

WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
February 5, 2014, 8:30 a.m.

AGENDA

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC PARTICIPATION/COMMENTS

At this time members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken.

The Board requests, but does not require, that members of the public who want to address the Board complete a voluntary "Request to be Heard" form available from the Board Secretary prior to the meeting.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present, a unanimous vote.)

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's Internet Web site, accessible at <http://www.mwdoc.com>.

(NEXT RESOLUTION NO. 1975)

PRESENTATION/DISCUSSION/INFORMATION ITEMS

1. PRESENTATION BY METROPOLITAN WATER DISTRICT'S (MWD) CHIEF FINANCE OFFICER GARY BREAUX ON MWD'S PROPOSED BIENNIAL BUDGET AND RATES FOR FISCAL YEAR 2014/15 AND 2015/16

Recommendation: Review, discuss, and take action as appropriate.

2. WATER SUPPLY CONDITIONS FOR 2014

Recommendation: Review, discuss, and take action as appropriate.

3. MET ITEMS CRITICAL TO ORANGE COUNTY

- a. MET's Water Supply Conditions
- b. Update on Finance and Rate Issues
- c. Colorado River Issues
- d. Bay Delta/State Water Project Issues
- e. MET's Ocean Desalination Policy and Potential Participation by MET in the Doheny Desalination Project and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)
- f. Second Lower Cross Feeder
- g. Orange County Reliability Projects

Recommendation: Discuss and provide input on information relative to the MET items of critical interest to Orange County.

4. OTHER INPUT OR QUESTIONS ON MET ISSUES FROM THE MEMBER AGENCIES

5. METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

- a. Summary regarding January MET Board Meeting
- b. Review items of significance for MET Board and Committee Agendas

Recommendation: Review, discuss and take action as appropriate.

ADJOURNMENT

Note: Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Maribeth Goldsby, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at P.O. Box 20895, Fountain Valley, CA 92728. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.



DISCUSSION ITEM

February 5, 2014

TO: Board of Directors

FROM: Robert Hunter
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: Presentation by Metropolitan Water District’s (MWD) Chief Finance Officer Gary Breaux on MWD’s Proposed Biennial Budget and Rates for Fiscal Year 2014/15 and 2015/16

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

REPORT

MWDOC has invited Metropolitan Water District’s (MWD) Chief Finance Officer, Gary Breaux to present on MWD’s Proposed Biennial Budget and Rates for Fiscal Year 2014/15 and 2015/16. Mr. Breaux will highlight the key budget assumptions such as: water sales, expected revenues, key expenditures, PAYGo, reserves, rates and charges; including a 10-year water rate forecast.

Later this month, the MWD Board will hold its 1st budget workshop and commence with setting its Public Hearing for March. Consideration of action by the MWD Board on the Biennial Budget and Rates are expected to occur in April 2014.

Budgeted (Y/N): n/a	Budgeted amount: n/a	Core <input checked="" type="checkbox"/> _	Choice ___
Action item amount: n/a		Line item:	
Fiscal Impact (explain if unbudgeted):			



DISCUSSION ITEM

February 5, 2014

TO: Board of Directors

FROM: Robert Hunter
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: Water Supply Conditions for 2014

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

REPORT

State Water Project Deliveries

As of January 28, the Department of Water Resources (DWR) has maintained the “Table A” Allocation at just five percent of requested deliveries to State Water Project (SWP) Contractors in 2014. This is only the second time in history that the delivery forecast has been this low.

The SWP’s 8-Station index measured the Northern Sierra’s accumulated precipitation at 3.5 inches (14 percent of the normal for this date). The average snow water equivalent in the Northern Sierras was a mere 1 inch (5 percent of the normal for the date). Lake Oroville, the State Water Project’s (SWP) principal reservoir, is only at 36 percent of its 3.5 million acre-foot capacity (54 percent of its historical average for the date). San Luis Reservoir, a critical south-of-Delta pool for both the SWP, is at 31 percent of its 2 million acre-foot capacity (39 percent of normal for the date). The state is in need of a very wet weather in the coming months in terms of rainfall and snowpack for water supply and reservoir levels to end the year above historic lows.

Based on these conditions, in January Governor Brown declared a state of drought emergency and called on local water suppliers and municipalities to implement their water shortage contingency plans.

On January 30, Metropolitan hosted the Governor to his first-ever visit to MWD’s headquarters to host a press briefing on the latest drought conditions followed by a small private meeting with southland water leaders.

Budgeted (Y/N): n/a	Budgeted amount: n/a	Core <input checked="" type="checkbox"/> _	Choice ___
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted):			

The press briefing began with a detailing of three proposed MWD actions to be brought before the Board of Directors at their next scheduled meetings on February 10 and 11:

- Calling for an official Water Supply Alert that embraces the governor's call via his drought declaration for a voluntary per-capita reduction in water use by 20 percent.
- Doubling MWD's conservation budget from \$20 million to \$40 million in anticipation of increased interest by southland water residents in water device rebate programs
- And directing staff to explore all feasible ways possible to use MWD resources to assist other regions of the state.

Governor Brown thanked MWD and Southern Californians for their water conservation efforts. He stated that he had a telephone conversation with President Obama, who pledged to support California and work with us on drought response. The two also talked about the ongoing Bay Delta Conservation Plan process that will be essential for the long-term.

Colorado River Deliveries

Snowpack conditions in the Upper Colorado River Basin have recently dipped to below normal for this time of year. The accumulated precipitation in the Upper Colorado River Basin as of January 28, 2013 in was 9.7 inches (87% percent of normal for the date). Under the current forecast, total water year 2014 inflows to Lake Powell, which is a good measure of hydrologic conditions in the Colorado River Basin, are expected to be 10.07 MAF (93% of average).

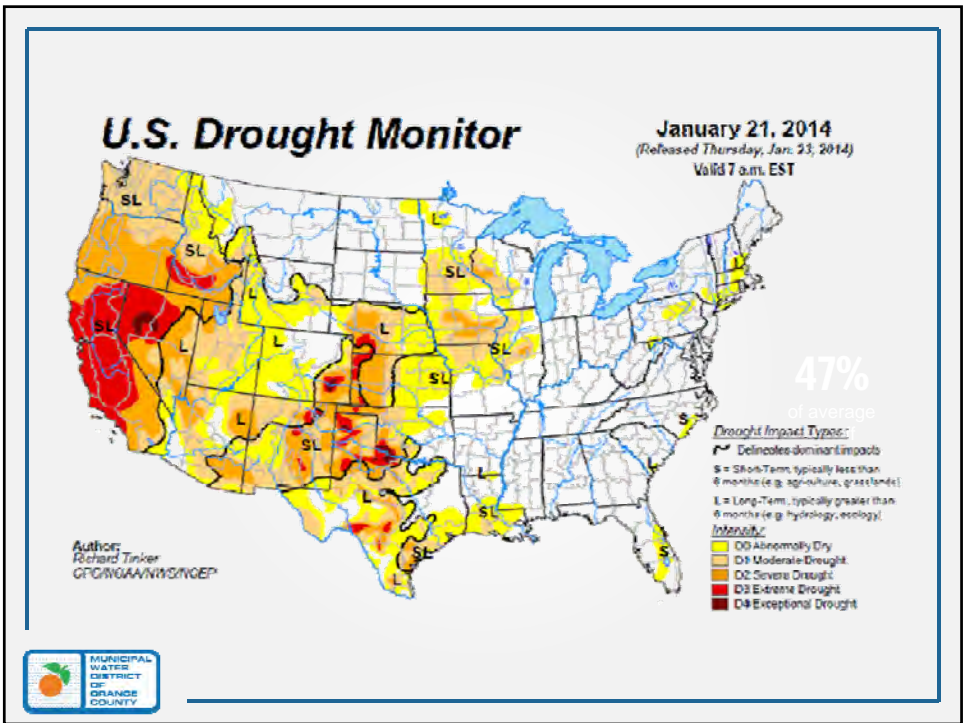


In the period from 2000 to 2013, hydrologic conditions in the Colorado River Basin were above average in only 3 out of 14 years. At the beginning of 2014 water year, total system storage in the Colorado River Basin was only 29.9 MAF (50% of 59.6 MAF total system capacity). This is a reduction of 4 MAF from the beginning of 2013 water year. Over the course of 2014, Lake Mead is currently projected to drop by 19 feet to an elevation of 1,090 feet above sea level as determined by scheduled releases established in August 2013. This is 15 feet above the shortage trigger of 1,075 feet.

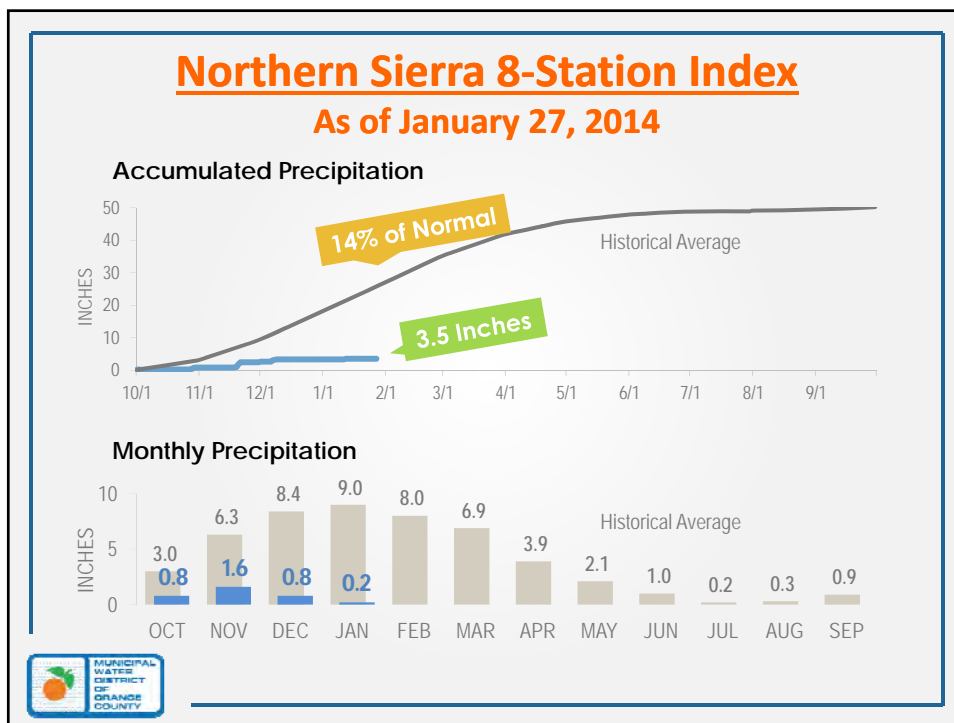
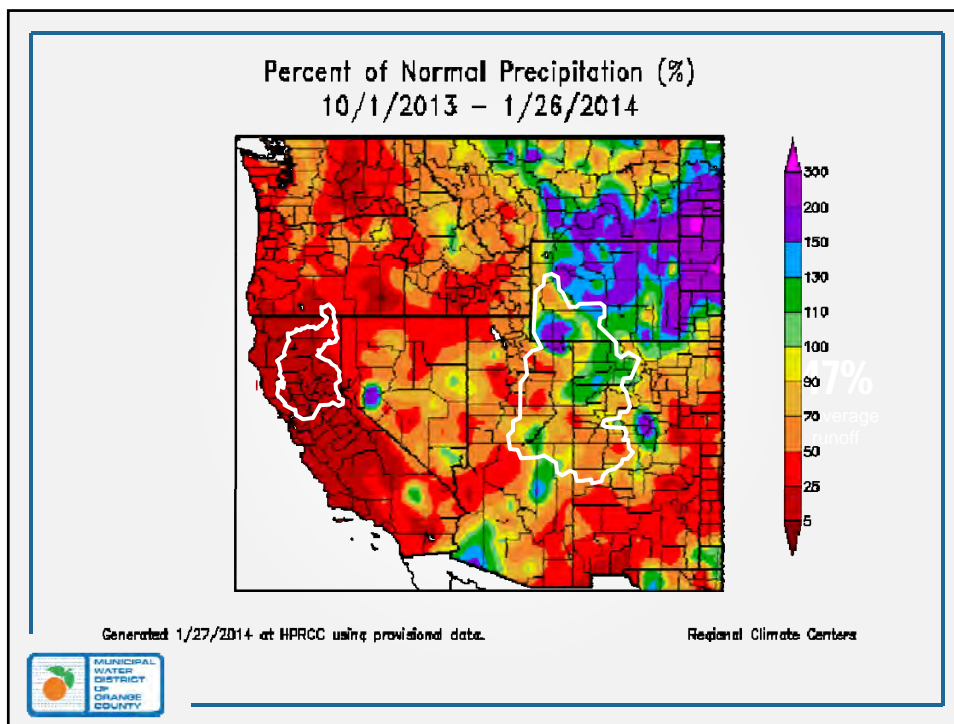
Metropolitan Storage

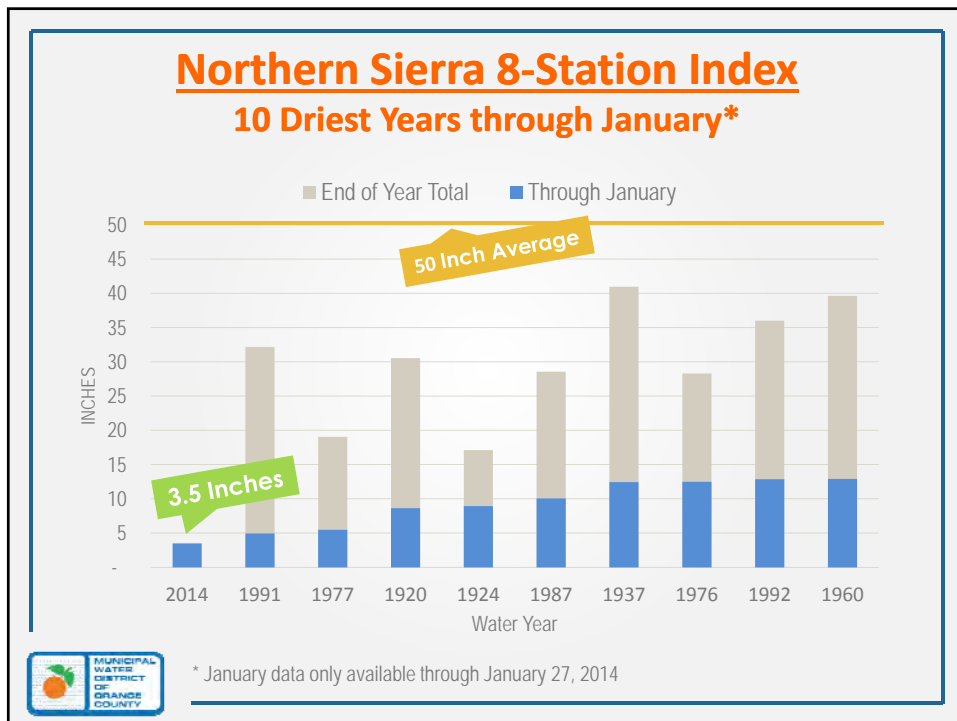
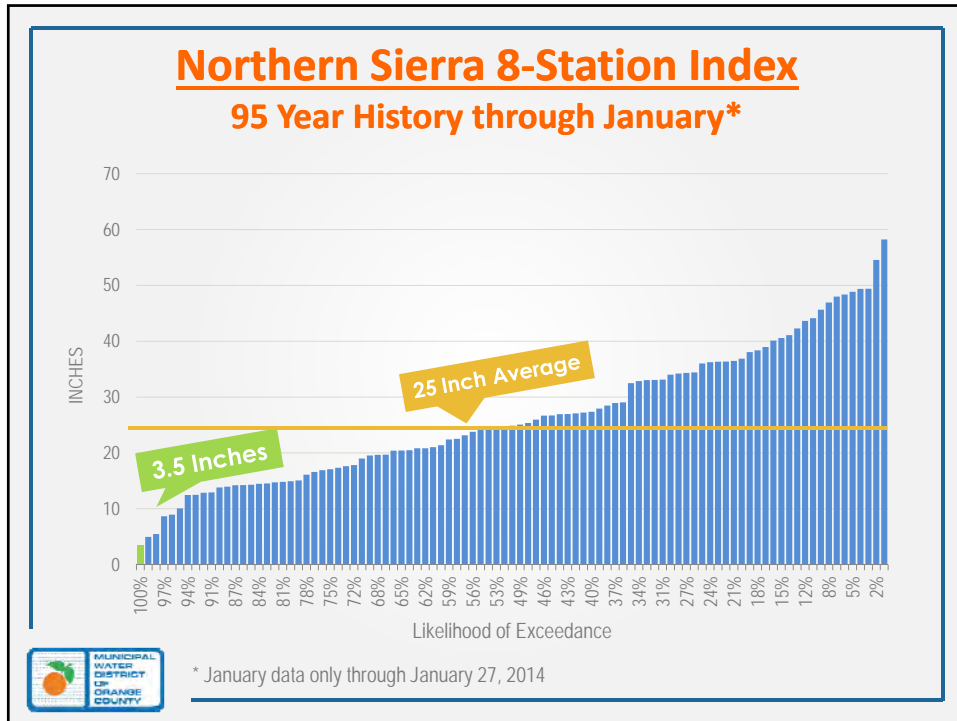
Metropolitan began CY 2013 with 2.73 MAF in "dry year storage" (this does not include the ~650,000 AF of emergency storage). Following a water supply and demand imbalance of 358 TAF, dry year storage began CY 2014 at 2.37 MAF. These storage levels put Metropolitan in a good position to manage shortfalls between supplies and demands in CY 2014. The estimated single year take capacity for CY 2014 is 1.44 MAF.

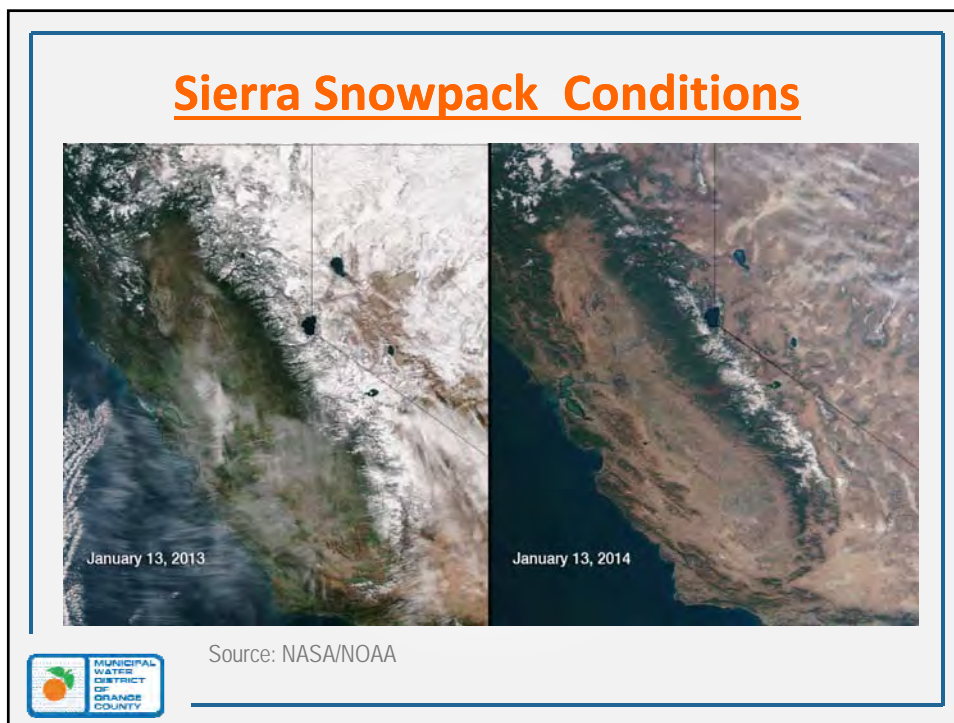
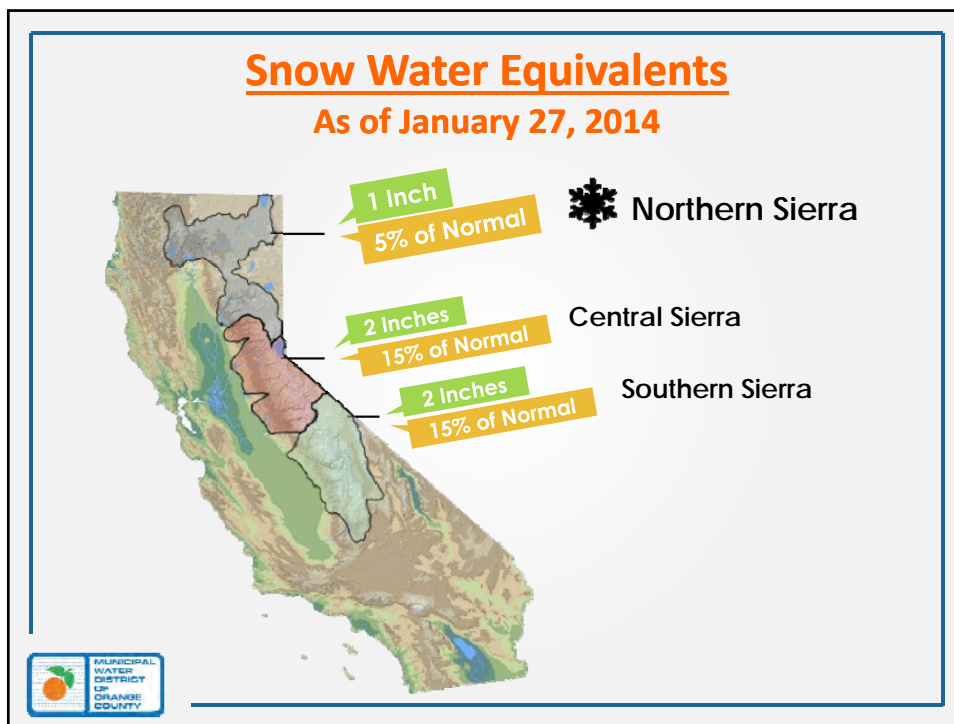
Water Supply Conditions for 2014

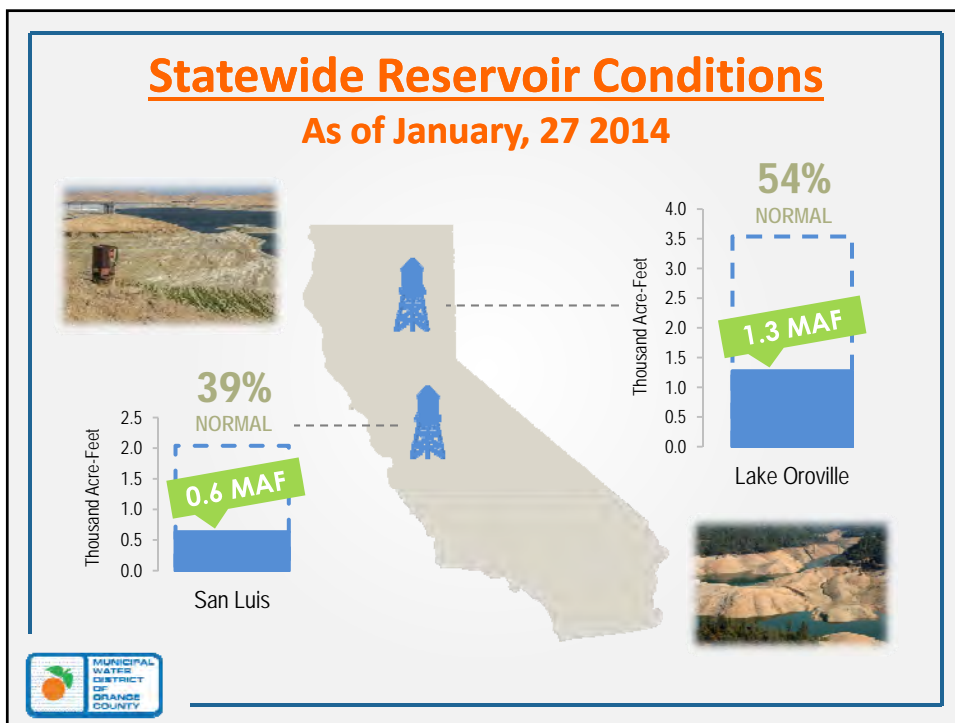
Municipal Water District of Orange County
February 5, 2014



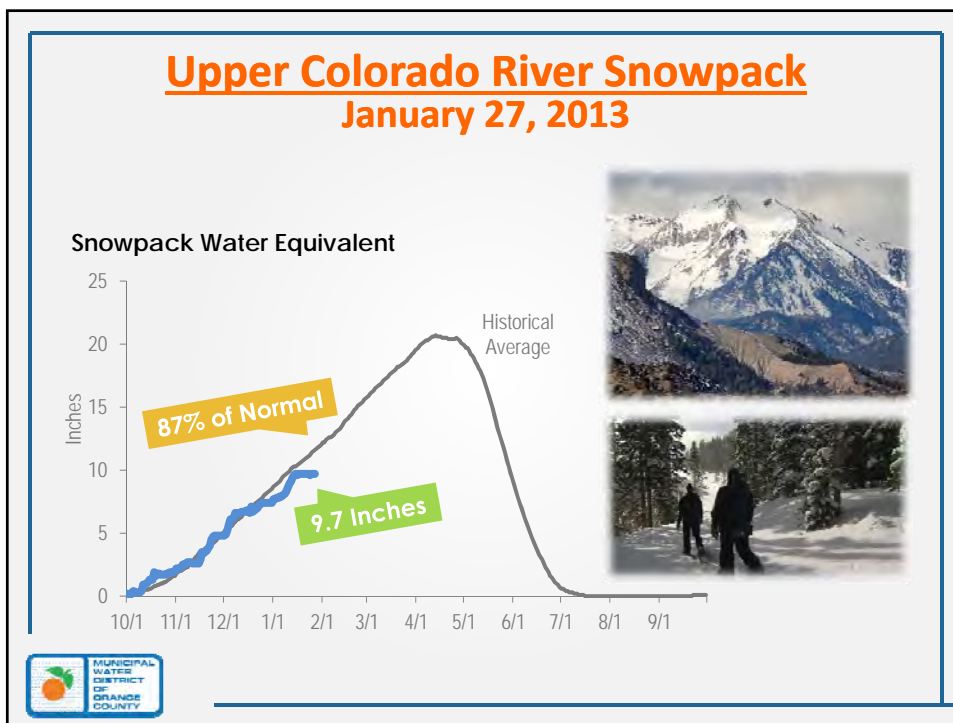
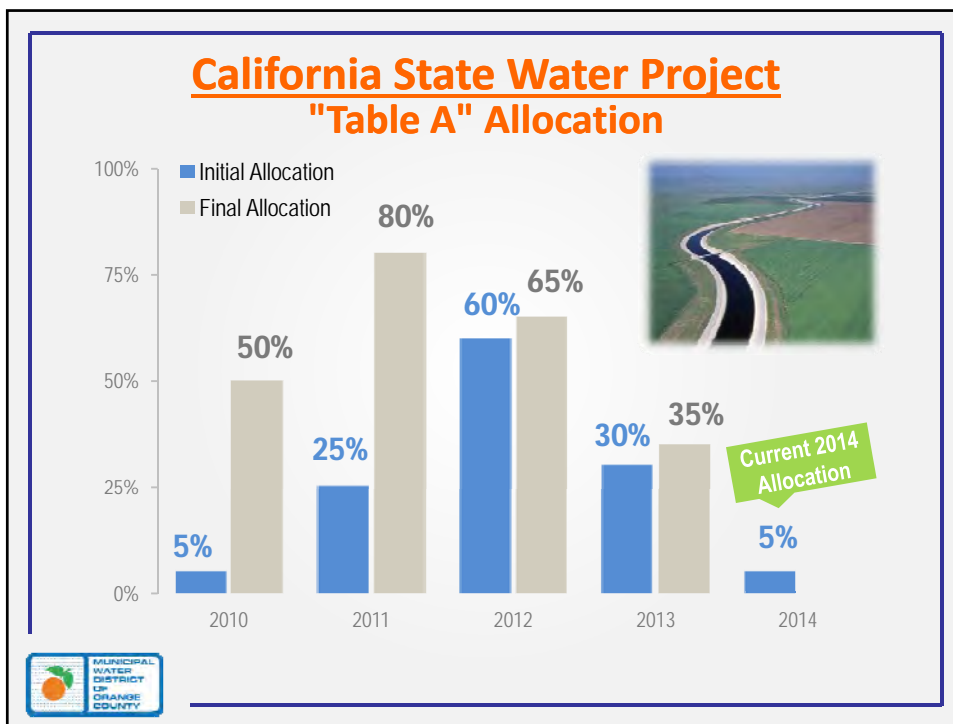


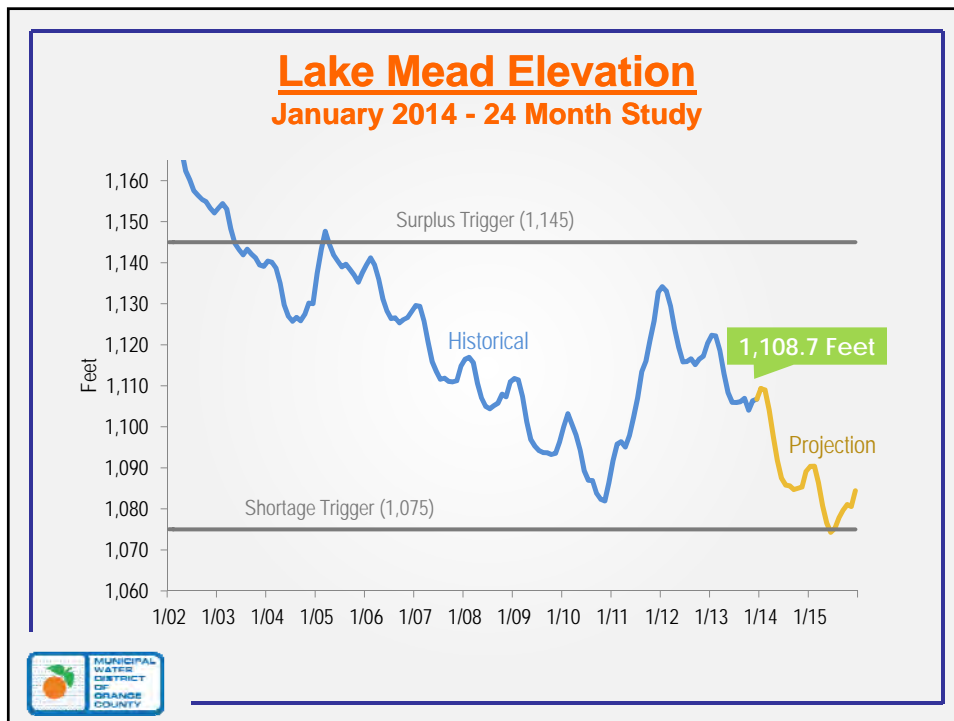
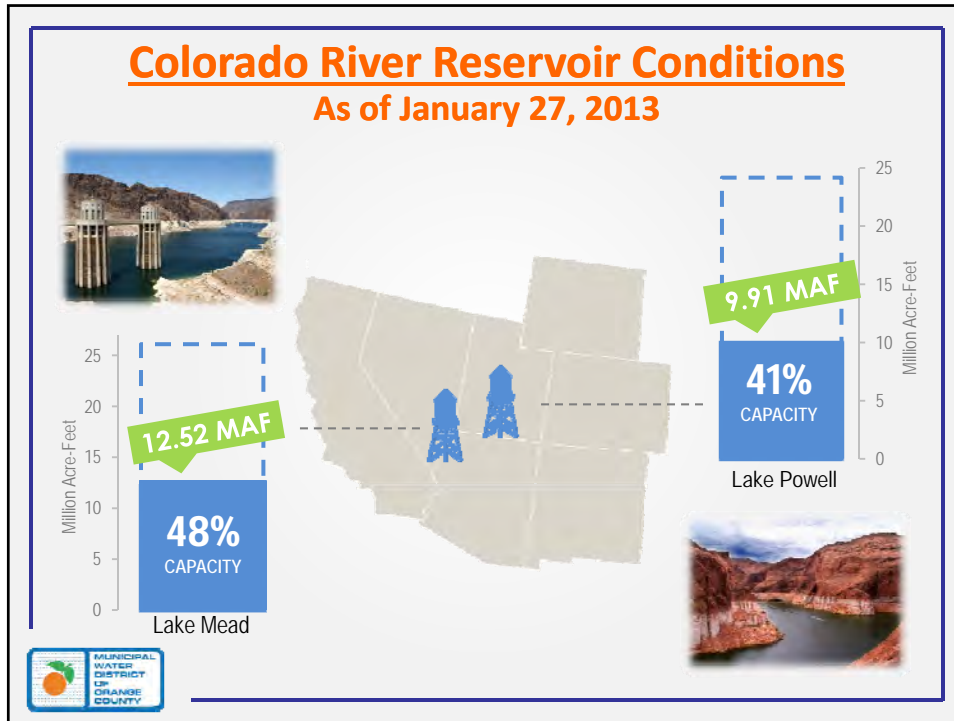












Metropolitan Dry Year Storage



* Does not include 636 TAF of Metropolitan Emergency Storage.



DISCUSSION ITEM

February 5, 2014

TO: Board of Directors & MWD Directors

FROM: Robert J. Hunter
General Manager

Staff Contact: Harvey De La Torre/
Warren Greco

SUBJECT: MWD Items Critical To Orange County

STAFF RECOMMENDATION

Staff recommends the Board of Directors to review and discuss this information.

SUMMARY

This report provides a brief update on the current status of the following key MWD issues that may affect Orange County:

- a) MWD's Water Supply Conditions
- b) MWD's Finance and Rate Issues
- c) Colorado River Issues
- d) Bay Delta/State Water Project Issues
- e) MWD's Ocean Desalination Policy and Potential Participation by MWD in the Doheny Desalination Project and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)
- f) Second Lower Cross Feeder Project
- g) Orange County Reliability Projects

ISSUE BRIEF # A

SUBJECT: MWD's Water Supply Conditions

RECENT ACTIVITY

State Water Project Deliveries

For calendar year 2014, the Department of Water Resources (DWR) has maintained the "Table A" Allocation at just five percent of requested deliveries to State Water Project (SWP) Contractors in 2014. This is only the second time in history that the delivery forecast has been this low. DWR will update the allocation as the rest of the year progresses. On average, about half of California's water year precipitation occurs by the end of January.

On January 17, Governor Brown declared a state of drought emergency and called on local water suppliers and municipalities to implement their water shortage contingency plans. California's drought has left the Sierra largely bare of snow and the state's reservoirs low. The state is in need of a very wet weather in the coming months in terms of rainfall and snowpack for water supply and reservoir levels to end the year above historic lows.

As of January 28, the SWP's 8-Station index measured the Northern Sierra's accumulated precipitation at 3.5 inches (14 percent of the normal for this date). The average snow water equivalent in the Northern Sierras was a mere 1 inch (5 percent of the normal for the date). Lake Oroville, the State Water Project's (SWP) principal reservoir, is only at 36 percent of its 3.5 million acre-foot capacity (54 percent of its historical average for the date). San Luis Reservoir, a critical south-of-Delta pool for both the SWP, is at 31 percent of its 2 million acre-foot capacity (39 percent of normal for the date).

Colorado River Deliveries

Snowpack conditions in the Upper Colorado River Basin have recently dipped to below normal for this time of year. The accumulated precipitation in the Upper Colorado River Basin as of January 28, 2013 in was 9.7 inches (87% percent of normal for the date). Under the current forecast, total water year 2014 inflows to Lake Powell, which is a good measure of hydrologic conditions in the Colorado River Basin, are expected to be 10.07 MAF (93% of average).

In the period from 2000 to 2013, hydrologic conditions in the Colorado River Basin were above average in only 3 out of 14 years. At the beginning of 2014 water year, total system storage in the Colorado River Basin was only 29.9 MAF (50% of 59.6 MAF total system capacity). This is a reduction of 4 MAF from the beginning of 2013 water year. Over the course of 2014, Lake Mead is currently projected to drop by 19 feet to an elevation of 1,090 feet above sea level as determined by scheduled releases established in August 2013. This is 15 feet above the shortage trigger of 1,075 feet.

Metropolitan Storage

Metropolitan began CY 2013 with 2.73 MAF in "dry year storage" (this does not include the ~650,000 AF of emergency storage). Following a water supply and demand imbalance of 358

TAF, dry year storage began CY 2014 at 2.37 MAF. These storage levels put Metropolitan in a good position to manage shortfalls between supplies and demands in CY 2014. The estimated single year take capacity for CY 2014 is 1.44 MAF.

ISSUE BRIEF # B

SUBJECT: MWD's Finance and Rate Issues

RECENT ACTIVITY

At last month's MWD Finance and Insurance Committee meeting, MWD's CFO Gary Breaux reported that water sales through the first six months of the fiscal year are 170,900 AF higher than budgeted and higher than MWD's five year average. As a result, water sale revenues are currently \$126.4 million higher than budgeted, while expenses are \$747.9 million below budget. This is primarily due to lower than expected State Water Project (SWP) energy costs as result of lower SWP deliveries.

Mr. Breaux stated that based on these conditions, MWD forecasts by the end of the fiscal year MWD is expected to place an additional \$269.8 million in reserves, bringing MWD's total reserves to \$806 million (\$319 million over the maximum reserve target). However, he also noted that MWD still has unfunded liabilities totaling \$794.7 million (OPEB and Pension)

MWD's Proposed Biennial Budget & Rates

MWD will present its proposed Biennial Budget and Rates to the Finance and Insurance Committee in February. Mr. Breaux will highlight the key budget assumptions such as: water sales, revenues, expenditures, PAYGo, reserves, rates and charges, including a 10-year water rate forecast.

ISSUE BRIEF # C

SUBJECT: Colorado River Issues

RECENT ACTIVITY

Colorado River Outlook Improves

Each month, the U.S. Bureau of Reclamation (Reclamation) updates its two-year outlook for the operation of its Colorado River reservoirs, including Lake Mead and Lake Powell. Back in August 2013, Reclamation's forecast was that Lake Mead would drop 45 feet in the next two years and reach an elevation of 1,061 feet, assuming average snowfall each year. This is well below the 1,075 foot level that would trigger a first-ever shortage declaration on the Colorado River. Since then, the Colorado River Basin has experienced one of the wetter late summer seasons on record, and the 2014 water year's runoff is currently expected to end the year at 93% of average. Lake Mead is now forecast to reach a low point of 1,084 feet in 2015, a full 23 feet higher than projected back in August 2013. Despite this improved outlook, the risk of shortage still remains.

ISSUE BRIEF # D

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

Governor Declares Drought

On January 14, 2014 Governor Jerry Brown declared an official drought state of emergency, directed state officials to take all necessary actions to prepare for drought conditions, and launching a statewide water conservation campaign that urges all Californians to conserve water by at least 20 percent.

In the State of Emergency declaration, Governor Brown directed state officials to assist farmers and communities that are economically impacted by these dry conditions and to make water transfers more accessible to those areas that are face drinking water shortages. The Governor also directed state agencies to use less water and hire more firefighters and initiated a greatly expanded water conservation public awareness campaign.

Bay Delta Conservation Plan

The state of California and its federal partners, U.S. Bureau of Reclamation (USBR), U.S. Fish and Wildlife Service (USFWS), and National Marine Fisheries Service (NMFS), have released the Bay Delta Conservation Plan (BDCP) and corresponding Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for public review. The 120-day public review period runs through April 14, 2014.

From mid-January through mid-February 2014, experts will be available at a dozen separate public meetings to facilitate review of the BDCP, and to hear public comments on the BDCP and accompanying environmental documents. The 9,000-page BDCP and its corresponding 25,000-page Draft EIR/EIS reflect significant revisions since the informal release of the second administrative review draft last spring and summer.

State Finalizes California Water Action Plan

The California Natural Resources Agency, the California Environmental Protection Agency and the California Department of Food and Agriculture finalized the California Water Action Plan for Water on January 23. This report identifies 10 key actions that, in the next five years, will move California toward more sustainable water management by providing reliable water supply for our farms and communities, restoring important wildlife habitat and species, and helping the state's water systems and environment become more resilient.

Actions identified in the draft plan include:

- Making conservation a way of life in California;
- Increasing local and regional self-reliance;
- Achieving the coequal goals for the Delta;
- Protecting and restoring important ecosystems;

- Managing and preparing for dry periods;
- Expanding water storage capacity;
- Providing safe drinking water for all communities;
- Improving flood protection;
- Increasing operational and regulatory efficiency; and
- Identifying sustainable and integrated financing opportunities.

The final plan includes an expanded focus on the current drought and climate change; new language on the water-energy nexus, including leveraging cap-and-trade auction revenue; more references to the benefits of water use efficiency and conservation; a new section on managing headwaters for multiple benefits, and additional detail in the groundwater section, including support for the California Statewide Groundwater Elevation Monitoring (CASGEM) program and increased groundwater recharge.

ISSUE BRIEF # E

SUBJECT: MWD's Ocean Desalination Policy and Potential Participation by MWD in the Doheny Desal Project (formerly South Orange Coastal Ocean Desalination Project) and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)

RECENT ACTIVITY

1. Doheny Desalination Project

The following work to wrap up Phase 3 is as follows:

- Wind-Up of Phase 3 Activities
- Foundational Action Funding Studies (both Doheny Desal and SJBA Work Efforts will provide NEW information)
- Decide on Status of Pilot Plant and Slant Wells – if to be removed by May 2014, work needs to be initiated in next several months.
- Peer Review of Groundwater Modeling (by SJBA)
- Continue to Look for Funding Options
- Continue to Work with CALDESAL on the SWRCB Ocean Plan Amendments

2. Huntington Beach Ocean Desalination Project (Poseidon Project)

OCWD's revised its white paper on the Poseidon Project from an OCWD perspective and provided it to the Poseidon Huntington Beach Ocean Desalination Workgroup for review and comment. The document can be accessed by clicking on the following link below:

<http://www.ocwd.com/Portals/0/ProgramsProjects/Explore%20Desal/PoseidonResourcesHuntingtonBeachOceanDesalinationProjectInformationAndUpdate.pdf>

The white paper was presented to the OCWD's Board in January as an informational item, and was discussed during OCWD's Producers meeting and later during MWDOC's Agencies Managers meeting. OCWD requested that comments be submitted by the end of February. There were no meetings of the Huntington Beach Ocean Desalination Workgroup in January.

ISSUE BRIEF # F

SUBJECT: Second Lower Cross Feeder Project

RECENT ACTIVITY

The proposed "Second Lower Cross Feeder" (SLCF), as envisioned, will allow Orange County to convey MWD water from the Jensen Plant to the Central OC and South OC areas in the event of an emergency outage of the Diemer Plant. The proposed 48-inch pipeline will allow up to 100 cfs along a 16,000 foot alignment in the cities of Orange and Anaheim, with crossings of the Santa Ana River and the 57 Freeway. The project cost, projected out to 2016 (the mid-point of construction), is \$51 million.

Due to concerns raised regarding the availability of water from MWD to pump into the pipeline during emergency situations, MWDOC conducted a meeting in August with MET staff to continue discussions regarding options and possibilities for the Project. After extensive discussions regarding prospects for the project, MET staff agreed to put their thoughts in writing for consideration by MWDOC. MWDOC and MET staff are currently reviewing and finalizing this document.

ISSUE BRIEF # G

SUBJECT: Orange County Reliability Projects

RECENT ACTIVITY

1. Central Pool Augmentation Project

There are no updates to report. MWD staff will continue to monitor the activities along the alignment and will report any updates or changes to the Board when they occur.

2. MWD Investigations of System Reliability

MWD staff has indicated they continue to work on reviewing the impacts to delivering water to various portions of their system in the event of an earthquake or other disaster.

**Summary Report for
The Metropolitan Water District of Southern California
Board Meetings
January 14, 2014**

INDUCTION OF NEW DIRECTOR

Director Paul Koretz, was inducted to the Board of Directors representing the city of Los Angeles. **(Agenda Item 5C)**

NOMINATION AND ELECTION OF NONOFFICER MEMBERS

Directors Daniel Griset and Michael Camacho were elected as nonofficer members of the Executive Committee for one-year term effective January 14, 2014. **(Agenda Item 5D)**

COMMITTEE ASSIGNMENTS

Director Michael Touhey was assigned as Vice Chair of the Water Planning and Stewardship Committee. **(Agenda Item 5E)**

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated \$4.2 million; and awarded \$3,053,634 contract to Paso Robles Tank, Inc. for seismic upgrades to the Joseph Jensen Water Treatment Plant washwater tanks. (Approp. 15442) **(Agenda Item 8-1)**

AUDIT AND ETHICS COMMITTEE AND LEGAL AND CLAIMS COMMITTEE

Approved amendments to the Metropolitan Water District Administrative Code concerning ethics provisions and enforcement procedures. **(Agenda Item 8-2)**

COMMUNICATIONS AND LEGISLATION COMMITTEE

Authorized the General Manager to support AB 1331 (Rendon, D-Lakewood), if amended, regarding Climate Change Response for Clean and Safe Drinking Water Act of 2014. **(Agenda Item 8-3)**

Authorized the General Manager to oppose SB 848 (Wolk, D-Davis), originally introduced as SB 42, unless amended, regarding Safe Drinking Water, Water Quality and Flood Protection Act of 2014. **(Agenda Item 8-4)**

CONSENT CALENDAR

In other action, the Board:

Appropriated \$470,000; and authorized agreement with Geopentech, Inc. in an amount not to exceed \$350,000, for geotechnical investigations at Palos Verdes Reservoir. (Approp. 15419) **(Agenda Item 7-1)**

Appropriated \$1.24 million; authorized final design of the initial stage of electrical upgrades at the Henry J. Mills Water Treatment Plant; and authorized agreement with Lee & Ro, Inc. in an amount not to exceed \$723,000 for engineering services. (Approp. 15452) **(Agenda Item 7-2)**

Appropriated \$210,000; and authorized final design to protect the Upper Feeder at a railroad crossing. (Approp. 15480) (**Agenda Item 7-3**)

Appropriated \$1.52 million; and awarded \$894,600 contract to Unique Performance Construction, Inc. to install cathodic protection on the Second Lower Feeder. (Approp. 15441) (**Agenda Item 7-4**)

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>.