Status of Oroville Dam Spillway Failure and Condition of Our Dam

Engineering & Operations Committee
February 23, 2017

Jerry Reed - Director of Engineering
Main Spillway Condition
Emergency Spillway

Lake Oroville

Emergency Spillway

OROVILLE DAM

Approximate Path of Water

Damaged Concrete Spillway
Emergency Spillway

The erosion that could lead to a collapse at Lake Oroville

Water pours over a concrete wall that forms an emergency spillway when the lake overflows.

The water erodes the earth, forming a hole.

If the hole reaches the lake, the wall could collapse.

Source: DWR
Graphics reporting by Rong-Gong Lin II, Chris Megerian
@latimesgraphics
Emergency Spillway Repairs

ARMOR REPAIR
Lowering Water Prior to Next Storm
Olivenhain Dam
Olivenhain Dam Discharge System
Olivenhain Dam Emergency Spillway
San Vicente Dam
San Vicente Reservoir Discharge System

- **Spillway Elevation 766 feet**
- **Completed Dam Raise**
- **Low Level Outlet Gate Structure**
- **Low Level Outlet Pipe**
- **Downstream Control Facility**
  - Reservoir Water Release
Downstream Control Facility

RESERVOIR DISCHARGE OUTLETS
San Vicente Dam Emergency Spillway
Lake Oroville Spillway Repair Impact on Water Authority Supply

- Water Authority and its member agencies can provide uninterrupted service if deliveries from Oroville are impacted due to repairs
  - Low water demands
  - Significant water reserves in Southern California
  - Local investments in water supply reliability
  - In 2016 only 4 percent of San Diego region’s supply was from State Water Project (5-year average about 17%)
## Decreasing Reliance on State Water Project Supply

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Colorado River</th>
<th>State Water Project</th>
<th>Local</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>80%</td>
<td>4%</td>
<td>16%</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>76%</td>
<td>15%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>2014</td>
<td>77%</td>
<td>9%</td>
<td>14%</td>
<td>100%</td>
</tr>
<tr>
<td>2013</td>
<td>58%</td>
<td>26%</td>
<td>16%</td>
<td>100%</td>
</tr>
<tr>
<td>2012</td>
<td>48%</td>
<td>33%</td>
<td>19%</td>
<td>100%</td>
</tr>
<tr>
<td>5-Year Average</td>
<td>68%</td>
<td>17%</td>
<td>15%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Potential Project Description

Floating Solar Panels on Olivenhain Reservoir
- 6 Megawatt system
- 20 acres coverage (10%)
- Unique design for operational constraints

Operational: End of 2018
Request for Proposal (RFP)

Process

- Advertised RFP
  - Received one proposal – Pristine Sun Corporation
  - Established five-member evaluation team
- Criteria included
  - Relevant experience
  - Past performance
  - Financial stability
  - Innovation

Public-Private Partnership Structure

- Pristine Sun
  - Completely funds project
  - Lead for all activities
- Water Authority
  - Provides site
- Revenue sharing
  - Water Authority ~ $3.2 million over 25 years
  - Equal sharing of intellectual property from this project
Potential Project Agreements

General Conditions Agreement
- Detailed Term Sheet
- Requires Parties to negotiate in good faith toward a potential subsequent agreement
- Does not bind the Parties to develop project
- Requires completion of:
  - Design
  - CEQA and permit approvals
  - Financial arrangement for energy generation

Solar Power and Services Agreement
- If successful agreement negotiation and;
- If CEQA and permit approvals are complete
  - Return to Board for approval:
    - Agreement
    - Project
    - Proceeding with construction
Staff Recommendation

- Authorize the General Manager to enter into a General Conditions Agreement (Detailed Term Sheet) for negotiation of a potential no-cost Solar Power and Services Agreement with Pristine Sun, Corporation.
PIPELINE 4 RELINING AT LAKE MURRAY PROJECT

Project Location
LAKE MURRAY INTERCONNECT
BEGIN PIPELINE 4 RELINING
STATION 4362+04

ALVARADO TREATMENT PLANT
END PIPELINE 4 RELINING
STATION 4416+08
Pipeline 4 Isolation
Portal 1 – Pipeline Excavation
Portal 2 – Safety Shoring
Liner Placement
Liner Welding
Liner Grouting Installation
Alvarado Hydro–Electric Facility Decommissioning
Contract Status

- Original Contract Amount: $6,777,000
- Current Change Orders: ($46,000)
- Current Contract Amount: $6,731,000
Project Schedule

- Construction Contract Completion: April 2017
- Notice of Completion: May 2017 (Board Action)
La Mesa Sweetwater Extension Pipeline Assessment (Presentation)

Engineering & Operations Committee
February 23, 2017
Water Authority First...

- La Mesa Sweetwater Extension inspection (using advanced technology)
- Bar-Wrapped pipe inspection (using advanced technology)
- Partnering on inspection project
- Use of Remote Field Technology
Pipeline Inspection 5-miles
First ... inspection (using technology)

Lakeside – 1947  Lakeside – 2017
La Mesa Sweetwater Extension

Laying First Pipe – 1947
First … Bar-Wrapped pipe inspection
Bar-Wrapped Concrete Pipe

- Mortar Coating
- Steel Cylinder
- Mortar Lining
- Steel Reinforcement Layer
First...Partnering on inspection project

- Reduce Costs
  - Joint Request for Proposals
  - Split Mobilization Costs
  - Lower Unit Cost

- New Contractor and Tool

Pipe Inspection Tool
First ... use of Remote Field Technology

Cross-section through pipe wall
Remote Field Technology

Remote Field Signal Flow Path

Cross-section through pipe wall
Results – No Defects

Pipe Joint

Factory Weld

Pipe Joint
Repair Site

3D View of Repair Site – Looking North
Excavation/Pipe Removal

Excavation

Pipe Removal
Installation

Pipe Installation

Installation Time Lapse
Final Grading of Site – Looking Northeast
Energy Task Force Update

Engineering & Operations Committee
February 23, 2017
Received input:
  - Have enough analysis/data from Owners’ Advisor on project value and potential business models

Received direction to:
  - Meet with outside parties to gauge interest
  - Conduct a formal process to do so
  - Work within remaining budget
Water Authority and City Completed Activities

- January 4, 2017 - Advertised a Request for Letters of Interest
- January 5, 2017 - Issued a joint press release
- February 15, 2017 - Received 19 responses
  - Electrical utilities
  - Power offtakers
  - Investors
  - Developers
  - Renewable energy companies
Water Authority and City Activities Underway and Next Steps

- Review of letter responses
- Meet with interested parties
- March 8, 2017 - Energy Task Force update
- March 23, 2017 - E&O Committee update
- April/May 2017 - E&O Committee update and discussion of potential next steps
Bond Counsel Pre-Qualified Pool Selection
Request For Qualifications (RFQ) Process

- RFQ issued December 23, 2016
  - Sent to 40 firms
  - Seven responsive submittals received
- Selection panel
  - Internal and external evaluators
    - Finance Department staff
    - General Counsel
    - County Deputy General Counsel
    - FA’s and external expert
- Evaluation based upon selection criteria
  - Scope of work
  - Technical competence/expertise
  - Personnel qualification
  - Evaluation of Water Authority’s bond disclosure
  - Cost proposal
Staff Recommendation

- Recommended Bond Counsel Pool
  - Dentons US LLP
  - Kutak Rock LLP
  - Orrick, Herrington & Sutcliffe LLP
  - Polsinelli LLP
Today’s Action

Approve the formation and use of a pre-qualified bond counsel pool.
Controller’s Report
December 2016

Administrative & Finance Committee
February 23, 2017

Presented by Chris Woidzik, Controller
Report Format

Main Staff Report: Budget Variance Analysis and Discussion

Financial Report Attachments
1: Water Sales Volumes (Acre-Feet)
2: Water Sales Revenues (Dollars)
3: Water Purchases & Treatment Costs (Dollars)
4: Budget Status Report Summary Information
* Budgeted amounts are based on the amended two year budget.
* Budgeted amounts are based on the amended two year budget.
Attachment 3

WATER PURCHASES AND TREATMENT COSTS
Budget Versus Actual (in Millions $)
for the 18 Months Ended December 31, 2016

* Budgeted amounts are based on the amended two year budget.
## Part 1: Net Water Sales Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY16 &amp; FY17 18 Months Amended Budget</th>
<th>FY16 &amp; FY17 18 Months Actuals</th>
<th>Variance to Amended Budget Positive (Negative)</th>
<th>% of 18 Month Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water sales</td>
<td>$886,107,000</td>
<td>$844,676,000</td>
<td>$41,431,000</td>
<td>(4.7%)</td>
</tr>
<tr>
<td>Water purchases &amp; treatment</td>
<td>(683,125,000)</td>
<td>(632,016,000)</td>
<td>51,109,000</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Total Net Water Sales Revenue</strong></td>
<td><strong>$202,982,000</strong></td>
<td><strong>$212,660,000</strong></td>
<td><strong>$9,678,000</strong></td>
<td><strong>4.8%</strong></td>
</tr>
</tbody>
</table>
Part 2: Net Revenues before CIP

<table>
<thead>
<tr>
<th></th>
<th>FY16 &amp; FY17 (18 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amended Budget</td>
</tr>
<tr>
<td>Net Water Sales Revenue</td>
<td></td>
</tr>
<tr>
<td>Water sales</td>
<td>$ 886,108</td>
</tr>
<tr>
<td>Water purchases &amp; treatment</td>
<td>683,125</td>
</tr>
<tr>
<td>Total Net Water Sales Revenue</td>
<td>202,983</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>143,297</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>374,726</td>
</tr>
<tr>
<td></td>
<td>(231,429)</td>
</tr>
<tr>
<td>Net Revenues before CIP</td>
<td><strong>$ (28,446)</strong></td>
</tr>
<tr>
<td>Capital Improvement Program</td>
<td>$ 109,894</td>
</tr>
</tbody>
</table>

*Schedule in millions

Net Water Sales excess revenues $ 9,678

Other Expenses:
- Debt Service savings 9,750
- Operating Department savings 9,123
- Other, net (1,545)

**$ 27,006**
Controller’s Report
## Operating Departments

<table>
<thead>
<tr>
<th>Department</th>
<th>FY16 &amp; FY17 18 Months Amended Budget</th>
<th>FY 16 &amp; FY17 18 Months Actuals</th>
<th>Variance with Amended Budget Positive (Negative)</th>
<th>% of 2 Year Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td>$11,510,000</td>
<td>$10,255,000</td>
<td>$1,255,000</td>
<td>69%</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>2,533,000</td>
<td>2,119,000</td>
<td>413,000</td>
<td>66%</td>
</tr>
<tr>
<td>Engineering</td>
<td>5,480,000</td>
<td>4,869,000</td>
<td>611,000</td>
<td>67%</td>
</tr>
<tr>
<td>Finance</td>
<td>3,732,000</td>
<td>3,235,000</td>
<td>497,000</td>
<td>65%</td>
</tr>
<tr>
<td>General Counsel</td>
<td>5,544,000</td>
<td>4,452,000</td>
<td>1,092,000</td>
<td>60%</td>
</tr>
<tr>
<td>General Manager/Board of Directors</td>
<td>4,522,000</td>
<td>3,934,000</td>
<td>588,000</td>
<td>65%</td>
</tr>
<tr>
<td>MWD Program</td>
<td>3,067,000</td>
<td>2,543,000</td>
<td>524,000</td>
<td>62%</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>24,169,000</td>
<td>22,403,000</td>
<td>1,766,000</td>
<td>70%</td>
</tr>
<tr>
<td>Public Outreach &amp; Conservation</td>
<td>6,574,000</td>
<td>5,111,000</td>
<td>1,463,000</td>
<td>58%</td>
</tr>
<tr>
<td>Water Resources</td>
<td>6,191,000</td>
<td>5,278,000</td>
<td>914,000</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Total Operating Departments</strong></td>
<td><strong>$73,322,000</strong></td>
<td><strong>$64,199,000</strong></td>
<td><strong>$9,123,000</strong></td>
<td><strong>66%</strong></td>
</tr>
</tbody>
</table>
### Part 2: Revenue and Other Income

<table>
<thead>
<tr>
<th></th>
<th>FY16 &amp; FY17 18 Months Amended Budget</th>
<th>FY16 &amp; FY17 18 Months Actuals</th>
<th>Variance with Amended Budget Positive (Negative)</th>
<th>% of 2 Year Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Access Charges</td>
<td>$45,673,000</td>
<td>$45,673,000</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Property Tax &amp; In-Lieu Charges</td>
<td>16,668,000</td>
<td>17,155,000</td>
<td>487,000</td>
<td>73%</td>
</tr>
<tr>
<td>Investment Income</td>
<td>6,586,000</td>
<td>5,953,000</td>
<td>(632,000)</td>
<td>64%</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>5,320,000</td>
<td>4,878,000</td>
<td>(442,000)</td>
<td>70%</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>15,108,000</td>
<td>12,580,000</td>
<td>(2,528,000)</td>
<td>75%</td>
</tr>
<tr>
<td>Build America Bonds Subsidy</td>
<td>15,733,000</td>
<td>15,809,000</td>
<td>76,000</td>
<td>75%</td>
</tr>
<tr>
<td>Other Income</td>
<td>348,000</td>
<td>5,123,000</td>
<td>4,774,000</td>
<td>979%</td>
</tr>
<tr>
<td>Capital Contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Charges</td>
<td>20,750,000</td>
<td>20,897,000</td>
<td>147,000</td>
<td>69%</td>
</tr>
<tr>
<td>Water Standby Availability</td>
<td>13,500,000</td>
<td>13,113,000</td>
<td>(387,000)</td>
<td>58%</td>
</tr>
<tr>
<td>Contributions in Aid of CIP</td>
<td>3,611,000</td>
<td>791,000</td>
<td>(2,820,000)</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total Revenue &amp; Other Income</strong></td>
<td><strong>$143,297,000</strong></td>
<td><strong>$141,972,000</strong></td>
<td><strong>$(1,325,000)</strong></td>
<td><strong>73%</strong></td>
</tr>
</tbody>
</table>
## Part 3: Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>FY16 &amp; FY 17 18 Months Amended Budget</th>
<th>FY16 &amp; FY17 18 Months Actuals</th>
<th>Variance with Amended Budget Positive (Negative)</th>
<th>% of 2 Year Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stored Water Purchases</td>
<td>$72,083,000</td>
<td>$72,083,000</td>
<td>$</td>
<td>100%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>187,570,000</td>
<td>177,821,000</td>
<td>9,750,000</td>
<td>63%</td>
</tr>
<tr>
<td>QSA Mitigation</td>
<td>21,071,000</td>
<td>21,071,000</td>
<td>-</td>
<td>88%</td>
</tr>
<tr>
<td>Hodges Pumped Storage</td>
<td>3,153,000</td>
<td>2,760,000</td>
<td>393,000</td>
<td>66%</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>3,196,000</td>
<td>2,890,000</td>
<td>305,000</td>
<td>68%</td>
</tr>
<tr>
<td>Grant Expenses</td>
<td>13,581,000</td>
<td>13,945,000</td>
<td>(364,000)</td>
<td>77%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>750,000</td>
<td>1,305,000</td>
<td>(555,000)</td>
<td>130%</td>
</tr>
<tr>
<td>Operating Departments</td>
<td>73,322,000</td>
<td>64,199,000</td>
<td>9,123,000</td>
<td>66%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$374,726,000</strong></td>
<td><strong>$356,074,000</strong></td>
<td><strong>$18,652,000</strong></td>
<td><strong>120%</strong></td>
</tr>
<tr>
<td><strong>CIP Expenditures</strong></td>
<td><strong>$109,894,000</strong></td>
<td><strong>$109,931,000</strong></td>
<td><strong>$ (37,000)</strong></td>
<td><strong>75%</strong></td>
</tr>
</tbody>
</table>
Attachment 8 Cash and Investments

Discretionary Fund Balances
As of December 31, 2016

Operating Fund
Rate Stabilization Fund

Non-Discretionary Funds

Discretionary Funds

San Diego County Water Authority
Capital Market Update

Administrative and Finance Committee
February 23, 2017
Lisa Marie Harris, Director of Finance
1. Potential Pipeline Refunding (Future Action)

2. Capital Market Update: Speakers Jamison Feheley and John Houlberg J.P. Morgan
   - Municipal Debt Issuance
   - Interest Rate Environment
   - Federal Reserve Projection
Market Update – February 23, 2017

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Municipal issuance was over $445 billion in 2016, with full year 2017 supply expected to be $350 billion.

2017 municipal issuance is expected to be $350 billion.

New money has driven 2017 supply.

J.P. Morgan Research anticipates lower 2017 gross issuance as tax-exempt rates are expected to increase.

Source: Thomson Reuters SDC, as of 2/17/2017, includes private placements.


2017 Modal Forecast

2017 Scenario 2: Higher Issuance on weaker growth/inflation and lesser fiscal policy.


Source: Bloomberg, J.P. Morgan.
J.P. Morgan Research projects net supply to be favorable through the second half of the year.

Net supply is expected to be supportive in 2H17

Outflows mitigate technicals
Outflows exacerbate technicals
Mar–Apr net supply: $4bn
Jul–Aug net supply: $48bn
Nov–Dec net supply: −$21bn

Jan–Feb net supply: −$22bn
Mar–Apr net supply: $4bn
Outflows slow: market does better
Outflows exacerbate technicals
Stable flows enhance technicals

While rates remain below their 10-year averages, since January 2016 20-year MMD and UST rates are higher by 12 basis points and 47 basis points respectively.

Week over week, the 10-year MMD yield increased 3 bps while the 10-year UST yield rose by 4 bps.

May and June: Long-term UST and MMD yields decrease on uncertainty leading up to the June FOMC meeting and the UK’s vote to leave the European Union.

January: Tax-exempt and UST yields rise following a report showing higher than expected rates of inflation.

November: Long-term yields increase following a surprise Trump Presidential victory.

December: Tax-exempt yields decline amid light primary municipal issuance while UST yields exhibit volatility on the back of the Fed’s rate hike and mixed U.S. economic data.

Despite the recent increases, long-term tax-exempt yields remain relatively low compared to historical averages.

Although MMD yields have generally fallen since December, they are near their 2-year highs.

Source: Thomson Reuters Municipal Market Data, J.P. Morgan; as of 2/17/2017
Inflows to municipal bond funds were generally positive in 2016 driving rates downward.

Municipal bond funds experienced inflows of $548 million last week while intermediate funds experienced outflows.
J.P. Morgan Research expects the 2017 rate environment to be volatile and highly dependent on federal and presidential policy.

Current tax-exempt yields have generally increased recently, but are still well below levels seen during the 2013 sell-off.

Factors that could drive rates lower:
- Dovish Fed commentary
- Weak U.S. economic data
- Flight to quality sparked by geopolitical risks or global equity market declines
- Foreign central bank actions

Factors that could drive rates higher:
- Hawkish Fed commentary
- Strong U.S. economic data
- U.S. short-term term interest rate hike(s)
- Reduced foreign economic concerns or market events
A flattening of the yield curve and general increases in rates are projected throughout the year.
The Federal Reserve has indicated at least 2 rate hikes over the course of 2017 with the March meeting now above 38% probability.

Fed Funds Target Rate Projections (year-end)

Federal Reserve Board's Unemployment Rate Projections

Federal Reserve Board's Core PCE Projections

Federal Reserve Board's GDP Projections

FOMC member votes

Med: 2.875% Med: 3.000%

Med: 2.125%

Med: 1.375%

2017 2018 2019 Longer

Unemployment Rate

Central Tendency*

Core PCE Inflation

Central Tendency*

Range

Real GDP

Central Tendency*

Range

Real GDP Median Projection

Source: Federal Reserve Board, 12/14/2016
* One participant did not submit a longer run projection

* Central Tendency excludes the three highest and three lowest projections in each year.
Individual and corporate tax reform policies may impact tax-exempt yields

Lower tax rates could mean higher tax-exempt yields

- While components of the fiscal policy yet to be implemented by the new Republican administration remain uncertain, elements of the proposed changes can be studied to infer the impact, if any, to the municipal bond market.
- Under the proposed individual income tax cuts, J.P. Morgan Research estimates that a tax-exempt investor could require an extra 26 bps in 30-year AA-A yields to make the investor “whole” on a tax-adjusted basis.
- If corporate tax rates were cut to 25%, J.P. Morgan Research estimates that tax-exempt yields would need to increase 41 bps in the 30-year AA-A yield to compensate investors on a tax-adjusted basis.

### Individual earners may require higher tax-exempt yields to compensate for lower tax-adjusted returns

<table>
<thead>
<tr>
<th></th>
<th>Income Level</th>
<th>Current Law</th>
<th>Trump Proposal</th>
<th>Proportion of Tax-exempt Income Claimed (%)</th>
<th>Impact on cost of capital (yield) for 10yr AA–A bonds (bps)</th>
<th>Current Avg. Tax Rate of Muni holder (%)</th>
<th>Trump Tax Rate of Muni holder (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single ($k)</strong></td>
<td><strong>Married ($k)</strong></td>
<td><strong>Current Law</strong></td>
<td><strong>Trump Proposal</strong></td>
<td><strong>Proportion of Tax-exempt Income Claimed (%)</strong></td>
<td><strong>Impact on cost of capital (yield) for 10yr AA–A bonds (bps)</strong></td>
<td><strong>Current Avg. Tax Rate of Muni holder (%)</strong></td>
<td><strong>Trump Tax Rate of Muni holder (%)</strong></td>
</tr>
<tr>
<td>0 – 10.35</td>
<td>0 – 20.7</td>
<td>0</td>
<td>0</td>
<td>4.07</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>10.35 – 15</td>
<td>20.7 – 30</td>
<td>10</td>
<td>0</td>
<td>0.57</td>
<td>0.16</td>
<td>0.06</td>
<td>0.00</td>
</tr>
<tr>
<td>15 – 19.625</td>
<td>30 – 39.25</td>
<td>10</td>
<td>12</td>
<td>1.59</td>
<td>-0.08</td>
<td>0.16</td>
<td>0.19</td>
</tr>
<tr>
<td>19.625 – 48</td>
<td>39.25 – 96</td>
<td>15</td>
<td>12</td>
<td>3.80</td>
<td>-0.30</td>
<td>0.57</td>
<td>0.46</td>
</tr>
<tr>
<td>48 – 52.5</td>
<td>96 – 105</td>
<td>25</td>
<td>12</td>
<td>1.50</td>
<td>-0.65</td>
<td>0.38</td>
<td>0.18</td>
</tr>
<tr>
<td>52.5 – 101.5</td>
<td>105 – 172.6</td>
<td>25</td>
<td>25</td>
<td>11.78</td>
<td>0.12</td>
<td>2.95</td>
<td>2.95</td>
</tr>
<tr>
<td>101.5 – 127.5</td>
<td>172.6 – 252.15</td>
<td>28</td>
<td>25</td>
<td>4.57</td>
<td>-0.46</td>
<td>1.28</td>
<td>1.14</td>
</tr>
<tr>
<td>127.5 – 200.5</td>
<td>252.15 – 255</td>
<td>33</td>
<td>25</td>
<td>12.83</td>
<td>-3.78</td>
<td>4.23</td>
<td>3.21</td>
</tr>
<tr>
<td>200.5 – 423.7</td>
<td>255 – 433.75</td>
<td>36.8</td>
<td>33</td>
<td>20.41</td>
<td>-2.96</td>
<td>7.51</td>
<td>6.74</td>
</tr>
<tr>
<td>423.7 – 425.4</td>
<td>433.75 – 487.65</td>
<td>38.8</td>
<td>33</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>425.4+</td>
<td>487.65+</td>
<td>43.4</td>
<td>33</td>
<td>39.27</td>
<td>-18.06</td>
<td>17.04</td>
<td>12.96</td>
</tr>
</tbody>
</table>

Total Increase in tax-exempt yield to make investors whole: 100.00% -26.01 bps 34.17% 27.82%
“Trumponomics” may have transformative effects on the municipal market

2017 Fiscal policy may focus on infrastructure and healthcare spending while attempting to reduce income tax rates

- Trump’s “America’s Infrastructure First” (AIF) Plan
  - The $1 trillion infrastructure spending plan is expected to be implemented over 10 years and be primarily funded through $137 billion in tax-credits to incentivize private capital
  - The proposed plan is critical of public authority issuance of tax-exempt bonds for three reasons:
    - Somewhat lower credit quality revenue stream projects require an equity component or guarantee
    - Public works projects are more costly and less efficient than private sector projects
    - Public bonds are limited to large projects that need complex eligibility rules
  - Trump’s plan equates to roughly $100 billion per year of financing that would most likely replace some new money tax-exempt municipal bond issuance
    - Projects likely to source funding under this plan would be smaller, shorter duration, and lower credit quality projects

- Proposed tax modification
  - The average individual tax rate for a holder of municipal debt, based on IRS reporting of tax-exempt income, would be 28% under Trump’s proposed tax plan versus the average rate of 34% today
    - Individual earners may require 26 bps in marginal tax-exempt yield for 30-year AA–A rated bonds to compensate for lower tax-adjusted returns
  - Reduction of the corporate income tax rate to 15% from the current rate of 35%
    - Corporate holders of municipal bonds require 92 bps in marginal tax-exempt yield for 30-year AA–A rated bonds to compensate for lower tax-adjusted returns
    - However, a reduction in corporate tax rates to 25% would require tax-exempt yields to rise by only 41 bps in 30-year AA–A rated bonds
  - Proposed elimination of the AMT tax provides an opportunity for AMT bonds to become tax-exempt
Public Hearing

Mitigated Negative Declaration for the Proposed Second San Diego Aqueduct Moosa Canyon Crossing Erosion Control Project

Water Planning Committee
February 23, 2017

Presentation by:
Don Chadwick, Senior Water Resources Specialist
Agenda

• Project Location
• Project Objectives/Components
• Environmental Impacts
• Administrative Actions

1/23/2017
Project Objectives

Protect the 2\textsuperscript{nd} SD Aqueduct by:

- Preventing stream bank erosion, due to lateral stream movement
- Preventing head cut from moving upstream
Project Components

- Excavate
- Install \( \frac{1}{2} \) ton Rip Rap
- Backfill
- Stabilize
Environmental Impacts

Initial Study - Analyzed potential for significant environmental effects

Results - Less than significant impact, except for:

- Biological Resources - Less than significant with mitigation incorporated
Environmental Impacts (cont.)

**Mitigation**: Riparian Forest and Riparian Scrub

- **Use existing** Water Authority habitat management area credits, and **Minimize** purchase of offsite wetlands mitigation credits

**Mitigated Negative Declaration (MND):**

- MND is appropriate document
- Project incorporating mitigation so it will not result in significant impacts
Administrative Actions

Feb. 6, 2017 - Public comment period starts

Feb. 23, 2017 - Public Hearing

Mar. 8, 2017 - Public comment period ends

Apr. 27, 2017 - Anticipated date for presenting Final MND and MMRP to Board of Directors for Consideration
Required Actions/Permits

- **Water Authority Board of Directors**
  - Adopt MND, Mitigation Monitoring & Reporting Plan, and approve project

- **Acquire additional Right of Way**
  - Pipeline Protection Easement

- **US Army Corps of Engineers**
  - Letter of Permission

- **CA Dept. of Fish and Wildlife**
  - Streambed Alteration Agreement
Update on Water Supply Conditions and Drought Response Activities

Water Planning Committee
February 23, 2017
A Tale of Two Emergencies

“It was the best of hydrologic times... it was the worst of hydrologic times”
Flood Emergency in San Jose

- 14,000 ordered to evacuate in San Jose area
- Lake Anderson spilling for first time in 11 years
- Worst flooding in 100 years
  - Coyote Creek 4 feet above flood stage

Source: Bay Area News Group
Source: KPIX 5
Source: Bay Area News Group
Northern Sierra Precipitation
8-Station Index

Accumulated Precipitation (in)

February 22, 2017

230% of Normal

source: Department of Water Resources
Northern Sierra Snowpack

154% of Normal
(Feb 22, 2017)

Source: Department of Water Resources
Lake Oroville Storage Volume
Major Reservoir State Water Project System

80% of Capacity
117% of Average
(February 21, 2017)

Source: Department of Water Resources
San Luis Reservoir Storage Volume
Major Reservoir State Water Project System

San Luis Reservoir

CY 2017 current SWP Allocation: 60%

Source: Department of Water Resources
Upper Colorado River Basin

• Precipitation 138% of normal as of February 21, 2017

• Snow water equivalent 152% normal as of February 20, 2017
## Local Precipitation

### Water Year 2017 Precipitation

<table>
<thead>
<tr>
<th>Station</th>
<th>February 1–21, 2017</th>
<th>Since October 1, 2016 (WY 2017 to date)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>% Normal</td>
</tr>
<tr>
<td>Lindbergh Field</td>
<td>1.31 in.</td>
<td>77%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>2.00 in.</td>
<td>90%</td>
</tr>
</tbody>
</table>
Sacramento Update

Legislation and Public Outreach Committee
February 23, 2017
Legislature

- February 17: Deadline for bill introduction
  - 2,500 bills introduced

- Budget subcommittee hearings beginning now

- Policy committee hearings will begin in March
Water Authority Sponsored Bills

- **AB 1323 (Weber)**
  - Stakeholder workgroup process through DWR to develop long-term water use efficiency standards

- **Energy transmission**
  - Assm. Todd Gloria will make available a “spot bill” to advance Water Authority sponsored legislation if positive progress is made in discussions with other interests

- **SB 701 (Hueso)**
  - State general obligation bond measure to address state settlement obligations, including Salton Sea restoration
Newly-Introduced Bills of Interest

- Long-term water use efficiency
  - 13 bills introduced

- Public goods charge on water
  - SB 623 (Monning); SB 778 (Hertzberg)

- Proposition 218 reform
  - SCA 4 (Hertzberg); SB 231 (Hertzberg)

- Water/Resources Bond
  - AB 18 (Garcia); SB 5 (De Leon); SB 701 (Hueso)
Additional Bills of Interest

- AB 1369 (Gray/Gonzalez Fletcher)
  - Increase statewide water storage capacity
    - By 25% by January 1, 2025
    - By 50% by January 1, 2050
    - Dedicate 25% of annual cap/trade auction revenues

- SB 584 (De Leon)
  - 50% renewables by December 31, 2025 (rather than 2030)
  - 100% renewables by December 31, 2045
Questions?
Federal Legislative Priorities

Legislation and Public Outreach Committee
February 23, 2017
Developing a Federal Legislative Action Plan

- Staff presented proposed Federal Legislative Priorities on January 26
- No additional input was received from Board members
- This is an implementation program to advance the Board’s policy objectives
- Staff will look for partnership opportunities to coordinate with Member Agencies on regional federal legislative interests and priorities
Fleet Science Center Exhibit Renovation

Legislation & Public Outreach Committee
Feb. 23, 2017
Background

- Permanent exhibit 15+ years old
- 400,000+ visitors per year
- Last update 2007–08
- Significant issues
  - Outdated data
  - Wear and tear
  - Lack of county-specific information
Old Exhibit

San Diego’s Water, from Source to Tap

California’s Water Distribution
California’s network of reservoirs, irrigation canal systems, and water treatment plants supply the state’s water needs. San Diego County’s water supply is divided into two main sources: surface water and groundwater.

Average Yearly Precipitation
Two-thirds of California’s water supply comes from rain and snowfall, while one-third comes from rivers and lakes. Water from the region’s rivers is used for irrigation, industry, and urban use.

San Diego County Water Sources
The San Diego County Water Authority purchases water from a variety of sources and supplies it to local water agencies that serve the region.

San Diego County Water Authority
The San Diego County Water Authority is responsible for providing water to the region’s residents and businesses.
Upgrades

- Funded by the Doe Charitable Trust
- Focus on local supply diversification
- Integrated design
- Updated photos and figures
- Seawater desalination section
- Bilingual content
New Display Panels
New Display Panels
Next steps

- Assess retrofit of interactive exhibits
- Seek funding to renovate interactives
Board Officers Enhanced Public Outreach Program

February 23, 2017
Purpose

- Achieve near-term and long-term changes at MWD by informing and educating local elected officials
  - Engage public officials, civic and opinion leaders throughout MWD’s service area
  - Get answers to the questions the Water Authority’s MWD Delegates have been asking
  - Bring about changes in MWD’s practices so that it is accountable and sustainable
  - Require transparency in MWD’s business practices and decision-making
- Ultimately, resolve disputes and be part of a sustainable MWD
Expose Risks Associated with MWD’s Current Fiscal Practices

- No Long Range Finance Plan
- Rate increases
- Ratepayer overcharges
- Overspending
- Unplanned borrowing
- Spending based on seriously flawed IRP
  - Bypassed board policy review
  - Failed to address key questions
  - Failed to consider affordability
  - Adopts a “do everything” approach, rather than a sound planning approach that considers changed circumstances
MWD’s Last Long-Range Financial Plan was 2004

Data Source: MWD
MWD’s Sales have Sharpely Declined

MWD Sales
(Actuals 2000-2016 and Projected 2017-2018)

Projected FY 2018 sales: 1.3MAF

500,000+ AF/YR Decline
### MWD Has Doubled Rates Over Past Decade

<table>
<thead>
<tr>
<th>Year</th>
<th>MWD Tier 1 Treated Water Rate</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$508</td>
<td>6.3</td>
</tr>
<tr>
<td>2009</td>
<td>$579</td>
<td>14.0</td>
</tr>
<tr>
<td>2010</td>
<td>$701</td>
<td>21.1</td>
</tr>
<tr>
<td>2011</td>
<td>$744</td>
<td>6.1</td>
</tr>
<tr>
<td>2012</td>
<td>$794</td>
<td>6.7</td>
</tr>
<tr>
<td>2013</td>
<td>$847</td>
<td>6.7</td>
</tr>
<tr>
<td>2014</td>
<td>$890</td>
<td>5.1</td>
</tr>
<tr>
<td>2015</td>
<td>$923</td>
<td>3.7</td>
</tr>
<tr>
<td>2016</td>
<td>$942</td>
<td>2.1</td>
</tr>
<tr>
<td>2017</td>
<td>$979</td>
<td>3.9</td>
</tr>
<tr>
<td>2018</td>
<td>$1,015</td>
<td>3.7</td>
</tr>
<tr>
<td>Total % Increase</td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Compounded Annual Rate Increases:** 7.2%

Data Source: MWD
MWD Overcharged Ratepayers by $847 Million (2012–15)

Data Source: MWD
MWD’s $847 Million in Ratepayer Overcharges by MWD Member Agency

<table>
<thead>
<tr>
<th>Agency</th>
<th>Over-Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anaheim</td>
<td>$8,114,918.69</td>
</tr>
<tr>
<td>Beverly Hills</td>
<td>$6,138,524.25</td>
</tr>
<tr>
<td>Burbank</td>
<td>$6,546,677.98</td>
</tr>
<tr>
<td>Calleguas</td>
<td>$58,702,739.10</td>
</tr>
<tr>
<td>Central Basin</td>
<td>$18,637,509.38</td>
</tr>
<tr>
<td>Compton</td>
<td>$419,761.80</td>
</tr>
<tr>
<td>Eastern</td>
<td>$46,775,850.56</td>
</tr>
<tr>
<td>Foothill</td>
<td>$4,677,941.06</td>
</tr>
<tr>
<td>Fullerton</td>
<td>$4,822,981.49</td>
</tr>
<tr>
<td>Glendale</td>
<td>$10,033,627.01</td>
</tr>
<tr>
<td>Inland Empire</td>
<td>$21,778,139.87</td>
</tr>
<tr>
<td>Las Virgenes</td>
<td>$12,228,150.54</td>
</tr>
<tr>
<td>Long Beach</td>
<td>$18,697,349.69</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 847,200,000.00</strong></td>
</tr>
</tbody>
</table>

**Agency** | **Over-Collection** |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>$171,157,203.26</td>
</tr>
<tr>
<td>MWDOC</td>
<td>$103,381,280.27</td>
</tr>
<tr>
<td>Pasadena</td>
<td>$10,869,337.53</td>
</tr>
<tr>
<td><strong>San Diego</strong></td>
<td><strong>$188,978,871.27</strong></td>
</tr>
<tr>
<td>San Fernando</td>
<td>$40,574.67</td>
</tr>
<tr>
<td>San Marino</td>
<td>$562,508.66</td>
</tr>
<tr>
<td>Santa Ana</td>
<td>$5,813,599.48</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>$3,500,450.49</td>
</tr>
<tr>
<td>Three Valleys</td>
<td>$31,577,465.03</td>
</tr>
<tr>
<td>Torrance</td>
<td>$8,911,132.79</td>
</tr>
<tr>
<td>Upper San Gabriel</td>
<td>$10,806,043.72</td>
</tr>
<tr>
<td>West Basin</td>
<td>$60,672,092.85</td>
</tr>
<tr>
<td>Western</td>
<td>$33,355,268.54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 847,200,000.00</strong></td>
</tr>
</tbody>
</table>

Data Source: MWD
# MWD’s $189 Million in Ratepayer Overcharges by Water Authority Member Agencies

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Share of MWD Overcharges&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>$ 7,332,089</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>466,331</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>7,523,022</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>3,521,540</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>12,617,903</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>1,505,413</td>
</tr>
<tr>
<td>National City, City of</td>
<td>823,493</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>10,176,806</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>8,826,351</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>13,700,149</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>4,813,200</td>
</tr>
<tr>
<td>Pendleton M.C.B.</td>
<td>21,442</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>5,074,416</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>5,108,280</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>2,231,165</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>2,689,245</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>76,840,785</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>1,649,028</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>3,333,163</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>2,880,780</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>6,792,902</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>4,017,474</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>6,893,404</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>140,490</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$ 188,978,871</strong></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Allocation based on average of Member Agency purchases from 2011-14.
MWD Overspent Its Budget by $1.2 Billion (2013–16)

$1.2 Billion

Data Source: MWD
MWD Has Authorized $900 million in Unplanned Borrowing

Data Source: MWD
MWD Depletes Cash Reserves; Borrows $300 Million to Meet Minimum Reserve Requirement

Of the $378 million MWD projects it will hold in cash reserves on June 30, 2017, $300 million is money borrowed from commercial banks.

Data Source: MWD
Despite Declining Water Sales, MWD Plans to Spend Billions on New Projects

- $17+ billion Twin Tunnels project
  - Has pledged to pay one-fourth or more
  - No other California water agency has committed to pay

- $2.7+ billion L.A. County Sanitation Districts’ Carson Recycled Water Project
  - Project and its supplies (168,000 AF annually) not included in IRP or any MWD long-range water resources plan

- Hundreds of millions of dollars to “update and modernize” Mexico’s infrastructure (Kightlinger, 2/21 Planning Report)
  - Never disclosed to MWD board and not in IRP or UWMP

- MWD has no commitment from any of its member agencies to pay for these projects
MWD’s Rates Have Been Ruled Illegal and Unconstitutional

- Nov. 18, 2015: San Francisco Superior Court Judge Curtis E.A. Karnow ruled MWD’s 2011–15 rates:
  - Violate California Constitution Article XIIIC (Proposition 26)
  - Violate California Wheeling Statutes
    - Water transportation law
  - Government Code Section 54999.7(a)
    - Limiting rates to cost-of-service
  - Common law rules limiting rates to cost of service
- MWD continues to set rates using same formula ruled illegal by the Court
  - This is the shaky foundation of all current spending
MWD’s Fiscal Practices Pose Serious Risks to Ratepayers

- MWD’s unsustainable fiscal practices pose major threats to ratepayers
  - All ratepayers in MWD’s 26 member agencies will bear the cost of MWD current and planned spending

- As MWD’s continues to raise it rates, its member agencies will buy even less from MWD
  - As noted by Fitch Ratings:
    - “…as one of the highest-cost resources in the region, Metropolitan bears a disproportionate impact of reduced demand… members reduce purchases from Metropolitan before reducing production from their own local supplies.” – Fitch Ratings, June 14, 2016
Board Officers’ Expanded Public Outreach Program proposes to broaden scope of information campaign beyond San Diego County

- Expand into other parts of MWD service area including Orange and Ventura Counties and Inland Empire
- Key activities:
  - Work with MWD program on key issues and messages
  - Development of information materials
  - Meetings and communications with elected officials
  - Media relations
  - Outreach to civic, business and opinion leaders who care about a reliable water supply and the economy
Authorize the General Manager to amend the professional services agreement with Southwest Strategies to extend the agreement through June 30, 2018 and to increase the total not-to-exceed amount to $875,505, an increase of $476,505.