Proposed Staff Recommendation Consent Calendar for August 25, 2016

**ADMINISTRATION AND FINANCE COMMITTEE**

Note and file monthly Treasurer’s Report.

9-2. Execute a reimbursement resolution for the Capital Improvement Program.
Adopt Resolution 2016-____ making a declaration of official intent to reimburse certain capital project expenditures from proceeds of future debt obligations.

9-3. Resolution establishing amount due from the City of San Diego for the In-Lieu Charge as a condition of providing water service for Fiscal Year 2017.
Adopt Resolution No. 2016-____ establishing an amount due of $2,096,423.46 from the city of San Diego for the In-Lieu Charge for fiscal year 2017.

9-4. Amendments to the San Diego County Water Authority Local Conflict of Interest Code.
a) Conduct the Public Hearing.
b) Adopt Resolution No. 2016-____ approving amendments to the San Diego County Water Authority Local Conflict of Interest Code.

9-5. Ordinance making clean-up and other amendments to chapters 1.16, 2.00, 4.00, 4.04, and 7.00 of the Administrative Code.
Adopt Ordinance No. 2016-____, an ordinance of the board of directors of the San Diego County Water Authority making clean-up and other amendments to chapters 1.16, 2.00, 4.00, 4.04, and 7.00 of the Administrative Code.

**ENGINEERING AND OPERATIONS COMMITTEE**

9-6. Professional services contracts with Kleinfelder and Tetra Tech for as-needed structural engineering services.
Authorize the General Manager to award professional services contracts to Kleinfelder and Tetra Tech for an amount not-to-exceed $350,000 each, to provide as-needed structural engineering support services for up to five years.

9-7. Professional services contracts with Richard Brady & Associates and LEE & RO for as-needed electrical, instrumentation, and controls engineering services.
Authorize the General Manager to award professional services contracts to Richard Brady & Associates and LEE & RO, for an amount not-to-exceed $200,000 each to provide as-needed electrical, instrumentation, and controls engineering support services for up to five years.

9-8. Service contract with Co’s Traffic Control, Inc. for traffic control services.
Authorize the General Manager to award a service contract to Co’s Traffic Control, Inc. to provide traffic control services for a period of two years, with an option to extend the contract for an additional two years, for a total not-to-exceed amount of $500,000.
9- 9. Construction contract with L.H. Woods and Sons, Inc. for the Pipeline 4 Relining at Lake Murray project.
Authorize the General Manager to award a construction contract to L.H. Woods and Sons, Inc. in the amount of $6,777,000 for the Pipeline 4 Relining at Lake Murray project.

WATER PLANNING COMMITTEE

9-10. Resolution Certifying the Final Supplement to the Precise Development Plan and Desalination Plant Project Final Environmental Impact Report (SEIR); Adopting Environmental Findings of Fact, Statement of Overriding Considerations and a Mitigation Monitoring and Reporting Program; and Authorizing Filing of a Notice of Determination. It is recommended the Board adopt a Resolution that:

a) Certifies the Final SEIR has been completed in compliance with the California Environmental Quality Act (CEQA) and State CEQA Guidelines, and reflects the independent judgment of the Board;

b) Concurrently adopts the Environmental Findings of Fact, Statement of Overriding Consideration and a Mitigation Monitoring and Reporting Program;

c) Authorizes the filing of a Notice of Determination.

Authorize the General Manager to execute this Water Purchase Agreement Contract Administration Memorandum (CAM) between the Water Authority and Poseidon Resources (Channelside) LP for implementation of the intake and discharge modifications (Modifications) for the Lewis Carlsbad Desalination Plant (CDP).
Date: August 24, 2016
To: San Diego County Water Authority Board Members
From: Ken Carpi, Washington Representative
Subject: Federal Legislative Update

**House and Senate in Recess for the Summer**

Congress remains in recess until September 6 and the President has been vacationing in August also. The House will be in session for the duration of September before breaking again until a lame duck session beginning on November 14. The Senate will work through the first week of October before joining the House in recess for campaigning.

A few issues will dominate after Congress returns. Foremost on the list is passing a Continuing Resolution (CR) to keep the federal government open after the start of the new fiscal year on October 1. Members will likely pass a CR providing funding into December, but there is a push by members of the House Freedom Caucus to pass a longer CR, perhaps through March 2017. House Speaker Ryan will need to address this in early September. Other issues on the list for consideration include funding to respond to the Zika virus, and how to pay for it; criminal justice sentencing reforms; and a major water resource bill (see below).

**Senate Expected to Take Up WRDA Bill**

During the second week of September, the Senate is expected to take up the Water Resources Development Act of 2016. The Senate bill includes significant new authorization of funding for drinking and waste water systems, in addition to WRDA’s normal attention to Corps of Engineers’ navigation and flood projects.

House and Senate committee staff have been meeting during August to smooth over differences between the bills passed by committee in each chamber. The greatest difference being that the House bill does not contain the additional funding authorization for water systems. While much of this funding is intended to address Flint, Michigan, some of the funding would be available elsewhere.
House leaders have indicated that they would like the Senate to take the lead in passing
WRDA. Should the Senate indeed pass WRDA in September, it is questionable whether
the House could quickly follow suit on a pre-conferenced bill and get it to the President’s
desk before the election. Nonetheless, stakeholder groups have clearly made that a goal.

**Clinton, Trump Transition Teams Taking Shape**

Whereas presidential candidates once shunned public discussion of transition planning for
fear of “measuring the drapes” before Election Day, the need for the President-elect to
have a functioning Administration ready to go at noon on January 20 has necessitated
formal transition operations by each major party nominee (and third party candidates if
they meet a 15 percent threshold in major polls). The job of these committees is to
establish departmental policy positions and begin vetting candidates for more than 1500
political appointments, including Cabinet secretaries, which need to be filled in a new
Administration.

Hillary Clinton named former White House Chief of Staff and Center for American
Progress founder John Podesta as her transition chairman. Former Senator and Secretary
of the Interior Ken Salazar and former Michigan Governor Jennifer Granholm will lead the
team. Salazar is well versed in California and Colorado River water issues, although it is
not yet clear how this may translate into transition policy or appointments. Granholm is
also widely believed to be the front-runner for Energy Secretary if Clinton wins. Joining
them will be Center for American Progress President Neera Tanden, former Obama
national security adviser Tom Donilon and Maggie Williams, a long-term aide to Hillary
Clinton.

Donald Trump announced that New Jersey Governor Chris Christie would chair his
transition committee. While several individuals have been mentioned for roles in his
transition, no formal announcements have yet been made.

**Clinton, Trump Call for More Infrastructure Spending**

Each nominee has promised to push for significant new spending on infrastructure,
including water systems, if elected. Hillary Clinton has pledged to spend $225 billion over
five years on infrastructure that includes transportation, water, energy, and high-speed
Internet access. She would also spend $25 billion to capitalize a new national
infrastructure bank to attract private funding to invest in a broad range of infrastructure.

Clinton has offered that this new spending would be paid for through “business tax
reform.” She has not offered additional details on the questions that have bedeviled earlier
infrastructure bank proposals, such as where it would be housed, its governance structure,
project evaluation criteria, and financial controls.

Donald Trump has also called for more spending, saying that he would seek $500 billion.
He has not offered details on where this funding would come from or on the types of
infrastructure he supports.
August 24, 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 August 15 and 16, 2016, and meet next on September 12 and 13.

Discussion
Key actions at this month’s MWD Board meetings included: 1) adopting a resolution establishing the ad valorem tax rate for fiscal year 2017; and 2) approving Water Savings Incentive Program (WSIP) agreements with three textile dyeing companies. Additionally, the Board received oral reports on the demonstration project for MWD’s potential recycled water program with the Los Angeles County Sanitation Districts (LACSD), Colorado River shortage sharing negotiations, and California WaterFix (WaterFix) issues. Attachment 1 summarizes the discussion related to the potential LACSD recycled water program. In closed session, the Board received oral updates on the rate litigation with the Water Authority and litigation related to MWD’s purchase of the Delta Wetlands Properties.

Fiscal Year 2017 Tax Levy
When MWD adopted the biennial budget in April 2016, it also adopted a resolution finding the suspension of the ad valorem property tax rate limit “essential to the fiscal integrity” of MWD, and adopted its budget and rates based on continuing the rate at the same level as fiscal year 2016. This month the Board adopted a resolution fixing the tax rate at 0.0035 percent, the same as assumed in the adopted budget and since fiscal year 2013. This is the fourth year in a row that the MWD Board has suspended its tax rate limitation and in doing so, it is projected to generate at least $50 million more in tax revenues than it otherwise would have without the suspension. Consistent with the Water Authority Delegates’ previous opposition to suspending the tax rate limitation, they also opposed this action. The Delegates opposed this item because MWD failed to provide any analysis demonstrating that these tax revenues are “essential” to its “fiscal integrity” along with other reasons, which are detailed in their letter to MWD (Attachment 2). Attachment 3 summarizes the Board’s discussion and public comment on this item. Also, based on updated assessed valuations, the Water Authority now has a 17.47 percent vote entitlement at MWD, up from 17.44 percent from the previous year.

Water Savings Incentive Program (WSIP) Agreements
MWD authorized entering into three WSIP agreements with textile dyeing companies for an expected combined cost of $1.8 million to achieve an estimated 9,180 acre-feet of water savings over 10 years. Although the Water Authority’s Delegates support efforts to increase water use efficiency, they opposed this item because MWD’s conservation programs are funded through illegal rates. During

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2 The Delegates’ letter to MWD on these three WSIP agreements is found here: [http://www.mwdfacts.com/wp-content/uploads/2016/08/2016-08-12-WA-Delegate-ltr-re-MWD-WSIP-Agreement.pdf](http://www.mwdfacts.com/wp-content/uploads/2016/08/2016-08-12-WA-Delegate-ltr-re-MWD-WSIP-Agreement.pdf)
the Water Planning and Stewardship (WP&S) Committee’s discussion of the WSIP, the Delegates
offered additional suggestions to make this program more robust and ensure MWD’s investments are
truly funding water savings, should the program be approved by the Board. These suggestions
included measures to certify that the level of water savings expected through the program are
achieved and to allow MWD to recover its investment if a participating company goes out of business
before achieving the water savings over the 10-year agreement term. The Delegates also suggested
that MWD consider a revolving loan program to support these types of programs and ensure their
long-term fiscal sustainability. Ultimately, none of the suggestions to improve the program were
accepted by the MWD Board.

Imported Water Reports
During public comment at MWD’s WP&S Committee and Board meetings, a Food and Water Watch
representative sought clarification on the funding source for the current WaterFix planning costs.3
Additionally, the WP&S committee received an update on current Colorado River “drought
contingency” negotiations. Attachment 4 summarizes the questions posed by Food and Water Watch,
staff’s response to these questions, and the discussion related to Colorado River shortage sharing
discussions.

Overview
Overall, the Water Authority Delegation supported 11 of the 14 action items approved by the MWD
Board; they opposed entering into the three WSIP agreements and setting fiscal year 2017’s tax rate
at the same rate as the previous fiscal year. Directors Martinez (Santa Ana) and Ballin (San
Fernando) also opposed fixing the tax rate at the suspended level. The Board approved 1.5 percent
salary increases for its four direct reports, the General Manager, General Counsel, General Auditor,
and Ethics Officer. The Delegates, along with Directors Friedman (Glendale) and Ballin, opposed the
across-the-board salary increases because most of MWD’s direct reports are highly compensated, an
across-the-board increase may set the wrong tone as MWD enters into salary negotiations with its
unions. A salary survey conducted by Koff & Associates showed MWD’s General Manager’s salary
of $362,627 (before the Board action this month) is the highest among the nine agencies surveyed. It
also found MWD’s General Counsel’s and General Auditor’s salaries to be the second highest, when
compared with the surveyed agencies.4 The Board, earlier in closed session in the Organization,
Personnel and Technology Committee, discussed labor negotiations – MWD’s memorandum of
understanding with its three labor unions expire at the end of 2016. The Board deferred action on
adopting watershed management policy principles. The Board received an update on the treatment
fixed charge workgroup, which included staff’s proposed timeline of key milestones for the member
agency staff workgroup. The workgroup is tasked to develop a fixed treatment charge
recommendation for Board’s consideration at its July 2017 meeting, which the Board may decide to
implement starting in 2018. Attachment 5 is a copy of MWD’s August 2016 committee and Board
meeting agendas and summary report.

3 MWD reported that its share of the $239.6 million planning Funding Agreement is fixed about $63 million, and that
recently the Department of Water Resources (DWR) and the Bureau of Reclamation added $14.1 million to the planning
effort; however, a recent news article quoted a DWR representative suggesting the state’s share for the additional funding
came from the State Water Project contractors.
4 Koff & Associates could not locate sufficient comparable positions among the surveyed agencies and rendered the data
insufficient to conduct a statistical analysis for the Ethics Officer. Before the Board action, the Ethics Officer’s salary, at
$171,288, is less than half of the General Manager’s, and about 25 percent less than the third lowest paid direct report, the
General Auditor.
Attachment 1: Discussion Summary of MWD’s Potential Recycled Water Program
Attachment 2: Delegates’ letter regarding MWD’s ad valorem tax rate dated August 15, 2016
Attachment 3: Discussion Summary of MWD’s Fiscal Year 2017 Ad Valorem Tax Rate
Attachment 4: Discussion Summary of MWD’s Imported Water Supplies
Attachment 5: MWD’s committee and Board meeting agendas and Board summary, dated August 15 and 16, 2016
Discussion Summary of MWD’s Potential Regional Recycled Water Program

During MWD’s August 2016 Engineering and Operations Committee (E&O Committee), staff provided an oral report on the potential Regional Recycled Water Supply Program (Program) with the Los Angeles County Sanitation Districts (LACSD). MWD’s consultant, MWH Americas, Inc., reviewed the progress on the demonstration project, including the feasibility study, demonstration plant, and Program timeline. Following the presentation, the Board discussed the project.

In relation to the timeline for the demonstration plant and full-scale Program, Director Steiner asked if the timeline correctly captures that staff plans to seek Board action to approve the full-scale Program before the demonstration plant even begins construction. MWH Americas confirmed the timeline was correct. Switching to the project’s financing plan, Director Steiner asked if the feasibility study will analyze take-or-pay contracts to support the Program’s funding. Chief Operating Officer Man responded that MWD “is looking at firm commitments to deliver and firm commitments to purchase” through “purchase agreements.” Director Steiner reflected that MWD’s current purchase agreements are not take-or-pay. General Manager Kightlinger said staff would present “an array of [funding] options” for the Board’s consideration and Man added that take-or-pay contracts are being considered. Director Steiner stressed the importance of avoiding additional stranded assets considering MWD’s current struggle to recover its existing treatment investments.

Director Lefevre (Torrance) sought clarification on the conclusion of the advisory panel’s report that the Program should be designed to do direct portable reuse. Man replied that MWD is seeking to make the Program adjustable to potential regulation changes that may allow for second barrier indirect potable reuse and direct portable reuse. Man added that the Program’s conveyance facilities to deliver water to groundwater basins could also serve to convey water to MWD’s treatment plants and/or could be extended for second barrier indirect potable reuse.

Pointing out that LACSD previously indicated it would not sell MWD the land where the full-scale recycled water plant would be, or contribute to the capital costs of the plant, Director Barbre (Municipal Water District of Orange County) inquired about the Program’s agreement with LACSD, including the impact of the Program’s unstudied water quality on cost. MWH Americas said the pilot study provided “a pretty good sense” of source water quality, adding that the demonstration project is intended to “prove” the findings of the pilot program and provide assurance to MWD and regulators that the Program can meet water quality criteria. Man added that MWD “hopes” to define responsibilities between MWD and LACSD in its financing assessment, which MWD plans to discuss at its November and December Board meetings. Director Barbre encouraged that MWD model its Program after Orange County Water District

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1 The Board approved a $15 million demonstration project at its November 2015 Board meeting with the Delegates opposing the project. More information on MWD’s potential recycled water program with LACSD found in Metropolitan Water District Delegates’ Report for November starting on page 258 of the Water Authority November 2015 Board Packet here: http://www.sdcwa.org/sites/default/files/files/board/2015_Agendas/2015_12_10FormalBoardPacketSEC.pdf

2 This report has yet to be distributed to the Board but is available on MWD’s website here: http://mwdh2o.com/PDF_About_Your_Water/Advisory%20Panel%20Report%20on%20Demonstration%20Plant%20Design%2006302016%20FINAL.pdf
(OCWD) Ground Water Replenishment System (GWRS), of which Orange County Sanitation District paid about 40 percent of the capital costs. Also, Director Barbre suggested that proposed legislation limiting wastewater releases into the ocean may impact MWD’s negotiations with LACSD. Man replied that MWD is assessing the Program’s similarity to GWRS and views the Program as “a joint project and a joint investment.” Expressing his preference that MWD own the land where the full-scale plant would be, Director Barbre requested staff return to the Board with specific conditions for the full-scale Program.

Returning to the Program’s timeline, Director Lewinger questioned how MWD could move forward with the full-scale Program before the demonstration plant begins operating. MHW Americas replied that MWD is undertaking a “feasibility study,” which is limited in scope to answer the question: “can [the Program] be done,” while evaluating its costs and benefits. If the Board approved the Program then, according to MWH Americas, MWD could work on its conceptual design, permitting, and right-of-way issues while the demonstration plant is being constructed (and then operated). Director Lewinger asked why MWD would not want to wait until results are known from the demonstration plant’s operation to move forward with the full-scale Program, since MWD may find “fatal flaws” during the demonstration phase. Agreeing that the demonstration plant will provide additional information, MWH Americas said the Program Advisory Panel suggested that the demonstration plant should serve as “proof” that the treatment process can achieve the full-scale Program’s objectives. However, MWH Americas surmised that MWD would not “want to finalize a design until that regulatory approval was in place and that the demonstration of the efficacy of the process had been established.” Director Lewinger expressed concern about moving ahead with a full-scale Program before the demonstration project’s completion and requested that the Board discuss the Program’s timeline at a future meeting. MWD did not indicate that it would accommodate his request.

Pointing out that the quality of the Program’s source water is significantly different from other recycled water programs, like OCWD’s GWRS and San Diego’s PURE project, Director Steiner highlighted the importance of the demonstration project’s results and suggested MWD consider delaying action on the full-scale Program. Man said MWD plans to discuss the Program’s timeline in November and December and indicated that the purification process does not require additional research. Instead, Man suggested that the Program’s “institutional arrangements” and financing require more study. In December, MWD will seek Board approval for a conceptual design or “good next steps” to help evaluate if MWD should move forward with the full-scale Program, according to Man.

Director Blois (Calleguas) expressed support for the program, but questioned the business model MWD would use to implement the Program and suggested that the Integrated Resources Planning Committee discuss this policy issue. Concluding the discussion, E&O Committee Chair Peterson said he believes the most important implication for the Program is if the city of San Diego and others are able to change existing regulations to allow for direct potable reuse; if they are, then MWD could avoid investing in infrastructure to deliver water to groundwater basins.

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3 More information on the Program Advisory Panel found here: [http://mwdh2o.com/AboutYourWater/program-advisory-panel](http://mwdh2o.com/AboutYourWater/program-advisory-panel)

4 Director Blois offered two “templates” for MWD to consider: 1) build, own, and operate the program similar to its Colorado River Aqueduct, or 2) purchase the water and then transport it like MWD does with the State Water Project.
August 15, 2016

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

RE: Finance and Insurance Committee and Board Meeting Agenda Item 5E-2:
Adopt CEQA determination and the resolution establishing the tax rate for fiscal year 2016/17 - OPPOSE

Chairman Record and Board Members,

We have procedural and substantive objections to Board Memo 5E-2, described below, and for these reasons, we OPPOSE adoption of Agenda Item 5E-2. We have a standing objection to MWD’s suspension of the property tax limitation when it has not provided any facts demonstrating its need to do so, and MWD, has not provided any analysis why it cannot use available sources of fixed revenue, which the legislature in 1984 expressly gave MWD authorization to collect as an alternative to ad valorem taxes.

First, although the committee and board meeting agendas said the board memo on this subject would be "mailed separately," it was not received until 2:48 PM on Friday afternoon, by email (following an inquiry and request by one of our Delegates for this information). We believe establishing MWD’s tax rate is an important Board responsibility that warrants receipt of information well in advance of the meeting at which it is scheduled to be voted on, not late on the Friday afternoon before Monday’s 9:30 AM committee meeting.

We also raise a concern about how MWD has categorized this issue in current and prior committee and board meeting agendas, i.e., not under Board Action items, even when as this month action is clearly proposed to be taken, but under "Other Matters." This is very confusing to members of the public who may believe (quite reasonably) that all matters the Board will be voting on are listed either under the Consent Agenda or Board Action Items. And of course, this month, members of the public would have to be checking MWD’s web site continuously until late Friday afternoon hoping to obtain any information at all about what is being voted on Monday morning and at Tuesday’s Board meeting. We request you correct this process to provide timely information and transparency on future board agendas of issues related to the tax rate limitation suspension and California WaterFix costs which MWD identifies as...
justification for these property tax increases.

We are aware that the Board already voted at its April 12, 2016 meeting to adopt a resolution finding that continuing the ad valorem tax rate at the rate levied for fiscal year 2015/16 is "essential" to MWD's fiscal integrity. We opposed that board action for the reasons described in our March 6, 2016 letter, a copy of which is attached (without attachments). The April 12, 2016 Board meeting Memo 8-1 ("April Board Memo") did not contain any facts or analysis establishing why suspension of the tax rate limitation was necessary, let alone, "essential;" in fact, the April Board Memo is clear on its face that MWD could have raised water rates or used other readily available sources of fixed revenue as an alternative to suspension of the tax rate limitation.

Board Memo 5E-2 does not provide any new facts or analysis to justify the tax rate limitation suspension or imposition of the tax rate as described; instead, it relies upon a series of conclusory "recitals" taken from the April Board Memo. These self-serving declarations by MWD are not evidence or a substitute for a substantive analysis supporting a conclusion that suspension of the tax limitation is essential to MWD's fiscal integrity. In fact, these recitals are in stark contrast to the facts, including the following:

**MWD has sufficient revenue available to pay all of its costs without a tax rate limitation suspension.** At the time of the April 2016 board meeting, MWD had collected almost $850 million more than needed to pay its costs over the preceding four years. MWD chose to spend all of that money outside of its budget and rate-setting process rather than using those ratepayer dollars to avoid any purported need to suspend the tax rate limitation. Board Memo 5E-2 clearly states that the Board could have raised water rates to pay MWD's costs for fiscal year 2016/17, but chose not to do so; staff then goes on to reach the faulty conclusion that since the Board chose not to raise water rates, a tax rate suspension is therefore "essential." This turns the substance and intent of SB 1445 on its head.

**MWD has alternative sources of fixed revenue available that could be used in lieu of ad valorem property taxes.** The April Board Memo states:

> SB 1445 also authorized alternative sources of fixed revenue, including standby or readiness-to-serve charges and benefit assessments. It was not until 1992/93, when standby charges were initially adopted, that Metropolitan had any fixed revenue other than property tax. Now, however, those fixed-revenue alternatives are likely governed by additional legal requirements not in place or contemplated when the Legislature enacted SB 1445. Further, the precise scope of those requirements is uncertain, meaning that uncertainty and potential risk will accompany reliance on any new fixed revenue alternative authorized by SB 1445. (April Board Memo at page 10.)

Based on this mere recital, not accompanied by any further explanation or analysis of the purported "uncertainty" or "risk" associated with using the tools the Legislature expressly provided for MWD to use *in lieu of ad valorem property taxes*, MWD staff declares that ad valorem property taxes are "essential." We request that staff provide a detailed report at the September Board meeting of the "additional legal requirements" to which reference is made,
the analysis by which it has concluded that use of the fixed revenue alternatives is too "uncertain" or creates "risk," and the nature and extent of the risk it has identified.

MWD's reasoning is flawed and its characterization of history, including the legislative history of SB 1445, is false. We have described that history is prior letters to this Board and so will not repeat it here; instead, we incorporate our prior letters (and attachments), listed at the end of this letter, by reference.

**Resolution 9210 violates the requirements of MWD Act Section 134.** Resolution 9210 states that the Board "has fixed such rates and charges as will result in revenue which will pay the District's operating expenses" and other costs as described (emphasis added). However, that is not what Section 134 requires; rather, it provides that the Board, "so far as practicable, shall fix such rate or rates for water as will result in revenue, together with revenue from any water standby or availability charge or assessment" to pay the Districts' operating and other costs as described (emphasis added). Resolution 9210 does not comply with Section 134 of the MWD Act.

**It is premature to justify the need for a property tax limitation suspension on costs of the State Water Project or California WaterFix.** The evidence before the Board is clear that MWD has more than ample revenues and fixed cost recovery alternatives to pay for current State Water Project costs, without the necessity of a tax rate limitation suspension. The Board has not been provided with any cost estimates associated with the California WaterFix, neither Board Memo 5E-2 nor Resolution 9210 identifies or describes any such costs, and the Board has not yet voted on the project. Unless and until these things happen, the State Water Project costs do not justify the tax rate limitation suspension.

Sincerely,

Michael T. Hogan
Director

Keith Lewinger
Director

Fern Steiner
Director

Attachments:

1. March 6, 2016 letter RE March 7 Finance and Insurance Committee/Budget and Rates Workshop Agenda Item 9-2 (Proposed revenue requirements) and 8d (Presentation) and March 8 Board Meeting Agenda Item 4 Public Hearing RE suspension of tax rate limitation and proposed water rates and charges for calendar years 2017 and 2018

2. MWD April 30, 1984 Memo Re: Proposed Legislation Amending Metropolitan Water District Act and Revisions to Metropolitan Water District Administrative Code Relating to Taxation and Water Pricing

3. MWD March 1984 Report to the California Legislature in Response to AB 322
Prior letters written RE suspension of tax limitation:

1. Letter from Water Authority to John Foley and the MWD Board of Directors dated May 14, 2013 Re: Board Memo 8-1 – Set public hearing to consider suspending Section 124.5 of the Metropolitan Water District Act to maintain the current ad valorem tax rate

2. Letter from Metropolitan to California State Senate dated May 29, 2013 Re: public hearing scheduled pursuant to section 124.5 of the MWD Act on the suspension of ad valorem tax rate limitations

3. Letter from Water Authority to John Foley and Members of the Board of Directors dated June 5, 2013, Re: Board Memo 8-1 – Mid-cycle Biennial Budget Review and Recommendation for Use of Reserves over Target Water Rate Increases – OPPOSE AND REQUEST FOR REFUND TO RATEPAYERS OF EXCESS RESERVES, and Board Memo 8-2 – Suspend the tax rate limitations in Section 124.5 of the MWD Act to maintain the ad valorem tax rate for fiscal year 2013/14 – OPPOSE

4. Letter from Water Authority to Darrell Steinberg and The California State Senate dated March 7, 2014 Re: MWD Public Hearing on Suspension of Tax Rate Limitation

5. Letter from Water Authority to Randy Record and Members of the Board of Directors dated August 15, 2015 Re: Board Memo 5G-2 – Adopt (1) the resolution finding that continuing an ad valorem tax rate at the rate levied for fiscal year 2013/14 is essential to MWD’s fiscal integrity; and (2) the resolution establishing the tax rate for fiscal year 2014/15 – OPPOSE OPTION 1

6. Letter from Water Authority to Randy Record and Members of the Board of Directors dated March 6, 2016 Re: March 7 Finance and Insurance Committee/Budget and Rates Workshop #3 Items 9-2

cc: San Diego County Water Authority Board of Directors


**Discussion Summary of MWD’s Fiscal Year 2017 Ad Valorem Tax Rate**

At its April 2016 Board meeting, MWD adopted its fiscal year 2017 and 2018 budget and associated rates and charges for calendar years 2017 and 2018. As part of its budget and rates action, the Board approved suspending the ad valorem tax (tax) rate limitation, with the Delegates opposing this action as well as MWD’s illegal rates and charges. The MWD Act restricts MWD’s use of the ad valorem tax to recover its General Obligation (GO) bond debt and debt associated with the State Water Project (SWP). As these debts are repaid, the tax rate naturally declines unless the MWD Board notifies the legislature of its intent to suspend this limitation, holds a public hearing, and also finds the suspension “essential to [MWD’s] fiscal integrity.” During MWD’s August 2016 Finance and Insurance Committee (F&I Committee), staff recommended that MWD fix the fiscal year 2017 property tax rate at 0.035 percent, the same rate since fiscal year 2013, which is projected to generate at least $50 million more than otherwise allowed under the Act.

Prior to staff’s presentation on this item, a representative from Food and Water Watch urged the Board to oppose setting the tax rate at the suspended level, saying that MWD has sufficient revenue to pay its SWP indebtedness. The representative said MWD is seeking to unnecessarily collect extra tax revenues to fund California WaterFix (WaterFix), a project that MWD acknowledges lacks clear costs as well as supply benefits to MWD ratepayers.

Following staff’s presentation, the F&I Committee briefly discussed the tax rate. Director Dake (Los Angeles) asked for clarification on the connection staff drew between suspending the tax rate limit and funding programs related to maintenance, conservation, local projects, “environmental mitigation work,” and “other costs associated with ensuring a safe and reliable” water supply. Chief Financial Officer Breaux replied that the tax revenues may only be used for SWP contract costs but by suspending the tax rate limitation, and generating more revenues from taxes, revenues from rates are freed-up to fund those types of programs. The F&I Committee approved suspending the tax rate limitation with Director Lewinger, the Water Authority’s sole committee member, opposing the item.

At the following day’s Board meeting, 14 speakers from the Los Angeles area expressed opposition to suspending the tax limitation. They voiced concerns including that the suspension would harm residents on fixed and/or low incomes and generate revenues to fund WaterFix; some speakers urged the Board to create a more transparent budget, rates, and tax fixing process. Later, during the Board meeting, Director Steiner reiterated the Delegates’ opposition to the tax rate limitation suspension and reflected that the Board must discuss how it plans to finance WaterFix considering the history surrounding MWD’s taxing authority. Noting that the staff’s April Board memo and this month’s report only include conclusions but lacked actual analysis, Director Steiner asked if MWD completed an analysis that supports its conclusion that fixed revenue sources other than the ad valorem tax are “uncertain” and pose “potential risk.” When staff did not

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1 MWD has held its tax rate at 0.035 percent since fiscal year 2013. More information on the tax rate is found in the Metropolitan Water District Program Report starting on page 175 of the Water Authority’s August 2016 Board packet: [http://www.sdcwa.org/sites/default/files/files/board/2016_Agendas/2016_08_25FormalBoardPacketREV.pdf](http://www.sdcwa.org/sites/default/files/files/board/2016_Agendas/2016_08_25FormalBoardPacketREV.pdf)

respond, Director Steiner stated she assumed the non-response means no analysis exists and requested MWD to conduct an analysis to support the findings; MWD did not indicate if it would. In response to Director Dake, General Manager Kightlinger confirmed the tax revenues would be used to fund MWD’s GO debt and a portion of its SWP contract obligations. Kightlinger also agreed with Director Lewinger that MWD would reduce the taxes collected without the Board’s action to suspend its limitation. Ultimately the Board approved the suspension with the Delegates, Director Ballin (San Fernando), and Director Martinez (Santa Ana) opposing the action.

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3 In a subsequent follow-up email, Director Steiner asked the General Manager about this analysis, to which Kightlinger replied that staff did not respond because it thought the question was “rhetorical” and the analysis is included in the April 2016 budget document.

4 In 1975, the city of Los Angeles filed a lawsuit against MWD, which was settled in 1977. As part of the settlement MWD agreed to transition from relying on tax revenues to water sales revenues. However, MWD’s transition lagged and Los Angeles sought to change the MWD Act to limit the district’s taxing authority. In 1984, the MWD Act was amended, limiting MWD’s ability to collect property taxes to its SWP indebtedness starting in fiscal year 1991.
Discussion Summary of MWD’s Imported Water Supplies

*Colorado River “Voluntary” Shortage Sharing*

During MWD’s August 2016 Water Planning and Stewardship Committee (WP&S Committee), MWD provided an oral update on the current Colorado River “drought contingency” discussions that was not described in the staff report.¹ According to Colorado River Resources Manager Hasencamp’s characterization, MWD’s main reason for participating in these discussions is not to prevent a shortage declaration – which he said is likely to happen in the near future – but to stop Lake Mead from reaching “critically low elevations.” Previously, Hasencamp suggested that the Colorado River has a “structural deficit,” a term he used to describe that the River is over-allocated. Since MWD now seems to suggest a shortage declaration in the near future is inevitable, it is unclear if reducing River apportionments is a long-term strategy to prevent Lake Mead from reaching critical low elevations. In a prior presentation, Hasencamp showed a shortage sharing method that would have California “voluntarily” agreeing to reduce its take on the Colorado water ahead of the currently agreed schedule. MWD, as the fourth and fifth priority holder among California’s Colorado River contractors,² has the most junior right to California’s share of the River’s water, and it was unclear in the prior presentation how California contractors would reduce their Colorado River diversions. This month, Hasencamp reported that California contractors have reached a “conceptual agreement on how to share any potential reductions,” which “would be proportional based on [Colorado River contractors’] diversions.” Under this methodology, Hasencamp estimated that MWD’s would be responsible for 25 percent of California’s cutback, rather than baring the entire brunt of the cut.

Stressing that these cutbacks are “a drought contingency plan against low elevations in Lake Mead,” Hasencamp reported that California contractors are willing to store water in Lake Mead to slow the lake’s decline but the contractors seek to ensure they can get their water back. Since the River’s “structural deficit” is the main driver for the inevitable shortage, according to MWD, it appears that the only scenario that water “stored” in the Lake could be returned would presumably be during a surplus condition. During his previous presentation Hasencamp reported that the probability of California getting any of this water returned was around 23 percent. However, Hasencamp said California contractors believe this probability is too low. As a result, additional modeling is being undertaken to examine “new tools” to increase the return probability. Hasencamp said this modeling will also demonstrate the value of MWD having access to its Intentionally Created Surplus during shortages, which he said will respond to Director Lewinger’s earlier request. Hasencamp reported that the proposed shortage sharing agreements are still being finalized and staff anticipates it will return to its Board in October or November with more information and the opportunity for a “thorough discussion.” Board action on the cutback agreements is expected in November or December, with the agreement going into effect in 2017. Hasencamp also mentioned that negotiations for an agreement with Mexico beyond Minute 319 are ongoing and that any proposed

¹ More information on these negotiations found in Metropolitan Water District Delegates’ Report starting on page 3 of the Water Authority’s June 2016 Supplemental Board packet: http://www.sdcwa.org/sites/default/files/files/board/2016_Supplemental%20Materials/2016_06_23Suppmaterials.pdf
² California Colorado River largest contractors are Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley Water district, and MWD. Although the Water Authority along with State of California and Los Angeles Department of Water and Power sit on the Colorado River Board, the Water Authority is not a “Section 5” Contractor. The 2016 shortage negotiations have been limited to the Section 5 contractors only.
conditions may be presented for Board consideration either as part of, or separately from the shortage sharing agreement.

Following staff’s presentation, Director Lewinger sought clarification on how the cutbacks would be apportioned among California contractors. Hasencamp said that cutbacks would be proportional to the “fixed percentage [of the contractors’ diversions] based on the QSA ramp-up schedule,” adding that this “conceptual proposal” may still be changed. These reductions would apply to MWD, Imperial Irrigation District, Coachella Valley Water District, and Palo Verde Irrigation District, according to Hasencamp.

At the next day’s Board meeting, Director Lewinger expressed appreciation for staff’s effort to provide additional modeling and requested that analysis be provided in a report to the Board in September, even if the work is preliminary. General Manager Kightlinger said that the analysis will still be “too conceptual” in September, but staff would provide this work in October. Also in response to Director Lewinger’s question on how cutback agreements would be implemented, Kightlinger said that first the Secretary of the Interior would declare an official shortage, and then the cutbacks would be implemented according to the agreements.

**Funding for Additional California WaterFix Planning Cost**

During the WP&S committee, a Food and Water Watch representative provided comments and questions related to California WaterFix (WaterFix) planning costs. She noted the inconsistency between the General Manager’s July 2016 written report, which states the Bureau of Reclamation (BOR) and Department of Water Resources (DWR) are funding the current WaterFix’s planning costs, and the California Water Code’s requirement that water contractors pay for the planning, mitigation, and construction of WaterFix. Citing Kightlinger’s previous statements that MWD will not provide any additional funding for WaterFix planning, she requested that MWD provide assurances that it will not reimburse DWR for any additional planning costs through its State Water Project (SWP) contract payments. She also asked about the status of the SWP contract extension negotiations, specifically the conditions defining how the WaterFix costs will be allocated among the state water contractors.

Following, the Bay-Delta Matters report, Director Steiner noted the recent press coverage and Food and Water Watch representative’s remarks on MWD’s funding for WaterFix planning costs. Assistant General Manager of Strategic Water Initiatives Patterson replied that the contractors “voluntary contributions” have been exhausted, of which MWD’s share was about $63 million, and MWD is not providing additional funds. Therefore, Patterson said, DWR and BOR are placed “in the position of providing additional funding to finish-up the planning process.” Patterson said DWR has not used state general fund money for the project, and indicated that it relied on “discretionary funding” derived from SWP contract payments to finance additional planning costs. The discretionary funds in the SWP contract are different from the amounts that are refunded to the contractors, according to Patterson. Later, Director Steiner sought clarification on the source of DWR’s discretionary funds, asking whether the funds are made-up of monies that have been paid by the state water contractors. Kightlinger replied that DWR has several sources of funds, including

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3 MWD reports that the water contractors have collectively paid more than $240 million for facility planning efforts related to WaterFix (and its predecessor, the Bay Delta Conservation Plan), and that any additional funding needed to complete WaterFix’s planning phase is, and will be, provided by state or federal sources.
water contractors’ payments, the General Fund, and bond funds, and the current state audit will determine if DWR complied with the law. Lastly, Director Steiner asked if MWD would respond to Food and Water watch’s questions. Kightlinger said MWD “will continue to provide information, I believe everything we’ve provided answers all those questions.” During public comment at the following day’s Board meeting, the Food and Water representative asked that Kightlinger answer who is paying for WaterFix planning costs and sought clarification on the funding sources for DWR’s discretionary fund. MWD did not respond to this comment.
REVISED AGENDA

Adjourned Finance and Insurance Committee

Meeting with Board of Directors*

August 15, 2016

9:30 a.m. -- Room 2-145

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**REVISED: Date of Notice: August 11, 2016**

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

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

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

2. **Approval of the Minutes of the meeting of the Finance and Insurance Committee held July 11, 2016**

3. **OTHER MATTERS**

   5E. Tax Levy for fiscal year 2016/17. (F&I)

   5E-1 Report on list of certified assessed valuations for fiscal year 2016/17 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2016.

   5E-2 Adopt CEQA determination and resolution establishing the tax rate for fiscal year 2016/17.
Added: Recommendation:

Option #1:

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

a. Adopt the Resolution Levying Ad Valorem Property Taxes for the Fiscal Year commencing July 1, 2016 and ending June 30, 2017 for the Purposes of The Metropolitan Water District of Southern California maintaining the tax rate at .0035% of assessed valuation (exclusive of annexation levies), the same rate levied in FY 2015/16; and

b. Direct staff to transmit that resolution to the county auditors for the levy and collection of the ad valorem property tax.

4. CONSENT CALENDAR ITEMS — ACTION

None

5. OTHER BOARD ITEMS — ACTION

None

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

a. Oral report on investment activities

Added  
b. Update on Treatment Fix Surcharge Workgroup

8. MANAGEMENT REPORT

a. Chief Financial Officer’s report

9. FOLLOW-UP ITEMS

None
10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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Adjourned Water Planning and Stewardship Committee

Meeting with Board of Directors*

August 15, 2016

10:30 a.m. – Room 2-456

Monday, August 15, 2016
Meeting Schedule

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<td>Rm. 2-456</td>
<td>Adj. WP&amp;S</td>
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<td>12:00 p.m.</td>
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* The Metropolitan Water District's Water Planning and Stewardship Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Water Planning and Stewardship Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Water Planning and Stewardship Committee will not vote on matters before the Water Planning and Stewardship Committee.

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

2. Approval of the Minutes of the meeting of the Water Planning and Stewardship Committee held July 11, 2016

3. CONSENT CALENDAR ITEMS — ACTION

None

4. OTHER BOARD ITEMS — ACTION

8-1 Adopt CEQA determination and authorize entering into Water Savings Incentive Plan Agreements with Dye Finishing Companies. (WP&S)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and
Authorize entering into Water Savings Incentive Program agreements with Lekos Dye & Finishing, Inc., Daeshin USA, Inc., and Hitex Finishing & Dyeing, Inc.

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Oral presentation on Conservation Program

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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Adjourned Engineering and Operations Committee
Meeting with Board of Directors*
August 15, 2016
12:00 p.m. -- Room 2-145

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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 July 11, 2016

3. CONSENT CALENDAR ITEMS — ACTION

   7-1   Adopt CEQA determination and appropriate $1.2 million; authorize final design to replace valves at Service Connections CB-12 and CB-16 on the Rialto Pipeline; and award $610,925 procurement contract to Autrans Corporation (Approp. 15480). (E&O)

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Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and
a. Appropriate $1.2 million;
b. Award $610,925 procurement contract to Autrans Corporation to provide two 48-inch-diameter butterfly valves; and
c. Authorize final design for installation of the valves at Service Connections CB-12 and CB-16 on the Rialto Pipeline.

7-2 Adopt CEQA determination and appropriate $350,000 for biological surveys and acquisition of mitigation for erosion protection of the Whitewater Siphons on the Colorado River Aqueduct (Approp. 15341). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the certified 2013 Final EIR and 2015 Addendum, and

Appropriate $350,000 for biological surveys and acquisition of mitigation for erosion protection of the Whitewater Siphons.

7-3 Adopt CEQA determination and appropriate $450,000; and authorize preliminary design to replace storage buildings at three Colorado River Aqueduct pumping plants (Approp. 15483). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and
a. Appropriate $450,000; and
b. Authorize preliminary design to replace storage buildings at the Hinds, Eagle Mountain, and Iron Mountain Pumping Plants.

7-4 Adopt CEQA determination and appropriate $1.25 million; and authorize relocation of standby generators at six Wide Area Network sites across the distribution system (Approp. 15376). (E&O)
Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and
a. Appropriate $1.25 million; and
b. Authorize design and construction to relocate the standby generators at six WAN sites across the distribution system.

7-5 Adopt CEQA determination and authorize agreements with Geospatial Professional Solutions, Inc.; Psomas; Rick Engineering Co.; and Towill, Inc., for aerial photogrammetry and mapping services to support board-authorized Capital Investment Plan projects. (E&O)

Recommendation:

Option #1:

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

Authorize agreements for aerial photogrammetry and mapping services with Geospatial Professional Solutions, Inc.; Psomas; Towill, Inc.; and Rick Engineering Co., in amounts not to exceed $1 million each.

4. OTHER BOARD ITEMS — ACTION

8-2 Adopt CEQA determination and appropriate $6.76 million; and award $4,878,635 contract to Sol Construction, Inc. to construct a solar power plant at the Joseph Jensen Water Treatment Plant (Approp. 15391). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the 2015 Notice of Exemption, and
a. Appropriate $6.76 million; and
b. Award $4,878,635 contract to Sol Construction, Inc. for construction of a solar generating facility at the Jensen plant.
5. **BOARD INFORMATION ITEMS**

   None

6. **COMMITTEE ITEMS**

   a. Capital Investment Plan quarterly report for period ending June 2016
   b. Update on Potential Regional Recycled Water Supply Program

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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REVISED AGENDA

Adjourned Communications and Legislation Committee

Meeting with Board of Directors*

August 15, 2016

1:00 p.m. -- Room 2-456

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

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

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

2. **Approval of the Minutes of the meeting of the Communications and Legislation Committee held July 11, 2016**

3. **CONSENT CALENDAR ITEMS — ACTION**

   None

4. **OTHER BOARD ITEMS — ACTION**

   8-3 Adopt CEQA determination and adopt Policy Principle on Watershed Management. (C&L)
Added

Recommendation:

Option #1:
Adopt the CEQA determination that the proposed action is not defined as a project under CEQA, and
Adopt the Policy Principle on Watershed Management.

5. BOARD INFORMATION ITEMS
None

6. COMMITTEE ITEMS
a. Report on activities from Washington, D.C.
b. Report on activities from Sacramento
c. Presentation on Focus Groups on Water Conservation Messaging

7. MANAGEMENT REPORT
a. External Affairs Management report

8. FOLLOW-UP ITEMS
None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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REVISED: Date of Notice: August 11, 2016
Adjourned Legal and Claims Committee

Meeting with Board of Directors*

August 16, 2016

9:00 a.m.  --  Room 2-145

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

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

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

2. Approval of the Minutes of the meeting of the Legal and Claims Committee held July 12, 2016

3. CONSENT CALENDAR ITEMS — ACTION

7-6  Adopt CEQA determination and adopt Resolution and Administrative Code Amendment to Establish a Distribution Policy for tickets received by Metropolitan.  (L&C)

Recommendation:

Option #1:

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

Adopt the Ticket Distribution Policy Resolution set forth in Attachment 1 to the board letter and adopt amendments to the Administrative Code set forth in Attachment 2 reflecting the recommendations in the board letter.
4. OTHER BOARD ITEMS — ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Report on existing litigation challenging the purchase of property from Delta Wetlands Properties in Contra Costa, San Joaquin, and Solano Counties, including County of San Joaquin, et al. v. Metropolitan Water District of Southern California, et al., San Joaquin County Superior Court Case No. SK-CV-UWM-2016-3597 and the appeal of this action, Court of Appeal for the Third Appellate District Case No. C082154; North Coast Rivers Alliance v. Metropolitan Water District of Southern California, et al., Contra Costa County Superior Court Case No. MSN16-0629; and Central Delta Water Agency, et al. v. Delta Wetlands Properties, et al., Contra Costa County Superior Court Case No. MSC16-01022. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

b. Report on San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., San Francisco County Superior Court Case Nos. CPF-10-510380, CPF-12-512466 and CPF-14-514004; and appeal of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901 and A148266; and San Diego County Water Authority v. Metropolitan Water District of Southern California, Los Angeles County Superior Court Case No. BS161729. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

c. General Counsel’s Business Plan for fiscal year 2016/17

7. MANAGEMENT REPORTS

a. General Counsel’s report of monthly activities
8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Adjourned Real Property and Asset Management Committee
Meeting with Board of Directors*

August 16, 2016

10:00 a.m. -- Room 2-456

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 July 12, 2016

3. CONSENT CALENDAR ITEMS – ACTION

7-7 Adopt CEQA determination and authorize amendment of lease R.L. 3212 to Diamond Valley Lake East marina operator Urban Park Concessionaires for an additional 24 months.  (RP&AM)

Recommendation:

Option #1:

Adopt the CEQA determination that the project is categorically exempt from CEQA, and

a. Extend the current lease by 24 months;

b. Incorporate a four-tiered rent and expense reimbursement structure;

c. Provide a one-time loss recovery payment in the amount of $122,000 to compensate Urban Park for their 2015 calendar year operating loss; and

d. Prepare an RFP to seek interest for continued operation of the East Marina.
4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

None

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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Adjourned Organization, Personnel and Technology Committee

Meeting with Board of Directors*

August 16, 2016

11:00 a.m. -- Room 2-145

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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 June 14, 2016

3. CHAIRMAN’S REPORT

4. CONSENT CALENDAR ITEMS -- ACTION

7-8 Adopt CEQA determination and adopt resolution designating Metropolitan’s maximum contribution for medical benefits in order to comply with current authorized Memoranda of Understanding, and amend Administrative Code Section 6522. (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

Adopt resolution requiring Metropolitan to base its maximum medical contributions on the highest cost HMO plan, Anthem Traditional, Sacramento Region, for employees and annuitants under Government Code Section 22892(a).

5. OTHER BOARD ITEMS – ACTION

None

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

a. Conference with Labor Negotiators
   [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]

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.
REVISED AGENDA
Adjourned Regular Board Meeting

August 16, 2016

12:00 p.m. – Board Room

<table>
<thead>
<tr>
<th>Time</th>
<th>Room</th>
<th>Adjournment</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:00 a.m.</td>
<td>Rm. 2-145</td>
<td>Adj. L&amp;C</td>
</tr>
<tr>
<td>10:00 a.m.</td>
<td>Rm. 2-145</td>
<td>Adj. RP&amp;AM</td>
</tr>
<tr>
<td>11:00 a.m.</td>
<td>Rm. 2-145</td>
<td>Adj. OP&amp;T</td>
</tr>
<tr>
<td>12:00 p.m.</td>
<td>Board Room</td>
<td>Adj. Board Meeting</td>
</tr>
</tbody>
</table>

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

1. **Call to Order**
   
   (a) Invocation: Stathis Kostopoulos, Senior Resource Specialist, Office of the Chief Financial Officer
   
   (b) Pledge of Allegiance: Director Brett Barbre

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 July 12, 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 July

REVISED: Date of Notice: August 11, 2016
C. Approve committee assignments

D. Chairman’s Monthly Activity Report

E. Tax Levy for fiscal year 2016/17. (F&I)

   5E-1 Report on list of certified assessed valuations for fiscal year 2016/17 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2016.

   5E-2 Adopt CEQA determination and resolution establishing the tax rate for fiscal year 2016/17.

Added:

Recommendation:

Option #1:

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

a. Adopt the Resolution Levying Ad Valorem Property Taxes for the Fiscal Year commencing July 1, 2016 and ending June 30, 2017 for the Purposes of The Metropolitan Water District of Southern California maintaining the tax rate at .0035% of assessed valuation (exclusive of annexation levies), the same rate levied in FY 2015/16; and

b. Direct staff to transmit that resolution to the county auditors for the levy and collection of the ad valorem property tax.

6. DEPARTMENT HEADS' REPORTS

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

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

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

   D. Ethics Officer’s summary of activities for the month of July
7. CONSENT CALENDAR ITEMS — ACTION

7-1 Adopt CEQA determination and appropriate $1.2 million; authorize final design to replace valves at Service Connections CB-12 and CB-16 on the Rialto Pipeline; and award $610,925 procurement contract to Autrans Corporation (Approp. 15480). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and
a. Appropriate $1.2 million;
b. Award $610,925 procurement contract to Autrans Corporation to provide two 48-inch-diameter butterfly valves; and
c. Authorize final design for installation of the valves at Service Connections CB-12 and CB-16 on the Rialto Pipeline.

7-2 Adopt CEQA determination and appropriate $350,000 for biological surveys and acquisition of mitigation for erosion protection of the Whitewater Siphons on the Colorado River Aqueduct (Approp. 15341). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the certified 2013 Final EIR and 2015 Addendum, and
Appropriate $350,000 for biological surveys and acquisition of mitigation for erosion protection of the Whitewater Siphons.

7-3 Adopt CEQA determination and appropriate $450,000; and authorize preliminary design to replace storage buildings at three Colorado River Aqueduct pumping plants (Approp. 15483). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and
a. Appropriate $450,000; and
b. Authorize preliminary design to replace storage buildings at the Hinds, Eagle Mountain, and Iron Mountain Pumping Plants.
ADOPT CEQA DETERMINATION AND APPROPRIATE $1.25 MILLION; AND AUTHORIZE RELOCATION OF STANDBY GENERATORS AT SIX WIDE AREA NETWORK SITES ACROSS THE DISTRIBUTION SYSTEM (APPROX. 15376).  (E&O)

Recommendation:

Option #1:

ADOPT THE CEQA DETERMINATION THAT THE PROPOSED ACTION IS CATEGORICALLY EXEMPT, AND

a. Appropriate $1.25 million; and

b. Authorize design and construction to relocate the standby generators at six WAN sites across the distribution system.

ADOPT CEQA DETERMINATION AND AUTHORIZE AGREEMENTS WITH GEOSPATIAL PROFESSIONAL SOLUTIONS, INC.; PSOMAS; RICK ENGINEERING CO.; AND TOWILL, INC., FOR AERIAL PHOTOGRAMMETRY AND MAPPING SERVICES TO SUPPORT BOARD-AUTHORIZED CAPITAL INVESTMENT PLAN PROJECTS.  (E&O)

Recommendation:

Option #1:

ADOPT THE CEQA DETERMINATION THAT THE PROPOSED ACTION IS NOT DEFINED AS A PROJECT AND IS NOT SUBJECT TO CEQA, AND

Authorize agreements for aerial photogrammetry and mapping services with Geospatial Professional Solutions, Inc.; Psomas; Towill, Inc.; and Rick Engineering Co., in amounts not to exceed $1 million each.

ADOPT CEQA DETERMINATION AND ADOPT RESOLUTION AND ADMINISTRATIVE CODE AMENDMENT TO ESTABLISH A DISTRIBUTION POLICY FOR TICKETS RECEIVED BY METROPOLITAN.  (L&C)

Recommendation:

Option #1:

ADOPT THE CEQA DETERMINATION THAT THE PROPOSED ACTION IS NOT DEFINED AS A PROJECT AND IS NOT SUBJECT TO CEQA, AND

ADOPT THE TICKET DISTRIBUTION POLICY RESOLUTION SET FORTH IN ATTACHMENT 1 TO THE BOARD LETTER AND ADOPT AMENDMENTS TO THE ADMINISTRATIVE CODE SET FORTH IN ATTACHMENT 2 REFLECTING THE RECOMMENDATIONS IN THE BOARD LETTER.

ADOPT CEQA DETERMINATION AND AUTHORIZE AMENDMENT OF LEASE R.L. 3212 TO DIAMOND VALLEY LAKE EAST MARINA OPERATOR URBAN PARK CONCESSIONAIRES FOR AN ADDITIONAL 24 MONTHS.  (RP&AM)
Recommendation:

Option #1:

Adopt the CEQA determination that the project is categorically exempt from CEQA, and
a. Extend the current lease by 24 months;
b. Incorporate a four-tiered rent and expense reimbursement structure;
c. Provide one-time loss recovery payment in the amount of $122,000 to compensate Urban Park for their 2015 calendar year operating loss; and
d. Prepare an RFP to seek interest for continued operation of the East Marina.

7-8 Adopt CEQA determination and adopt resolution designating Metropolitan’s maximum contribution for medical benefits in order to comply with current authorized Memoranda of Understanding, and amend Administrative Code Section 6522. (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
Adopt resolution requiring Metropolitan to base its maximum medical contributions on the highest cost HMO plan, Anthem Traditional, Sacramento Region, for employees and annuitants under Government Code Section 22892(a).

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

8-1 Adopt CEQA determination and authorize entering into Water Savings Incentive Plan Agreements with Dye Finishing Companies. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and
Authorize entering into Water Savings Incentive Program agreements with Lekos Dye & Finishing, Inc., Daeshin USA, Inc., and Hitex Finishing & Dyeing, Inc.
8-2 Adopt CEQA determination and appropriate $6.76 million; and award $4,878,635 contract to Sol Construction, Inc. to construct a solar power plant at the Joseph Jensen Water Treatment Plant (Approp. 15391). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the 2015 Notice of Exemption, and

a. Appropriate $6.76 million; and

b. Award $4,878,635 contract to Sol Construction, Inc. for construction of a solar generating facility at the Jensen plant.

8-3 Adopt CEQA determination and adopt Policy Principle on Watershed Management. (C&L)

Added

Recommendation:

Option #1:

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

Adopt the Policy Principle on Watershed Management.

9. BOARD INFORMATION ITEMS

None

10. OTHER MATTERS (Contd.)

10-1 Department Head Performance Evaluations
[Public employees’ performance evaluations—General Manager, General Counsel, General Auditor, and Ethics Officer; to be heard in closed session pursuant to Gov. Code Section 54957]

10-2 Department Head Salary Survey 2016

10-3 Discuss and approve compensation recommendation for General Manager, General Counsel, General Auditor, and Ethics Officer (To be distributed at Meeting)
11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

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

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

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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.
Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
August 16, 2016

COMMITTEE ASSIGNMENTS

Director Ramos was assigned to the Audit and Ethics Committee, and Director Galleano was removed from the Audit and Ethics Committee. (Agenda Item 5C)

WATER PLANNING AND STEWARDSHIP COMMITTEE

Adopted the CEQA determination that the proposed action is categorically exempt, and authorized entering into Water Savings Incentive Program agreements with Lekos Dye & Finishing, Inc., Daeshin USA, Inc., and Hitex Finishing & Dyeing, Inc. (Agenda Item 8-1)

ENGINEERING AND OPERATIONS COMMITTEE

Adopted the CEQA determination that the proposed action has been previously addressed in the 2015 Notice of Exemption, and appropriated $6.76 million; and awarded $4,878,635 contract to Sol Construction, Inc. for construction of a solar generating facility at the Jensen plant. (Agenda Item 8-2)

COMMUNICATIONS AND LEGISLATION COMMITTEE

Adopt CEQA determination and adopt Policy Principle on Watershed Management. (Agenda Item 8-3) (The item was deferred to September)

CONSENT CALENDAR

In other action, the Board:

Adopted the CEQA determination that the proposed action is categorically exempt, and appropriated $1.2 million; awarded $610,925 procurement contract to Autrans Corporation to provide two 48-inch-diameter butterfly valves; and authorized final design for installation of the valves at Service Connections CB-12 and CB-16 on the Rialto Pipeline. (Approp. 15480) (Agenda Item 7-1)

Adopted the CEQA determination that the proposed action has been previously addressed in the certified 2013 Final EIR and 2015 Addendum, and appropriated $350,000 for biological surveys and acquisition of mitigation for erosion protection of the Whitewater Siphons on the Colorado River Aqueduct. (Approp. 15341) (Agenda Item 7-2)

Adopted the CEQA determination that the proposed action is categorically exempt, and appropriated $450,000; and authorized preliminary design to replace storage buildings at the Hinds, Eagle Mountain, and Iron Mountain Pumping Plants. (Approp. 15483) (Agenda Item 7-3)

Adopted the CEQA determination that the proposed action is categorically exempt, and appropriated $1.25 million; and authorized design and construction to relocate the standby generators at six WAN sites across the distribution system. (Approp. 15376) (Agenda Item 7-4)
Adopted the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and authorized agreements for aerial photogrammetry and mapping services with Geospatial Professional Solutions, Inc.; Psomas; Towill, Inc.; and Rick Engineering Co., in amounts not to exceed $1 million each. (**Agenda Item 7-5**)

Adopted the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and adopted the Ticket Distribution Policy Resolution set forth in Attachment 1 of the Board letter, and adopted amendments to the Administrative Code set forth in Attachment 2 reflecting the recommendations in the Board letter. (**Agenda Item 7-6**)

Adopted the CEQA determination that the project is categorically exempt from CEQA, and extended the current lease by 24 months; incorporated a four-tiered rent and expense reimbursement structure; provided a one-time loss recovery payment in the amount of $122,000 to compensate Urban Park for their 2015 calendar year operating loss; and prepared an RFP to seek interest for continued operation of the Diamond Valley Lake East Marina. (**Agenda Item 7-7**)

Adopted the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and adopted resolution requiring Metropolitan to base its maximum medical contributions on the highest cost HMO plan, Anthem Traditional, Sacramento Region, for employees and annuitants under Government Code Section 22892(a). (**Agenda Item 7-8**)

**OTHER MATTERS:**

In other action, the Board:

- Reported on list of certified assessed valuations for fiscal year 2016/17 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2016. (**Agenda Item 5E-1**)

- Adopted CEQA determination and the resolution establishing the tax rate for fiscal year 2016/17. (**Agenda Item 5E-2**)

- Discussed and approved 1.5 percent compensation increase for General Manager, General Counsel, General Auditor, and Ethics Officer. (**Agenda Item 10-3**)

**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](http://edmsidm.mwdh2o.com/idmweb/home.asp).
August 24, 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 August 11, 2016 in Bishop, California. The meeting also featured a two-day tour of Los Angeles Department of Water and Power (LADWP) facilities.

LADWP Tour:
The LADWP tour began at the Los Angeles Aqueduct Reservoir in Sylmar, California then stopped at the Haiwee Hydroelectric Power Plant before moving on to Bishop to see the Owens Lake dust mitigation area. Other tour stops included the Los Angeles Aqueduct Intake, Mono Lake, June Lake, and the Pine Tree Wind and Solar Farm. Historically, the Los Angeles Aqueduct has provided about 29% of Los Angeles’ water needs. The second aqueduct was built in the early 1970’s to increase the capacity of LADWP’s system by connecting the Mono Basin to the Owens River. With the drought and later agreements to mitigate environmental impacts in the Owens Valley and Mono Basin, the export of water to Los Angeles has dropped significantly. Prior to the environmental mitigation requirements, LADWP was exporting approximately 450,000 acre feet per year from Mono Lake and Owens Valley. In recent drought years, the average annual yield from this supply has been reduced to 160,000 acre feet. In 2015 only about 27,000 acre feet of water was exported to Los Angeles due to the extreme drought. LADWP must meet all of its mitigation requirements at Owens and Mono Lakes before exporting any water to Los Angeles.

Colorado River Board:
Water Supply and Reservoir Conditions
The second consultation for the 2017 Colorado River Annual Operating Plan (AOP) was held in Las Vegas on July 28, 2016. Projections for 2017 indicate that the most probable operating scenario will be Lake Powell in a balancing condition with a 9.0 million acre-feet release and Lake Mead in Normal/ICS surplus operations. The Bureau of Reclamation is holding a webinar on August 15, 2016 with the results of the August 24-month study which will be utilized to finalize the AOP operational tiers. A water supply and reservoir conditions update was provided with data from August 1, 2016 (Table 1).

Table 1. Colorado River Reservoir Conditions

<table>
<thead>
<tr>
<th>Conditions as of August 1, 2016</th>
<th>Volume (million acre-feet)</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total System Storage</td>
<td>31.18</td>
<td>52%</td>
</tr>
<tr>
<td>Lake Powell</td>
<td>13.58</td>
<td>56%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>9.48</td>
<td>36%</td>
</tr>
<tr>
<td>Unregulated Inflow to Lake Powell Forecasted for Water Year 2016</td>
<td>9.78</td>
<td>90% (of average)</td>
</tr>
<tr>
<td>Upper Basin Snowpack</td>
<td>---</td>
<td>155% (of average)</td>
</tr>
</tbody>
</table>
Drought Contingency Planning
No agreement has been finalized among the states related to Drought Contingency Planning (DCP) and discussions are expected to continue.

Negotiations of Minute 32X
Discussions continue on the development of the successor Minute to Minute 319. Mexico’s participation in DCP to increase and protect Lake Mead’s elevation levels has continued to be a topic of binational discussions. The negotiating group has a goal of establishing key terms for the new Minute by the end of August. The new Minute will build off Minute 319 and no major modifications are expected.

Glen Canyon Dam Adaptive Management Program
The technical work group met in June to approve the fiscal year 2017 budget. A Record of Decision for the Long-Term Experimental and Management Plan Environmental Impact Statement is expected in September.

Lower Colorado River Multi-Species Conservation Program

Announcements
On July 8, 2016, Principal Deputy Assistant Secretary for Water and Science announced her departure from the Department of the Interior.

On July 13, 2016, the Senate Energy and Natural Resources Committee held a meeting to report out on several bills including S. 2902 which previously contained an objectionable provision that would have restricted the Secretary of the Interior’s ability to allocate water among the Lower Basin States. CRB staff submitted comments objecting to the provision as unnecessary interference with current Colorado River operations. The provision was removed from the final version that was reported out on July 13, 2016.

Prepared by:  Kara Mathews, Senior Water Resources Specialist
Reviewed by:  Doug Wilson, CRB Representative
August 24, 2016

Attention: Imported Water Committee

Colorado River Hydrology for 2017/2018. (Presentation)

Purpose
This report provides an update on current and projected hydrologic conditions and shortage probabilities for the Colorado River Basin.

Background
The 2007 Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead (Interim Guidelines) is the current federal document that not only defines operating criteria for the major Colorado River reservoirs but also outlines the process for declaration of an official shortage condition on the river and the resulting cutbacks to Lower Basin users and other shortage restrictions. Reservoir operating conditions for Lakes Powell and Mead are determined each August for the upcoming year. The Bureau of Reclamation (Reclamation) released its August modeling results which indicate that there will not be a Lower Basin shortage in 2017. There is a 48% chance of shortage in 2018 and increasing likelihood in the subsequent years.

Discussion
Hydrology and Reservoir Operations
The Colorado River Basin is experiencing prolonged drought conditions with below average inflows to Lake Powell in thirteen of the past seventeen years. Reduced inflows require the annual supply-demand deficit to be made up using water stored in Lake Mead, which over time has caused the reservoir to plummet to its recent record low elevation level. Elevation levels are important because they are the basis for annual reservoir operating conditions. The Interim Guidelines incorporate criteria for balancing storage in Lake Powell and Lake Mead based on the August reservoir elevation projections for January 1 of the upcoming year. For Lake Powell, the projected elevation determines whether the reservoir will be in “balancing” or “equalization” mode and the associated release volume for that condition for the upcoming water year. For Lake Mead, the projected January 1 elevation indicates whether the Lower Basin will operate under “normal”, “surplus”, or “shortage” condition which has implications associated with annual allocations to Lower Basin water users.

The August modeling projects Lake Powell beginning-of-year elevation at 3,605.8 feet in the “Upper Elevation Balancing Tier.” In this operating condition, there is a potential increase to Lake Powell’s releases if Lake Mead is projected to be below elevation 1,075 feet. Modeling results show this is the case and indicates the release from Lake Powell in water year 2017 will be 9.0 million acre-feet. The August projections show Lake Mead’s beginning-of-year elevation at 1,078.9 feet. This elevation places the reservoir in “normal/ICS surplus” operations for 2017, meaning all Lower Basin users will receive their normal annual allocations.

Shortage Allocations
Lake Mead’s projected January 1 elevation of 1,078.9 feet is above the first shortage trigger elevation of 1,075 feet for 2017, meaning there is no possibility of an official shortage declaration under the defined criteria in the Interim Guidelines. Looking to the future, the August modeling currently shows the beginning-of-year elevation for 2018 at 1,074.3 feet, which is
below the first trigger elevation indicating that if the actual hydrology continues as modeled, there would be an official shortage on the river in 2018. Reclamation performs additional, longer term, hydrologic analysis to project the likelihood of shortage for the next five years. The August five-year probabilities (Table 1) indicate there is a 48% chance of shortage in 2018.

<table>
<thead>
<tr>
<th>Shortage Level</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any Level</td>
<td>0%</td>
<td>48%</td>
<td>60%</td>
<td>60%</td>
<td>56%</td>
</tr>
<tr>
<td>1st Level - Below 1,075 feet</td>
<td>0%</td>
<td>48%</td>
<td>50%</td>
<td>41%</td>
<td>33%</td>
</tr>
<tr>
<td>2nd Level - Below 1,050 feet</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>3rd Level - Below 1,025 feet</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
<td>7%</td>
</tr>
</tbody>
</table>

There are three shortage elevation triggers (1,075 feet, 1,050 feet, and 1,025 feet) defined in the Interim Guidelines that mark the degree of shortage and determine the associated reductions in water apportioned to California, Arizona, and Nevada. While Arizona and Nevada would face reduced allocations in a declared shortage, California’s allocation is not affected due to its senior water rights on the river. California’s annual allocation remains at 4.4 million acre-feet in any level of shortage defined in the Interim Guidelines (Table 2). A shortage declaration would also restrict the ability to take water from Intentionally Created Surplus (ICS) storage accounts in Lake Mead for the Lower Basin states. Colorado River contractors within California are currently discussing drought contingency alternatives to help prevent Lake Mead from reaching critically low levels. Negotiations on an agreement are underway which include California users voluntarily taking cutbacks to their allocations in exchange for certain storage allowances and other capabilities.

<table>
<thead>
<tr>
<th>Colorado River Entitlement Water (acre-feet)</th>
<th>Lake Mead Elevation (feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>4,400,000</td>
</tr>
<tr>
<td>Arizona</td>
<td>2,800,000</td>
</tr>
<tr>
<td>Nevada</td>
<td>300,000</td>
</tr>
<tr>
<td>Mexico</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Total</td>
<td>9,000,000</td>
</tr>
<tr>
<td></td>
<td>(383,000)</td>
</tr>
<tr>
<td></td>
<td>(487,000)</td>
</tr>
<tr>
<td></td>
<td>(625,000)</td>
</tr>
</tbody>
</table>

In addition to the shortage criteria established in the Interim Guidelines, as part of Minute 319 to the US-Mexico Treaty for the Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande, Mexico agreed to share in cutbacks to its annual Colorado River apportionment through December 31, 2017. Now that it has been determined that there will not be an official shortage in 2017, Minute 319’s shortage sharing provisions will expire without being utilized and at a time when the chance of shortage is greater than ever. With high chance of shortage in 2018 and beyond, Mexico’s continued participation in shortage sharing would help offset shortage impacts on the river system. A new Minute is currently being negotiated that may extend or modify cutback stipulations in shortage situations beyond 2017.