTING: WDS LLC
(PROJECT: R0209-R0214) (APN 470-120-13)
DRN. BY: JPM | CHK. BY: MJS 12/29/2015 | SHT 2 OF 2
PLEASE RECORD THIS DOCUMENT AT
NO FEE AS IT IS TO THE BENEFIT OF
THIS DISTRICT (GOV. CODE §6103)

RECORDING REQUESTED BY AND
WHEN RECORDED, PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

Assessor's Parcel No.: 470-230-13, 14, 15 & -16
Water Authority Parcel No.: P7A-TCE, P7C-TCE and P8-TCE
Project Name & No.: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir
DOCUMENTARY TRANSFER TAX: None (Gov. Code §6103)

Gerard E. Reed, III
Director of Engineering

GRANT OF TEMPORARY CONSTRUCTION EASEMENT
TO THE
SAN DIEGO COUNTY WATER AUTHORITY

South Baltimore LLC & The Forties Challenge LLC (Grantors) own the real property (APN 470-230-13, 14, 15 & -16) (Property) described in Deed recorded 9/16/1998 as Doc. No. 1998-0588427, & Deed recorded 12/23/1998 as Doc. No. 1998-0843169, for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $8,900.

The term of this Easement is 9 months commencing October 1, 2017 and terminating June 30, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along,
Assessor’s Parcel No.: 470-230-13, 14, 15 & -16
Water Authority Parcel No.: P7A-TCE, P7C-TCE, & P8-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass
over and along the Easement Area, including access to Grantee’s other easements, and to deposit and
store tools, implements, and other materials on the Easement Area and to utilize construction,
automotive, and other equipment thereon when necessary for the purpose of exercising its rights
hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation
or objects which are located upon the Easement Area. Upon completion of any work by Grantee
on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat,
clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel
Grantee to improve or maintain any part of the Easement Area as a roadway or private right of
way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the
successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this ___ day of __________, 2016.

GRANTOR: South Baltimore LLC, a California limited liability company

Grantor: C. Frank Kitzman

GRANTOR: The Forties Challenge LLC, a California limited liability company

Grantor: C. Frank Kitzman

(Notarial acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

By: General Counsel
San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor’s Parcel Number: 470-230-13, 14, 15 & -16
Water Authority Parcel Number: P7A-TCE, P7C-TCE and P8-TCE

This is to certify that the interest in real property conveyed by ______________________ dated ___________, to the San Diego County Water Authority, is hereby accepted by the order of the Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this _________ day of ______________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

______________________________
By: Gerard E. Reed, III
    Director of Engineering
Assessor’s Parcel No.: 470-230-13, 14, 15 & -16
Water Authority Parcel No.: P7A-TCE, P7C-TCE, & P8-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit A
EXHIBIT “A”
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 470-230-13
(R0209-R0214 P8-TCE)

THE NORTHEASTERLY 14.00 FEET THAT PORTION OF LOT 60 OF LA MESA COLONY, IN THE
CITY OF LA MESA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP
THEREOF NO. 346, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY,
MARCH 8, 1887, DESCRIBED IN QUITCLAIM DEED, RECORDED DECEMBER 23, 1998 AS
DOCUMENT 1998-0843169, LYING SOUTHEASTERLY OF ENGINEERS STATION 4504+48 AS
SHOWN ON “PIPELINE 3 RELINING LAKE MURRAY TO SWEETWATER RESERVOIR” PLANS, FILED
IN THE OFFICE OF THE SAN DIEGO COUNTY WATER AUTHORITY AS PROJECT R0209-R0214,
SPECIFICATION NO. 622. AS SHOWN ON THE ATTACHED EXHIBIT “B”.

CONTAINING 1,603 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998
EXPIRATION 9/30/17
MJS 12/16/15
EXHIBIT “A”  
LEGAL DESCRIPTION  
TEMPORARY CONSTRUCTION EASEMENT  
APN 470-230-14  
(R0209-R0214 P7A-TCE)


EXCEPTING THEREFROM THAT PORTION OF SAID DESCRIBED LAND LYING WITHIN THE EXISTING SAN DIEGO COUNTY WATER AUTHORITY RIGHT OF WAY SHOWN ON SAID RECORD OF SURVEY 17762, AS SHOWN ON THE ATTACHED EXHIBIT “B”.

CONTAINING 445 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998  
EXPIRATION 9/30/17

DATE

MJS 12/16/15
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 470-230-15 & 16
(R0209-R0214 P7C-TCE)

THE NORTHEASTERLY 14.00 FEET THAT PORTION OF LOT 60 OF LA MESA COLONY, IN THE
CITY OF LA MESA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP
THEREOF NO. 346, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY,
MARCH 8, 1887, DESCRIBED IN GRANT DEED, RECORDED SEPTEMBER 16, 1998 AS DOCUMENT
1998-0568429, LYING NORTHWESTERLY OF ENGINEERS STATION 4502+45 AS SHOWN ON
"PIPELINE 3 RELINING LAKE MURRAY TO SWEETWATER RESERVOIR" PLANS, FILED IN THE
OFFICE OF THE SAN DIEGO COUNTY WATER AUTHORITY AS PROJECT R0209-R0214,
SPECIFICATION NO. 622. AS SHOWN ON THE ATTACHED EXHIBIT "B".

CONTAINING 194 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998
EXPIRATION 9/30/17

MJS 12/16/15
Assessor’s Parcel No.: 470-230-13, 14, 15 & -16
Water Authority Parcel No.: P7A-TCE, P7C-TCE, & P8-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit B
EXHIBIT "B"

SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT

TCE AREA:  ±1603 SF

SDCWA PARCEL NO.: PORTAL 8-TCE
(PROJECT: R0209-R0214) (APN 470-230-13)

VESTING: FORTIES CHALLENGE LLC

DRAWN BY: JPW CHECK BY: MUS 12/29/2015  SHT 1 OF 2

LEGEND:

- DENOTES PROPOSED TEMPORARY CONSTRUCTION EASEMENT (± 1603 SF)

- INDICATES EXISTING EASEMENT. (SEE SHEET 2 OF 2 FOR ENCUMBRANCE ITEM DESCRIPTION.)
## EXHIBIT "B"

**PARCEL R0209/R0214 PORTAL 8 - TCE**

**ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 470-230-13**

**PRELIMINARY TITLE REPORT PREPARED BY CHICAGO TITLE COMPANY**

**NO. 00043116-994-X59**

**DATE: AUGUST 25, 2015**

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<th>REC. DATE</th>
<th>ENCUMBRANCE WHO - TYPE</th>
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<td>84-432993</td>
<td>11/16/84</td>
<td>J.A. KITZMAN &amp; BOB STALL CHEVROLET LANDLORDS WAIVER</td>
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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA

**SAN DIEGO COUNTY WATER AUTHORITY**

**TEMPORARY CONSTRUCTION EASEMENT**

**TCE AREA: ±1603 SF**

**SDCWA PARCEL NO.: PORTAL 8 - TCE**

**VESTING: FORTIES CHALLENGE LLC (APN 470-230-13)**

**DRAWN BY: JPW | CHECK BY: MJS | 12/29/2015 | SH 2 OF 2**
EXHIBIT "B"

EXISTING 20' WIDE SDCWA RIGHT OF WAY PER ROD 17762

SCALE: 1"=20'

APN 470-230-14

STA. 4502+20

LA MESA COLONY
MAP 346
FOR. LOT 60

ROS 12579

APN 470-230-07

STA. 4502+45

APN 470-230-15&16

NEBO DRIVE

SAN DIEGO COUNTY WATER AUTHORITY

TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±445 SF

SDCWA PARCEL NO.: PORTAL 7A-TCE (PROJECT: R0209-R0214) (APN 470-230-14)

VESTING: SOUTH BALTIMORE LLC

DRAWN BY: JFW CHECK BY: MUS 12/29/2015 SHT 1 OF 2

LEGEND:

- DENOTES PROPOSED TEMPORARY CONSTRUCTION EASEMENT (± 445 SF)

- INDICATES EXISTING EASEMENT. (SEE SHEET 2 OF 2 FOR ENCUMBRANCE ITEM DESCRIPTION.)
## EXHIBIT "B"

### PARCEL R0209/R0214 PORTAL 7A - TCE

**ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 470-230-14**
**PRELIMINARY TITLE REPORT PREPARED BY BNT TITLE COMPANY**
**NO. CA15116262**
**DATE: SEPTEMBER 03, 2015**

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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION

---

**SAN DIEGO COUNTY WATER AUTHORITY**

**TEMPORARY CONSTRUCTION EASEMENT**

**TCE AREA: ±445 SF**

- **SDCWA PARCEL NO.:** PORTAL 7A-TCE
- **VESTING:** SOUTH BALTIMORE LLC
  - **(PROJECT: R0209-R0214)**
  - **(APN 470-230-14)**
- **DRAWN BY:** JPII
- **CHECK BY:** WJS
- **12/29/2015**
- **SHT 2 OF 2**

L:\ROW\Epilog\LAND SURVEY & RECORDS\Projects\R0209-R0214 Trails\PORTALS\PORTAL 7A-TCE (APN 470-230-14)\PORTAL 7A-TCE.dwg Dec 29, 2015 - 8:52am

Page 454 of 500
EXHIBIT "B"

PARCEL R0209/R0214 PORTAL 7C - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 470-230-15&16
PRELIMINARY TITLE REPORT PREPARED BY BNT TITLE COMPANY
NO. CA15116262
DATE: SEPTEMBER 3, 2015

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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION

SAN DIEGO COUNTY
WATER AUTHORITY

TEMPORARY CONSTRUCTION EASEMENT
TCE AREA: ±194' SF

SDCWA PARCEL NO.: PORTAL 7C-TCE
(PROJECT: R0209-R0214)

VESTING: SOUTH BALTIMORE LLC (APN 470-230-15) & (APN 470-230-16)

DRAWN BY: JPW | CHECK BY: WJS | 17/29/2015 | SHT 2 OF 2
PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE §6103)

RECORDING REQUESTED BY AND WHEN RECORDED, PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

Assessor’s Parcel Nos.: 494-441-10, -11 & -34
(Space above this line for Recorder’s use)

Water Authority Parcel No.: P10A-TCE
Project Name & No.: R0209-R0214 – P3 Reline Lake Murray to Sweetwater Reservoir
DOCUMENTARY TRANSFER TAX: None (Gov. Code §6103)

Gerard E. Reed, III
Director of Engineering

GRANT OF TEMPORARY CONSTRUCTION EASEMENT TO THE SAN DIEGO COUNTY WATER AUTHORITY

Pacific Resources Associates, LLC (Grantor) own the real property (APNs 494-441-10, -11 & -34) (Property) described in Deed recorded 10/16/2000 as Doc. No. 2000-0554059, for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $ 35,700.

The term of this Easement is 9 months commencing October 1, 2017 and terminating June 30, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along,
Assessor’s Parcel No.: 494-441-10, -11 & -34
Water Authority Parcel No.: P10A-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir
and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass
over and along the Easement Area, including access to Grantee’s other easements, and to deposit and
store tools, implements, and other materials on the Easement Area and to utilize construction,
avtomotive, and other equipment thereon when necessary for the purpose of exercising its rights
hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation
or objects which are located upon the Easement Area. Upon completion of any work by Grantee
on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat,
clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel
Grantee to improve or maintain any part of the Easement Area as a roadway or private right of
way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the
successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this ______ day of
__________________________________________
2016.

GRANTOR: Pacific Resources Associates, LLC, a Delaware limited liability company

________________________________________
Grantor

________________________________________
Grantor

(Notearional acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

By: General Counsel
    San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor’s Parcel Number: 494-441-10, -11 & -34
Water Authority Parcel Number: P10A-TCE

This is to certify that the interest in real property conveyed by _________________ dated ____________, to the San Diego County Water Authority, is hereby accepted by the order of the Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this ________ day of ______________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

By: Gerard E. Reed, III
Director of Engineering
Assessor's Parcel No.: 494-441-10, -11 & -34 
Water Authority Parcel No.: P10A-TCE
Project Name and No: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit A
EXHIBIT “A”
LEGAL DESCRIPTION
TEMPORARY ACCESS EASEMENT
APN 494-441-10, 11 & 34
(R0209-R0214 P10A-TCE)

THE WEST 100.00 FEET OF LOTS 11 AND 12, IN BLOCK 10 OF PARK’S ADDITION TO LA MESA SPRINGS, IN THE CITY OF LA MESA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 993, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JUNE 6, 1906, TOGETHER WITH THE SOUTH 10.00 FEET OF THE WEST 100.00 FEET OF LOT 10, IN BLOCK 10 OF SAID PARK’S ADDITION TO LA MESA SPRINGS, AS SHOWN ON THE ATTACHED EXHIBIT “B”.

CONTAINING 10,999 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PL 6998 DATE
EXPIRATION 9/30/17
MJS 12/16/15
Exhibit B
EXHIBIT "B"

PARKS ADDITION TO LA MESA SPRINGS
MAP 993
LOT 9
BLOCK 10

SCALE: 1"=40'

APN 494-441-34
LOT 10

APN 494-441-11
LOT 12

APN 494-441-11
LOT 11

APN 494-441-12
LOT 13

FINLEY AVE

SPRING STREET

LEGEND:

- DENOTES PROPOSED TEMPORARY CONSTRUCTION EASEMENT (± 10999 SF)

# - INDICATES EXISTING EASEMENT. (SEE SHEET 2 OF 2 FOR ENCUMBRANCE ITEM DESCRIPTION.)

SAN DIEGO COUNTY WATER AUTHORITY

TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±10999 SF

SDCWA PARCEL NO.: PORTAL 10A-TCE (PROJECT: RO209-RO214) (APN 494-441-10, 11 & 34)

VESTING: PACIFIC RESOURCES ASSCS LLC/LPA 5261

DRAWN BY: JTW CHECK BY: MJS 12/29/2015 SHT 1 OF 2
EXHIBIT "B"

PARCEL R0209/R0214 PORTAL 10A - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 494-441-10,11 & 34
PRELIMINARY TITLE REPORT PREPARED BY BNT TITLE COMPANY

NO. CA15116265 DATE: SEPTEMBER 3, 2015

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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION

SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±10999 SF

SDCWA PARCEL NO.: PORTAL 10A-TCE (PROJECT: R0209-R0214)
VESTING: PACIFIC RESOURCES ASSOC LLC/LPO 5661 (APN 494-441-10,11 & 34)
DRAWN BY: JMW CHECK BY: MJS 12/29/2015 SHT 2 OF 2
GRANT OF TEMPORARY CONSTRUCTION EASEMENT
TO THE
SAN DIEGO COUNTY WATER AUTHORITY

Brian W. & Margery M. Thompson (Grantor) own the real property (APN 499-361-20) (Property) described in Deed recorded 04/14/2015 as Doc. No. 2015-0177465, for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $ 300.

The term of this Easement is 9 months commencing October 1, 2017 and terminating June 30, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along,
Assessor’s Parcel No.: 499-361-20
Water Authority Parcel No.: P13B-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass over and along the Easement Area, including access to Grantee’s other easements, and to deposit and store tools, implements, and other materials on the Easement Area and to utilize construction, automotive, and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation or objects which are located upon the Easement Area. Upon completion of any work by Grantee on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat, clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel Grantee to improve or maintain any part of the Easement Area as a roadway or private right of way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this ______ day of ________________, 2016.

GRANTOR:

________________________________________
Grantor

________________________________________
Grantor

(Notarial acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

________________________________________
By: General Counsel
San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor’s Parcel Number: 499-361-20
Water Authority Parcel Number: P13B-TCE

This is to certify that the interest in real property conveyed by ____________________ dated ________, to the San Diego County Water Authority, is hereby accepted by the order of the Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this ________ day of ____________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

__________________________
By: Gerard E. Reed, III
Director of Engineering
Exhibit A
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 499-361-20
(R0209-R0214 P13B-TCE)

THAT PORTION OF LOT 376 OF LA MESA COUNTRY CLUB TRACT NO. 8, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 2034, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY JUNE 14, 1927, LYING 10.00 FEET EASTERLY AND IMMEDIATELY ADJACENT TO THE SAN DIEGO COUNTY WATER AUTHORITY RIGHT OF WAY SHOWN ON RECORD OF SURVEY 17762, RECORDED MARCH 27, 2003 AS FILE 2003-0346085 IN BOOK OF RECORD OF SURVEY MAPS AT PAGE 17762, LYING SOUTHERLY OF ENGINEERS STATION 4601+60 AS SHOWN ON "PIPELINE 3 RELINING LAKE MURRAY TO SWEETWATER RESERVOIR" PLANS, FILED IN THE OFFICE OF THE SAN DIEGO COUNTY WATER AUTHORITY AS PROJECT R0209-R0214, SPECIFICATION NO. 622. AS SHOWN ON THE ATTACHED EXHIBIT "B".

CONTAINING 282 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998
EXPIRATION 9/30/17

MJS 12/23/15
Assessor's Parcel No.: 499-361-20
Water Authority Parcel No.: P13B-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit B
EXHIBIT "B"

PARCEL R0209/R0214 PORTAL 13B - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 499-361-20
PRELIMINARY TITLE REPORT PREPARED BY CHICAGO TITLE COMPANY
NO. 00043124-994-X59 DATE: AUGUST 27, 2015

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SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±282 SF

SDCWA PARCEL NO.: PORTAL 13B-TCE
(PROJECT: R0209-R0214)

VESTING:
THOMPSON, BRIAN W & MARGERY M
(APN 499-361-20)

DRAWN BY: JPW CHECK BY: MJS 12/29/2015 SHT 2 OF 2
PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE §6103)

RECORDING REQUESTED BY AND WHEN RECORDED, PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

Assessor's Parcel No.: 503-051-08
Water Authority Parcel No.: P14B-TCE
Project Name & No.: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir
DOCUMENTARY TRANSFER TAX: None (Gov. Code §6103)

Gerard E. Reed, III
Director of Engineering

GRANT OF TEMPORARY CONSTRUCTION EASEMENT
TO THE
SAN DIEGO COUNTY WATER AUTHORITY

Thomas David & Anjanette F. Perkins (Grantor) own the real property (APN 503-051-08) (Property) described in Deed recorded 4/30/2007 as Doc. No. 2007-0294774 for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $900.

The term of this Easement is 9 months commencing October 1, 2017 and terminating June 30, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along,
Assessor’s Parcel No.: 503-051-08  
Water Authority Parcel No.: P14-B-TCE  
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass over and along the Easement Area, including access to Grantee’s other easements, and to deposit and store tools, implements, and other materials on the Easement Area and to utilize construction, automotive, and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation or objects which are located upon the Easement Area. Upon completion of any work by Grantee on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat, clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel Grantee to improve or maintain any part of the Easement Area as a roadway or private right of way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this _____ day of ________________, 2016.

GRANTOR: Thomas & Anjanette Perkins

____________________________
Grantor Thomas David Perkins

____________________________
Grantor Anjanette F. Perkins

(Notarial acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

By: General Counsel  
San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor's Parcel Number: 503-051-08
Water Authority Parcel Number: P14B-TCE

This is to certify that the interest in real property conveyed by ______________________ dated ________, to the San Diego County Water Authority, is hereby accepted by the order of the Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this ________ day of _____________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

By: Gerard E. Reed, III
Director of Engineering
Assessor's Parcel No.: 503-051-08
Water Authority Parcel No.: P14B-TCE
Project Name and No: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit A
EXHIBIT "A"
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 503-051-08
(R0209-R0214 P14B-TCE)

THAT PORTION OF LOT 388 OF LA MESA COUNTRY CLUB TRACT NO. 8, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 2034, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY JUNE 14, 1927, LYING NORTHEASTERLY OF THE SAN DIEGO COUNTY WATER AUTHORITY RIGHT OF WAY SHOWN ON RECORD OF SURVEY 17782, RECORDED MARCH 27, 2003 AS FILE 2003-0346085 IN BOOK OF RECORD OF SURVEY MAPS AT PAGE 17782, AS SHOWN ON THE ATTACHED EXHIBIT "B".

CONTAINING 943 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998 DATE
EXPIRATION 9/30/17
MJS 12/23/15
Assessor's Parcel No.: 503-051-08
Water Authority Parcel No.: P14B-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit B
# EXHIBIT "B"

## PARCEL R0209/R0214 PORTAL 14B - TCE

**ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO.503-051-08**  
**PRELIMINARY TITLE REPORT PREPARED BY TITLE 365**  
**NO. 510-1503988-50**  
**DATE: AUGUST 19, 2015**

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<td>DENNIS J. WERNER ROAD RIGHT OF WAY</td>
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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA  
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION

---

**SAN DIEGO COUNTY WATER AUTHORITY**  
**TEMPORARY CONSTRUCTION EASEMENT**

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<td>MJS</td>
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<td>SHEET:</td>
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Page 480 of 500
PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE §6103)

RECORDING REQUESTED BY AND WHEN RECORDED, PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

Assessor's Parcel No.: 503-051-10
Water Authority Parcel No.: P14D-TCE
Project Name & No.: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir
DOCUMENTARY TRANSFER TAX: None (Gov. Code §6103)

Gerard E. Reed, III
Director of Engineering

GRANT OF TEMPORARY CONSTRUCTION EASEMENT
TO THE
SAN DIEGO COUNTY WATER AUTHORITY

John Cook (Grantor) own the real property (APN 503-051-10) (Property) described in Deed recorded 3/27/2014 as Doc. 120561, for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $ 600.

The term of this Easement is 9 months commencing October 1, 2017 and terminating June 30, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along, and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass
Assessor’s Parcel No.: 503-051-10
Water Authority Parcel No.: P14D-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

over and along the Easement Area, including access to Grantee’s other easements, and to deposit and store tools, implements, and other materials on the Easement Area and to utilize construction, automotive, and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation or objects which are located upon the Easement Area. Upon completion of any work by Grantee on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat, clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel Grantee to improve or maintain any part of the Easement Area as a roadway or private right of way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this _____ day of ______________, 2016.

GRANTOR: John Cook

________________________________________
Grantor John Cook

(Notarial acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

________________________________________
By: General Counsel
    San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor’s Parcel Number: 503-051-10
Water Authority Parcel Number: P14D-TCE

This is to certify that the interest in real property conveyed by ________________ dated ___________, to the San Diego County Water Authority, is hereby accepted by the order of the Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this ________ day of ____________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

By: Gerard E. Reed, III
     Director of Engineering
Assessor's Parcel No.: 503-051-10
Water Authority Parcel No.: P14D-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit A
EXHIBIT “A”
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 503-051-10
(R0209-R0214 P14D-TCE)


CONTAINING 478 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998  DATE
EXPIRATION 9/30/17

MJS 12/23/15
Assessor's Parcel No.: 503-051-10
Water Authority Parcel No.: P14D-TCE
Project Name and No: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit B
EXHIBIT "B"
PARCEL R0209/R0214 PORTAL 14D - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 503-051-10
PRELIMINARY TITLE REPORT PREPARED BY TITLE 365

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* NOT PLOTTED - DOES NOT AFFECT EASEMENT AREA
** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION

SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±478 SF

SDCWA PARCEL NO.: PORTAL 14D-TCE
(PROJECT: R0209-R0214) VESTING: COOK, JOHN STEPHEN
(APN 503-051-10)

DRAWN BY: JFW CHECK BY: WJS 12/29/2015 SHT 2 OF 2
PLEASE RECORD THIS DOCUMENT AT NO FEE AS IT IS TO THE BENEFIT OF THIS DISTRICT (GOV. CODE §6103)

RECORDING REQUESTED BY AND WHEN RECORDED, PLEASE MAIL TO:

San Diego County Water Authority
Engineering Department
4677 Overland Avenue
San Diego, CA 92123

Assessor's Parcel No.: 578-071-01
Water Authority Parcel No.: P15-TCE
Project Name & No.: R0209-R0214 -P3 Reline Lake Murray to Sweetwater Reservoir
DOCUMENTARY TRANSFER TAX: None (Gov. Code §6103)

Gerard E. Reed, III
Director of Engineering

GRANT OF TEMPORARY CONSTRUCTION EASEMENT TO THE SAN DIEGO COUNTY WATER AUTHORITY

Eileen Burnett & Ronald Chappelow, trustees of Hagg Trust (Grantor) own the real property (APN 578-071-01) (Property) described in Deed recorded 8/15/2003, as Doc. 994013, for valuable consideration, receipt of which is acknowledged, Grantor grants to the San Diego County Water Authority (Grantee) a temporary construction easement (Easement), together with the right to use and occupy the surface and subsurface of that portion of the Property described in Exhibit A and as shown on Exhibit B (Easement Area), attached hereto and made a part hereof.

The Easement granted hereby shall be for the purposes including but not limited to access to repair and reline pipeline 3, contractor storage, and all construction activities associated with the above referenced pipeline reline project.

Just Compensation $4,000.

The term of this Easement is 9 months commencing October 1, 2017 and terminating June 30, 2018.

Grantor shall not grant or dedicate any other easement or easements on, under, or over the Easement Area without prior written consent of Grantee.

Grantor further grants the right to erect and maintain temporary fences and gates to secure the Easement Area, as well as unobstructed ingress and egress by a route across the Property to, along, and from the Easement Area generally shown on Exhibit B, including the right to pass and re-pass...
Assessor’s Parcel No.: 578-071-01
Water Authority Parcel No.: P15-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

over and along the Easement Area, including access to Grantee’s other easements, and to deposit and store tools, implements, and other materials on the Easement Area and to utilize construction, automotive, and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Grantee shall have the right to remove any buildings, structures, brush, trees, or other vegetation or objects which are located upon the Easement Area. Upon completion of any work by Grantee on the Easement Area, Grantee shall restore the surface, at Grantee’s cost, to a compacted, neat, clean condition but not necessarily the same condition as prior to such work.

Grantor waives any right under Civil Code Section 845 and any other right, if any, to compel Grantee to improve or maintain any part of the Easement Area as a roadway or private right of way.

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

In WITNESS WHEREOF, this instrument has been executed this _____ day of ______________ , 2016.

GRANTOR: Hagg Inter Vivos Trust

________________________________________  __________________________
Eileen Burnett  
Trustee

________________________________________  __________________________
Ronald Chappelow  
Trustee

(Notarial acknowledgment of execution by GRANTOR must be attached.)

Approved as to form and legality:

________________________________________
By: General Counsel  
San Diego County Water Authority
CERTIFICATE OF ACCEPTANCE

Re: Assessor’s Parcel Number: 578-071-01
Water Authority Parcel Number: P15-TCE

This is to certify that the interest in real property conveyed by ______________________ dated ______________, to the San Diego County Water Authority, is hereby accepted by the order of the Board of Directors and the Grantee who consent to the recording of said conveyance.

Executed on this ________ day of ______________________, 2016.

SAN DIEGO COUNTY WATER AUTHORITY

By: Gerard E. Reed, III
   Director of Engineering
Exhibit A
EXHIBIT “A”
LEGAL DESCRIPTION
TEMPORARY CONSTRUCTION EASEMENT
APN 578-071-01
(R0209-R0214 P15-TCE)


CONTAINING 13,066 S.F. MORE OR LESS

MARVIN J. SYLAKOWSKI, PLS 6998
EXPIRATION 9/30/17
MJS 12/24/15
Assessor’s Parcel No.: 578-071-01
Water Authority Parcel No.: P15-TCE
Project Name and No: R0209-R0214 –P3 Reline Lake Murray to Sweetwater Reservoir

Exhibit B
EXHIBIT "B"

TERRA II UNIT 4
MAP 7321

TERRA II UNIT 1
MAP 7180

EXISTING 20' WIDE
SDCWA RIGHT OF WAY
PER ROS 17782

EX-MISSION RANCHO
POR. LOT 9

APN 578-071-01

SCALE: 1"=80

SAN DIEGO COUNTY
WATER AUTHORITY

TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±13066 SF

SDCWA PARCEL NO.: Portal 15-TCE
(PROJECT: R0209-R0214) (APN 578-071-01)

VESTING:
HACC

DRAWN BY: JMM
CHECKED BY: MJS
12/29/2015
SHT 1 OF 2

LEGEND:
- DENOTES PROPOSED TEMPORARY CONSTRUCTION EASEMENT (±13066 SF)
- INDICATES EXISTING EASEMENT. (SEE SHEET 2 OF 2 FOR ENCUMBRANCE ITEM DESCRIPTION.)
EXHIBIT "B"
PARCEL R0209/R0214 PORTAL 15 - TCE

ENCUMBRANCE DATA FOR ASSESSORS PARCEL NO. 578-071-01
PRELIMINARY TITLE REPORT PREPARED BY BNT TITLE COMPANY
No. CA15115627
DATE: AUGUST 10, 2015

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** NOT PLOTTED - EXACT LOCATION INDETERMINATE - INSUFFICIENT INFORMATION

SAN DIEGO COUNTY WATER AUTHORITY
TEMPORARY CONSTRUCTION EASEMENT

TCE AREA: ±13066 SF

SDCWA PARCEL NO.: PORTAL 15-TCE (PROJECT: R0209-R0214)
VESTING: HAGG (APN 578-071-01)

DRAWN BY: JFW  CHECK BY: MJS  12/29/2015  SHT 2 OF 2
November 30, 2016

Attention: Board of Directors

General Counsel’s Report – October/November 2016

Purpose
This report discusses certain legal matters receiving attention during the months of October/November 2016.

Significant Developments in Pending Litigation

MWD Rate Cases

2010/2012 Rate Cases:  The formal briefing of MWD’s appeal from Judge Karnow’s ruling invalidating its 2011-2014 rates and awarding the Water Authority $235 million in contract damages, and the Water Authority’s cross-appeals concerning MWD’s Rate Structure Integrity (RSI) clause and Judge Karnow’s attorneys’ fees order, is now complete. On October 28, 2016, the Water Authority filed its reply brief on its cross-appeal on the RSI clause and the Court’s award of attorneys’ fees. The Water Authority also filed a Request for Judicial Notice (RJN), asking the Court of Appeal to take notice of MWD’s filings in the 2016 case seeking to disqualify Judge Karnow, because its position is inconsistent with arguments it is making on appeal. MWD filed an opposition to the Water Authority’s RJN and the Court of Appeal has deferred any ruling on the RJN to its decision on the merits of the appeal. On November 11, 2016, Upper San Gabriel Valley Municipal Water District submitted an application for leave to file an amicus curiae brief. On November 14, 2016, the Water Authority filed an opposition arguing Upper District waived its right to participate in this litigation by failing to appear in the litigation. Should the Court of Appeal grant Upper San Gabriel Valley Municipal Water District’s application, the Water Authority will respond to the merits of the brief.

In the near future, the case will be set for oral argument in the Court of Appeal, with a likely argument date in spring 2017, followed by a decision in summer 2017 (though such dates are just estimates at this time). John Keker will argue on behalf of the Water Authority, and Kathleen Sullivan of the Quinn Emanuel law firm will argue on behalf of MWD.

2014 Rate Case:  The case filed on May 30, 2014 challenging MWD’s rates adopted in 2014 for 2015 and 2016 was transferred to San Francisco Superior Court, assigned to Judge Karnow, and remains stayed pending the outcome of the appeal of the 2010 and 2012 cases.

2016 Rate Case:  On April 13, 2016, the Water Authority filed and served a new lawsuit against MWD in Los Angeles Superior Court challenging the rates and charges adopted in 2016 by the MWD board for the 2017 and 2018 calendar years. At the Water Authority’s request and over MWD’s objection, the Los Angeles Superior Court transferred the 2016 case to San Francisco
Superior Court where the three other cases are pending. After transfer, MWD exercised its peremptory challenge, moving to disqualify Judge Karnow from hearing the 2016 case. The Water Authority opposed MWD’s motion, arguing that the 2016 case was a continuation of the 2010 and 2012 cases because MWD used the same methodology and cost allocation in this case that it used in setting the rates that were invalidated by Judge Karnow in the 2010/2012 cases. On October 18, 2016, Judge Karnow granted MWD’s motion to, ruling that the 2016 case was not a continuation of the 2010/2012 cases because the Water Authority could have brought the 2016 case even if it had not filed the earlier cases. In making his ruling, Judge Karnow also said the risk of inconsistent rulings is speculative because all the cases will follow the Court of Appeal ruling in the 2010/2012 cases, which may provide binding precedent and through doctrines of e.g., collateral estoppel, regardless of which trial judge is assigned.

Following Judge Karnow’s order, the 2016 case was assigned to Judge Mary Wiss, the other complex litigation judge in San Francisco Superior Court. Thereafter, the Water Authority, MWD, and the eight MWD member agencies who answered the 2016 complaint entered into a stipulation (1) allowing the Water Authority to amend the 2016 complaint to add claims under the Exchange Agreement and for monetary damages; and (2) staying the 2016 case pending the outcome of the appeal in the 2010 and 2012 cases. On November 14, 2016, the Water Authority filed its amended complaint, and the 2016 case is now stayed.

Public Records Act Case:
As previously reported, the Water Authority filed a lawsuit in August against MWD in the Los Angeles Superior Court for disclosure of MWD’s rate model and related records evidencing how MWD assigned its costs and set its rates in 2016 for calendar years 2017 and 2018. On October 11, 2016, MWD filed its answer, requesting the Water Authority’s petition be denied and dismissed in its entirety. Shortly after the lawsuit was filed, the Water Authority filed a motion for mandatory transfer of venue to the San Francisco Superior Court. While MWD agreed that the case was subject to mandatory transfer, it argued against San Francisco and in favor of Sacramento County. On November 15, 2016, Judge Mary Strobel of the Los Angeles Superior Court granted, over MWD’s objection, the Water Authority’s motion and ordered that the case be transferred to San Francisco.

Shimmick/Obayashi Joint Venture v. San Diego County Water Authority

The discovery phase of this large CIP case is moving forward towards trial, which is set for July 21, 2017. One significant area of dispute has been Plaintiff’s refusal to allow certain key Japanese witnesses (Obayashi employees) to be deposed in Japan (the witnesses cannot be compelled to come to the U.S.). Plaintiff has fought the Water Authority at every stage to prevent such depositions, but we recently overcame all such objections and the depositions are now set in Japan in December.

Special Counsel Expenditures

Funds approved for payments to special counsel during October/November 2016 from the General Counsel’s Operating Budget totaled $232,158.58 for work related to the MWD rate dispute, public records litigation, QSA litigation, and general legal services. In addition, $23,696.76 was approved for payment from Colorado River Program’s Operating Budget for work related to QSA implementation, and $30.50 was approved for payment from Human Resources’ Operating Budget for work related to personnel issues. CIP expenditures during October/November 2016 were
$280,616.21 for litigation expenses related to the San Vicente Dam Raise Project (Shimmick/Obayashi Joint Venture v. SDCWA), the San Vicente Tunnel Project (Traylor/Shea Joint Venture v. SDCWA), Energy Projects and Contracts, Pipeline 3 Relining Project, and the Ramona Pipeline Pump Well Project.

**Requests Pursuant to the Public Records Act Request**

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Prepared by:  Mark J. Hattam, General Counsel

Attachment:  Special Counsel Expenditure Report
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1 Not included in totals, these legal expenses related to energy projects & contracts came out of Energy Program budget, not GC budget
2 Not included in totals, these legal expenses related to SWRCB Emergency Regs came out of Water Resources and POC budgets, not GC budget
3 Not included in totals, these legal expenses related to QSA came out of Colorado River Program budget, not GC budget
4 Not included in totals, these legal expenses related to personnel issues/labor negotiations came out of Human Resources budget, not GC budget
5 Not included in totals, these legal expenses related to bond counsel services came out of Finance budget, not GC budget