

Thomas S. Babcock
Director to the Metropolitan Water District
Representing the City of Fullerton, California

April 2, 2013

To: Mayor Bruce Whitaker
Mayor Pro Tem Doug Chaffee
Council Member Greg Sebourn
Council Member Jennifer Fitzgerald
Council Member Jan Flory

Report on MWD Director activities

March 2013 Events:

- March 5, 2013 – City Council Meeting
- March 7, 2013 – MWDOC Orange County Caucus meeting
- March 8, 9, 2013 – MWD State Water Project Inspection trip with Fullerton Council, city personnel and Water Rate Study Committee members
- March 11, 12, 2013 – MWD Committee meetings and Board of Directors Meeting
- March 12, 13, 2013 – Council interviews for Director appointment
- March 19, 2013 – City Council Meeting
- March 26, 2013 – Other MWD Committee Meetings
- March 26, 2013 – Mayor's "Talk Around Town" meeting
- March 27, 2013 – MWD Engineering and Operations Committee project tour

I have also included the March summary report of Board meetings.

Planned April 2013 Events:

- April 1, 2013 – Meeting with City Manager, legislative agenda discussion
- April 2, 2013 – City Council Meeting
- April 4, 2013 – MWDOC Orange County Caucus meeting
- April 5, 2013 – Fullerton State of The City Address
- April 8, 9, 2013 – MWD Committee meetings and Board of Directors Meeting
- April 23, 2013 – Other MWD Committee Meetings
- April 25, 26, 2013 – MWD Inspection Trip of Central Valley Agriculture

Below are the key items discussed at the March 2013 MWD Committee and Board meeting.

**Metropolitan Water District
Board and Committee Highlights
March 2013**

Finance and Insurance Committee

- Treasurer Roger Marumoto reported that in February, the short-term portfolio earned \$1.007 million and outperformed the benchmark by 0.15%, primarily due to Treasuries and Federal Agencies. For February, the long-term portfolio earned \$0.987 million and outperformed the benchmark by 0.03%, with Federal Agencies and Treasuries providing the largest return.
- CFO Gary Breaux reported that water sales through February are 73 TAF above budget, resulting in revenues reaching \$59.7 million, or 6% above budget. Expenses are \$124.7 million, or 11% below budget. A large share of the lower expenses is as a result one time bond refinancing on the State Water Project (SWP), and \$90 million lower variable power on the SWP.
 - Director Lewinger (SDCWA) asked staff for a detailed analysis on the reasons for the large increase in MWD financial reserve levels, and for revised projections on where staff estimates the reserve levels to be over the next five years.
 - Committee Chair Grunfeld (Los Angeles) commented that the committee will discuss potential actions to be taken if reserves approach the maximum reserve level.
 - GM Jeff Kightlinger commented that the increase in reserves are not large or unexpected, because a 100 TAF change in water use is equivalent to a roughly \$100 million increase in revenues.
- Staff reported that as a result of the federal sequestration process, Build America Bonds issued by MWD will receive about \$578 less in rebate payments from the Internal Revenue Service.
 - In response to a healthy discussion from the Board, staff responded that the risks of this program have been communicated to the Board as part of the approval process, and that there will still be a savings compared to if MWD had issued tax exempt bonds at the time. There is also a ten year call provision to refund bonds if the terms of the program change.

Water Planning and Stewardship Committee

- Staff provided a presentation on the proposed Foundational Action Funding Program. The purpose of the program is to help address regional funding needs for technical studies to reduce barriers to future water resource production, as identified in the 2010 Integrated Resources Plan (IRP).
 - Total funding for the program is proposed at \$3 million across all proposals with a Request for Proposals to be issued in 2013. Each Member Agencies and project may each receive up to \$500,000.
 - Proposals will be evaluated by a review committee consisting of two MWD staff and three external technical experts

- GM Jeff Kightlinger commented that the funding amount was not included in the two-year budget. This funding was deferred as a result of a tight budget year. However, staff has identified sources for the funds within this current year's budget.

Board Discussion

- Several members stated their support for Foundational Actions. Director Peterson (Las Virgenes) comment that the program is about good science. Director Record (Eastern MWD) commented that the population is going to continue to increase, and local agencies should all support this type of research funding.
- The SDCWA delegation submitted a letter regarding this item, and requested a written response from MWD staff. *GM Kightlinger responded that the SDCWA is on record opposing the Foundational Actions program, and that he does not feel a "point-counterpoint" with the SDCWA changes their position or help with the discussion.*
- Director Dick (MWDOC) commented that he supports the idea of Foundational Actions, but is concerned that many good ideas might not fit within the timing of the program.
- Director Evans (Western WMD) commented that he would rather see the review committee have a majority from within MWD.
- Staff provided an update on MWD's 2013 water supply, demand, and storage conditions.
 - State Water Project (SWP) supplies are currently 788 TAF at the current 40% SWP "Table A" Allocation (**Later reduced to 35%**). The 8-Station Index has measured the driest combined January and February on record. In addition, the fishery restrictions have result in 270 TAF in reduced supplies to MWD.
 - Supplies on the Colorado River Aqueduct are currently 865 TAF. The runoff forecast in the upper basin is 49% of average.
- Roger Patterson providing the following update on Bay Delta activities:
 - The full Bay Delta Conservation Plan (BDCP) Administrative Draft will be released in three parts. The first four chapters, including the Conservation Strategies, will be released on March 14, with a proposed public meeting on March 20. Chapters 5-7, including the Effects Analysis and Plan Implementation, will be released on March 27, with a public meeting April 4. Chapters 8 through 20 will be released in late April.
 - The Delta Stewardship Council (DSC) staff still working through comments they received on the draft Delta Plan in January. They are on track to certify the EIR in May, 2013.

Board Discussion

- Director Steiner (SDCWA) clarified that none of the participants involved in the BDCP are currently saying that they are unwilling to pay.
- Bill Hasencamp providing the following Colorado River report.
 - Despite upper basin snowpack remaining at 80%, the runoff forecast is only 49% measured on a water year basis, due primarily to dry soil. Over the last decade the Colorado River basin has been experiencing warmer springs, and more people living in the basin. This is projected to be the driest two year period on record.
 - Last year the Colorado River system lost 6 MAF of storage, and it is on track to lose another 6 MAF this year. A meeting will be held in April to provide updated statistics on the likelihood of a shortage.
 - Last week, Imperial Irrigation District (IID) was given a 90 day stay to allow parties to reach a settlement. The Quantification Settlement Agreement (QSA) parties have continued to discuss implementation of the QSA in order for IID to meet its obligations without negatively impacting the other parties. Parties are closer to a tentative agreement, and any settlement would not require modifications to the agreement.

Engineering and Operations Committee

- Staff provided an update on MWD's Seismic Assessment Program, including an update on the Union Station Headquarters Building Assessment.
- Staff provided a progress report for the Fiscal Year 2012/13 Capital Investment Plan (CIP).
 - The CIP includes expenditures of \$257 million spread over more than 350 projects. All projects are within budget.
 - Director Barbre (MWDOC) asked whether there are high priority projects that could be funded this year. Debra Man commented that staff is rechecking the priority and critical need of projects that can be advanced.
- Staff provided an update on Lake Oroville Facilities including the Hyatt Power Plant, the River Valves, and the Thermalito Power Plant.
 - DWR has increased the capacity at Hyatt by about 3,000 CFS since last summer, and DWR has a goal of increasing that to 11,000 CFS by next summer.
 - DWR hired a technical consultant to investigate whether the current design of the River Valve will work, and to come up with an interim plan for full deliveries.
 - Water reliability has not been affected by the Thermalito Power Plant fire as the facility is currently being bypassed. A damage assessment is progressing.
- Jim Green reported that SWP blend targets have dropped to 35% at Weymouth, Diemer, and Skinner. Blends will likely stay at this level for the remainder of the year as a result of the low SWP Allocation.

Communication and Legislation Committee

- The Committee adopted MWD's priorities for the 2014 Water Bond. Kathy Cole provided a presentation on the following set of funding priorities to guide staff in future negotiations to modify the bond.
 - Funding the state share of public benefits such as habitat restoration to support the coequal goals of water supply reliability and Delta restoration.
 - Funding the public benefits associated with Delta sustainability projects such as flood protection.
 - Water supply reliability projects that reduce reliance on imported water.
 - Statewide system improvements such as surface and groundwater storage.

Board Discussion

- Director Lewinger (SDCWA) commented that the priorities should include funding of local projects to regions on a proportional basis based on population.
After some discussion, the motion was clarified that the proposed method for allocating funding would be similar to that used under Proposition 84.
- Director Edwards (Foothill MWD) asked why the Board is taking action now. Staff responded that the negotiations are taking place and legislators are asking for MWD's view.
- Director Barbre (MWDOC) asked how much of a haircut to the bond would the MWD board be willing to accept. Staff responded that the legislature is currently not talking much about the haircut approach right now, but that staff will come back to the board once that discussion is brought forth in the legislature.
- Director Camacho (IEUA) stated his supported for the bond in its current form and stated his concern with any action to reduce or dismantling the bond.
- Kathy Cole provided the following update on activities in Sacramento:
 - The MWD sponsored bill, AB 1349 by Rep Gatto (D-Los Angeles), would establish a revolving fund with low interest loans for water use efficiency projects.
 - AB 803 by Rep Hueso (D-San Diego), and sponsored by WaterReuse, would codify several regulations related to recycled water.
 - AB 145 by Rep Perea (D-Fresno) would transfer responsibility for the state's drinking water programs from the Department of Public Health (DPH) to a new

division of the State Water Resources Control Board. The bill has received significant opposition from the water community, advocating that many drinking water programs work well. The direction is being shifted instead to target the two million people in California do not have access to clean drinking water, and programs for disadvantaged communities. The Governor's office is also looking at similar options to improve the DPH programs.

- SB 772 Emerson (R-Riverside) would require greater coordination between LAFCO and DPH for regulatory oversight of small private water commissions.
- SB 620 by Senator Wright (D-Los Angeles), and sponsored by Water Replenishment District (WRD), would lift WRD's existing reserve cap, increase penalties for not reporting and non-payment of the RA, and the authorization of the recovery of attorney's fees.

Board of Directors

- The Board adopted MWD's priorities in future negotiations on the 2014 Water Bond as amended in committee to include equitable allocation of funding for local projects consistent with Proposition 84 funding criteria.

**Summary Report for
The Metropolitan Water District of Southern California
Board Meetings
March 12, 2013**

REAPPOINTMENT

Director Bill Wright was reappointed to the Board of Directors representing the City of Torrance. **(Agenda Item 5C)**

COMMITTEE ASSIGNMENTS

None **(Agenda Item 5F)**

COMMUNICATIONS AND LEGISLATION COMMITTEE

The Board authorized the General Manager to advance Metropolitan's priorities in future negotiations on 2014 water bond as amended in committee to include equitable allocation of funding for local projects consistent with Proposition 84 criteria and funding for watershed and reservoir management for water quality protection. **(Agenda Item 8-1)**

CONSENT CALENDAR

In other action, the Board:

Appropriated \$800,000; and authorized seismic assessments of the Sepulveda Canyon Control Facility, Foothill and Greg Avenue Hydroelectric Plants, and the Carbon Creek Pressure Control Structure. (Approp. 15458) **(Agenda Item 7-1)**

Appropriated \$190,000; and authorized preliminary design of storm water management improvements at the F. E. Weymouth Water Treatment Plant. (Approp. 15477) **(Agenda Item 7-2)**

Appropriated \$225,000; and authorized detailed seismic assessments of the Water Quality Laboratory, Engineering Building, and Central Stores Building at the F. E. Weymouth Water Treatment Plant. (Approp. 15477) **(Agenda Item 7-3)**

Appropriated \$620,000; and awarded \$529,802.09 contract to Multi W Systems, Inc. for procurement of service water pumps for the Joseph Jensen Water Treatment Plant. (Approp. 15442) **(Agenda Item 7-4)**

Awarded \$246,051 contract to MMC, Inc. to furnish base isolators for the Upper Feeder's Santa Ana River Bridge. (Approp. 15441) **(Agenda Item 7-5)**

Appropriated \$580,000; authorized final design of erosion protection measures for the Whitewater Siphons on the Colorado River Aqueduct; and authorized environmental permitting activities for three Colorado River Aqueduct projects. **(Agenda Item 7-6)**

Appropriated \$270,000; and authorized final design to rehabilitate Service Connection G-01 on the Santa Monica Feeder. (Approp. 15341) **(Agenda Item 7-7)**

Authorized an increase of \$206,000 to the existing agreement with Power-Tech Engineers, Inc., for a new not-to-exceed total of \$504,000 for the Wadsworth Control and Protection Upgrade Project. (Approp. 15467) **(Agenda Item 7-8)**

OTHER MATTERS

Director Randy Record, representing Eastern Municipal Water District, received a 10-year service pin. **(Agenda Item 5D)**

Director Glen Petersen, representing Las Virgenes Municipal Water District, received a 20-year service pin. **(Agenda Item 5E)**

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

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