



Proposed Staff Recommendation Consent Calendar for April 26, 2012

WATER PLANNING COMMITTEE

- 9- 1. Modifications to the Water Authority's Water Shortage and Drought Response Plan allocation methodology.
Approve the updated Section 5, Supply Allocation Methodology, of the Water Authority's Water Shortage and Drought Response Plan that includes the proposed modifications.

ADMINISTRATIVE AND FINANCE COMMITTEE

- 9- 2. Treasurer's report.
Note and file the monthly Treasurer's report.
- 9- 3. Adopt an ordinance amending Administrative Code provisions relating to goods and services and public works.
Adopt Ordinance No. 2012-___ an ordinance of the Board of Directors of the San Diego County Water Authority amending Chapters 1.00, 2.24, 4.04, 4.08 and 7.08 of the Administrative Code to allow for the utilization of a Sheltered Market Program; to amend the following sections: cooperative procurement, performance bond, retention, and design-build; to allow for the use of digital signatures in procurement; and to make other minor updates and cleanup.
- 9- 4. Overview of 2010 Board action on revised Special Agricultural Water Rate program, changed conditions since adoption of revised program and alternative actions for consideration in response to a request to sustain current program.
Provide staff direction in response to the March 15, 2010 letter received from Fallbrook PUD, Rainbow MWD, Valley Center MWD, and Yuima MWD, requesting that the current TSAWR be sustained as currently configured to provide time to develop the policies and programs needed to sustain regional agriculture for the long-term.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE

- 9- 5. Adopt positions on various state bills.
1. Adopt a position of Support on AB 1508 (Carter)
 2. Adopt a position of Support on AB 2443 (Rubio)
 3. Adopt a position of Support, if amended, on SB 1094 (Kehoe)
 4. Adopt a position of Support on SB 1387 (Emmerson)
- 9- 6. Adopt Water Use Efficiency Policy Principles.
Adopt Water Use Efficiency Policy Principles as presented in Attachment 1 to guide staff in evaluating and implementing water use efficiency initiatives.



ENGINEERING AND OPERATIONS COMMITTEE

- 9- 7. Amendment to service contract with Co's Traffic Control for traffic control service.

Authorize the General Manager to approve Amendment 2 with Co's Traffic Control for \$125,000 to provide additional traffic control services, increasing the contract amount from \$150,000 to \$275,000 and extending the contract duration for a two year period from September 30, 2012 through September 30, 2014.



Date: April 24, 2012
To: San Diego County Water Authority Board Members
From: Jonathan Clay, Sacramento Representative
Ken Carpi, Washington Representative
Subject: Legislative Update

Sacramento

Budget and Governor's Initiative – The Legislative budget process continues to move forward, with many of the Governor's proposed cuts from his January budget proposal being rejected by the Legislature. The Governor recently announced that without mid-year cuts, the current deficit of roughly \$9 billion will increase, maybe by as much as an additional \$1 billion. Significant action will not begin to occur until after the Governor releases his May Revise (budget update) on May 14th, with action on the entire budget not expected to occur until after the June primaries. Remember that June 15th is the constitutional deadline - without action, Legislators risk losing pay similar to last year.

The Governor's revised ballot initiative is still in the signature gathering stage, with 1 million signatures needed by early May in order to qualify for the November ballot. Competing initiative proposals are also in the signature gathering stage and it seems that the Governor will not be successful in clearing the ballot completely of additional tax proposals, namely the Molly Munger-backed initiative.

Finally, the Governor's proposal to eliminate the Colorado River Board has been rejected in the Assembly and will be considered again in the Senate on May 10th. If both houses reject the proposal, then the idea to eliminate the Board will not be part of this year's budget process.

Legislation – Water Authority-sponsored legislation, AB 2398 has passed Assembly Water, Parks and Wildlife Committee and has been double referred to Assembly Environmental Safety and Toxic Materials (hearing date is 4/24/12). Since the first committee hearing, concerns are beginning to be raised by various state agencies about components of the recycled water package.

Water Bond – Based on recent polling, it appears that efforts to redraft a revised water bond have stalled and that the new focus will be simply to pull the bond from the November ballot. It is still unclear whether moving the bond from November 2012 to some future election will trigger a 2/3 vote by the Legislature or not.

Washington, DC

FY 2013 Energy and Water Appropriations Bills - The appropriations cycle for FY 2013 officially kicked off in April, and the House Subcommittee on Energy and Water Development Appropriations was one of the first subcommittees to consider its funding bill. The legislation, which passed out of subcommittee on April 18, contains funding for important programs within the Bureau of Reclamation. The Bureau's budget totals \$988 million in the House legislation, down \$89 million from last year's level and \$47 million below the President's request. While report language detailing the source of the cuts is not yet available, we speculate that funding will be cut for purposes related to elements of the Central Valley Project Improvement Act, the San Joaquin River Restoration Settlement Act, and activities related to the removal of four privately-owned dams along the Klamath River. The House legislation is set to be passed by the full committee on April 25. No date has been set for consideration on the floor of the House.

Similarly, the Senate Subcommittee on Energy and Water Development Appropriations will pass its FY 2013 funding legislation on April 24, and may proceed to pass the legislation out of full committee that very day, as it has done in past years. The legislation is expected to provide more funding for the Bureau of Reclamation than the House version. Also, Senator Feinstein's chairmanship of the subcommittee is expected to positively impact the provision of water for California public water agencies. It is rumored that the legislation contains several legislative provisions that will provide the Department of the Interior with more flexibility to deliver water south of Delta.

Once the report language accompanying both bills becomes available, we will provide the Board with details on programs of importance to the Water Authority.

Desalination Funding Legislation - On April 17, the Subcommittee on Water and Power of the House Committee on Natural Resources held a legislative hearing on H.R. 2664, a bill to reauthorize the Water Desalination Act of 1996.

The Water Desalination Act of 1996 authorized the Secretary of the Interior to spend up to \$25 million per year on the research and development of innovations related to the desalination of seawater and brackish groundwater. The Act has been reauthorized many times, most recently in the FY 2012 Energy and Water Appropriations Act.

H.R. 2664 would reauthorize desalination research and development through 2016, but with many changes. First, the legislation would only authorize up to \$2 million per year, which is a large cut from the \$25 million per year currently authorized. The legislation would also require the Secretary to determine ways to integrate renewable energy resources into desalination operations, as well as to hold public outreach and education about the importance of desalination.

Although the program has existed in its current form for more than 15 years, H.R. 2664 was severely criticized by Chairman Tom McClintock (R-CA). Rep. McClintock stated multiple reasons for his opposition to the legislation. Chiefly, he does not believe that federal taxpayers

should subsidize the desalination industry. Further, he believes that limited federal resources could be used to develop larger supplies of water by building more storage.

Given the Chairman's opposition to the legislation, it is unclear if it will be passed by the full committee. Even if it is, its prospects for passing out of the House are dim. The most likely scenario is that desalination research conducted by the Department of the Interior will once again be reauthorized in the FY 2013 Energy and Water Appropriations bill.



April 25, 2012

Attention: Imported Water Committee

Metropolitan Water District Delegates' Report (Information)

Background

The MWD committees and board met on April 9 and 10. The next regular MWD board and committee meetings are scheduled for May 7 and 8.

Discussion

This section summarizes discussions held and key decisions made at the April MWD committee and board meetings, as reported by the MWD delegates. The Water Authority delegation supported 7 of 10 action items approved by the MWD Board and abstained on an item related to SB 1495 (Wolk, D-Davis) – Sacramento-San Joaquin Delta Reform Act of 2009. The Water Authority delegates did not support the budget and rates item, or the authorization to execute and distribute the Official Statement for the issuance of the Water Revenue Refunding Bonds (Index Mode), 2012 Series B.

Attachment 1 is a copy of the April board meeting agenda and MWD's summary of actions.

Communications and Legislation Committee

The committee and board approved three staff items, including an item to express support and seek amendments for H.R. 2538 (Calvert, R-CA). H.R. 2538 would allow states to enter into Memorandum of Understandings with the federal government and assume the responsibility of ensuring federal National Environmental Protection Act (NEPA) requirements are met for infrastructure projects. MWD seeks amendments that would allow divisions of the state, such as water districts, to also assume the responsibility for NEPA compliance on their projects. The board also supported staff's recommendation on SB 1387 (Emmerson, R-Riverside) and AB 1508 (Carter, D-Rialto), which deals with metal theft. The board opposed, unless amended, SB 1495 (Wolk, D-Davis), which would exempt certain local projects in the Delta from the definition of covered actions under the Delta Plan. SB 1495 would also amend the Bay-Delta legislation from 2009 (Delta Reform Act). The Water Authority delegates abstained on this item, as did Director Gray (West Basin), who is also a member of the Delta Stewardship Council (DSC).

Executive Legislative Representative Kathy Cole updated the committee on the Water Bond. She said the \$11.4 billion bond was originally slated to appear on the November 2010 ballot, and later postponed to the November 2012 ballot. Cole said that five surveys were conducted on the bond, initially by ACWA, and most recently by the Clean Water and Jobs for California, which she reported was the most comprehensive of the five polls. The survey showed that those polled see the need to invest in improvements for the state water system; however, the results also indicated that now would be a bad time to ask voters to support a bond of this magnitude because of a general mistrust of government. As a result of the survey, ACWA Executive Director Tim Quinn obtained support from his board to support pushing back the bond to November 2014. ACWA staff was asked to obtain legislative support to delay the bond measure to a later date. General

Manager Jeff Kightlinger said that MWD would support moving the bond ballot to 2014, if requested by the Legislature.

The committee also received reports on state and federal legislative activities.

Engineering and Operations Committee

The committee and board approved funding for two preliminary design projects. The first replaces valves on the Second Lower Feeder and Palos Verdes Feeder. The second design project relocates a portion of the Orange County Feeder. The committee also heard an update on current water system operations. Staff said that the State Water Project blend at Weymouth is 45 percent and Diemer is 35 percent. The Skinner plant is now 35 percent (from last month's 70 percent).

The committee also received reports on the Uranium Mill Tailings Remediation near Moab, Utah and the Fiscal Year (FY) 2011/12 Capital Investment Plan update. Staff said that over half of the \$282 million CIP budget is dedicated to infrastructure reliability (\$165 million) spread over 250 projects. The other large component focused on water quality (\$104 million), which included about 30 ozone retrofit projects.

Finance and Insurance Committee

The board approved two Finance and Insurance Committee items – the biennial budget for FY's 2012/13 and 2013/14 with the corresponding water rates and charges for 2013 and 2014, and the execution and distribution of the Official Statement related to Water Revenue Refunding Bonds, Series B. Seven speakers provided comments on rates and charges during the committee's public comment portion of the agenda, including a city of San Diego representative, Assistant Public Utilities Director Alex Ruiz, who urged MWD to consider further cost reductions to minimize rate impacts for its member agencies. Other speakers requested that MWD continue its commitment to fund conservation and local resources programs. Chief Financial Officer Gary Breaux said that four letters were received, three supporting MWD's budget and rates and charges (Eastern Municipal Water District, Natural Resources Defense Council and the Southwest Regional Council of Corporations) and the city of San Diego's opposition letter. Committee Chair Grunfeld (Los Angeles) explained to the committee that because he asked staff to address the Water Authority's budget proposal capping the average rate increase to 3 percent when he met with staff on the Friday before committee met, staff was only able to update the PowerPoint presentation the morning of the committee meeting (MWD's CFO comments on the proposal and other details are discussed in the Water Authority's memo titled "Update on MWD FY 2012/13 and 2013/14 Budget and Rates and Charges").

The Committee members voted on a series of motions and substitute motions, including a substitute motion made by Lewinger. Lewinger qualified his motion by first making clear that the Water Authority continued to have concerns and objects to the allocation of costs by MWD under its cost-shifting cost of service methodology. At the same time, Lewinger stated that the Water Authority supported a lower budget and cap on water rate increases, and thus moved that MWD: 1) cap average rates at no more than 3 percent for both fiscal years and 2) bring back to the board of directors a revised budget that meets the rate cap. The latter would be met by reducing operations and maintenance by 10 percent, suspending conservation subsidies for the next two years, and without changing the scheduled OPEB and PAYGo funding or relying on reserves. Lewinger also requested a copy of his motion be entered into record, which Grunfeld directed staff

to do. After another director made a substitute motion to Lewinger's substitute motion, Lewinger requested MWD's Assistant General Counsel to opine on the substitute motion procedure. Staff's response was that MWD operates under the "chairman's rules," thus the chairman would make the determination of when to cutoff substitute motions. Despite voting on several motions and substitute motions, the committee was unable to coalesce behind one recommendation. Director Morris (San Marino) made a motion to have the board consider the item with no committee recommendation; his motion passed. Subsequently, during the board meeting, 30 people provided comments on the budget and rates and charges. Four options were voted on, including the Water Authority's proposal, with Option 2 (5 percent in 2013 and 5 percent in 2014) passing. The Water Authority delegation did not support the item.

Following staff's presentation on the official statement for the refunding bond, Wilson presented for the record, the Water Authority's position and letter (See Attachment 2). While the Water Authority supports any action that provides savings for MWD, because the official statement lacked sufficient disclosure on financial risks faced by MWD, the Water Authority did not support this item.

MWD staff also reported on its investment activity and financial highlights. MWD Controller Tom DeBacker reported water sales continue to trend under budget at about 1.67 maf compared to the projected budget of 1.8 maf; firm MWD water sales, exclusive of the Water Authority's QSA water of about 163.1 taf and 225 taf of replenishment water, are approximately 1.29 million acre-feet (maf). As a result of the projected lower water sales revenues of \$91.5 million, which was offset by about \$25.2 million in other revenue (\$18 million in Coachella Exchange Sales and \$7 million in Hedge funds) and \$7.7 million in power sales and an increase in \$4 million in interest, MWD expects its revenue to be about \$62.6 million under budget. MWD estimates expenditures to be about \$84.7 million lower than the projections for the fiscal year, due to lower State Water Contract, Colorado River Aqueduct power and demand management costs offset by increases in water supply and Operations & Maintenance costs.

Legal and Claims Committee

The committee and board approved an increase in funding for legal services related to the *J.R. Filanc Construction Co. v. MWD* litigation; Filanc alleged MWD breached a construction contract by failing to pay for "acceleration" costs associated with its work at the Weymouth Water Treatment Plant. The committee also heard an update on the In Re Tronox bankruptcy case; subsequent to the report, the committee, then the board, authorized an increase in legal services funds for Manatt, Phelps and Phillips to continue activities relating to the Tronox Bankruptcy and the adversary action against Kerr-McGee/Anadarko. In closed session, the committee discussed several issues, including rate litigation with the Water Authority, in which no action was taken.

Organization, Personnel and Technology Committee

Committee Chair J. Murray (Los Angeles) announced that the direct report evaluation process will begin in May. The board's direct reports are the General Manager, General Counsel, General Auditor and Ethics Officer. Octavia Tucker was introduced as the new Administrative Services Manager, who will oversee facilities management, document services, and contracting and procurement teams. The committee also heard a quarterly update on progress to implement MWD's Information Technology Strategic Plan and on the performance management process intended to transition into a single review period for all MWD staff.

Water Planning and Stewardship Committee

The committee heard an update on a proposal related to implementation of interim international cooperative measures in the Colorado River Basin. In early March, the United States submitted a counter-proposal of a draft minute to Mexico (Minute 319). If the minute were to be adopted, MWD would have to approve five agreements (including a funding agreement) to participate in programs anticipated under the minute. In response to Director Steiner's question, Kightlinger confirmed that MWD has not made any funding commitments related to this effort to-date, but will return to the board for consideration if funding is required of California. In response to Lewinger, staff said that the United States is required to provide Mexico 15 maf of water over a ten-year period (the lower basin is responsible for half that amount). Mexico received its allotment every year, except last year when Mexico chose to store water in Lake Mead.

The committee also received reports on the Bay-Delta Initiatives and Colorado River matters.

Board Meeting

California Secretary for Natural Resources John Laird addressed the board on the administrative drafts of all its Bay Delta Conservation Plan (BDCP) planning documents, which were guided by the Delta Reform Act. The Delta Reform Act made it state policy to manage the Delta in support of the co-equal goals of water supply reliability and ecosystem restoration in a manner that acknowledges the evolving nature of the Delta as a place for people and communities. Laird said that the BDCP must be flexible to adapt and manage to this reality over time because the Sacramento-San Joaquin Delta is in severe decline, fish populations are crashing and in the future climate change will have an even more dramatic impact on the health of the Delta.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist
Approved by: *Communications and Legislation Committee* by Lynne Heidel and Keith Lewinger
Finance and Insurance Committee by Keith Lewinger and Doug Wilson
Engineering and Operations Committee by Fern Steiner
Legal and Claims Committee by Lynne Heidel and Fern Steiner
Organization, Personnel and Technology Committee by Fern Steiner and Doug Wilson
Water Planning and Stewardship Committee by Keith Lewinger and Fern Steiner

Attachment 1: MWD's April board meeting agendas and Summary of Actions
Attachment 2: Letter on Official Statement, April 9, 2012



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

REVISED AGENDA

Regular Board Meeting

April 10, 2012

12:00 p.m. -- Board Room

Telephone Participation:

60 Unagargasse
Vienna, Austria

Tuesday, April 10, 2012 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dir. Computer Training
8:30 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	C&L
12:00 p.m.	Board Room	Board Meeting

MWD Headquarters Building •

700 N. Alameda Street •

Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: Ayo Akingbemi, Principal Administrative Analyst, Water Resource Management Group
- (b) Pledge of Allegiance: Director Doug Wilson

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))

4A. Presentation by John Laird, California Secretary for Natural Resources

5. OTHER MATTERS

- A. Approval of the Minutes of the Meeting for March 13, 2012. (A copy has been mailed to each Director)
Any additions, corrections, or omissions

- B. Report on Directors' meetings attended at Metropolitan expense for month of March
- C. Approve committee assignments
- D. Chairman's Monthly Activity Report
- E. Approve employment contract for new General Counsel. (Exec.)
- F. Approve terms and conditions of employment for Interim Ethics Officer Jeffrey L. Cable. (Exec.)

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of Metropolitan's activities for the month of March
- B. General Counsel's summary of Legal Department activities for the month of March
- C. General Auditor's summary of activities for the month of March
- D. Interim Ethics Officer's summary of activities for the month of March

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Appropriate \$240,000; and authorize preliminary design to replace valves on the Second Lower Feeder and Palos Verdes Feeder (Approp. 15441). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$240,000; and**
- b. Authorize preliminary design to replace the Bixby Valve on the Second Lower Feeder and the Collis Valve on the Palos Verdes Feeder.**

- 7-2** Appropriate \$120,000; and authorize (1) preliminary design to relocate a portion of the Orange County Feeder; and (2) an agreement with the city of Fullerton (Approp. 15441). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$120,000;**
- b. Authorize preliminary design to relocate a portion of the Orange County Feeder; and**
- c. Authorize an agreement with the city of Fullerton to perform the relocation.**

- 7-3** Report on *In Re Tronox Incorporated, et al.*, Chapter 11, Case No. 09-10156 (ALG); and authorize increase in maximum amount payable under contract with Manatt, Phelps and Phillips LLP for legal services by \$60,000 to a maximum of \$440,000. (L&C)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize amendment of the contract for legal services with Manatt, Phelps and Phillips LLP for the *In Re Tronox Incorporated* matter to increase the maximum amount payable by \$60,000 to a maximum of \$440,000. The \$60,000 is to be shared equally with Central Arizona Water Conservation District.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

Revised

- 8-1** Approve proposed biennial budget for fiscal years 2012/13 and 2013/14; and adopt recommended water rates and charges, and resolutions fixing and adopting water rates and charges, for 2013 and 2014. (F&I) **(To be mailed separately)**

- 8-2** Authorize the execution and distribution of the Official Statement in connection with the issuance of the Water Revenue Refunding Bonds (Index Mode), 2012 Series B. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Approve the draft Official Statement substantially in the form attached to the board letter, with changes approved by the General Manager and General Counsel;**
- b. Authorize the General Manager to execute the Official Statement; and**
- c. Authorize distribution of the Official Statement in connection with issuance of the bonds.**

Revised

- 8-3** Amend Metropolitan Water District Administrative Code regarding travel policy and general provisions relating to inspection trips. (Exec.)

Recommendation:

Option #1:

Adopt the CEQA determination and .the proposed revisions to the Metropolitan Water District Administrative Code set forth in Attachment 2 to the board letter.

Revised

- 8-4** Report on *J.R. Filanc Construction Co. v. Metropolitan Water District of Southern California, et al.*, Los Angeles County Superior Court Case No. KC063261; appropriate \$300,000; and authorize an increase in the maximum amount payable under contract with Hunt Ortmann Palffy Nieves Lubka Darling & Mah, Inc. for legal services by \$300,000 to an amount not to exceed \$400,000. (L&C)
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]

- 8-5** Express support and seek amendments for H.R. 2538 (Calvert, R-CA) – Reducing Environmental Barriers to Unified Infrastructure and Land Development (REBUILD) Act of 2011. (C&L)

Recommendation:

Option #1:

Adopt the CEQA determination and express support and seek amendments to H.R 2538.

- 8-6 Express support for SB 1387 (Emmerson, R-Riverside) – Metal Theft; and for AB 1508 (Carter, D-Rialto) – Junk Dealers and Recyclers: Nonferrous Materials. (C&L)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to express support for SB 1387 and AB 1508.

- 8-7 Express opposition to SB 1495 (Wolk, D-Davis) – Sacramento-San Joaquin Delta Reform Act of 2009, unless amended. (C&L)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to express Metropolitan's opposition to SB 1495 unless it is amended.

9. BOARD INFORMATION ITEMS

- 9-1 Proposal to enter into agreements related to implementation of interim international cooperative measures in the Colorado River Basin. (WP&S)

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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

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

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.



San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

April 9, 2011

John V. Foley, Chairman
and Members of the Board
Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain
Municipal Water District

Otay Water District

Padre Dam
Municipal Water District

Camp Pendleton
Marine Corps Base

Rainbow
Municipal Water District

Ramona
Municipal Water District

Rincon del Diablo
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER REPRESENTATIVE

County of San Diego

Dear Chairman Foley and Members of the Board:

Re: Board Memo 8-2: Authorize the execution and distribution of the Official Statement in connection with the issuance of the Water Revenue Refunding Bonds (Index Mode), 2012 Series B. (F&I)

We have reviewed the draft Official Statement and find that it is materially the same as the last Official Statement provided in connection with the Remarketing of bonds in February of this year. Accordingly, for the reasons described in prior correspondence (copies attached), we remain unable to vote in favor of authorizing the execution and distribution of the Official Statement.

Sincerely,

Lynne Heidel
Director

Keith Lewinger
Director

Fern Steiner
Director

Doug Wilson
Director

Attachment:

February 13, 2012 letter re: Board Memo 8-2: Authorize the execution and distribution of Remarketing Statement in connection with the remarketing of the Water Revenue Refunding Bonds (Index Mode), 2011 Series A-1 and A-3, in the amount of \$128,875,000

cc: Jeffrey Kightlinger, General Manager
Gary Breaux, Chief Financial Officer
San Diego County Water Authority Board of Directors



San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

February 13, 2012

Board of Directors
Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain
Municipal Water District

Otay Water District

Padre Dam
Municipal Water District

Camp Pendleton
Marine Corps Base

Rainbow
Municipal Water District

Ramona
Municipal Water District

Rincon del Diablo
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER REPRESENTATIVE

County of San Diego

Re: Board Memo 8-2: Authorize the execution and distribution of Remarketing Statement in connection with the remarketing of the Water Revenue Refunding Bonds (Index Mode), 2011 Series A-1 and A-3, in the amount of \$128,875,000

Dear Chairman Foley and Board Members,

We have reviewed Board Memo 8-2 including Attachments. For reasons we have described in detail in prior correspondence concerning the sale of bonds by Metropolitan – as well as in recent correspondence regarding the proposed budget (Attachment 1) – we are not comfortable that the Remarketing Statement as drafted by Metropolitan allows us to meet our legal responsibilities in voting to approve the draft Remarketing Statement. We must therefore respectfully vote against the staff recommendation.

We understand the need for the remarketing. And, we acknowledge the edits Metropolitan made in response to our comments on the last draft Appendix A (Attachment 2). However, we do not believe the edits went far enough to ensure that information essential to making an informed investment decision is being presented in a manner that is not misleading. The draft Remarketing Statement does not correct these deficiencies. In summary, the principle (but not exclusive) areas of concern remain the following:

- Failure to sufficiently describe the changed circumstances that have resulted in reduced demand for Metropolitan water.
- Failure to adequately describe the impact on water sales of conservation requirements and higher water rates.
- Risk associated with Metropolitan’s inability to secure long term purchase contracts or legal equivalent from its member agencies.
- Risk to Metropolitan of its heavy reliance on water sales revenues to pay its fixed costs.
- Failure to adequately describe the risks and costs associated with uncertainly and volatility of water purchases by City of Los Angeles.
- Risk associated with projecting water sales based on “average” pricing.
- Failure to reasonably estimate future water rate increases, generally, and as associated with Metropolitan’s Integrated Resources Plan as adopted by the Board.

A public agency providing a safe and reliable water supply to the San Diego region

- Impact of Proposition 26 on setting water rates and charges.
- Failure to describe impacts resulting from the fact that Metropolitan expenditures have exceeded revenues in three out of the last four years.
- Undue reliance on historical data to predict future outcomes in the current, changed water supply and fiscal environment.

While we are aware and have taken into account that the draft Remarketing Statement includes a number of “disclaimers” in these and other areas, we are concerned that certain of these disclaimers could be challenged because they relate to matters that could or should have reasonably been known by Metropolitan and its Board of Directors.

We do not come to this decision lightly. If Metropolitan and the Board wish to work with us to address our concerns, we will provide detailed comments on the draft Remarketing Statement. We note that we have raised these concerns repeatedly in the context of many different board actions, without receiving a substantive response.

Sincerely,



Lynne Heidel
Director

Keith Lewinger
Director

Fern Steiner
Director

Doug Wilson
Director

cc: Jeffrey Kightlinger, General Manager
Gary Breaux, Chief Financial Officer
San Diego County Water Authority Board of Directors

Attachments:

1. February 3, 2012 letter re: MWD Budget and Rates
2. August 22, 2011 letter re: Appendix A



April 26, 2012

Attention: Imported Water Committee

Colorado River Board Representative's Report (Information)

Purpose

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

Background

This report covers activities from the April 11, 2012 CRB meeting.

Discussion

The CRB took actions and heard informational reports from CRB staff on activities discussed below:

Water supply and reservoir operations

The Colorado River Basin experienced one of its driest months of record in March, significantly reducing projected inflows into Lake Powell. For water year 2012 (ending September 30, 2012), the reservoir is expected to receive 6.8 maf of inflow, which is 63 percent of average. A month earlier, Reclamation projected that inflow would be 80 percent of normal. Total system storage, however, is more than 6 maf greater than at this time last year, at 37.4 maf (as of April 16). Lake Mead is 55 percent full, at 14.3 maf; Lake Powell holds 15.5 maf and is at 64 percent of its capacity. Reflecting a very dry year, the Colorado River Basin snowpack is 42 percent of average.

Binational discussions

Mexico submitted a counterproposal to the draft Minute 319 prepared by the basin states and U.S. federal government. The Mexican version of the Minute was submitted at an April 10 meeting in Juarez, and was not translated into English at the time of the Board meeting. Reclamation Commissioner Connor held a conference call on the morning of the Board meeting to provide U.S. parties his initial impressions of Mexico's draft minute. Minute 319 provides for agreement on a number of important binational Colorado River water supply and management projects and activities, including shortage sharing for Mexico, Mexico's ability to store water in the U.S., water conservation, and environmental restoration. The U.S. participants are also working on a number of related agreements necessary to implement the minute, including forbearance agreements for intentionally created surplus water, an operating agreement, and necessary protocols. The minute was originally expected to be completed early this year, but now is projected to be finished by late summer or early fall.

Status of Colorado River Basin Water Supply and Demand Study

Reclamation and other study project team members are continuing to review and evaluate water supply and demand options submitted during a recent public outreach solicitation. A total of 139 options and strategies for balancing water demand and supply were submitted by a wide range of stakeholder interests. The options were sorted into projects that would increase water supply,

decrease demand, modify operations, or improve governance. The options are being evaluated using criteria that include the potential quantity of water created or conserved, location of the project, timing of when the project could be made available, and requirements for integrating the project into the existing system. The study is expected to be completed and published by July 2012.

Glen Canyon Dam operations

The Basin states agreed to develop an alternative for the environmental analysis of Reclamation's Long-Term Experimental and Management Plan for operating Glen Canyon Dam. The LTEMP is being conducted to review alternative management strategies for improving river resources, including environmental and recreational resources. Reclamation extended its schedule for reviewing alternatives to accommodate the basin states' proposal. The states are expected to submit their alternative by May 30, 2012.

Moab uranium mill tailings removal

Board staff provided an update on the project to remove radioactive mill tailings located near the Colorado River to a safer location. The tailings, a potential river contaminant, are from a former uranium mining and processing operation near Moab, Utah. To date, about a third of the tailings pile has been removed and relocated. The tailings are being removed by train, with about 20,000 tons of tailings removed each week. At that rate, the project is expected to be completed by 2025.

Prepared by: Dave Fogerson, Senior Engineer
Reviewed by: Halla Razak, Colorado River Program Director
Approved by: W.D. "Bill" Knutson, CRB Representative

Attachment: Summary Water Report, Colorado River Basin

**SUMMARY WATER REPORT
COLORADO RIVER BASIN
April 2, 2012**

RESERVOIR STORAGE (as of April 1)	March 5, 2012					
	MAF	ELEV. IN FEET	% of Capacity	MAF	ELEV. IN FEET	% of Capacity
Lake Powell	15.465	3,635.4	64	15.443	3,635.2	64
Flaming Gorge	3.230	6,026.9	86	3.279	6,028.2	87
Navajo	1.310	6,057.0	77	1.282	6,054.8	76
Lake Mead	14.539	1,129.4	56	14.890	1,132.9	58
Lake Mohave	1.654	641.4	91	1.644	641.0	91
Lake Havasu	0.566	447.2	91	0.562	447.0	91
Total System Storage	37.559		62	37.882		63
System Storage Last Year	31.491		53	31.794		53

	March 5, 2012	
WY 2012 Precipitation (Basin Weighted Avg) 10/01/11 through 4/02/12	79 percent (15.2")	89 percent (14.3")
WY 2012 Snowpack Water Equivalent (Basin Weighted Avg) on day of 4/02/12 (Above two values based on average of data from 116 sites.)	54 percent (9.5")	81 percent (12.1")
	March 2, 2012	
March 19, 2012 Forecast of Unregulated Lake Powell Inflow	MAF % of Normal	MAF % of Avg.
2012 April through July unregulated inflow forecast	4.800 67 %	5.300 74%
2012 Water Year forecast	8.250 76 %	8.687 80%

USBR Forecasted Year-End 2012 and 2011 Consum. Use, April 2, 2012 a.		MAF	
		2012	2011
	Diversion	- Return =	Net
Nevada (Estimated Total)	0.484	0.210	0.274
Arizona (Total)	3.774	0.921	2.852
CAP Total			1.600
Az. Water Banking Authority			0.134
OTHERS			1.252
California (Total) b./	4.915	0.666	4.249
MWD			0.619
3.85 Agriculture			
IID c./	<u>Total</u>	<u>Conserved</u>	<u>Forecasted</u>
CVWD d./	3.118	-0.306	2.812
PVID	0.364	-0.028	0.336
YPRD	0.389	0	0.389
Island e./	0.046	0	0.046
Total Ag.	0.007	0	0.007
Others	3.924	-0.334	3.590
PVID-MWD following to storage (to be determined)			0.040
Arizona, California, and Nevada Total f./	9.172	1.797	7.375
			7.321

a./ Incorporates Jan.-Jan. USGS monthly data and 75 daily reporting stations which may be revised after provisions data reports are distributed by USGS. Use to date estimated for users reporting monthly and annually.

b./ California 2012 basic use apportionment of 4.4 MAF has been adjusted to 4.175 MAF for creation of Intentionally Created Surplus Water by IID (-25,000 AF), and Creation of Extraordinary Conservation (ICS) by MWD (-200,000 AF).

c./ In 2012, 0.105 MAF being conserved by IID-MWD Agreement as amended in 2007: 112,500 AF being conserved for SDCWA under the IID-SDCWA Transfer Agreement as amended, 90,000 AF of which is being diverted by MWD; 21,000 AF being conserved for CVWD under the IID-CVWD Acquisition Agreement, 67,700 AF being conserved by the All American Canal Lining Project.

d./ In 2011, 28,265 acre-feet conserved by the Coachella Canal Lining Project.

e./ Includes estimated amount of 6,660 acre-feet of disputed uses by Yuma Island pumpers and 653 acre-feet by Yuma Project Ranch 5 being charged by USBR to Priority 2.

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

Monthly Total Colorado River Basin Storage

April 2012

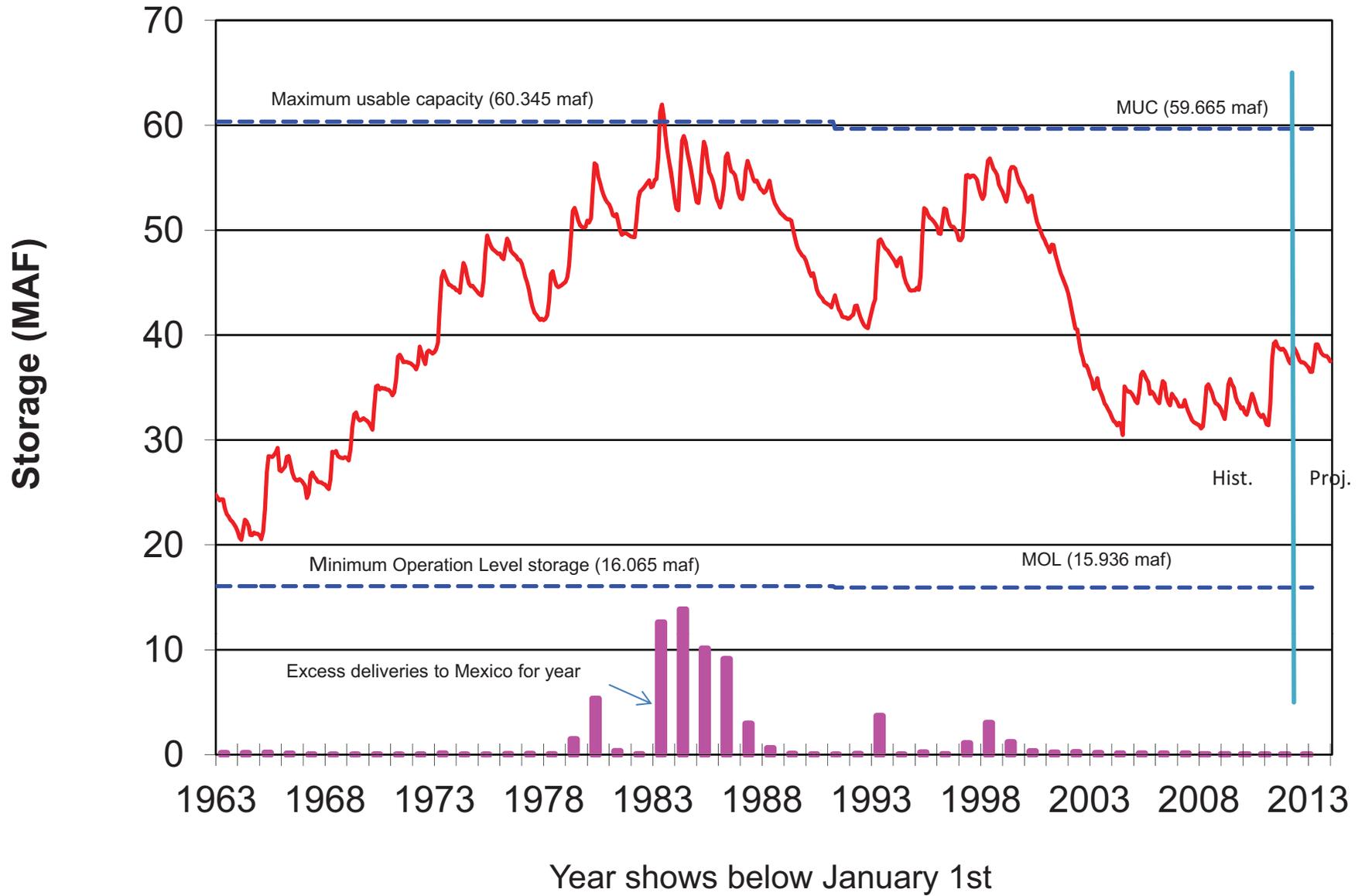
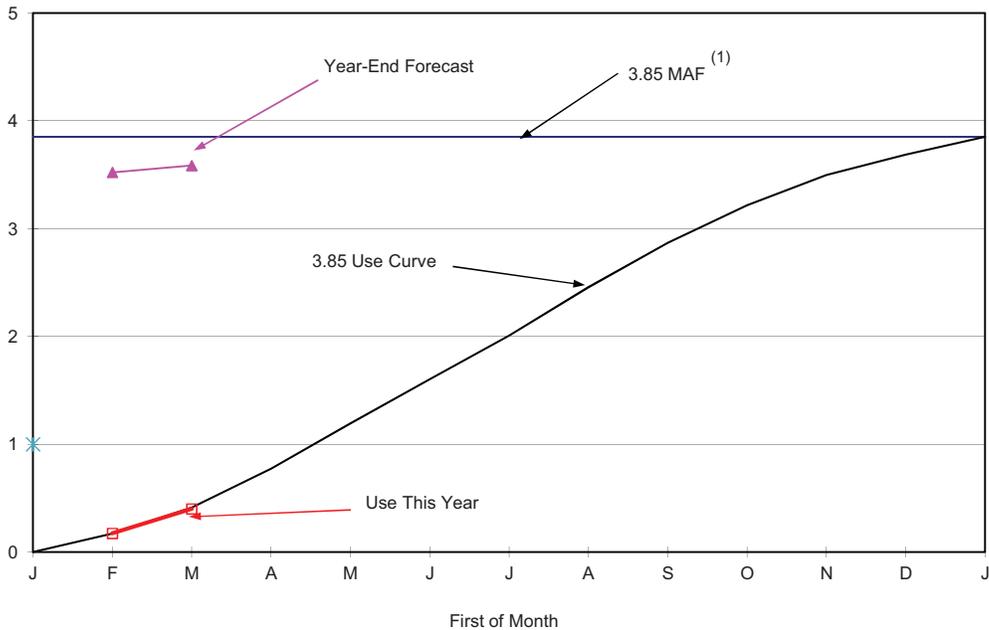


FIGURE 1
APRIL 1, 2012 FORECAST OF 2012 YEAR-END COLORADO RIVER WATER USE
BY THE CALIFORNIA AGRICULTURAL AGENCIES



Forecast of Colorado River Water Use by the California Agricultural Agencies (Millions of Acre-feet)			
Month	Use as of First of Month	Forecast of Year End Use (1)	Forecast of Unused Water (2)
Jan	0.000	-----	-----
Feb	0.174	3.522	-0.008
Mar	0.401	3.585	-0.071
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			
Jan			

(1) The forecast of year end use is based on continuation of the QSA, without QSA year end use is estimated to be about 3.660 maf.

(2) The forecast of unused water is based on the availability of 3.514 MAF under the first three priorities of the water delivery contracts. This accounts for the 85,000 af of conserved water available to MWD under the 1988 IID-MWD Conservation agreement and the 1988 IID-MWD-CVWD-PVID Agreement as amended; 90,000 AF of conserved water available to SDCWA under the IID-SDCWA Transfer Agreement as amended being diverted by MWD; as estimated 24,500 AF of conserved water available to SDCWA and MWD as a result of the Coachella Canal Lining Project, 67,700 AF of water available to SDCWA and MWD as a result of the All American Canal Lining Project; 14,500 AF of water IID and CVWD are forbearing to permit the Secretary of the Interior to satisfy a portion of Indian and miscellaneous present perfected rights use and 25,000 AF of water IID is conserving to create Extraordinary Conservation Intentionally Created Surplus. 22,500 AF has been subtracted for IID's Salton Sea Salinity Management in 2012. As USBR is charging uses by Yuma Island pumpers to priority 2, the amount of unused water has been reduced by those uses - 6,660 AF. The CRB does not concur with USBR's viewpoint on this matter.