



IMPORTED WATER COMMITTEE

AGENDA FOR

MAY 27, 2010

Dan McMillan – Chair
Bill Knutson – Vice Chair
Yen Tu – Vice Chair
Keith Blackburn
Jim Bond
Gary Croucher
Lynne Heidel
Keith Lewinger

John Linden
Barry Martin
Ralph McIntosh
Rua Petty
Hershell Price
Elsa Saxod
Barbara Wight

1. Roll call – determination of quorum.
2. Additions to agenda (Government Code Section 54954.2(b)).
3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.
4. Chair’s report.
4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

1. Metropolitan Water District Issues and Activities update. Amy Chen
1-A Metropolitan Water District Delegates report.
(pickup packet)
2. Colorado River Programs.
2-A Colorado River Board representative’s report. Bill Knutson
(pickup packet)
2-B Colorado River Programs Ad Hoc Committee update. Mark Watton



3. Presentation by Curt Schmutte, Principal Engineer, Metropolitan Water District on the Bay Delta.

III. INFORMATION

1. Presentation on Binational Colorado River Cooperative Process. Halla Razak
2. Metropolitan Water District Program report. Amy Chen

IV. CLOSED SESSION

1. CLOSED SESSION: Dan Hentschke
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(a)
Name of Case: QSA Judicial Council Coordination Proceeding No. 4353
2. CLOSED SESSION: Dan Hentschke
Conference with Legal Counsel – Initiation of Litigation
Government Code §54956.9(c) – One Case

V. ADJOURNMENT

Doria F. Lore
Clerk of the Board

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



May 19, 2010

Attention: Imported Water Committee

Binational Colorado River Cooperative Process (Information)

Background

For the past two years, U.S. and Mexico federal governments have been engaged in efforts to improve Colorado River water management and develop new water supplies. These efforts have generally been called the binational cooperative process, and are facilitated through the U.S. and Mexico sections of the International Boundary and Water Commission. Participants are discussing activities that include desalination projects, water conservation, shortage sharing, environmental water uses, and storage of Mexican apportionment in U.S. reservoirs.

Discussion

In the past few months, Reclamation has led an effort to develop and implement pilot projects in Mexico. These projects are intended to demonstrate the capability of planning and implementing binational projects, to develop relationships between the two countries, and to achieve early success on projects that are fairly easy to implement. The projects have been discussed in meetings with the seven basin states and Reclamation has requested that the states share in funding portions of the projects. More recently, Reclamation and the seven states are reviewing ways to assist Mexico in the aftermath of the earthquake that occurred last month.

One of the pilot projects being considered is an environmental improvement project that would restore habitat in Mexico. After reviewing several potential restoration sites, project proponents recommended a site of about 50 acres in the limotrophe region of the Colorado River, which forms the border between Mexico and Arizona below Morelos Dam. This project would plant about 2,100 cottonwood and willow trees on the site and provide water to irrigate the plantings. Construction of the project and two years of monitoring and operations and maintenance, is expected to cost about \$325,000. Parties are discussing how this cost would be shared.

A second pilot project being considered would conduct a feasibility study for the construction of a regulating reservoir near the Alamo and Reforma canals in Baja California. The reservoir could conserve an estimated 3,200 af/yr and assist Mexico with managing its surface and groundwater supplies. The feasibility study is expected to cost about \$40,000. Reclamation has proposed paying half of this amount; the basin states are considering funding the remaining half. The cost to construct the reservoir would be several millions of dollars and would not be part of the pilot project. U.S. participants have suggested that as an alternative to the reservoir project, Reclamation could pursue a project to implement an agricultural land fallowing program, similar to the program Reclamation implemented in the U.S. last year. For this project, Reclamation would fund the fallowing program and Mexico would determine where and how the conserved water would be used.

The earthquake that struck Baja California on April 4 severely damaged water infrastructure in Mexico, including damage to canals and other conveyance facilities. U.S. parties are reviewing ways to assist Mexico and scheduled a tour of the damaged facilities on May 14. Because of the damage, Mexico may not be physically able to take full delivery of its 1.5 maf apportionment this calendar year. To assist Mexico, the U.S. is considering allowing Mexico to store part of its apportionment in U.S. reservoirs until repairs are made and the water can be delivered next calendar year.

Reclamation and the basin states will continue to discuss the full range of binational matters, including the pilot projects and Mexico earthquake assistance, at a meeting scheduled this month. U.S. and Mexican representatives are scheduled to meet June 24-25 to continue these discussions.

Prepared by: Dave Fogerson, Senior Engineer
Reviewed by: Halla Razak, Colorado River Programs Director

May 19, 2010

Attention: Imported Water Committee

Metropolitan Water District Program Report (Information)

Purpose

The MWD Program Report summarizes activities associated with the Metropolitan Water District of Southern California (MWD) and other imported water agencies and organizations.

Discussion

Metropolitan Water District. This section provides a summary of key actions taken at the May 10 and 11 meetings of the MWD board of directors. The board next meets on June 7 and 8, 2010.

Fiscal year 2010/11 Budget

Last month, the MWD board adopted new rates and charges with an overall “average” rate increase of 7.5 percent each year effective January 1, 2011 and 2012. With that action, the board also directed staff to reduce the proposed 2010/11 budget by \$20 million and return to the board this month with a recommended budget. Actions proposed by staff to achieve the \$20 million in cuts include the following reductions: State Water Project estimated costs by \$8.8 million; debt service by \$9 million; conservation incentive budget by \$2 million; and outreach and conservation administrative costs by \$420,000. To achieve the \$9 million reduction in debt service, staff proposed deferring nearly \$68 million in capital projects, primarily in stewardship and infrastructure reliability. The \$8.8 million SWP reduction is due to a changed assumption regarding the timing of SWP credits. The board approved staff’s recommended 2010/11 budget of \$1.64 billion, with a slight modification to restore the conservation program funding to \$19.1 million, and directed staff to reduce \$2 million in other programs. The adopted budget reflects a \$154 million reduction from the FY 2009/10 adopted budget, and is based on 1.93 million acre-feet (maf) of water sales.

In addition to the decrease of \$20 million, the adopted budget includes no increases in base salaries, reflects the elimination of 63 vacant positions, and incorporates a reduction of expenditures in both conservation advertising and operating equipment. (Actual positions eliminated totals 95, due to the 63 cut during the budget process, and 32 resulting from MOU negotiations.)

At last month’s Executive Committee meeting, several MWD directors requested staff present a two-year budget for consideration. Staff returned this month with a recommended budget for FY 2010/11 and FY 2011/12, including projections for a 2011/12 budget based upon historic levels for the various line items. The recommended 2011/12 budget of \$1.84 billion is based on 2.0 maf of water sales, a \$341 million Capital Investment Plan, and utilizes \$125 million in operating revenues to fund Replacement and Refurbishment expenditures. However, the eight-page staff memo on the two-year budget recommendations lacks any specificity on the proposed budget for 2011/12. As a result, the board limited its approval of the budget to 2010/11 only. The board

directed staff to return in 90 days with a more thoroughly developed budget for 2011/12, allowing the board time to hold a budget workshop and review the budget in greater detail.

Table 1 details the adopted 2010/11 (and proposed 2011/12) budgets as compared to the previous two years' budgets.

Table 1 – Fiscal Years 2010/11 and proposed 2011/12 Budget Summaries (\$M)

	2008/09 Actual	2009/10 Budget	2010/11 Adopted	Change from: 2009/10	2011/12 Proposed	Change from 2010/11
Expenditures						
State Water Contract	\$ 394.7	\$ 478.8	\$ 488.5	\$ 9.7	\$517.1	\$28.6
Supply Programs	84.1	125.5	103.2	(22.3)	119.1	15.9
Colorado River Power	37.4	49.8	59.6	9.8	61.5	1.9
Debt Service	287.1	330.7	338.9	8.2	367.2	28.3
Demand Management	75.6	59.8	56.2	(3.6)	59.1	2.9
Operations & Maint. (O&M)	291.5	289.3	337.0	3.8	374	37
Sub-total Expenditures	1,223.6	1,385.5	1,383.5	(2.0)	1,497.9	114.4
Capital Investment Plan	416.7	412.1	259.9	(152.1)	341	81.5
TOTAL Expenditures and CIP	\$1,640.3	\$1,797.6	\$1,643.4	\$ (154.1)	\$1,838.9	\$195.5

Memoranda of Understanding between MWD and Employee Bargaining Units

The board approved entering into Memoranda of Understanding (MOUs) with three of MWD's four employee bargaining units: AFSCME Local 1902, the Management and Professional Employees' Association, and the Association of Confidential Employees. These three bargaining units represent 95 percent of MWD's workforce. The fourth bargaining unit, the Supervisors Association, represents 97 employees and was not included in these negotiations as they are currently operating under their prior agreement and previously received a salary increase of 2 percent. The three MOUs on the table are retroactively effective July 1, 2009 and will expire December 2010. The employees of the three represented bargaining units will receive a 2 percent salary increase effective January 2010. The cost of the salary increase is \$4.5 million, including benefits, but will be entirely offset by the elimination of 32 currently vacant positions, which is in line with the board's direction of maintaining cost neutrality. The elimination of these 32 positions is in addition to the 63 positions mentioned in the budget discussion.

2010/11 Water Conservation Plan

The board approved the fiscal year 2010/11 Water Conservation Plan (Plan) which is designed to achieve water savings of 10,000 af/yr, which is consistent with the goals of the 2004 Integrated Resources Plan. The adopted Water Conservation Plan incorporates several key elements including: non-incentive based actions to increase regional efficiency; technical assistance from MWD staff to help member and retail agencies increase local conservation efforts; regional residential and commercial incentive programs; and an MWD funded/member agency administered incentive program. The plan will become effective June 1, 2010 and will be operated within the adopted fiscal year 2010/11 budget for the Conservation Credits Program of \$19.1 million.

Other items discussed or approved by board committees or at the board meeting:

- Adopted two resolutions accepting potential funding, and authorized entering into a contract on two grant proposal applications as part of the US Bureau of Reclamation's WaterSMART: Water and Efficiency Grants for fiscal year 2010;
- Adopted a resolution to continue the Water Standby Charge for fiscal year 2010/11;
- Adopted a resolution authorizing second amendment to MWD's Master Swap Policy;
- Adopted a position of oppose, unless amended, for AB 2583 (Hall) regarding water treatment: hazardous material;
- Expressed opposition to Proposition 16: Taxpayers' Right to Vote Act;
- Heard oral reports on the Water Surplus and Drought Management Plan, the renewal status of MWD's Property and Casualty Insurance Program, and on opportunities to partner with the Southern California Public Power Authority.

Prepared by: Julia Velez, Assistant Water Resources Specialist
Reviewed by: Amy Chen, MWD Program Chief



May 19, 2010

Attention: Imported Water Committee

CLOSED SESSION:

Conference with Legal Counsel – Existing Litigation

Government Code §54956.9(a)

Name of Case: QSA Judicial Council Coordination Proceeding No. 4353

Purpose

This memorandum is to recommend that the committee by motion hold a closed session, pursuant to Government Code §54956.9(a) to discuss the above-referenced matter at the May 27, 2010, Board meeting.

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

Prepared by: Daniel S. Hentschke, General Counsel



May 19, 2010

Attention: Imported Water Committee

**CLOSED SESSION:
Conference with Legal Counsel – Initiation of Litigation
Government Code §54956.9(c) – One Case**

Purpose

This memorandum is to recommend that the committee by motion hold a closed session, pursuant to Government Code §54956.9(c) to discuss the above-referenced matter at the May 27, 2010 Board meeting.

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

Prepared by: Daniel S. Hentschke, General Counsel