



Our Region's Trusted Water Leader
San Diego County Water Authority

BOARD CALENDAR

REVISED

APRIL 2020

- **08 No MWD Delegates meeting**
- **09 No Special Board Meeting**
- **23 Committees begin at 9:00 a.m.
Formal Board meeting begins at 2:30 p.m.**

May 2020

- **06 MWD Delegates meeting at 11:00 a.m.**
- **14 Special Imported Water Committee Meeting
Re: Regional Conveyance System Study-1:30 p.m.**
- **28 Committees begin at 9:00 a.m.
Formal Board meeting begins at 2:30 p.m.**

June 2020

- **03 MWD Delegates meeting at 11:00 a.m.**
- **11 Special Engineering & Operations Committee Meeting -1:30 p.m.**
- **25 Committees begin at 9:00 a.m.
Formal Board meeting begins at 2:30 p.m.**

CONGRESSIONAL RESPONSE TO COVID-19

Senate Leaders Announce Deal on a Third Relief Proposal. In the early hours of Wednesday morning, Senate leaders and the White House announced that they had reached a deal on a third legislative relief package. While the text of the bill has yet to be released, Senate Minority Leader Chuck Schumer (D-NY) released the following highlights of the deal to his Democratic colleagues:

- 4 months of additional unemployment insurance.
- \$55 billion increase in the Marshall Plan for the Health Care System.
- \$150 billion for a state, tribal, and local Coronavirus Relief fund.
- \$10 billion for SBA emergency grants of up to \$10,000 to provide immediate relief for small business operating costs.
- \$17 billion for SBA to cover 6 months of payments for small businesses with existing SBA loans.
- \$30 billion in emergency education funding and \$25 billion in emergency transit funding.
- \$30 billion for the Disaster Relief Fund to provide financial assistance to state, local, tribal, and territorial governments, as well as private nonprofits providing critical and essential services.
- More than \$10 billion for the Indian Health Services, and other tribal programs.

It is expected that the Senate will be voting on the package sometime later today, and then will send it to the House for its approval. The House is working on getting an agreement from its Members that will allow them to use a procedural motion to pass the bill without bringing Members back to Washington.

Congressional Schedule. Senate Majority Leader Mitch McConnell (R-KY) has announced that the Senate will remain in session until work on a third COVID-19 response package is complete. The House is currently in recess and would likely remain home in their districts until April 20th at the earliest. All congressional hearings have been cancelled through the end of March. The entire Capitol complex, including House and Senate office buildings, is closed to the public and most Congressional offices are teleworking.

FY21 Appropriations Deadlines. Neither the House nor the Senate Appropriations Committees have announced changes to Member deadlines for requests; however, all March Committee hearings have been cancelled. While no changes to markup dates have been announced, it is anticipated that they will be impacted by the changes in the Congressional calendar.

Lawmakers Diagnosed with the Virus or have Self-Quarantined. So far, three Members of Congress have announced that they have tested positive for coronavirus:

- Rep. Mario Diaz-Balart (R-FL) – announced that he came down with symptoms on 3/21 less than 24-hours after a House vote on the second coronavirus relief package
- Rep. Ben McAdams (D-UT) – similar timeline to Rep. Diaz-Balart
- Senator Rand Paul (R-KY) – announced positive test results on 3/22

The following lawmakers have self-quarantined after known exposures to the virus:

Senator Ted Cruz (R-TX) – completed
Senator Lindsey Graham (R-SC) – completed
Senator Rick Scott (R-FL) – completed
Rep. Julia Brownley (D-CA) – completed
Rep. Doug Collins (R-GA) – completed
Rep. Matt Gaetz (R-FL) – completed
Rep. Paul Gosar (R-AZ) – completed
Rep. Anthony Brindisi (D-NY) – completed
Rep. Drew Ferguson (R-GA) – completed

Senator Cory Gardner (R-CO)
Senator Mitt Romney (R-UT)
Senator Mike Lee (R-UT)
Senator Rick Scott (R-FL)
Rep. Don Beyer (D-VA)
Rep. Jason Crow (D-CO)
Rep. Sharice Davids (D-KS)
Rep. Kendra Horn (D-OK)
Rep. Gwen Moore (D-WI)
Rep. Ben Ray Lujan (D-NM)
Rep. David Price (D-NC)
Rep. Steve Scalice (R-LA)
Rep. David Schweikert (R-AZ)
Rep. Adam Schiff (D-CA)
Rep. Ann Wagner (R-MO)
Rep. John Yarmuth (D-KY)

WHITE HOUSE AND FEDERAL AGENCY ACTIONS TO COVID-19

President Signs Emergency Declaration. On March 13th, President Trump declared a national emergency related to the coronavirus. The declaration allows increased federal funding for states through the Federal Emergency Management Administration's (FEMA) disaster relief fund. States are now eligible to request a 75% cost-share for expenses that include emergency workers, medical tests, medical supplies, vaccinations, security for medical facilities, and other needs.

<https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>

President Signs Second Relief Package. On March 18th, President Trump signed the Families First Coronavirus Response Act into law. The bill provides paid sick leave, unemployment insurance, free coronavirus testing, unemployment assistance, food assistance, and other relief provisions. The bill was passed by the House early Saturday morning and was approved by the Senate on Wednesday.

<https://appropriations.house.gov/sites/democrats.appropriations.house.gov/files/Families%20First%20summary.pdf>

President Signs Defense Production Act. On March 19th, President Trump signed the Defense Production Act, which gives the President the power to direct civilian businesses to help or meet orders for products necessary for national defense, as an emergency measure to help address the severe shortage of medical supplies and equipment. After signing the measure, President Trump said that he has not yet enacted it but wanted to sign so that he could invoke the measure quickly to address worst case scenarios.

<https://www.whitehouse.gov/wp-content/uploads/2020/03/M-20-16.pdf>

CISA Issues Guidance on the Essential Critical Infrastructure Workforce During COVID-19 Response. On March 19th, the Cybersecurity and Infrastructure Security Agency (CISA) developed an initial list of “Essential Critical Infrastructure Workers” to help state and local officials as they work to protect their communities, while ensuring continuity of functions critical to public health and safety, as well as economic and national security. The list includes workers in the following industries: medical and healthcare, telecommunications, information technology systems, defense, food and agriculture, transportation and logistics, energy, water and wastewater, law enforcement, and public works.

OMB Issues Guidance to Agencies to Slow the Spread of COVID-19. On March 18th, the Office of Management and Budget (OMB) issued guidance to all federal departments and agencies asking that they immediately adjust operations and services to minimize face-to-face interactions, especially at offices or sites where people may be gathering in close proximity or where highly vulnerable populations obtain services. Exceptions to the guidance include operations or services necessary to protect public health and safety, including law enforcement and criminal justice functions. Non-mission-critical functions are expected to be completed remotely where possible.

OMB Issues Guidance for Administrative Relief for Recipients and Applicants of Federal Financial Assistance Impacted by COVID-19. Late last week, the Office of Management and Budget (OMB) issued guidance to all federal departments and agencies providing them with additional flexibilities for grants assisting the response to COVID-19. The memo provides agencies with the flexibility to relax requirements for active System for Award Management (SAM) at the time of application; flexibility with application deadlines; allows agencies to post Notice of Funding Opportunities (NOFOs) for less than 30 days without separately justifying shortening the timeframe; no-cost extensions on expiring grant awards; and other relief provisions.

IRS Allows Deferments on Tax Payments. On Friday, the IRS announced that it would be delaying both the deadline for filing federal tax returns and the deadline for payments until July 15th.

White House announces it will reevaluate social-distancing guidance at the end of March. On March 23rd, Vice President Mike Pence said that the federal government, along with its health experts will take another look at its social-distancing recommendations for all Americans at the end of March. The 15-day period is set to expire on March 30.

Updated Federal Government Guidance regarding COVID-19 can be found at
<https://www.cdc.gov/coronavirus/2019-nCoV/index.html>

Rep. Levin's Desalination Bill Passes Committee

In early March, the House Natural Resources Committee held a markup of several bills pending before the committee, including the "Desalination Development Act" (HR 3723) introduced by Rep. Mike Levin. Among other things, the legislation would allow for P3 projects to be eligible to receive funding under the WIIN Act. The legislation was approved by the Committee and is now waiting for consideration by the full House.

March 25, 2020

Attention: Imported Water Committee

Metropolitan Water District Delegates' Report. (Information)

Purpose

This report summarizes activities of interest at the Metropolitan Water District (MWD) committee and Board meetings. This report includes MWD Board activities from March 9 and 10, 2020. The MWD Board will meet next on March 24 and April 13 and 14.

Discussion

The Water Authority Delegates (Delegates) supported all 11 action items approved by the MWD Board at its March 2020 meeting. MWD Board items of interest to the Water Authority were:

- Held a public hearing regarding: (1) the proposed water rates and charges for calendar years 2021 and 2022 and (2) the “applicability” of the MWD Act Section 124.5 ad valorem property tax limitation for fiscal years 2021 and 2022; and
- Authorized expressing support and seeking amendments to the Governor’s Proposed Safe Drinking Water, Wildfire Prevention, and Natural Resources Protection Bond Act of 2020.

During MWD’s Board meeting, General Manager Kightlinger announced his retirement at the end of 2020, after 14 years with MWD.¹ Kightlinger said he plans to stay on until the end of the year to help with the transition of the new General Manager, whom Kightlinger anticipates would be selected in the fall of 2020.

The Finance and Insurance (F&I) Committee received presentations on the “review of MWD Act Section 124.5 ad valorem property tax limitation for fiscal years 2021 and 2022” and the proposed fiscal years 2021 and 2022 biennial budget, 10-year rate forecast, and associated rates and charges. Attachment 1 summarizes these presentations and the subsequent discussion. MWD held a public hearing on its proposed rates, charges, and the applicability of the ad valorem tax rate limitation during its Board meeting; five speakers commented, all expressing opposition to the proposed increases. The proposed biennial budget, rates, and charges are scheduled for Board adoption at its April 14 Board meeting.

At the Water Planning and Stewardship Committee meeting, Assistant General Manager of Strategic Water Initiatives Patterson provided an update on Bay-Delta issues. He reported that the voluntary agreements to implement water quality objectives and habitat improvements in the Bay-Delta are “pretty much on hold” until there is further progress on resolving issues between the state and federal governments over the 2019 federal biological opinions for the coordinated long-term operations of the State Water Project (SWP) and Central Valley Project and their adoption by the Bureau of Reclamation, which were challenged by the State of California in

¹ Kightlinger’s March 10, 2020 letter regarding *Succession Plan* can be found here:
http://www1.mwdh2o.com/DocSvcsPubs/SuccessionPlan_Kightlinger.pdf

court. Director Ortega (Fullerton) noted the State Water Contractors (SWC) organization has intervened in this litigation on behalf of the federal government and asked how MWD “weighs in” on that decision and how the Board will be involved. Patterson said MWD “did some of the legwork...on preparing that motion” and Kightlinger added that whether MWD takes additional independent legal action would be decided by the Board. At the following day’s Legal and Claims (L&C) Committee meeting, Ortega requested that the General Counsel cover this litigation, including the rationale behind it, and MWD’s “role as part of the SWC in approving that action,” in her April written report. Ortega noted that there is an “inference” in press coverage of the SWC’s petition that MWD supported that action. General Counsel Scully said MWD is a large member of the SWC, and thus is sometimes listed in court documents, and “on occasion, we’ve provided assistance like our modelers and so on.” She added the topic will be further discussed at the committee’s April meeting. Director Quinn (Los Angeles) asked that the discussion also include the Board’s role in weighing in on major decisions by associations of which MWD is a member. Also, the L&C Committee went into closed session to hear a report on the rate litigation—this item was added to the agenda after its original posting.

The Engineering and Operations (E&O) Committee received an update and discussed the potential Regional Recycled Water Program, which is summarized in Attachment 2. Later in the meeting, staff presented on MWD’s proposed Climate Action Plan, which is intended to help MWD comply with California Environmental Quality Act requirements related to greenhouse gas mitigation. Staff also introduced its proposal for MWD to set a greenhouse gas reduction target of carbon neutrality by 2045. Staff said it will provide a cost analysis on achieving this target at the April 2020 E&O Committee meeting, with Board adoption of the Climate Action Plan scheduled for December.

During the Communications and Legislation Committee meeting, the Board received a presentation on the Governor’s proposed Safe Drinking Water, Wildfire Prevention, and Natural Resources Protection Bond Act of 2020. Staff asked for approval to support and seek amendments for additional, designated funding for recycled water projects, restoration of conveyance facilities affected by subsidence, ecosystem restoration in the Bay-Delta, water quality, wildfire impacts, and clean energy. The Board authorized staff to express support for the proposed bond and seek the proposed amendments.

The Organization, Personnel, and Technology Committee heard an update on MWD’s response to COVID-19. Subsequent to MWD’s Board meeting, MWD Chairwoman Gray sent a memorandum to the Board about MWD’s response to COVID-19 on March 16. The following day, MWD’s General Manager declared a state of emergency regarding the pandemic; the documents outlining MWD’s response to the virus are included in Attachment 3. Attachment 4 is a copy of MWD’s March 2020 committee and Board meeting agendas and Board summary.

Prepared by: Megan Couch, Assistant Management Analyst
Skylar Stephens, Management Analyst

Reviewed by: *Communications and Legislation Committee* by Jerry Butkiewicz & Tim Smith
Conservation and Local Resources Committee by Michael Hogan
Engineering and Operations Committee by Tim Smith

Imported Water Committee

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Finance and Insurance Committee by Gail Goldberg & Tim Smith

Legal and Claims Committee by Gail Goldberg & Tim Smith

Organization, Personnel and Technology Committee by Michael Hogan & Tim Smith

Real Property and Asset Management Committee by Michael Hogan & Tim Smith

Water Planning and Stewardship Committee by Gail Goldberg & Michael Hogan

Attachments:

Attachment 1 – Discussion Summary of MWD’s Proposed Biennial Budget and Rates

Attachment 2 – Discussion Summary of Regional Recycled Water Program

Attachment 3 – March 16, 2020 MWD Response to Coronavirus

Attachment 4 – MWD’s committee and Board meeting agendas dated March 9 and 10, 2020 and Board summary dated March 10, 2020

Discussion Summary of MWD's Proposed Biennial Budget and Rates

At the March 2020 meeting of the Metropolitan Water District (MWD) Finance and Insurance (F&I) Committee, staff provided two presentations related to its proposed 2021 and 2022 budget, rates, and charges. The first presentation by Assistant General Manager/Chief Financial Officer (CFO) Kasaine intended to “review” the MWD Act Section 124.5 ad valorem property tax limitation for fiscal years 2021 and 2022. The presentation and related Board memo were in response to Director Goldberg’s multiple requests for legislative history and supporting financial analysis demonstrating that suspending the tax rate limitation is “essential” to MWD’s fiscal integrity. MWD staff proposes suspending the ad valorem tax rate limitation for fiscal years 2021 and 2022, which will result in MWD collecting about \$254 million more in tax revenues than permitted under its Act. Section 124.5 of the MWD Act provides that property taxes may only be used to pay MWD’s (1) general obligation bonds (GO) and (2) its share of State Water Project (SWP) General Obligation debt (Burns Porter Bonds) incurred as of 1984, unless the Board “finds that a tax in excess of these restrictions is essential to the fiscal integrity of the district.”

Stating that she is not a lawyer, and the MWD Act “does not define the meaning of ‘essential to fiscal integrity,’” Kasaine said the ad valorem tax is “essential to MWD’s fiscal integrity” because MWD needs fixed revenues, and the ad valorem tax is the source of about 44 percent of its fixed revenues. Kasaine also noted that the Board has approved the suspension of the tax rate limitation since 2013, and tax revenues are only about eight percent of MWD’s total revenues. She did not explain why in March 2010, desiring to suspend the tax rate limitation, MWD’s prior CFO suggested MWD amend its Act rather than using the current method.¹

Following Kasaine’s presentation, Director Goldberg expressed appreciation for staff’s presentation and made clear that she does not oppose MWD collecting ad valorem tax revenues, but rather, she is concerned with MWD’s risk exposure from continually relying on suspending the tax rate limitation, when it clearly had other options that were afforded by the legislature when it imposed Section 124.5. She agreed that staff’s presentation made a clear case for MWD’s need for fixed revenues, and that ad valorem tax revenues are staff’s “preferred alternative for meeting that need.” However, Goldberg said staff did not make the case that suspending the tax limit meets the intent of the legislation or is essential to MWD’s fiscal integrity.

Goldberg noted two areas MWD’s practice of suspending the tax rate limit may be at risk. First, she said a good case could be made that the legislation that imposed the tax rate limitation intended to eliminate MWD’s collection of ad valorem taxes (without the suspension, the debt the tax revenues can be used for will be paid off by 2024.) She noted that the same legislation also gave MWD the authority to collect other fixed revenues, like the standby charge, which led to her second concern that MWD did not properly evaluate the use of alternative fixed revenues. She pointed out in past years when MWD suspended the tax rate limitation, MWD had the ability to collect significantly more through its Readiness-to-Serve (RTS) charge—a fixed

¹ To read about MWD’s suggestion to amend its Act, see the March 2010 memo about 2010-2011 rates and charges here: <https://mwdprograms.sdcwa.org/wp-content/uploads/2010-03-09-MWD-Memo-about-2010-2011-rates-and-charges.pdf>

revenue source—but chose not to. She expressed concern about collecting more and more tax revenues beyond the ceiling, and about finding a replacement revenue source if MWD’s practice of suspending the limit is challenged. She requested that staff seek a legislative council and/or attorney general opinion on the legality of suspending the tax limit, or seek an amendment to MWD’s Act, so MWD can mitigate the risk.

Director Smith focused on finding a solution to the “problem” identified by Goldberg and asked if MWD could increase its RTS charge and the parcel tax, which is applied to agencies’ RTS charge collections, as an alternative way of generating fixed revenues without increasing rates. He requested that staff evaluate alternatives that do not necessarily raise water rates but provide the same fixed revenue benefit as the tax revenues. General Manager Kightlinger commented that MWD does not perceive suspending the tax rate limit as a “problem” and suggested that “the only people that have raised a concern with collecting ad valorem taxes is the Water Authority. None of the other member agencies have raised that concern. No one from Legislature has raised that concern. No one from the public has raised that concern.”

Kightlinger said the legislature gave MWD the authority to suspend the tax rate limitation, and the ad valorem tax is a “tool that the Board has.” Kightlinger confirmed that the Board has the “authority” to raise the parcel tax but noted the Board historically has not chosen to that. He offered that a white paper could evaluate “options” to raise different taxes and “other things we can do.” Finally, Smith asked if MWD is considering setting the ad valorem tax rate at a higher level in the future. Kightlinger said staff is proposing that the tax rate remain at its current level.

Director Blois (Calleguas) said “the land in our service area is much more valuable when it has water rights, and therefore taxation makes a certain amount of sense on the property.” (Paying ad valorem and other taxes to MWD does not give individual properties water rights.) Blois also said staff made a “pretty strong case for the ad valorem tax” and asked if the Board could increase the amount of ad valorem tax MWD collects. Kightlinger confirmed it is possible, and that it would be the Board’s prerogative, rather than legislative action. He offered that staff could prepare information if the Board wishes.

Director Ortega (Fullerton) thanked Goldberg and Smith for raising the issue of suspending the ad valorem tax ceiling but noted his concern that, for the 2021 and 2022 rate cycle, the Board suspended the Water Stewardship Rate, which funds MWD’s demand management programs. Ortega said he “hope[d] that this discussion does not impede our action [on suspending the tax rate limitation] this year, and that it be a long-term kind of discussion.” He added that the Board should not “start making these two percent [rate impact] decisions on a bunch of things in a short period of time.”

Director Hogan said the Delegates recognized the importance of maintaining fixed revenues and that property taxes are “probably appropriate.” However, the ad valorem tax was established to pay off certain SWP debt, which will be paid off in 2024. Hogan asked how the Board can continue to approve collecting the ad valorem tax and continue suspending the ceiling once the debt is paid off.

Kightlinger said MWD originally collected ad valorem tax revenues to pay for the Colorado River Aqueduct and then later, the SWP. Kightlinger said the addition of Section 124.5 to the MWD Act “allowed” MWD to reduce ad valorem tax collections and “the method of reduction of the ad valorem taxes was linked to specific bonds on the State Water Project.” However, Kightlinger said “Metropolitan could have opted to continue to collect all those ad valorem taxes and apply those to State Water Project costs as needed” and noted that most State Water Project contractors “continue to pay for the State Water Project through the collection of ad valorem taxes.” (No other SWP contractors have similar tax rate limitation imposed by the legislature.) He stressed that it was at the “Board’s discretion” to limit MWD’s ad valorem tax rate “and the method we chose to reduce that [rate] was to link it specifically to certain bonded indebtedness on the State Water Project, but that was a choice, not a mandate.” (In 1984, the legislature passed Senate Bill 1445 that made amendments to the MWD Act, which included placing a limitation on MWD’s tax rate (MWD Act Sec. 124.5) and providing authority to impose a water standby or availability of service charge (MWD Act Sec. 134.5), impose a benefit assessment (MWD Act Sec. 134.6), and issue short-term revenue certificates (MWD Act Sec. 296).)

Director McKenney (Municipal Water District of Orange County (MWDOC)) said he appreciated the Delegates’ concern but was “satisfied with the staff explanation.” He also supported staff providing a white paper on fixed rate alternatives to “outline the options” during the Board’s rate refinement process.

At the subsequent day’s Board meeting, MWD held a public hearing regarding the proposed calendar years 2021 and 2022 water rates and charges and the “applicability of the MWD Act Section 124.5 ad valorem property tax limitation for fiscal years 2021 and 2022.” During the hearing, five members of the public spoke; all urged the Board not to raise rates, charges, and taxes. They suggested the increases would be a financial hardship for residents, especially low-income ratepayers.

During staff’s presentation related to MWD’s proposed biennial budget and rates, Kasaine and staff presented sensitivity analyses under several scenarios Smith requested during the first budget and rates workshop, including if MWD:

- Participates in the multi-billion dollar single-tunnel Bay-Delta project;
- Moves forward with the Regional Recycled Water Program (RRWP), a \$3.4 billion project if implemented at full-scale;
- Prefunds some of its retirement and retiree healthcare liabilities;
- Factors in the cost of dealing with subsidence issues along the California Aqueduct (previously estimated by Kightlinger to be between \$1 billion and \$5 billion); and
- Assumes MWD’s Capital Investment Plan (CIP) expenditures track with 100 percent of their appropriation (instead of at 90 percent, which the proposed budget and rates are based on).

MWD staff also summarized past and future treatment plant CIP projects and in response to a previous request by Ortega, highlighted the CIP projects driven by regulatory requirements in the proposed fiscal years 2021 and 2022 biennial budget.

Following staff's presentation, Smith thanked staff for the sensitivity analysis and said it will be useful during the update of the 2020 Integrated Water Resources Plan (IRP), which lays out long-term water reliability plans. MWD staff prepared a ten-year forecast for the scenario of moving forward on a one-tunnel Delta Conveyance Project. However, this rate analysis was not an apples-to-apples comparison to the proposed ten-year forecast because staff used different assumptions. The scenario's forecast included overall rate increases of 5 percent in fiscal years 2021, 2022, and 2023 and 4.9 percent from fiscal years 2024 to 2030. Smith asked if the annual rate increases for the Bay-Delta project will continue at 4.9 percent past 2030 since the project's peak costs occur after 2030. Staff said it didn't have those numbers because the forecast stops in 2030. Kightlinger said if the project moves forward and the Delta Conveyance Finance Authority issues bonds for the project, MWD projects annual rate increases "will be relatively steady at 4.9 percent." Smith asked about the cumulative rate increase over the 10-year rate forecast's time horizon, which ends in 2030. Staff answered that the cumulative rate increase through 2030 would be about 23 percent for the Bay-Delta project and around 13 percent for the RRWP but did not explain how the totals were derived. Kasaine said staff struggled with the analysis because there are "so many unknowns" and cautioned that many factors can change that would impact the projections. If the projects move forward, staff will "[detail] what the true cost will be." Smith acknowledged that the sensitivity analysis reflected "high-level numbers," and that the Board is not holding staff to them. Although some maintenance costs related to subsidence on the California Aqueduct are included in the proposed budget, Smith asked about the total cost of those repairs and its effects on rates. Kightlinger responded that staff "simply didn't have enough information" but estimated long-term costs around \$1 billion to \$2 billion without offering a rate impact estimate.

In response to Smith's comment about using this analysis during the IRP's scenario planning effort, Kightlinger said this discussion would be "well-handled in the IRP." Over the next two to four years, he said MWD has "three significant pressures" that would have an "upward pressure on rates:" 1) MWD's potential participation in the Bay-Delta project; 2) the potential implementation of the RRWP; and 3) how, and if, MWD continues to fund demand management programs, including the Local Resources Program.

Ortega suggested that staff "do an analysis over the period encompassing the last 10 years that would list the assumptions behind our financial planning" and any "intervening surprises" (like the Oroville Dam crisis), and how MWD "coped." Kightlinger agreed and said this analysis "should be baked into the scenario planning for the IRP" and indicated staff would expand on the lessons learned that were discussed during the Board's October 2019 retreat.

Director Kurtz (Pasadena) asked if MWD should consider reducing the biennial budget's Pay-As-You-Go (PAYGo) from funding 60 percent of the CIP to 50 percent, given the current low-interest-rates environment. Kightlinger replied that staff could take a look at Kurtz's suggestion and noted that MWD has taken advantage of lower rates in the past. However, he cautioned that "as you add debt, you take away flexibility" in making decisions on the "three significant cost drivers" he mentioned previously—the Bay Delta project, RRWP, and demand management programs. Kasaine agreed with Kightlinger and said MWD's debt is "self-insured," which means investors are looking at the "liquidity" of MWD's reserves. Kasaine expressed concern with changing MWD's "formula" for self-insurance while it is balancing reserves, fixed

revenues, and volumetric revenues, noting that since revenues and reserves are going down, adding more debt “would not be recommended.” Kasaine echoed Kightlinger’s comments that MWD must consider having debt portfolio flexibility to participate in potential future projects—like RRWP and the Bay-Delta fix. She also cautioned against issuing debt to finance operations and maintenance and for PAYGo. (However, in 2019, the Board authorized staff’s request to issue unplanned debt so it could reimburse about \$90 million in CIP expenditures that were budgeted to be PAYGO-funded, thus doing exactly as Kasaine warns MWD should not do.) Kurtz clarified that she was only talking about issuing new debt to fund capital projects. MWD staff added that MWD is “trying to keep PAYGo at a reasonable number” to meet its debt service coverage goal and maintain MWD’s bond ratings. Director Dick (MWDOC) stated his support for MWD not issuing more debt than necessary, even if rates are low, and using cash for operations and maintenance.

MWD scheduled the adoption of its biennial budget, rates, and charges for its April Board meeting.

Discussion Summary of MWD's Potential Regional Recycled Water Program

At its March 2020 meeting, Metropolitan Water District's (MWD) Engineering and Operations Committee received an update on the potential Regional Recycled Water Program (RRWP). The \$17 million demonstration facility was completed last year with operations commencing in October 2019. MWD expects to secure about \$2 million in state and federal grant funding for the demonstration project. The program at full-scale could produce about 168,000 acre-feet of recycled water annually with an estimated capital cost of \$3.4 billion and annual operating costs of \$129 million. It is being planned for groundwater recharge, similar to the Orange County Replenishment Program, without capability for direct potable reuse. If the entire capacity could be utilized year-in, year-out, the project water has a unit cost of about \$1,830 per acre-foot. MWD is reaching out to agencies throughout Los Angeles and Orange counties to secure non-binding Letters of Interest (LOIs) with information about the quantity and timing of potential future purchases; MWD has also mentioned an LOI with Southern Nevada Water Authority (SNWA). MWD held a Board Workshop in July 2019 on the program's potential scope and cost estimates and plans to hold a second workshop in mid-2020 to discuss planning, agreements, and financial considerations, including presenting the LOIs. Staff reported that based on "momentum coming out" of the second workshop, it would then seek Board authorization to proceed with environmental review and potentially direct potable reuse modifications to the demonstration project. (The proposed biennial budget for fiscal years 2021 and 2022 includes \$15 million per year to fund the program's environmental planning.)

During the Committee discussion, Director Hogan asked whether MWD had evaluated the benefits and risks of partnering with SNWA—a partnership outside of MWD's service area that he finds "intriguing," but because MWD has not yet identified the need for the project within the MWD service area, is "a little uncomfortable" with. General Manager Kightlinger replied that MWD has "considered it;" SNWA would help provide funding for the project in exchange for a portion of MWD's Colorado River supplies. (Unlike MWD's Colorado River water, which can be treated to meet potable demands, the RRWP's product water is only intended for replenishment use, thus the demand is highly dependent on hydrology. Turning to partners outside of MWD's service area could also suggest that the program's intended beneficiaries—groundwater basins in MWD's service area—may not be fully interested in the program's water.) He added that there could be other Colorado River water users, alluding to the Central Arizona Project (CAP), who may be interested, but any partnership would be evaluated and subject to Board approval. (At the March 4 West Basin MWD Caucus meeting, Kightlinger indicated that CAP is interested in partnering and intends to sign an LOI.)

On a different note, Director Ortega (Fullerton) asked whether MWD had a plan to deal with future per- and polyfluoroalkyl substance (PFAS) regulations, saying there is "some indication" that wastewater facilities may be at least partially responsible for some types of PFAS contamination. Staff replied that it has confidence in the efficacy of the reverse osmosis treatment process at the advanced treatment plant, but that MWD is being flexible in planning, testing, and adapting as the issue progresses. Director Peterson (Las Virgenes) and Director Lefevre (Torrance) also emphasized the importance of considering other contamination at the site and the quality of the source water before moving forward with the program.

In response to a question from Peterson, staff said it would present the Board with information on any procured LOIs at the next Board Workshop to evaluate next steps and future funding approvals. Also, the Board may be asked to consider approving funding for research on direct potable reuse and testing raw water augmentation later in the next two years, funding for which was not included in the biennial budget. Ortega asked how staff was coordinating the program planning with the 2020 Integrated Water Resources Plan (IRP) Update process. Kightlinger replied that the IRP process looks at demand forecasting and the need for projects like the RRWP, both of which will help the Board make decisions on “the most cost-effective mix” of projects to approve. Ortega added that the emphasis of the 2020 IRP update is on “resiliency” rather than past emphasis on “reliability,” and this may affect whether the Board chooses to move forward with the project.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the Board of Directors

Date: March 16, 2020
To: Board of Directors
From: Gloria D. Gray, Chairwoman of the Board
Subject: Metropolitan Response to Coronavirus

I would like to update you on some of the steps Metropolitan is taking to minimize the potential impacts of the Coronavirus on its operations, business activities, and employees.

Today, General Manager Kightlinger directed employees on specific actions to maximize social distancing while maintaining critical and essential business functions. As a result, most employees will be working – but in different ways. I have attached a copy of that memo.

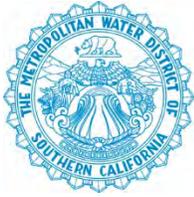
Laboratories, treatment plants, and facilities will continue to be staffed to provide the vital services that keep our treatment and delivery systems running, and we will be taking additional steps to protect the health of those employees. Other staff will be working remotely, using online and web-based systems. In this way, we can provide many of the same services while adhering to important protocols to protect our workforce and the public.

With these actions, Metropolitan will continue providing safe, reliable water supplies, and performing our core business functions while reducing the risk of employees becoming ill. We are also working closely with our member agencies and their staff on a range of activities from operations, to maintaining our systems, to communicating about the safety of water.

To maintain the important activities of our Board and to reduce the risk to the members of the Board and the workforce, staff is making arrangements to have all upcoming board and committee meetings via online and phone access, that will allow us to make decisions while continuing to ensure public engagement. To be clear, there will be no in-person board or committee meetings until further notice. A follow-up memo will be sent later this week with more detailed instructions on how to participate in the meetings. Also, next Tuesday's meeting will be noticed as a joint Board and Executive Committee meeting. This will facilitate any emergency actions the Board needs to authorize.

Our agency is nearly a century old, and while we have never faced a situation quite like what our society is facing today with the Coronavirus, Metropolitan and each of our own agencies plan, train, prepare and invest every day to deliver safe water supplies that reach millions of Southern Californians. The current circumstances will change the way we do business for a while, but not our commitment to doing excellent work for those we serve. Thank you all for your cooperation and support.

Attachment: March 16, 2020 Memorandum from MWD General Manager Kightlinger regarding COVID-19 Response Actions



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: March 16, 2020
To: All Metropolitan Employees
From: Jeffrey Kightlinger, General Manager
Subject: COVID-19 Response Actions

Last Friday, I sent a memo to all Metropolitan employees to begin changing how we maintain our critical and essential business operations, while keeping all of our employees as safe as possible.

Our management team presented their action plans to me today and we are moving quickly to implement the steps that are needed. As lessons are learned and new information becomes available, we will adapt to changing conditions and keep you informed.

As we do that, I want you to know that I deeply appreciate your cooperation, your service and your commitment to getting the job done. Rapidly changing how we routinely work will lead to lots of questions and issues. We will answer questions and work through issues collectively and as quickly as possible. We will also find new and creative ways to do our work, to work with our member agencies and help our communities.

We are in a situation none of us expected to be facing – but I am confident that we will continue Metropolitan’s legacy of great work, innovation, and drive to deliver safe and reliable water supplies.

I know many of you will have ideas about ways we can do this, and we are very interested to hear those. Please work directly with your manager. We will be setting up new ways to share ideas soon.

Actions

Under Operating Policy A-06, I have declared a State of Emergency for Metropolitan. Doing so allows management to move more quickly and aligns us completely within the Standard Emergency Management System (SEMS) that the federal, state and local jurisdictions are all organized under. We routinely use SEMS to respond to earthquakes and hold exercises to test and improve our ability to quickly organize and carry out action plans.

Effective immediately, I am directing the management team to deploy their action plans. You will receive a communication tomorrow from your department head, group manager or manager. This communication will instruct you how to report. All employees have been placed into three general groups.

- Group 1 - critical and essential functions – report to regular work location and receive further direction from your manager. Employees in this group will change how they do their work and be assigned to micro-teams, split shifts, etc. to reduce the number of employees that are needed at any one location at a given time. Non-essential work will be re-prioritized and scheduled for later.
- Group 2 - telework – employees with job duties that lend themselves to telework, and that have a way to telework are to work from home. IT staff are available to help resolve telework challenges. Please be patient with them – they are really busy right now. We will also be sending additional information and helpful tips and instruction this week.
- Group 3 - paid administrative leave – these employees are directed to stay at home and will be available to report to their work location or alternative location if directed to do so.

Again, the specific direction to you, on which Group you are in and how to report, will come from your department head, group manager or manager tomorrow. No matter which group you are in, all employees will receive full salary and benefits.

We are taking this next step to increase the use of social distancing to the greatest extent possible while maintaining critical and essential functions. Social distancing benefits us in two ways. First, if you are not at the workplace with other employees, your chances of becoming ill are reduced. Second, if you are at the workplace where there are now far fewer employees, you are also better protected.

This is a very challenging and difficult time. Please understand that we are working diligently to respond with the best interests of the workforce in mind as well as maintaining critical and essential functions. We are all concerned and have many questions. But I am confident that together, with respect, professionalism, creativity, flexibility, and a calm intended purpose, we will work through this.

Millions of people throughout Southern California depend on us, and these circumstances will no doubt challenge us. But Metropolitan is a powerful and productive organization that has faced great odds before with ingenuity and conviction. This is a defining moment that will once again showcase us at our finest.

I promise that we will keep you informed as we move ahead. Expect frequent communications from management in the days to come and check your email frequently. Please look at our internal website for information and for the attached FAQ sheet. Take care of yourselves, your families, and your loved ones. Contact your manager or AskHR@mwdh2o.com with questions. And know that we are here to help.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

OFFICE OF THE GENERAL MANAGER FOR THE
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**DECLARATION OF A STATE OF EMERGENCY
REGARDING CORONAVIRUS (COVID-19)**

WHEREAS, in December 2019, an outbreak of respiratory illness due to a novel coronavirus (a disease now known as COVID-19), was first identified in Wuhan City, Hubei Province, China, and has spread outside of China, impacting many countries, including the United States;

WHEREAS, Metropolitan is monitoring the actions of the counties within its service area and the State of California, which have been working in close collaboration with the national Centers for Disease Control and Prevention (CDC), with the United States Department of Health & Human Services, and with local health departments since December 2019 to monitor and plan for the potential spread of COVID-19 to the United States;

WHEREAS, on January 23, 2020, the CDC activated its Emergency Response System to provide ongoing support for the response to COVID-19 across the country;

WHEREAS on January 24, 2020, the California Department of Public Health activated its Medical and Health Coordination Center and on March 2, 2020, the Office of Emergency Services activated the State Operations Center to support and guide state and local actions to preserve public health;

WHEREAS on February 14, 2020, the County of San Diego proclaimed a local emergency and declared a local health emergency regarding COVID-19;

WHEREAS on February 26, 2020, the County of Orange declared a local emergency and the Orange County Health Officer declared a local health emergency regarding COVID-19;

WHEREAS on March 4, 2020, the County of Los Angeles declared a local emergency and the Los Angeles County Department of Public Health declared a public health emergency regarding COVID-19;

WHEREAS, on March 4, 2020, the Governor of the State of California issued a Proclamation of Emergency, declaring an emergency based on the spread of COVID-19 and increasing instances in California;

WHEREAS, on March 6, 2020, I issued a memorandum to all employees, explaining implementation of Metropolitan Pandemic Action Plan (Pandemic Plan), and setting forth actions taken for COVID-19 preparedness and response;

WHEREAS, on March 8, 2020, the Riverside County Public Health Department declared a local health emergency regarding COVID-19;

WHEREAS, on March 10, 2020, the County of San Bernardino and the San Bernardino County Department of Public Health declared a local health emergency regarding COVID-19;

WHEREAS, on March 11, 2020, the County of Ventura and the Ventura County Public Health Department declared a local health emergency regarding COVID-19;

WHEREAS, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic;

WHEREAS, on March 13, 2020, the President of the United States of America declared a national emergency to address COVID-19;

WHEREAS, as of March 14, 2020, there are 335 confirmed cases of COVID-19 and four deaths in California, and officials expect the number of cases in California to increase (see <http://cdph.ca.gov/covid19>);

WHEREAS, as of March 16, 2020, there are more than 3,400 confirmed cases of COVID-19 and a growing number of a deaths in the United States, and officials expect the number of cases in the United States and worldwide to increase (see <https://www.cdc.gov/coronavirus/2019-ncov>); and

WHEREAS, based on these facts, I believe it is necessary to take emergency actions to reduce the spread of COVID-19.

NOW, THEREFORE, I, JEFFREY KIGHTLINGER, General Manager of The Metropolitan Water District of Southern California, in accordance with the authority vested in me pursuant to Metropolitan's Administrative Code, in particular Sections 6104(b), 6410, and 6412, and Operating Policy A-06 on Emergency Management and Business Continuity, **HEREBY DECLARE A STATE OF EMERGENCY** at Metropolitan.

Pursuant to this Declaration and until further notice, **IT IS HEREBY ORDERED:**

1. Excluding those employees performing critical and essential functions tied to the operation and delivery of water supplies, all employees shall telework if the employee's job duties lend themselves to such arrangements.
2. If employees cannot telework, they shall be placed on paid administrative leave.
3. Critical and essential employees, those necessary for on-going operations as designated by their managers, shall continue to work and abide by the actions required under Metropolitan Pandemic Plan, as set forth in my March 6, 2020 memorandum.

BE IT FURTHER ORDERED that I am instructing that this Declaration be immediately distributed to all Metropolitan employees and posted on Metropolitan's IntraMet and external websites.

I HEREBY CERTIFY that this Declaration was signed in the County of Los Angeles on March 17, 2020.



Jeffrey Kightlinger
General Manager
The Metropolitan Water District of
Southern California



F&I Committee

- J. Quiñonez, Chair
- R. Record, Vice Chair
- B. Barbre
- S. Blois
- L. Dick
- S. Faessel
- G. Goldberg
- P. Hawkins
- A. Ortega
- T. Quinn
- M. Ramos
- T. Smith

Finance and Insurance Committee

and

**Budget/CIP, Rates and Charges
Workshop #3**

Meeting with Board of Directors*

March 9, 2020

9:30 a.m. -- Room 2-145

Monday, March 9, 2020		
Meeting Schedule		
9:30 AM	F&I / Budget Workshop	Rm. 2-145
11:00 AM	E&O	Rm. 2-456
12:30 PM	WP&S	Rm. 2-145
1:00 PM	C&L	Rm. 2-456
2:00 PM	OP&T	Rm. 2-145

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 and Budget/CIP, Rates and Charges Workshop #2 held February 25, 2020**

- 3. CONSENT CALENDAR ITEMS — ACTION**

None

4. OTHER BOARD ITEMS — ACTION

None

5. BOARD INFORMATION ITEMS

- 9-2** Review of the Metropolitan Water District Act Section 124.5 ad valorem property tax limitation for fiscal years 2020/21 and 2021/22

6. COMMITTEE ITEMS

- a.** Proposed biennial budget, which includes the Capital Investment Plan and revenue requirements for fiscal years 2020/21 and 2021/22; proposed water rates and charges for calendar years 2021 and 2022 to meet revenue requirements for fiscal years 2020/21 and 2021/22; ten-year forecast; and Cost of Service Report (Workshop #3).

7. MANAGEMENT REPORT

- a.** Chief Financial Officer's report

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: 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.



E&O Committee

- T. Smith, Chair
- C. Treviño, Vice Chair
- R. Apodaca
- B. Barbre
- S. Blois
- M. Camacho
- D. De Jesus
- L. Dick
- S. Faessel
- D. Galleano
- R. Lefevre
- J. Morris
- J. Murray Jr.
- A. Ortega
- G. Peterson
- H. Repenning
- H. Williams

Engineering and Operations Committee

Meeting with Board of Directors*

March 9, 2020

11:00 a.m. – Room 2-456

Monday, March 9, 2020		
Meeting Schedule		
9:30 AM	F&I	Rm. 2-145
11:00 AM	E&O	Rm. 2-456
12:30 PM	WP&S	Rm. 2-145
1:00 PM	C&L	Rm. 2-456
2:00 PM	OP&T	Rm. 2-145

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 February 10, 2020**

3. **CONSENT CALENDAR ITEMS – ACTION**

7-2 Adopt CEQA determination that the proposed project was previously addressed in the approved 2014 Mitigated Negative Declaration and related CEQA actions, and authorize the General Manager to execute an 18-month extension to Metropolitan’s existing lease at 2750 Bristol Street in Costa Mesa, CA (Assessor’s Parcel No. 418-182-05) in an amount not-to-exceed \$160,000, for use as a construction staging and storage site

4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

- a. Regional Recycled Water Program Update
- b. Proposed Capital Investment Plan for Fiscal Years 2020/2021 and 2021/2022
- c. Capital Investment Plan Quarterly Report for period ending December 2019
- d. Review of Greenhouse Gas Reduction Target for Metropolitan's proposed Climate Action Plan

7. MANAGEMENT REPORTS

- a. Water System Operations Manager's report
- b. Engineering Services Manager's report

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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WP&S Committee

- R. Atwater, Chair
- C. Kurtz, Vice Chair
- J. Abdo
- L. Ackerman
- G. Cordero
- D. De Jesus
- L. Dick
- G. Goldberg
- M. Hogan
- R. Lefevre
- L. McKenney
- J. Morris
- G. Peterson
- B. Pressman
- J. Quiñonez
- R. Record

Water Planning and Stewardship Committee

Meeting with Board of Directors*

March 9, 2020

12:30 p.m. – Room 2-145

Monday, March 9, 2020		
Meeting Schedule		
9:30 AM	F&I	Rm. 2-145
11:00 AM	E&O	Rm. 2-456
12:30 PM	WP&S	Rm. 2-145
1:00 PM	C&L	Rm. 2-456
2:00 PM	OP&T	Rm. 2-145

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* The Metropolitan Water District’s Water Planning and Stewardship 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 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 committees 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 Water Planning and Stewardship Committee held February 10, 2020

3. CONSENT CALENDAR ITEMS — ACTION

None

4. OTHER BOARD ITEMS — ACTION

8-3 Award five-year contract to Richardson & Company, LLP in an amount not-to-exceed \$5.125 million for annual audit of State Water Project charges; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

- a. Update on Water Surplus and Drought Management Plan

7. MANAGEMENT REPORTS

- a. Bay-Delta Matters
- b. Colorado River Matters
- c. Water Resource Management Manager's report

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: 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.

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C&L Committee

- G. Cordero, Chair
- C. Kurtz, Vice Chair
- J. Abdo
- L. Ackerman
- B. Barbre
- J. Butkiewicz
- D. Galleano
- L. McKenney
- J. Morris
- J. Murray, Jr.
- G. Peterson
- T. Quinn
- R. Record
- H. Repenning
- T. Smith
- C. Treviño

**Communications and Legislation
Committee**

Meeting with Board of Directors*

March 9, 2020

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

Monday, March 9, 2020		
Meeting Schedule		
9:30 AM	F&I	Rm. 2-145
11:00 AM	E&O	Rm. 2-456
12:30 PM	WP&S	Rm. 2-145
1:00 PM	C&L	Rm. 2-456
2:00 PM	OP&T	Rm. 2-145

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 February 10, 2020**

3. **CONSENT CALENDAR ITEMS — ACTION**

None

4. **OTHER BOARD ITEMS — ACTION**
 - 8-1 Support and seek amendments to the Governor's Proposed Safe Drinking Water, Wildfire Prevention, and Natural Resources Protection Bond Act of 2020; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

- a. Report on activities from Washington, D.C.
- b. Report on activities from Sacramento

7. MANAGEMENT REPORT

- a. External Affairs Management report

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: 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.

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REVISION NO. 1

OP&T Committee

- J. Murray, Jr., Chair
- S. Ballin, Vice Chair
- G. Cordero
- S. Faessel
- M. Hogan
- T. McCoy
- L. McKenney
- A. Ortega
- J. Quiñonez
- T. Smith
- J. Solorio
- C. Treviño
- H. Williams

Organization, Personnel and Technology Committee

Meeting with Board of Directors*

March 9, 2020

2:00 p.m. -- Room 2-145

Monday, March 9, 2020		
Meeting Schedule		
9:30 AM	F&I	Rm. 2-145
11:00 AM	E&O	Rm. 2-456
12:30 PM	WP&S	Rm. 2-145
1:00 PM	C&L	Rm. 2-456
2:00 PM	OP&T	Rm. 2-145

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 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 Organization, Personnel and Technology Committee held February 10, 2020**

3. **CONSENT CALENDAR ITEMS – ACTION**
 - 7-1 Authorize an agreement with Questica Ltd. not-to-exceed \$700,000 for the design, development, and deployment of a new cloud-based Budget Planning and Analysis Application; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

Added **9-3** Update on Coronavirus and Metropolitan Response

6. COMMITTEE ITEMS

a. Ensuring a Supportive, Safe and Secure Work Environment

Added b. Network and Data Center Modernization Update.
[Conference with Metropolitan Group Manager of Information
Technology, Charles Eckstrom, or designated agent on threats to
public services or facilities; to be heard in closed session pursuant to
Gov. Code Section 54957(a)]

7. MANAGEMENT REPORT

a. Human Resources Manager's report

Withdrawn b. ~~Information Technology Manager's Report~~

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: 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.

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REVISION NO. 1

L&C Committee

- L. McKenney, Chair
- J. Quiñonez, Vice Chair
- R. Atwater
- M. Camacho
- L. Dick
- V. Gharpetian
- G. Goldberg
- J. Murray, Jr.
- R. Record
- T. Smith

Legal and Claims Committee

Meeting with Board of Directors*

March 10, 2020

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

Tuesday, March 10, 2020		
Meeting Schedule		
9:00 AM	L&C	Rm. 2-145
10:30 AM	C&LR	Rm. 2-456
11:00 AM	RPAM	Rm. 2-145
12:00 PM	Board Mtg	Boardroom

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 Legal and Claims Committee meeting held February 11, 2020**

3. **MANAGEMENT REPORT**
 - a. General Counsel’s report of monthly activities

4. **CONSENT CALENDAR ITEMS — ACTION**

None

5. OTHER BOARD ITEMS — ACTION

- 8-4** Authorize an increase of \$100,000, to an amount not to exceed \$300,000, for a contract for legal services with Hanson Bridgett LLP to provide legal advice on deferred compensation plans, other employee benefits, taxes, and CalPERS matters; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- 8-5** Authorize increase of \$50,000, to an amount not-to-exceed \$350,000, for existing General Counsel contract with Olson Remcho LLP to review and make recommendations to modify the Ethics Office policies, procedures, guidelines and applicable provisions of Metropolitan's Administrative Code; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- 8-6** Approve amendments to the Metropolitan Water District Administrative Code to conform its public contracting provisions to current law and practices; the General Manager has determined that this action is exempt from or otherwise not subject to CEQA.
- 8-7** Report on existing litigation OHL USA, Inc. v. The Metropolitan Water District of Southern California, Los Angeles Superior Court Case No. 19STCV27689; and authorize increase of maximum amount payable under contract with (1) Theodora Oringher PC for legal services by \$600,000 to an amount not to exceed \$700,000; and (2) Pacific Consultants Construction, Inc. for consulting services by \$50,000 to an amount not to exceed \$150,000 (Approp. 154170); the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.
[Conference with legal counsel-existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

Subject
updated

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

- Added**
- a.** Report on San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., San Francisco County Superior Court Case Nos. CPF-10-510830, CPF-12-512466, CPF-14-514004, CPF-16-515282, CPF-16-515391, CGC-17-563350, and CPF-18-516389; the appeal of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901 and A148266 and California Supreme Court Case No. S243500; the petition for extraordinary writ in the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case No. A155310; and the petition for extraordinary writ in the second 2016 action, Court of Appeal for the First Appellate District Case No. A154325 and California Supreme Court Case No. S251025
- [Conference with legal counsel – existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]**

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: 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.

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C&LR Committee

- J. Abdo, Chair
- T. Quinn, Vice Chair
- L. Ackerman
- R. Atwater
- S. Blois
- G. Cordero
- M. Hogan
- C. Kurtz
- R. Lefevre
- L. McKenney
- J. Morris
- B. Pressman

**Conservation and Local Resources
Committee**

Meeting with Board of Directors*

March 10, 2020

10:30 a.m. – Room 2-456

Tuesday, March 10, 2020		
Meeting Schedule		
9:00 AM	L&C	Rm. 2-145
10:30 AM	C&LR	Rm. 2-456
11:00 AM	RPAM	Rm. 2-145
12:00 PM	Board Mtg	Boardroom

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

* The Metropolitan Water District’s Conservation and Local Resources 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 Conservation and Local Resources 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 Conservation and Local Resources Committee will not vote on matters before the Conservation and Local Resources 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 Conservation and Local Resources Committee held February 11, 2020**

3. **COMMITTEE ITEMS**
 - a. Conservation Update
 - b. Disadvantaged Community Program Update

4. **FOLLOW-UP ITEMS**

None

5. FUTURE AGENDA ITEMS

6. ADJOURNMENT

NOTE: 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.

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RP&AM Committee

M. Hogan, Chair
G. Peterson, Vice Chair
M. Camacho
L. Dick
V. Gharpetian
C. Kurtz
R. Record
T. Smith

**Real Property and Asset Management
Committee**

Meeting with Board of Directors*

March 10, 2020

11:00 a.m. -- Room 2-145

Tuesday, March 10, 2020		
Meeting Schedule		
9:00 AM	L&C	Rm. 2-145
10:30 AM	C&LR	Rm. 2-456
11:00 AM	RPAM	Rm. 2-145
12:00 PM	Board Mtg	Boardroom

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

* The Metropolitan Water District's Real Property and Asset Management Committee meeting is noticed as a joint 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 Real Property and Asset Management 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 Real Property and Asset Management Committee will not vote on matters before the Real Property and Asset Management 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 Real Property and Asset Management Committee held February 11, 2020**

3. **CONSENT CALENDAR ITEMS — ACTION**
 - 7-3 Review and consider the Coachella Valley Mountains Conservancy's adopted Mitigated Negative Declaration and take related CEQA actions, and authorize the General Manager to grant a year-to-year license agreement for access purposes to the Coachella Valley Mountains Conservancy on Metropolitan-owned property located northeast of Desert Hot Springs, in an unincorporated portion of Riverside County

4. OTHER BOARD ITEMS – ACTION

- 8-2** Affirm the General Manager's determination that 12 Parcels, totaling 223 acres, just north of Diamond Valley Lake, in the County of Riverside, California (APNs 465-200-020; 465-180-037; 454-030-056; 454-030-070, -071, -072; 454-020-045, -047, -019; 465-140-042, -043; 465-130-018) are surplus to Metropolitan's needs and authorize staff to dispose of the properties; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

None

7. MANAGEMENT REPORT

- a. Interim Real Property Manager's Report

8. FOLLOW-UP ITEMS

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: 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.

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REVISION NO. 2

**Regular Board Meeting
March 10, 2020
12:00 p.m. – Boardroom**

Tuesday, March 10, 2020		
Meeting Schedule		
9:00 AM	L&C	Rm. 2-145
10:30 AM	C&LR	Rm. 2-456
11:00 AM	RPAM	Rm. 2-145
12:00 PM	Board Mtg	Boardroom

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

1. Call to Order

- (a) Invocation: Kevin McLaughlin, Principal Public Affairs Representative, External Affairs
- (b) Pledge of Allegiance: Annette Eckhardt, Vice President of Women at Metropolitan

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 Government Code Section 54954.3(a))

PUBLIC HEARINGS

- a. Public hearing regarding: (1) the proposed water rates and charges for calendar years 2021 and 2022 necessary to meet the revenue requirements for fiscal years 2020/21 and 2021/22; and (2) the applicability of the Metropolitan Water District Act Section 124.5 ad valorem property tax limitation for fiscal years 2020/21 and 2021/22.

For more information related to the public hearing items, see Information Item 9-2 below and visit:

<http://www.mwdh2o.com/WhoWeAre/Management/Financial-Information>, which provides links to the proposed budget, rates, and charges at

<http://www.mwdh2o.com/WhoWeAre/Pages/FY-2020-21-and-2021-22-CY-2021-22.aspx>

and to the proposed recommendation regarding the applicability of Section 124.5

<http://www.mwdh2o.com/WhoWeAre/Mission/Pages/review-applicability-of-property-tax-limit.aspx>

5. OTHER MATTERS

- A. Approval of the Minutes of the Meeting for February 11, 2020
(A copy has been mailed to each Director)
Any additions, corrections, or omissions
- B. Report on Directors' events attended at Metropolitan expense for month of February 2020
- C. Presentation of 30-year Service Pin to Director John T. Morris, representing the city of San Marino
- D. Approve committee assignments
- E. Approve Commendatory Resolution for Director Lorraine A. Paskett representing the City of Los Angeles
- F. Chairwoman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of activities for the month of February 2020
- B. General Counsel's summary of activities for the month of February 2020
- C. General Auditor's summary of activities for the month of February 2020
- D. Ethics Officer's summary of activities for the month of February 2020

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1 Authorize an agreement with Questica Ltd. not-to-exceed \$700,000 for the design, development, and deployment of a new cloud-based Budget Planning and Analysis Application; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (OP&T)

- 7-2** Adopt CEQA determination that the proposed project was previously addressed in the approved 2014 Mitigated Negative Declaration and related CEQA actions, and authorize the General Manager to execute an 18-month extension to Metropolitan's existing lease at 2750 Bristol Street in Costa Mesa, CA (Assessor's Parcel No. 418-182-05) in an amount not-to-exceed \$160,000, for use as a construction staging and storage site. (E&O)
- 7-3** Review and consider the Coachella Valley Mountains Conservancy's adopted Mitigated Negative Declaration and take related CEQA actions, and authorize the General Manager to grant a year-to-year license agreement for access purposes to the Coachella Valley Mountains Conservancy on Metropolitan-owned property located northeast of Desert Hot Springs, in an unincorporated portion of Riverside County. (RP&AM)

END OF CONSENT CALENDAR

8. OTHER BOARD ITEMS — ACTION

- 8-1** Support and seek amendments to the Governor's Proposed Safe Drinking Water, Wildfire Prevention, and Natural Resources Protection Bond Act of 2020; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (C&L)
- 8-2** Affirm the General Manager's determination that 12 Parcels, totaling 223 acres, just north of Diamond Valley Lake, in the County of Riverside, California (APNs 465-200-020; 465-180-037; 454-030-056; 454-030-070, -071, -072; 454-020-045, -047, -019; 465-140-042, -043; 465-130-018) are surplus to Metropolitan's needs and authorize staff to dispose of the properties; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA. (RP&AM)

- 8-3** Award five-year contract to Richardson & Company, LLP in an amount not-to-exceed \$5.125 million for annual audit of State Water Project charges; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (WP&S)
- 8-4** Authorize an increase of \$100,000, to an amount not to exceed \$300,000, for a contract for legal services with Hanson Bridgett LLP to provide legal advice on deferred compensation plans, other employee benefits, taxes, and CalPERS matters; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (L&C)
- 8-5** Authorize increase of \$50,000, to an amount not-to-exceed \$350,000, for existing General Counsel contract with Olson Remcho LLP to review and make recommendations to modify the Ethics Office policies, procedures, guidelines and applicable provisions of Metropolitan's Administrative Code; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (L&C)
- 8-6** Approve amendments to the Metropolitan Water District Administrative Code to conform its public contracting provisions to current law and practices; the General Manager has determined that this action is exempt from or otherwise not subject to CEQA. (L&C)
- 8-7** Report on existing litigation OHL USA, Inc. v. The Metropolitan Water District of Southern California, Los Angeles Superior Court Case No. 19STCV27689; and authorize increase of maximum amount payable under contract with (1) Theodora Oringer PC for legal services by \$600,000 to an amount not to exceed \$700,000; and (2) Pacific Consultants Construction, Inc. for consulting services by \$50,000 to an amount not to exceed \$150,000 (Approp. 154170); the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (L&C)
- [Conference with legal counsel-existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]**

9. BOARD INFORMATION ITEMS

- 9-1 Update on Conservation Program
- 9-2 Review of the Metropolitan Water District Act Section 124.5 ad valorem property tax limitation for fiscal years 2020/21 and 2021/22. (F&I)

Added 9-3 Update on Coronavirus and Metropolitan Response (OP&T)

10. FOLLOW-UP ITEMS

11. FUTURE AGENDA ITEMS

12. BOARD TRAINING

Deferred

13. ADJOURNMENT

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

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**Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
March 10, 2020**

PUBLIC HEARINGS

Public hearing regarding: (1) the proposed water rates and charges for calendar years 2021 and 2022 necessary to meet the revenue requirements for fiscal years 2020/21 and 2021/22; and (2) the applicability of the Metropolitan Water District Act Section 124.5 ad valorem property tax limitation for fiscal years 2020/21 and 2021/22. **(Agenda Item 4a)**

COMMITTEE ASSIGNMENTS

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

COMMUNICATIONS AND LEGISLATION COMMITTEE

Authorized the General Manager to express support and seek amendments to the Governor's Proposed Safe Drinking Water, Wildfire Prevention, and Natural Resources Protection Bond Act of 2020. **(Agenda Item 8-1)**

REAL PROPERTY AND ASSET MANAGEMENT COMMITTEE

Affirmed the General Manager's determination that the parcels are surplus; and (a) authorized staff to dispose of the property in accordance with the Surplus Lands Act, contained in California Government Code Section 54220 et seq., at the market value as determined by the General Manager. If no offer is accepted thereunder, to market and sell the property through the means and procedures allowed by the Metropolitan Administrative Code, or as determined by the General Manager; and (b) add the proceeds from the sale to the DVL Recreational Appropriation No. 15334. **(Agenda Item 8-2)**

WATER PLANNING AND STEWARDSHIP COMMITTEE

Authorized the General Manager to enter into a five-year contract with Richardson & Company, LLP for the required State Water Project related audit services commencing April 2020, in an amount not-to-exceed \$5.125 million. **(Agenda Item 8-3)**

LEGAL AND CLAIMS COMMITTEE

Authorized the General Counsel to increase the amount payable under its contract with Hanson Bridgett LLP by \$100,000 to an amount not-to-exceed \$300,000. **(Agenda Item 8-4)**

Authorized the General Counsel to increase the amount payable under its agreement with Olson Remcho LLP by \$50,000 to a maximum not-to-exceed \$350,000. **(Agenda Item 8-5)**

Approved amendments to the Metropolitan Water District Administrative Code to conform its public contracting provisions to current law and practices, as set forth in Attachment 2 to reflect the changes recommended by the letter. **(Agenda Item 8-6)**

Authorized the General Counsel to increase the maximum amount payable under contract with (1) Theodora Oringer PC for legal services by \$600,000 to an amount not to exceed \$700,000; and (2) Pacific Consultants Construction, Inc. for consulting services by \$50,000 to an amount not to exceed \$150,000. **(Heard in closed session in Committee) (Agenda Item 8-7)**

CONSENT CALENDAR

In other actions, the Board:

Authorized an agreement with Questica Ltd. not-to-exceed \$700,000 for the design, development, and deployment of a cloud-based Budget Planning and Analysis Application. **(Agenda Item 7-1)**

Adopted the CEQA determination that the proposed project was previously addressed in the approved 2014 Mitigated Negative Declaration and related CEQA actions, and authorized extension of the existing lease for the property on 2750 Bristol Street in Costa Mesa, CA in an amount not-to-exceed \$160,000 for an 18-month term, for use as a construction staging and storage site. **(Agenda Item 7-2)**

Reviewed and considered the Coachella Valley Mountains Conservancy adopted the Long Canyon Trail Improvement Project Mitigated Negative Declaration and take related CEQA action authorized the granting of a year-to-year license to the Coachella Valley Mountains Conservancy. **(Agenda Item 7-3)**

OTHER MATTERS

Presented 30-year Service Pin to Director John Morris, representing the City of San Marino. **(Agenda Item 5C)**

Approved Commendatory Resolution for Director Lorraine A. Paskett representing the City of Los Angeles. **(Agenda Item 5E)**

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://mwdh2o.com/WhoWeAre/Board/Board-Meeting/Pages/search.aspx>

All current month materials, before they are moved to the Board Letter Archive, are available on the public website here: <http://mwdh2o.com/WhoWeAre/archived-board-meetings>



March 25, 2020

Attention: Board of Directors

Resolution of the Board of Directors of the San Diego County Water Authority Authorizing the Issuance of Water Revenue Refunding Notes, the Execution and Delivery of One or More Loan Agreements. (Action)

Staff Recommendation

Adopt Resolution No. 2020-__ Authorizing the Issuance of Water Revenue Refunding Notes, the Execution and Delivery of one or more Loan Agreements and related actions.
(Action)

Alternative

Do not Adopt Resolution No. 2020-__ Authorizing the Issuance of Water Revenue Refunding Notes, the Execution and Delivery of one or more Loan Agreements and related actions.

Fiscal Impact

Potentially significant interest rate savings can be achieved by refunding the Water Authority variable rate commercial paper notes with one or more fixed rate loan agreements.

Discussion

Due to the national emergency over the COVID-19 virus, the financial markets have been in turmoil, specifically the short-term municipal market, adversely impacting the Water Authority short-term commercial paper program. Since the agenda was posted with the two listed resolutions for possible bond refunding issuances, short-term municipal interest rates have spiked from a one percent average interest rate to an interest rate as high as seven percent.

As such, to mitigate potential future economic exposure to the short-term debt portfolio, staff recommends approval of the attached board resolution 2020-__ authorizing the issuance of water refunding notes and the execution and delivery of one or more fixed interest rate loan agreements. Attached is a resolution that, along with the other two resolutions that were already posted, would give the Water Authority the needed flexibility to acquire the best financial terms possible for the refunding of our debt. Because this item is based on sudden unanticipated market shifts that have occurred since the posting of the original agenda, and the new refunding transaction(s) are imminent and thus immediate action is required, the Board will be asked to vote on adding this Resolution to the agenda as Item 7E-3 under Government Code section 54954.2(b), and then it can take up all the Resolutions together when it votes on Item 7-E.

Prepared by: Lisa Marie Harris, Director of Finance/Treasurer

Approved by: Dan Denham, Deputy General Manager

Attachment: Resolution No. 2020-__ Authorizing the Issuance of Water Revenue Refunding Notes, the Execution and Delivery of one or more Loan Agreements and related actions.

RESOLUTION NO. 2020-__

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING THE ISSUANCE OF WATER REVENUE REFUNDING NOTES, THE EXECUTION AND DELIVERY OF ONE OR MORE LOAN AGREEMENTS AND RELATED ACTIONS

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "Water Authority"), is authorized under provisions of the Constitution and laws of the State of California, and in accordance therewith, to incur indebtedness and to refund such obligations through the issuance of refunding revenue notes and bonds; and

WHEREAS, the Board of Directors of the Water Authority (the "Board") adopted, on May 11, 1989, and amended on December 11, 1997, and December 17, 2009, Resolution No. 89-21 of the Water Authority providing for the allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues (the "General Resolution"); and

WHEREAS, the Water Authority has heretofore authorized the issuance of its San Diego County Water Authority Commercial Paper Notes, Series 9 (the "Series 9 Notes"), its San Diego County Water Authority Commercial Paper Notes, Series 10 (the "Series 10 Notes"), and its San Diego County Water Authority Extendable Commercial Paper Notes, Series 1 (the "ECP Notes" and, collectively with the Series 9 Notes and the Series 10 Notes, the "CP Notes"); and

WHEREAS, Series 9 Notes in the aggregate principal amount of \$135,000,000, Series 10 Notes in the aggregate principal amount of \$110,000,000, and ECP Notes in the aggregate principal amount of \$100,000,000 are currently outstanding; and

WHEREAS, recent developments have adversely impacted the public capital markets and have adversely affected the ability of the Water Authority to sell CP Notes to refund CP Notes becoming due for payment at favorable interest rates; and

WHEREAS, it may be desirable for the Water Authority to obtain loans from commercial banks or other financial institutions ("Lenders") pursuant to one or more credit, loan or similar financing agreements (collectively, "Loan Agreements") between the Water Authority and such Lenders to refund outstanding CP Notes and to issue revenue refunding notes ("Refunding Notes") in one or more series to evidence the Water Authority's obligation to repay such loans; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the making of the agreements and the consummation of the financing authorized by this resolution do exist, have happened and have been performed in regular and due time, form and manner, and the Water Authority is duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing as provided in this resolution.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY RESOLVES AS FOLLOWS:

Section 1. The statements, findings, and determinations set forth above and in the preambles of the documents approved by this resolution are true and correct.

Section 2. Subject to Section 5 of this resolution, the execution and delivery of the Refunding Notes for the purpose of refunding outstanding CP Notes, including funding costs of issuance and related fees and expenses, is hereby approved. The Chair of the Board, the General Manager, and the Director of Finance/Treasurer (each, an “Authorized Officer” and collectively, the “Authorized Officers”) are each, acting individually, are hereby authorized to execute and deliver to Lenders the Refunding Notes on behalf of the Water Authority. The Refunding Notes shall constitute Subordinate Obligations under the General Resolution.

Section 3. Subject to Section 5 of this resolution, the Authorized Officers are each, acting individually, hereby authorized to execute and deliver to Lenders Loan Agreements with representations, warranties, covenants and agreements by the Water Authority in substantially in the form of the representations, warranties, covenants and agreements contained in the revolving credit and term loan agreements entered into by the Water Authority with respect to the Series 9 Notes and the Series 10 Notes, in such form as the Authorized Officer executing and delivering each such Loan Agreement shall, with the concurrence of the General Counsel of the Water Authority, require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Secretary of the Board or the Clerk of this Board are hereby authorized and directed to attest the signatures of such Authorized Officers as may be required or appropriate in connection with the execution and delivery of the Refunding Notes and the Loan Agreements.

Section 5. The authorization of the execution and delivery of the Refunding Notes and the Loan Agreements, as set forth in Sections 2 and 3 of this resolution, is subject to the following conditions precedent:

- (1) The Refunding Notes shall have a final maturity date not later than May 1, 2021;
- (2) The Refunding Notes shall be executed and delivered in an aggregate principal amount not to exceed \$350,000,000; and
- (3) The interest rate on the Refunding Notes shall in no event exceed 12% per annum.

Section 6. The particular Lenders and the particular CP Notes to be refunded shall be as determined to be in the best interest of the Water Authority by the Authorized Officer executing and delivering the respective Loan Agreement, such determination to be conclusively evidenced by the execution and delivery of such Loan Agreement.

Section 7. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the execution and delivery of the Refunding Notes and the Loan Agreements, and otherwise to carry out, give effect to and comply with the terms and intent of this resolution. Such actions heretofore taken by such Authorized Officers are hereby ratified, confirmed, and approved.

Section 8. The authority of the Authorized Officers and the General Counsel of the Water Authority, Secretary of the Water Authority and Clerk of this Board under this resolution may be delegated as provided in the Administrative Code of the Water Authority.

Section 9. This resolution shall take effect immediately upon its passage.

PASSED, APPROVED AND ADOPTED, this 26th day of March, 2020.

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Jim Madaffer, Chair

ATTEST:

Christy Guerin, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2020-_____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Nelson, Clerk of the Board