



## **Proposed Staff Recommendation Consent Calendar for May 24, 2012**

### **WATER PLANNING COMMITTEE**

- 9- 1. Professional services contract for the IID and Water Authority Joint Petition to the State Water Resources Control Board.  
Approve a professional services contract with Harvey Consulting Group, LLC to provide technical support for the Imperial Irrigation District and San Diego County Water Authority Joint Petition to the State Water Resources Control Board for a not-to-exceed amount of \$200,000.

### **LEGISLATION, CONSERVATION AND OUTREACH**

- 9- 2. Adopt positions on various state bills.
1. Adopt a position of Support on AB 1771 (Valadao)
  2. Adopt a position of Support on SB 1003 (Yee)
  3. Adopt a position of Support and Co-sponsor on SB 1535 (Padilla)
- 9- 7. Adopt a position of Support, if amended on AB 2421. (B. Berryhill)  
Adopt a position of Support, if amended on AB 2421. (B. Berryhill)

### **ENGINEERING AND OPERATIONS**

- 9- 3. Professional services contract with Pure Technologies US Inc. for Electromagnetic Inspection of Prestressed Concrete Cylinder Pipe and Acoustic Fiber Optic Cable Monitoring System Installation and Monitoring Services for Pipelines 3 and 4 in Mission Trails Regional Park.  
Authorize the General Manager to award a professional services contract to Pure Technologies US Inc., for a total not-to-exceed amount of \$681,010 to provide electromagnetic inspection of prestressed concrete cylinder pipe and installation of acoustic fiber optic cable monitoring system and monitoring services through June 30, 2015, for Pipelines 3 and 4 in Mission Trails Regional Park.
- 9- 4. Extent of Pipeline 3 relining for Carlsbad Desalination Project due diligence.  
Direct staff to assume the relining of 27,100 linear feet of Pipeline 3 for due diligence purposes related to costing and planning for the Carlsbad Desalination Project. Direct staff to return to the June 2012 Board meeting with a recommendation on project delivery method, taking into account the Water Authority's price and risk transfer objectives related to the Carlsbad Desalination Project.



**ADMINISTRATIVE AND FINANCE COMMITTEE**

- 9- 5. Treasurer's report.  
Note and file the monthly Treasurer's report.
  
- 9- 6. Resolution setting a Public Hearing date for the Water Authority's proposed calendar year 2013 rate and charge increases.  
Adopt Resolution Number 2012-\_\_ setting the time and place for a public hearing on June 28, 2012, at 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2013.



**LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE**

**REVISED**

AGENDA FOR

**MAY 24, 2012**

Elsa Saxod – Chair  
Frank Hilliker – Vice Chair  
Jeremy Jungreis – Vice Chair  
Brian Boyle  
Gary Croucher  
Marilyn Dailey  
Farrah Douglas

Marty Miller  
Vincent Mudd  
Dennis Sanford  
Robert Topolovac  
Yen Tu  
Mark Weston  
Tom Wornham

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. Legislative Issues.
  - 1-A Report by Carpi and Clay. (supplemental materials) Carpi/Clay
  - 1-B Adopt positions on various state bills. Jeff Volberg  
Staff recommendation:
    1. Adopt a position of Support on AB 1771 (Valadao)
    2. Adopt a position of Support on SB 1003 (Yee)
    3. Adopt a position of Support and Co-sponsor on SB 1535 (Padilla) (Action)



- 1-C Adopt a position of Support, if amended on AB 2421 (B. Berryhill) Jeff Volberg  
Staff recommendation: Adopt a position of Support, if amended on AB 2421. (B. Berryhill)
- 2. Presentation on 2012 Public Opinion Poll content. (Discussion) Jason Foster

### III. INFORMATION

- 1. Presentation on San Diego County Garden Friendly Plant Fair Partnership. Jeff Stephenson
- 2. Government relations update. Jeff Volberg
- 3. Status report on legislation and legislative positions. Alexi Schnell

### IV. ADJOURNMENT

Doria F. Lore  
Clerk of the Board

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



May 18, 2012

**Attention: Legislation, Conservation and Outreach Committee**

**Adopt a position of Support, if amended on AB 2421 (B. Berryhill). (Action)**

**Staff recommendation**

Adopt a position of Support, if amended on AB 2421 (B. Berryhill)

**Alternatives**

Do not adopt the recommended position or modify the position.

**Fiscal Impact**

No direct fiscal impact.

**Background**

Staff recommends that the board take positions on bills that have been introduced in the California Legislature in 2012.

**Discussion**

*AB 2421 (B. Berryhill) Bay-Delta Conservation Plan: financial analysis*

The Bay-Delta Conservation Plan (BDCP) is a plan to achieve the coequal goals of water supply reliability and ecosystem restoration. The heart of the BDCP will be a project to move water around the Sacramento-San Joaquin River Delta, either through a canal or a tunnel.

In April 2012 the Water Authority board adopted a set of policy principles on the Bay-Delta that expresses support for the BDCP and for an infrastructure fix for the Delta. The board's policy principles include eight that focus on financing and funding a Bay-Delta project, including:

- Seek and support independent financial analyses of Bay-Delta solution, including the ability of all parties to pay their proportional costs.
- Require the total cost of any Bay-Delta solution be identified before financing and funding decisions are made. The total cost must include the cost of facilities, mitigation and required or negotiated ecosystem restoration.
- Require a firm commitment and funding stream by all parties to pay for the fixed costs associated with the proportional benefits they will receive from a Bay-Delta solution, through take-or-pay contracts or legal equivalent.
- Encourage and support a Bay Delta solution and facilities that are cost-effective when compared with other water supply development options for meeting Southern California's water needs.

The Water Authority board has expressed concern that the Metropolitan Water District, which is the largest State Water Contractor -- accounting for nearly 50 percent of the existing project's water supply contract and financial obligation -- may have difficulty meeting a commitment to pay 25 percent or more of the BDCP proposed project. More than 80 percent of MWD's revenues come from water sales, and water sales at MWD have declined by 30 percent since 2006. Lower demands are expected to continue, given the recent passage of state mandate requiring retail agencies to reduce per capita water use by 20 percent by 2020. MWD projects its firm water sales in the current fiscal year will fall to under 1.3 million feet, the agency's lowest

firm water sales since 1999. Further, MWD does not have contracts with its member agencies to cover the fixed costs of its existing State Water Project Water Supply Contract, much less billions of dollars more for supplies from a new conveyance system in the Delta. MWD's member agencies are accelerating their "roll off" from MWD's supplies (and payments), and are receiving subsidies from MWD to do so. Despite sustained, sharply lower water sales, MWD has approved seven new subsidy agreements with its member agencies in the past 12 months alone, obligating MWD to make payments between \$151 million and \$240 million over the life of these agreements. Under MWD's current rates and revenue system, as MWD's member agencies further reduce their purchases from MWD, the costs of the Delta infrastructure fix will fall more heavily on the remaining member agencies that purchase steady amounts of water from MWD each year. As the largest and steadiest purchaser of water from MWD, the Water Authority may become liable for a greater portion of the cost of the project, while other agencies will be continue to use MWD as an insurance policy in times of water shortages, without carrying an equitable share of the cost burden in all years.

The BDCP, which currently consists of an administrative draft, does not contain an effective analysis of the financial costs of the proposed conveyance project or the ability of the water contractors to pay. The Natural Resources Agency has contracted for a study of the "economic benefits" of the proposed project, but has not addressed the costs of the project. The project analyzed in the BDCP consists of a double-bore tunnel system with a capacity of 15,000 cubic feet per second. The project would include five 3,000 cfs intakes along the Sacramento River. The BDCP estimates the construction costs of the conveyance project to be approximately \$12 billion over 10 years. Nowhere does the BDCP analyze the net costs/benefits or the ratio of costs to benefits. Also, nowhere does the BDCP analyze whether the state and federal water contractors are financially able to commit to covering the costs of the proposed project.

AB 2421, as amended April 12, requires the submission to the Legislature of an independent, third-party costs and benefits analysis of the proposed project before the project may commence. The analysis is to be based on the Department of Water Resources handbook on cost-benefit analysis. The bill requires that the analysis include the:

1. Total costs of the project, including planning, construction, and mitigation costs, and describe how those costs are to be paid;
2. Expected impacts of the project on taxpayers, water ratepayers, and the General Fund; and,
3. A conclusion as to whether the project is economically justified when weighing its direct societal benefits against its social costs over the analysis period.

The bill provides that the independent third-party analyst shall be chosen by a group consisting of the Legislative Analyst's Office, the Delta Protection Commission, and the State Water Project Contractors. The bill limits the cost of the analysis to \$1 million.

The author of the bill, Assemblymember Bill Berryhill, represents a district that includes a portion of the Delta. He has been a critic of the BDCP and the concept of a new conveyance

system around the Delta. AB 2421 is opposed by MWD and other water exporters and interests. It is supported by a variety of environmental and in-Delta interests.

This bill is consistent with the board's Bay-Delta policy principle calling for an independent financial analysis of a Bay-Delta solution. However, the bill in its present form does not cover other key finance and funding policy principles that are integral to the board's overall Bay-Delta policy objectives. Accordingly, staff recommends that the Water Authority seek the following amendments:

1. Require that state water contractors that resell water to sub-agencies (e.g. to wholesale agencies and retail agencies) demonstrate that they have contracts, or the legal equivalent, with those sub-agencies that cover the contractors' commitments to pay for their proportional share of fixed costs of a Delta project.
2. Identify and verify the demand for water from the Bay-Delta from each water contractor through its urban or agricultural water management plan and those of their sub-agencies, factoring in agencies' plans for local supply projects and conservation, and determine the size of project that would most cost-effectively meet supply demands from the Bay-Delta, while providing the necessary resources for ecosystem restoration.
3. Provide cost estimates not solely for the BDCP's preferred alternative, but for other project alternatives contained in the BDCP. Determine the optimal size of project, in terms of cost-effectiveness, affordability to water ratepayers, water supply reliability needs, and ecosystem restoration needs.
4. Delete the requirement of a conclusion as to whether the project is economically justified when weighing its direct societal benefits against its social costs over the analysis period. This provision is vague and subjective. Social costs are not identified and there are no criteria for valuing the social costs. Without this provision, the bill – if amended as outlined above – would provide objective, third-party data and analyses upon which policy makers can make better informed decisions, including weighing costs and benefits of a project.

Staff recommends a position of Support, if amended, on AB 2421.

Prepared by: Jeffrey A. Volberg, Government Relations Manager

Approved by: Dennis A. Cushman, Assistant General Manager

Attachments: 1. AB 2421

AMENDED IN ASSEMBLY APRIL 12, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL****No. 2421**

**Introduced by Assembly Member Bill Berryhill  
(Principal coauthor: Assembly Member Huber)**

February 24, 2012

An act to add ~~Chapter 1.5 (commencing with and repeal Section 115) to Division 115~~ of the Water Code, relating to the Sacramento-San Joaquin Delta.

## LEGISLATIVE COUNSEL'S DIGEST

AB 2421, as amended, Bill Berryhill. ~~Sacramento-San Joaquin Delta: peripheral canal. Bay Delta Conservation Plan: Delta Plan project: costs and benefits.~~

Existing law requires various state agencies to administer programs relating to water supply, water quality, and flood management in the Sacramento-San Joaquin Delta. *The Sacramento-San Joaquin Delta Reform Act of 2009 establishes the Delta Stewardship Council, which is required to develop, adopt, and commence implementation of a comprehensive management plan for the Delta (Delta Plan) by January 1, 2012. The act authorizes the incorporation of the Bay Delta Conservation Plan into the Delta Plan if certain requirements are met.*

The bill would require ~~the Legislative Analyst's Office to complete a prescribed economic feasibility analysis prior to the enactment of a statute authorizing the construction of a peripheral canal, as defined an independent 3rd party, chosen as prescribed, to conduct an analysis of the costs and benefits, as specified, for any project being submitted by the Bay Delta Conservation Plan to the Delta Plan and to submit this~~

AB 2421

— 2 —

to the Legislature, as prescribed. This bill would prohibit the funding for these provisions from exceeding \$1,000,000.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. Section 115 is added to the Water Code, to read:  
2     115. (a) An independent third-party analysis shall be  
3     completed and submitted to the Legislature either prior to any  
4     project being submitted by the Bay Delta Conservation Plan to  
5     the Delta Plan, or on or before June 30, 2013, whichever occurs  
6     first. The analysis of the costs and benefits shall use the Department  
7     of Water Resources Economic Analysis Guidebook of 2008 and  
8     include all of the following:  
9     (1) The total cost of the project, including, but not limited to,  
10    environmental review, planning, design, construction, mitigation,  
11    and all related expenses, and the methods for paying those costs.  
12    (2) The expected impacts of the project on taxpayers, water  
13    ratepayers, and the General Fund.  
14    (3) Whether the analysis of the costs and benefits determines  
15    that the direct social benefits of any proposed project or plan  
16    outweigh its social costs over the analysis period. This comparison  
17    may be displayed as either the quotient of benefits divided by costs  
18    representing the benefit to cost ratio, the difference between  
19    benefits and costs representing the net benefits, or both. The  
20    analysis shall include whether the project is economically justified,  
21    meaning whether the present value of the proposed project exceeds  
22    the present value of its net benefits over the life of the project or  
23    plan.  
24    (b) The third party that conducts this analysis shall be chosen  
25    by the following:  
26    (1) One representative of the Legislative Analyst's Office.  
27    (2) One representative of the Delta Protection Commission.  
28    (3) One representative of the State Water Contractors.  
29    (c) Funding for the purposes of this section shall not exceed  
30    one million dollars (\$1,000,000).  
31    (d) (1) A report to be submitted to the Legislature pursuant to  
32    subdivision (a) shall be submitted in compliance with Section 9795  
33    of the Government Code.

1 (2) Pursuant to Section 10231.5 of the Government Code, this  
2 section is repealed on June 30, 2017.

3 SECTION 1. Chapter 1.5 (commencing with Section 115) is  
4 added to Division 1 of the Water Code, to read:

5  
6 CHAPTER 1.5. PERIPHERAL CANAL  
7

8 115. As used in this chapter, the following terms have the  
9 following meanings:

10 (a) "Delta" means the Sacramento-San Joaquin Delta, as defined  
11 in Section 12220.

12 (b) "Peripheral canal" means a facility or structure that conveys  
13 water directly from a diversion point in the Sacramento River to  
14 pumping facilities of the State Water Project or the federal Central  
15 Valley Project south of the Delta.

16 116. Prior to the enactment of any statute authorizing the  
17 construction of a peripheral canal, the Legislative Analyst's Office  
18 shall complete an economic feasibility analysis that includes all  
19 of the following:

20 (a) The total cost of the project, including environmental review,  
21 planning, design, construction, mitigation, and all related expenses,  
22 and the methods for paying those costs.

23 (b) Expected impacts of the project on taxpayers, water  
24 ratepayers, and the General Fund.

25 (c) Expected environmental and economic impacts of the project  
26 on existing public infrastructure in and around the Delta and the  
27 Delta watershed.



**San Diego County Water Authority**

**REVISED**

**4677 Overland Avenue  
San Diego, California 92123**

**FORMAL BOARD OF DIRECTORS' MEETING**

**The mission of the San Diego County Water Authority is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.**

**May 24, 2012**

**3:00 p.m.**

1. Call to Order.
2. Salute to the flag.
3. Roll call, determination of quorum.  
3-A Report on proxies received.
4. Additions to agenda. (Government code Sec. 54954.2(b)).
5. Approve the minutes of the Special Water Planning meeting of April 19, 2012 and the Formal Board of Directors' meeting of April 26, 2012.
6. Opportunity for members of the public who wish to address the Board on matters within the Board's jurisdiction.
7. PRESENTATIONS & PUBLIC HEARINGS  
7-A Recognition of Mark Porter, Electronics Tech II, Employee of the 3<sup>rd</sup> Quarter.
8. REPORTS BY CHAIRS  
8-A Chairs report: Chair Hogan.  
  
8-B Report by Committee Chairs  
Water Planning Committee  
Legislation, Conservation and Outreach Committee  
Engineering and Operations Committee  
Administrative and Finance Committee  
Imported Water Committee

Director Dion  
Director Saxod  
Director Knutson  
Director Wight  
Director Watton



9. CONSENT CALENDAR
- 9- 1. Professional services contract for the IID and Water Authority Joint Petition to the State Water Resources Control Board.  
Approve a professional services contract with Harvey Consulting Group, LLC to provide technical support for the Imperial Irrigation District and San Diego County Water Authority Joint Petition to the State Water Resources Control Board for a not-to-exceed amount of \$200,000.
- 9- 2. Adopt positions on various state bills.
  1. Adopt a position of Support on AB 1771 (Valadao)
  2. Adopt a position of Support on SB 1003 (Yee)
  3. Adopt a position of Support and Co-sponsor on SB 1535 (Padilla)
- 9- 7. Adopt a position of Support, if amended on AB 2421 B. Berryhill)  
Adopt a position of Support, if amended on AB 2421. (B. Berryhill)
- 9- 3. Professional services contract with Pure Technologies US Inc. for Electromagnetic Inspection of Prestressed Concrete Cylinder Pipe and Acoustic Fiber Optic Cable Monitoring System Installation and Monitoring Services for Pipelines 3 and 4 in Mission Trails Regional Park.  
Authorize the General Manager to award a professional services contract to Pure Technologies US Inc., for a total not-to-exceed amount of \$681,010 to provide electromagnetic inspection of prestressed concrete cylinder pipe and installation of acoustic fiber optic cable monitoring system and monitoring services through June 30, 2015, for Pipelines 3 and 4 in Mission Trails Regional Park.
- 9- 4. Extent of Pipeline 3 relining for Carlsbad Desalination Project due diligence.  
Direct staff to assume the relining of 27,100 linear feet of Pipeline 3 for due diligence purposes related to costing and planning for the Carlsbad Desalination Project.  
Direct staff to return to the June 2012 Board meeting with a recommendation on project delivery method, taking into account the Water Authority's price and risk transfer objectives related to the Carlsbad Desalination Project.
- 9- 5. Treasurer's report.  
Note and file the monthly Treasurer's report.
- 9- 6. Resolution setting a Public Hearing date for the Water Authority's proposed calendar year 2013 rate and charge increases.  
Adopt Resolution Number 2012-\_\_ setting the time and place for a public hearing on June 28, 2012, at 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2013.

10. ACTION / DISCUSSION

11. CLOSED SESSION(S)

11-A CLOSED SESSION:

Conference with Real Property Negotiator

Government Code §54956.8

Property: Carlsbad Desalination Plant including land, estates or interests in land, easements, and fixtures of Poseidon Resources (Channelside) LP

Agency Negotiators: Sandra Kerl, Ken Weinberg, David Moore, Eric Petersen

Negotiating Parties: Poseidon Resources (Channelside) LP

Under Negotiation: Price and terms of payment, including timing of acquisition and price and payment options.

11-B CLOSED SESSION:

Conference with Labor Negotiator, Government Code §54957.6

Agency Designated Representatives: Frank Belock; Susan Leone; Richard Bolanos, Liebert Cassidy Whitmore

Employee Organization: California Teamsters Public, Professional and Medical Employees Union Local 911

11-C CLOSED SESSION:

Conference with Legal Counsel - Existing Litigation

Government Code §54956.9(a) –

SDCWA v Metropolitan Water District of Southern California;

Case No. CPF-10-510830

11-D CLOSED SESSIONS:

Conference with Legal Counsel – Existing Litigation

Government Code §54956.9(a)

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

Conference with Legal Counsel - Existing Litigation Government Code §54956.9(a)

Name of Case: State Water Resources Control Board (SWRCB)

Imperial Irrigation District and San Diego County Water Authority

Joint Petition for Modification of Revised Order WRO 2002-0013

(Permit 7643, Application 7482)

11-E CLOSED SESSION:

Public Employee Performance Evaluation

Government Code §54957 - Title: General Counsel



- 11-F CLOSED SESSION:  
Public Employee Performance Evaluation  
Government Code §54957 - Title: General Manager
  
- 12. Action following Closed Session
  
- 13. SPECIAL REPORTS
  - 13-A GENERAL MANAGER’S REPORT – Ms. Stapleton
  - 13-B GENERAL COUNSEL’S REPORT – Mr. Hentschke
  - 13-C SANDAG REPORT – Director Saunders  
SANDAG Subcommittee: Borders/Regional Planning Committee –  
Director Saxod
  - 13-D AB 1234 Compliance Reports – Directors
  
- 14. OTHER COMMUNICATIONS
  
- 15. ADJOURNMENT

Doria F. Lore  
Clerk of the Board

**NOTE:** The agendas for the Formal Board meeting and the meetings of the Standing Committees held on the day of the regular Board meeting are considered a single agenda. All information or possible action items on the agenda of committees or the Board may be deliberated by and become subject to consideration and action by the Board.



Date: May 22, 2012

To: San Diego County Water Authority Board Members

From: Jonathan Clay, Sacramento Representative  
Ken Carpi, Washington Representative

Subject: Legislative Update

---

### **Joint Sacramento and Washington, DC**

**Bay Delta Conservation Plan** - In late April, the US Fish and Wildlife Service and the National Marine Fisheries Service, the two federal agencies charged with protecting species of concern, joined the California Department of Fish and Game to release documents known as the “red flag memos.” In these memos, the resource agencies expressed concerns about the impact of proposed Delta water conveyance facilities and water exports on the long-term survival of at-risk species - the very same species the proposed facilities are supposed to restore. The memos are viewed as the agencies' unwillingness to endorse the plan as it is drafted at present, although the same agencies have been at the planning table with the water agency for some time.

As a result, Natural Resources Secretary John Laird announced that the final preliminary plan would not be released in June 2012, as was previously anticipated. The final draft plan is now scheduled to be released sometime in late summer, possibly as late as September. The delay could impact the federally-mandated deadline of February 2013 for the final plan's release.

Bay-area Members of Congress wrote a joint letter to Interior Secretary Salazar arguing that the resource agencies' memos are evidence that the plan, in its current form, will only result in more water being exported at the cost of the health of the Bay Delta. Some of the major water agencies sponsoring the study, which have expended \$150 million to date, have threatened to pull out of the process completely if the plan is not agreed to in a timely manner.

While we do not expect the planning process to come to a complete halt, the reluctance of the resource agencies to endorse the current draft plan may cause the stakeholders to consider a smaller conveyance that provides a maximum amount of water diverted that is far less than the 15,000 cfs facilities currently being contemplated. It remains to be seen what the next steps will be in the BDCP planning process.

### **Sacramento**

**Legislative** - AB 2398 is continuing to move within the legislative process. It is currently held on the Assembly Appropriations Suspense file and will be taken up later this week. The

Appropriations Committee Staff have identified costs for the State in implementing AB 2398, but those concerns will be addressed by the ability to recover costs through a permit fee system.

In terms of the 2012 Water Bond, nothing definitive has been set for when a vote will occur to remove the bond from the 2012 ballot. Most likely the vote will need to occur prior to the summer break in early July and it is unclear if it will be done on a majority or a two-thirds vote.

**Budget** - The Governor released his May Revise to his January Budget proposal and things have gone from bad to worse. The official budget deficit for 2011/2012 and 2012/2013 is \$16.5 billion. There is a variety of factors that have led to the increased deficit - namely overly optimistic revenue projects used to balance last year's budget as well as a decrease in tax revenues, both personal and corporate. Given this is an election year with a June 5th primary, it is unlikely that action will be taken on a budget until after the primary. Given the budget deadline of June 15<sup>th</sup>, there will be about a week and half window where a budget is developed and votes taken.

### Washington, DC

**FY 2013 Energy and Water Appropriations Bills** - The appropriations cycle for FY 2013 officially kicked off in April, and legislation to provide funding to the Bureau of Reclamation, the Army Corps of Engineers, and the Department of Energy was among the first to be considered in both the House and the Senate.

The House Committee on Appropriations passed its FY 2013 Energy and Water and Related Agencies appropriations legislation out of full committee on April 25. The House legislation contains \$988 million for the Bureau of Reclamation, a decrease of \$89 million from last year's budget and \$47 million below what the President requested. The majority of the cut funding from last year's budget in the House's proposal this year again comes from the House's elimination of the San Joaquin River Restoration Settlement Program. The House legislation funds the San Diego Area Water Reclamation Program at \$2.222 million, a small reduction from the President's Request of \$2.3 million. That reduction reflects the House's practice of trimming a small amount off of all projects and programs requested by the President in order to add funding to other programs in water and energy.

On the Senate side, the Committee on Appropriations passed its energy and water funding legislation out of full committee on April 26. The Senate bill provides \$1.013 billion for the Bureau of Reclamation, which is \$35 million less than the FY 2012 level. The Senate legislation fully funds the San Diego Area Water Reclamation Program at \$2.3 million.

Both the House and the Senate legislation fully meet the President's request for funding ongoing work to help expand supply in California. Each bill provides \$40 million for implementing the Central Valley Project Improvement Act and \$36 million for activities related to CALFED.

Aside from the House's policy proposal to defund the San Joaquin River Restoration Settlement Program, neither bill has policy provisions that are considered overtly partisan. In fact, the

Senate legislation contains numerous policy provisions aimed at expanding supply in California. Included are provisions that would:

- Expand groundwater banking programs in the Central Valley;
- Expedite water transfers using CVP facilities;
- Increase drought assistance and planning to California water contractors; and
- Expedite studies pertaining to additional water storage in California.

While both the House and Senate legislation have cleared their committees, no schedule has been set for the consideration of either bill on the floor of its respective chamber. Given the upcoming election and the lack of congressional work days over the coming months, it is hard to speculate on when the funding legislation will be enacted. We believe it is likely that the government will operate on a series of funding continuing resolutions after October 1, and possibly into the next calendar year.



May 23, 2012

**Attention: Imported Water Committee**

**Metropolitan Water District Delegates' Report (Information)**

**Background**

The MWD committees and board met on May 7 and 8. The next regular MWD board and committee meetings are scheduled for June 11 and 12.

**Discussion**

This section summarizes discussions held and key decisions made at the May MWD committee and board meetings, as reported by the MWD delegates. The Water Authority delegation supported 11 of 12 action items approved by the MWD Board. The Water Authority is a leading proponent of conservation and supports local agencies' effort to improve water use efficiencies. However, the delegates did not support authorization of changes to the water conservation incentives programs because of the reduced demand for MWD water for the foreseeable future and MWD's method of funding subsidies programs. See Attachment 1 for the Water Authority delegation's letter to MWD on this matter. The delegates supported two items -- adopting a resolution to continue MWD's Water Standby Charge, and appropriation to pay costs of issuance of bonds and swap transactions -- but made clear their support of these items do not waive prior objections expressed regarding MWD's water rates and charges, cost of service allocation, and Official Statement.

Attachment 2 is a copy of the May board meeting agenda and MWD's summary of actions.

**Communications and Legislation Committee**

The committee and board approved two items, including a support position for AB 2443 (Williams, D-Santa Barbara). AB 2443 would authorize counties to charge fees on vessels registered in the county, on a voluntary basis, to fund the inspection of boats for quagga mussels. In the committee meeting, staff reported on AB 2398, which proposes to reclassify recycled water as a valuable resource; consolidate and reorganize recycled water statutes; and clarify water criteria, permitting process, and enforcement mechanisms. Based on MWD's adopted Legislative Strategy for 2012 and the Integrated Water Resources Plan, staff reported MWD's support for the bill and presented the item as an informational item. Director Steiner, while not a committee member, asked that the MWD board take a formal support position. Subsequently, Director Heidel made the motion to express support for AB 2398, which was seconded by Director Morris (San Marino). This item was passed by both committee and the board, with Director Lewinger abstaining.

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

**Engineering and Operations Committee**

The committee and board approved four items, including authorizing on-call agreements with Lee & Ro, Inc., Carollo Engineers, CDM Smith, ARCADIS, and Butier Engineering, Inc. to provide as-needed professional services on capital projects. In response to Director Barbre's (Municipal Water District of Orange County) question on an item that appropriated funds to upgrade the La

Verne Machine and Fabrication shops to comply with mandated safety requirements, staff said it will return to the committee with a report on how much of the upgrade is regulatory driven. Director Record (Eastern Municipal Water District) suggested that staff also explore ways to pass along to MWD member agencies efficiencies and cost savings learned from the upgrade of the coating and fabrication shop. Assistant General Manager Debra Man said while MWD has supported member agency emergencies and remedial work, staff will return to the committee and present a business case – in terms of the amount of staffing and additional resources – needed to accommodate the additional workload.

The committee also received an update on the Jensen Solids Handling Facilities, which is a 750 million gallons per day (MGD) treatment plant that services the Common Pool Area. Jensen is the only plant in MWD's system that does not have on-site solids dewatering facilities, and cannot handle sustained high plant flow or short-term peaks of poorer water quality. One potential location for the on-site solids dewatering facilities is currently being leased by MWD to the city of Los Angeles' Department of Recreation and Parks, and used for youth related recreational activities. In February, the board directed staff to look at alternative sites that meet MWD's reliability principles, financial advantage, and regulatory compliance, while minimizing liabilities. As a result, staff highlighted two alternatives – to proceed with solids handling facilities at MWD's site described earlier, or to pursue a 50-year long-term lease in utilizing the sludge facilities at the Los Angeles Department of Water and Power, next to Jensen. Director Peterson (Las Virgenes) raised concerns over MWD utilizing LADWP's sludge facilities because MWD would place its waste in an already high arsenic site and can be costly to dispose, if contaminated. Morris suggested that MWD look for indemnification for potential damages. Staff reported plans to return with a recommended site location for committee consideration followed by design approval for the September timeframe.

The Water Systems Operations Manager Jim Green provided an update on current water system operations. The State Water Project (SWP) blend at Weymouth, Deimer and Skinner is 60 percent. The Skinner plant is up from last month's projected 45-50 percent blend due to an increase in SWP allocation. This April's demand is trending about 36 taf higher than April 2011. Green also noted that MWD will host a Salinity Management Workshop on June 1 to discuss regional progress in salt management, and identify current challenges and potential long-term solutions. MWD staff said plans are in place to update its 1999 Salinity Management Study, which includes updating the economic impact model.

The committee also heard a report on the impact of the economic recovery on MWD's construction bids. The quarterly cost summary of the Engineering News Record (ENR), which shows that the Construction Cost Index, the standard price index for labor and construction commodity items, is trending about 2 percent increase over the last year for both the national (20-City averaged) and the Los Angeles region. The ENR shows costs are going up. Staff reported although it has seen less entities bidding for specialized work in remote areas, generally, MWD did not see any impacts to its bids.

#### **Finance and Insurance Committee**

The board approved two Finance and Insurance Committee items – a resolution to continue MWD's Standby Charge for FY 2012/13 and funds to pay costs of issuance of Water Revenue Bonds, Water Revenue Refunding Bonds, and Interest Rate Swap transactions. Lewinger expressed the Water Authority's support for the continuation of the Water Standby Charge, but

clarified that the support of this item does not waive any Water Authority objections to MWD's water rates and charges or cost of service allocation (see Attachment 3). Lewinger asked that his statement be entered into the record. With regards to the appropriations for the cost of issuance for bonds and swap transactions, Director Wilson also affirmed the Water Authority's support for MWD taking steps to lower costs and reducing risks associated with managing its financial portfolio. He added that while the Water Authority supports this item, it remains concerned with the level of disclosures included in MWD's Official Statement (see Attachment 4). Wilson also requested his statement be entered into the record.

MWD staff reported on its investment activity and financial highlights. Chief Financial Officer Gary Breau reported that MWD expects to exceed the minimum reserve fund balance by about \$88 million at the end of the fiscal year. He said despite low water sales, expenditures were trending lower than budgeted, particularly SWP costs. When Director Edwards (Foothill) questioned how MWD was unable to better forecast its SWP costs, Breau said the SWP expenditures were less than budgeted due to reduced SWP power costs (\$41 million), less than anticipated Bay-Delta costs (\$14 million), and a variety of SWP billing adjustments (\$19 million).

The committee also heard a report on MWD's current Property and Casualty Insurance Program and the cost estimates for this year's renewal. Staff reported due to market conditions and economic uncertainty, the outlook for 2012/13 premiums increased about 10.5 percent, making this the second worse year since 2005 for the insurance market. MWD's policy renewal premiums are estimated to increase from about \$1.1 million to \$1.2 million.

#### **Legal and Claims Committee**

The committee and board approved an increase in funding for legal services related to the consolidated delta smelt and salmonid cases. In closed session, the committee discussed the rate litigation with the Water Authority, in which no action was reported.

#### **Organization, Personnel and Technology Committee**

The committee and board approved MWD's Salary Schedule to meet recent changes in CalPERS regulations for retirement computations. In response to Wilson's request for clarification, staff said that the schedules for the represented employees are based on the Memorandum of Understandings approved by the board; the unrepresented employees are per the administrative code, which was not updated at the time of this action. The committee also received an update on the direct report review process for the General Manager, General Counsel, and General Auditor. Because the Interim Ethics Officer is new to his role, he will not be evaluated; rather, the board will use the opportunity to provide comment on their expectations of the Interim Ethics Officer.

The committee also heard updates on Capital Information Technology projects and the PC Replacement project.

#### **Water Planning and Stewardship Committee**

The committee and board approved an item that modifies MWD's current water conservation incentives (subsidies) program and authorizes a five-year agreement with Electric and Gas Industries Association to administer MWD's regional conservation rebate program. MWD staff reviewed the key changes to the program. Water Resources Manager Deven Upadhyay acknowledged receipt of the Water Authority letter opposing this item. Director Dick (Municipal Water District of Orange County) expressed concern over opportunity by others to game the

conservation incentives for commercial washers; he asked the rebate be limited to 50 percent of the cost, rather than a dollar amount. The conservation subsidies program was approved as recommended by staff; the Water Authority delegates voted “no” on this item, for reasons explained in their letter to MWD. Upadhyay added that in July, a report on factors impacting retail water use prepared by economist David Sunding would be brought to the committee.

Staff reported on the last monthly update on developing water supply and demand conditions for the water year; staff will return in the fall with a summary of the Calendar Year 2012 conditions. Under the current SWP Table A allocation of 60 percent, the total estimated water supply from the CRA and SWP systems is 2.077 million acre-feet (maf). The current estimate of demands, obligations, and losses ranges from 1.69 to 1.96 maf. The balance between the water supplies and estimated demands may result in put of 119 to 383 taf into MWD’s regional storage. When Director Evans (Western) asked that staff return to the committee with a report on system and storage losses since the amount may impact MWD deliveries, Man said that overall MWD delivery losses is about 2 percent.

The committee also received reports on the Bay-Delta Initiatives and Colorado River matters. MWD staff reported that the Bay Delta Conservation Plan is now estimated to be completed in September, which is a two month delay from the original completion date. Staff said the delay is concerning because the current cost is trending about \$4 million per month, and additional delays may exhaust funding before the bulk of the work would be initiated. Upon Steiner’s request that staff comment on the fishery agencies objections to the conveyance tunnel alternative, staff said that those concerns relate to the effects analysis and its impact to water operations. Also, the Colorado River Program Manager reported that the precipitation in the Colorado River watershed is potentially the driest year on record, which may result in a 25 percent chance of shortage in the Colorado River basin within the next four years.

### **Board Meeting**

American Water Works Association (AWWA) Executive Director David LaFrance provided an overview on a recent AWWA report titled “Buried No Longer: Confronting America’s Water Infrastructure Challenge.” He said the report finds the cost of repairing and expanding U.S. drinking water infrastructure will top \$1 trillion in the next 25 years. This growing expense will likely be met primarily through higher water bills and local fees. Despite an invitation from the board to come and provide more insight on the report, following the presentation and due to time limitations, Board Chairman Foley asked that questions for LaFrance be sent under separate written correspondence.

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:           Opposition Letter on Changes to Water Conservation Incentives, May 7, 2012**
- Attachment 2:           MWD May Board meeting agenda and Summary of Actions**
- Attachment 3:           Statement on MWD's Water Standby Charges for FY 2012/13, May 7, 2012**
- Attachment 4:           Statement on MWD's Item to Approve Costs of Issuance of Water Revenue Bonds, Water Revenue Refunding Bonds, and Interest Rate Swap Transactions, May 7, 2012**



## San Diego County Water Authority

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

May 7, 2012

John V. Foley, Chairman  
and Members of the Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

#### 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  
Marina 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 8-4 – OPPOSE  
Authorize changes to water conservation incentives (subsidies) as described

Dear Mr. Foley:

The Water Authority and its member agencies have a long and proud record of leadership in water conservation planning and implementation, based on strategic initiatives that will continue to reduce the region's reliance on imported water supplies at an affordable cost. Given MWD's role as a supplemental wholesale water provider – and taking into account the state mandate for 20% water conservation by 2020 at the retail level – the San Diego delegation does not support Agenda Item 8-4, to provide additional "incentives" to encourage water conservation. We have written to you and the board many times on this subject (reference to past correspondence is included below but not attached), so we provide only the following brief summary of the basis of our analysis.

***Due to reduced demand for MWD water – and associated higher water rates – there is no need for MWD to pay subsidies to encourage water conservation at the wholesale level.***

Water sales are already down at MWD by more than 30%. When sales are reduced, water rates go up as ratepayers are forced to pay more for using less water. As outlined in our March 21 letter to you and the rest of the board, it is time to stop punishing water use efficiency efforts by Southern California ratepayers who are already paying for water use efficiency programs at the retail level to meet the 20x2020 mandate.

***The Water Stewardship Rate which is collected to pay for MWD conservation subsidies violates California law.*** The Water Stewardship Rate does not fairly apportion or reflect the actual, reasonable and proportionate costs of the services for which the rate is imposed. The Water Stewardship Rate violates the legal requirements of MWD's principal act, Proposition 13 and the statutes implementing it, Government Code § 54999.7, the California common law of utility rate-making and Proposition 26. The Water Authority has provided MWD with detailed analyses by expert consultants establishing that the Water Stewardship Rate is legally defective.

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



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# MWD MEETING AGENDA

## F&I Committee

A. Grunfeld, Chair  
J. Blake, V. Chair  
B. Barbre  
D. De Jesus  
T. Evans  
T. Grandsen  
P. Hawkins  
K. Lewinger  
E. Little  
S. Millard  
D. Wilson  
R. Wunderlich

## Finance and Insurance Committee

Meeting with Board of Directors\*

**May 7, 2012**

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

Monday, May 7, 2012 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dir's. Computer Training
9:00 a.m.	Rm. 2-145	F&I
10:00 a.m.	Rm. 2-456	WP&S
11:30 a.m.	Rm. 2-145	E&O
1:00 p.m.	Rm. 2-456	OP&T

**MWD Headquarters Building**

**• 700 N. Alameda Street •**

**Los Angeles, CA 90012**

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

1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**
2. **Approval of the Minutes of the meeting of the Finance and Insurance Committee held April 9, 2012**
3. **MANAGEMENT REPORTS**
  - a. Report on investment activity
  - b. Financial highlights
4. **CONSENT CALENDAR ITEMS — ACTION**

None



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# MWD MEETING AGENDA

**WP&S Committee**

- D. De Jesus, Chair
- B. Wright, V. Chair
- L. Ackerman
- T. Brick
- G. Brown
- L. Dick
- J. Edwards
- D. Fleming
- G. Gray
- D. Griset
- K. Lewinger
- S. Lowenthal
- J. Morris
- K. Murray
- G. Peterson
- J. Quiñonez
- R. Record
- F. Steiner

**Water Planning and Stewardship  
Committee**

Meeting with Board of Directors\*

**May 7, 2012**

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

Monday, May 7, 2012 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dir's. Computer Training
9:00 a.m.	Rm. 2-145	F&I
10:00 a.m.	Rm. 2-456	WP&S
11:30 a.m.	Rm. 2-145	E&O
1:00 p.m.	Rm. 2-456	OP&T

---

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

---

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

1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**
  
2. **Approval of the Minutes of the meeting of the Water Planning and Stewardship Committee held April 9, 2012**
  
3. **CONSENT CALENDAR ITEMS — ACTION**

None

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

This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.



**REVISION 2**

**Engineering and Operations  
Committee**

Meeting with Board of Directors\*

**May 7, 2012**

**11:30 a.m. -- Room 2-145**

**E&O Committee**

- T. Evans, Chair
- G. Brown, V. Chair
- B. Barbre
- J. Blake
- M. Camacho
- D. De Jesus
- A. Grunfeld
- E. Little
- S. Lowenthal
- S. Millard
- R. Montalvo
- J. Morris
- G. Peterson
- R. Record
- D. Sanchez
- F. Steiner
- B. Wright

Monday, May 7, 2012 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dir's. Computer Training
9:00 a.m.	Rm. 2-145	F&I
10:00 a.m.	Rm. 2-456	WP&S
11:30 a.m.	Rm. 2-145	E&O
1:00 p.m.	Rm. 2-456	OP&T

---

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

---

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

1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**
2. **Approval of the Minutes of the meeting of the Engineering and Operations Committee held April 9, 2012**
3. **CONSENT CALENDAR ITEMS — ACTION**

**Corrected 7-1** Authorize on-call agreements with Lee & Ro, Inc., Carollo Engineers, CDM Smith, and ARCADIS, in amounts each not to exceed \$1 million per year, and Butier Engineering, Inc., in an amount not to exceed \$500,000 per year, in support of board-authorized Capital Investment Plan projects. (E&O)

## 9. FUTURE AGENDA ITEMS

## 10. ADJOURNMENT

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

This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.



**OP&T Committee**

- J. Murray Jr., Chair
- J. Edwards, V. Chair
- S. Ballin
- M. Camacho
- L. Dick
- T. Evans
- L. Friedman
- G. Gray
- E. Little
- R. Montalvo
- J. Quiñonez
- D. Sanchez
- D. Wilson
- R. Wunderlich

**Organization, Personnel and  
Technology Committee**

Meeting with Board of Directors\*

**May 7, 2012**

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

Monday, May 7, 2012 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dir's. Computer Training
9:00 a.m.	Rm. 2-145	F&I
10:00 a.m.	Rm. 2-456	WP&S
11:30 a.m.	Rm. 2-145	E&O
1:00 p.m.	Rm. 2-456	OP&T

---

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

---

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

1. **Opportunity for members of the public to address the committees on matters within the committees' jurisdiction (As required by Gov. Code Section 54954.3(a))**
  
2. **Approval of the Minutes of the meeting of the Organization, Personnel and Technology Committee held April 9, 2012**
  
3. **COMMITTEE CHAIR'S REPORT**
  
4. **CONSENT CALENDAR ITEMS — ACTION**
  - 7-3 Board approval of Metropolitan Water District's Salary Schedule pursuant to CalPERS regulation. (OP&T)
  
5. **OTHER BOARD ITEMS — ACTION**
  - None



**REVISED AGENDA**

**L&C Committee**

- R. Wunderlich, Chair
- J. Quiñonez, V. Chair
- L. Ackerman
- S. Ballin
- M. Camacho
- L. Dick
- J. Edwards
- D. Fleming
- D. Griset
- P. Hawkins
- L. Heidel
- R. Record
- F. Steiner

**Legal and Claims Committee**

Meeting with Board of Directors\*

**May 8, 2012**

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

Tuesday, May 8, 2012 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dirs. Computer Training
9:00 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	C&L
11:30 a.m.	Board Room	Board Meeting

---

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

---

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

1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**
  
2. **Approval of the Minutes of the meeting of the Legal and Claims Committee held April 10, 2012**
  
3. **CONSENT CALENDAR ITEMS — ACTION**  
  
None
  
4. **OTHER BOARD ITEMS — ACTION**  
  
8-8 Authorize increase in maximum amount payable under contract with Morrison & Foerster for legal services by \$600,000 to a maximum of \$6,925,000; and report on *Consolidated Delta Smelt Cases*, USDC Case No. 1:09-CV-407 LJO-DLB, and *Consolidated Salmonid Cases*, USDC Case No. 1:09-CV-1053 LJO-DLB . (L&C)  
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]



**REVISED AGENDA**

**C&L Committee**

- L. Ackeman, Chair
- G. Peterson, V. Chair
- J. Abdo
- S. Ballin
- B. Barbre
- T. Brick
- M. Camacho
- D. Fleming
- L. Friedman
- G. Gray
- D. Griset
- L. Heidel
- K. Lewinger
- S. Lowenthal
- R. Montalvo
- J. Morris
- K. Murray
- R. Record

**Communications and Legislation  
Committee**

Meeting with Board of Directors\*

**May 8, 2012**

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

Tuesday, May 8, 2012 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dir. Computer Training
9:00 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	C&L
11:30 a.m.	Board Room	Board Meeting

---

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

---

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

1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**
  
2. **Approval of the Minutes of the meeting of the Communications and Legislation Committee held April 10, 2012**
  
3. **COMMITTEE CHAIR'S REPORT**
  
4. **CONSENT CALENDAR ITEMS — ACTION**

None



**REVISION 2**

**Regular Board Meeting**

**May 8, 2012**

**11:30 a.m. -- Board Room  
(Note: Meeting time Changed)**

<b>Tuesday, May 8, 2012 Meeting Schedule</b>		
7:00-8:00 a.m.	Rm. 2-413	Dir's. Computer Training
9:00 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	C&L
11:30 a.m.	Board Room	Board Meeting

---

**MWD Headquarters Building**

**• 700 N. Alameda Street •**

**Los Angeles, CA 90012**

---

**1. Call to Order**

- (a) Invocation: Dannelle-Mimi T. Phan, Manager, Audit Department
- (b) Pledge of Allegiance: Director Stephen Millard

**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 David La France, Executive Director, AWWA, Infrastructure Report**

**5. OTHER MATTERS**

- A. Approval of the Minutes of the Meeting for April 10, 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 April

- 7-2 Appropriate \$1.77 million; award \$622,650 contract to PPC Construction, Inc. for replacement of sodium hydroxide storage tanks at the Henry J. Mills Water Treatment Plant; and award \$298,089 contract to SCW Contracting Corp. to construct the Mills Hazardous Waste Staging and Handling Facility (Approps. 15381 and 15452). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. **Appropriate \$1.77 million;**
- b. **Award \$622,650 contract to PCC Construction, Inc. to replace sodium hydroxide storage tanks at the Mills plant; and**
- c. **Award \$298,089 contract to SCW Contracting Corp. to construct the Mills Hazardous Waste Staging and Handling Facility.**

- 7-3 Board approval of Metropolitan Water District's Salary Schedule pursuant to CalPERS regulation. (OP&T)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and approve the salary schedule attached to the board letter.**

**(END OF CONSENT CALENDAR)**

**8. OTHER BOARD ITEMS — ACTION**

- 8-1 Authorize the purchase of approximately 2,175 acres in Riverside and Imperial Counties. (RP&AM)  
[Conference with real property negotiators; Riverside County Assessor Parcel Nos. 878-250-010, 878-240-023, Imperial County Assessor Parcel Nos. 006-090-022-000, 006-090-030-000, 006-090-032-000, 006-100-002-000, 006-100-001-000, 006-100-006-000, 006-100-012-000, 006-100-014-000, 006-100-017-000, 006-100-019-000; agency negotiators: Gilbert Ivey, Ralph Hicks, and John Clairday; negotiating parties: Gabrych Family Trust; under negotiation: price and terms of exchange; to be heard in closed session pursuant to Gov. Code Section 54956.8]

**Withdrawn**      8-5      ~~Appropriate \$6.3 million; and authorize (1) final design of the Jensen Solids Dewatering Facility and Lagoons; (2) new agreement with MWH Americas; and (3) amendment to existing agreement with Environmental Science Associates (Approp. 15371). (E&O)~~

8-6      Appropriate \$21.2 million; award \$16,300,127 contract to Stronghold Engineering, Inc., for the La Verne Machine and Fabrication Shops Upgrades; and authorize amendment to existing agreement with Tetra-IBI Group (Approp. 15395). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. Appropriate \$21.2 million;**
- b. Award \$16,300,127 contract to Stronghold Engineering, Inc., for the La Verne Machine and Fabrication Shops Upgrades; and**
- c. Authorize increase of \$500,000 to the existing agreement with Tetra-IBI Group, for a new not-to-exceed total of \$2.35 million.**

8-7      Authorize agreement with Johnson Controls, Inc. in an amount not to exceed \$3.75 million to maintain and repair physical security systems. (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and authorize a new five-year maintenance agreement with Johnson Controls, Inc. for a total amount not-to-exceed \$3.75 million for routine maintenance of physical security systems at all Metropolitan facilities, with an option for Metropolitan to terminate the agreement on an annual basis.**

8-8      Authorize increase in maximum amount payable under contract with Morrison & Foerster for legal services by \$600,000 to a maximum of \$6,925,000; and report on *Consolidated Delta Smelt Cases*, USDC Case No. 1:09-CV-407 LJO-DLB, and *Consolidated Salmonid Cases*, USDC Case No. 1:09-CV-1053 LJO-DLB . (L&C)  
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]

**Summary Report for  
The Metropolitan Water District of Southern California  
Board Meeting  
May 8, 2012**

**ADDRESSED THE BOARD**

David La France, Executive Director, American Water Works Association (AWWA), gave a presentation on AWWA's report "Buried No Longer: Confronting America's Water Infrastructure Challenge," to the Board.  
**(Agenda Item 4A)**

**COMMITTEE ASSIGNMENTS**

None. **(Agenda Item 5D)**

**REAL PROPERTY AND ASSET MANAGEMENT COMMITTEE**

Authorize the purchase of approximately 2,175 acres in Riverside and Imperial Counties.  
**WITHDRAWN (Agenda Item 8-1)**

**FINANCE AND INSURANCE COMMITTEE**

Adopted the resolution to continue the water standby charge for fiscal year 2012/13.  
**(Agenda Item 8-2)**

Approved Appropriation No. 15475 to pay costs of issuance of Water Revenue Bonds, Water Revenue Refunding Bonds, other costs associated with securing liquidity for expiring variable rate debt liquidity facilities, and interest rate swap transactions, and authorized reimbursement of expenses paid from the General Fund by bond proceeds. The appropriation will expire on May 31, 2014. **(Agenda Item 8-3)**

**WATER PLANNING AND STEWARDSHIP COMMITTEE**

Authorized water conservation program changes effective July 1, 2012; and five-year agreement with Electric and Gas Industries Association to administer Metropolitan's regional conservation rebate program. The maximum amount payable under the contract for EGIA's services is \$4 million. The contract's overall maximum amount includes pass-through incentive funding from Metropolitan, member agencies, and third parties to conservation program participants, with the overall contract amount not to exceed \$90 million. **(Agenda Item 8-4)**

Butier Engineering, Inc., in an amount not to exceed \$500,000 per year for an initial term of one year, with an option to renew up to two additional one-year periods, to provide construction management and inspection services. **(Agenda Item 7-1)**

Appropriated \$1.77 million; awarded \$622,650 contract to PCC Construction, Inc. to replace sodium hydroxide storage tanks at the Mills plant; and awarded \$298,089 contract to SCW Contracting Corp. to construct the Mills Hazardous Waste Staging and Handling Facility. **(Agenda Item 7-2)**

Approved Metropolitan Water District's Salary Schedule pursuant to CalPERS regulation.  
**(Agenda Item 7-3)**

**THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.**

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the board meeting. In order to view them and their attachments, please copy and paste the following into your browser

<http://edmsidm.mwdh2o.com/idmweb/home.asp>

**Metropolitan Water District of Southern California  
Finance and Insurance Committee Meeting  
May 7, 2012  
and  
Board Meeting  
May 8, 2012**

**Agenda Item 8-2      Adopt resolution to continue Metropolitan's Water Standby Charge for  
FY 2012/13**

At its April 2012 meeting, the MWD Board of Directors adopted water rates and charges, including the Readiness-to-Serve (RTS) Charge, for calendar years 2013 and 2014. The Water Authority delegation opposed the adoption of the water rates and charges, and objected to the cost allocation by MWD, including the RTS Charge, for the reasons stated in the documents and reports that it transmitted to MWD for inclusion in the administrative record on March 12 and April 10, 2012.

Agenda Item 8-2 on this month's board agenda provides member agencies the continued ability to have a portion of their Readiness-to-Serve Charge offset through MWD's collection of water standby charges within their respective service areas. A vote in favor of Agenda Item 8-2 does not waive any Water Authority objections to MWD's water rates and charges or cost of service allocation.

***This is a request by San Diego County Water Authority that this document be entered into the administrative record of the Committee and Board meetings of the Metropolitan Water District of Southern California noted above.***

**Metropolitan Water District of Southern California  
Finance and Insurance Committee Meeting  
May 7, 2012  
and  
Board Meeting  
May 8, 2012**

**Agenda Item 8-3      Approve Appropriation No. 15475 to pay costs of issuance of Water Revenue Bonds, Water Revenue Refunding Bonds, and Interest Rate Swap Transactions**

The San Diego delegation supports steps taken to reduce costs and take advantage of market opportunities to lower the financing costs of the Capital Investment Plan (CIP) and reduce risks associated with managing MWD's debt and interest rate swap portfolios, all as described in Board Memo 8-3.

A vote in support of Agenda Item 8-3 reflects this intent and is separate and apart from the issues and concerns expressed in our April 9 letter to this board, regarding MWD's Official Statement.

***This is a request by San Diego County Water Authority that this document be entered into the administrative record of the Committee and Board meetings of the Metropolitan Water District of Southern California noted above.***