

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Board of Directors - Final - Revised 3

June 11, 2024

2:00 PM

Tuesday, June 11, 2024
Meeting Schedule

09:00 a.m. FAM
11:00 a.m. EOP
01:30 p.m. Break
02:00 p.m. BOD

Agendas, live streaming, meeting schedules, and other board materials are available here: <https://mwdh2o.legistar.com/Calendar.aspx>. Written public comments received by 5:00 p.m. (business days) before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here: <https://mwdh2o.legistar.com/Legislation.aspx>. If you have technical difficulties with the live streaming page, a listen-only phone line is available at 1-877-853-5257; enter meeting ID: 891 1613 4145. Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference 1-833-548-0276 and enter meeting ID: 815 2066 4276 or click <https://us06web.zoom.us/j/81520664276pwd=a1RTQWh6V3h3ckFhNmDsUWpKR1c2Zz09>

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

1. Call to Order

- a. Invocation: Director Dennis Erdman, Municipal Water District of Orange County
- b. Pledge of Allegiance: Director Desi Alvarez, West Basin Municipal Water District

2. Roll Call

3. Determination of a Quorum

4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code §54954.3(a))

5. OTHER MATTERS AND REPORTS

- A. Report on Directors' Events Attended at Metropolitan's Expense

[21-3393](#)

Attachments: [06112024 BOD 5A Report](#)

- B. Chair's Monthly Activity Report [21-3394](#)
Attachments: [06112024 BOD 5B Report](#)
- C. General Manager's summary of activities [21-3395](#)
Attachments: [06112024 BOD 5C Report](#)
- D. General Counsel's summary of activities [21-3396](#)
Attachments: [06112024 BOD 5D](#)
- E. General Auditor's summary of activities [21-3397](#)
Attachments: [06112024 BOD 5E Report with attachments](#)
- F. Ethics Officer's summary of activities [21-3398](#)
Attachments: [06112024 BOD 5F Report](#)
- G. Induction of new Director James Crawford from Central Basin Municipal Water District (ADDED ITEM 6/5/24) [21-3474](#)
(a) Receive credentials
(b) Report on credentials by General Counsel
(c) File credentials
(d) Administer Oath of Office
(e) File Oath
Attachments: [06112024 BOD 5G Central Basin Municipal Water District - Crawford](#)
- H. Induction of new Director Jay Lewitt from Las Virgenes Municipal Water District (ADDED ITEM 6/5/24) [21-3475](#)
(a) Receive credentials
(b) Report on credentials by General Counsel
(c) File credentials
(d) Administer Oath of Office
(e) File Oath
Attachments: [06112024 BOD 5H Las Virgenes Municipal Water District - Lewitt](#)

**** CONSENT CALENDAR ITEMS -- ACTION ****

6. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the Subcommittee on Audits for January 23, 2024 and Board of Directors Meeting for May 14, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) [21-3380](#)

Attachments: [06112024 Audits \(01232024\) Minutes](#)
[06112024 BOD 6A \(05142024\) Minutes](#)

- B. Approve Committee Assignments
- C. Approve Commendatory Resolution for Director Michael Gualtieri representing Central Basin Municipal Water District
- D. Approve Commendatory Resolution for Director Glen Peterson representing Las Virgenes Municipal Water District (ADDED ITEM 6/5/24)

7. **CONSENT CALENDAR ITEMS - ACTION**

- 7-1 Approve General Auditor's Audit Plan for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (Exec) [21-3386](#)

Attachments: [06112024 Exec 7-1 B-L](#)
[05282024 Exec 7-1 Presentation](#)

- 7-2 Authorize on-call agreements with AECOM, Black & Veatch, and Hazen and Sawyer in amounts not to exceed \$3 million each, for a maximum of three years for engineering services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) [21-3402](#)

Attachments: [06112024 EOT 7-2 B-L](#)
[06102024 EOT 7-2 Presentation](#)

- 7-3 Award a \$897,469 contract to Exaro Technologies Corporation to construct a cathodic protection system along the Santa Monica Feeder; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) [21-3404](#)

Attachments: [06112024 EOT 7-3 B-L \(updated Attach #2\)](#)
[06102024 EOT 7-3 Presentation](#)

- 7-4** Approve up to \$2.257 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [REVISED SUBJECT 6/3/2024] (FAM) **21-3441**

Attachments: [06112024 FAM 7-4 B-L](#)
[06112024 FAM 7-4 Presentation](#)

- 7-5** Approve Metropolitan's Statement of Investment Policy for fiscal year 2024/25, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAM) **21-3442**

Attachments: [06112024 FAM 7-5 B-L](#)
[06112024 FAM 7-5 Presentation](#)

- 7-6** Authorize the General Manager to grant a permanent easement to the Las Virgenes Municipal Water District for water pipeline purposes on Metropolitan fee-owned property in the City of Los Angeles within Assessor Parcel Number 2723-009-905; the General Manager has determined that the proposed action is exempt and not subject to CEQA (FAM) **21-3443**

Attachments: [06112024 FAM 7-6 B-L](#)
[06112024 FAM 7-6 Presentation](#)

- 7-7** Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of \$2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of \$500,000, and authorize a new agreement with Arup US, Inc. for a not-to-exceed amount of \$500,000 for a period of three years to provide support services in the development and implementation of the CAMP4W; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAM) **21-3444**

Attachments: [06112024 FAM 7-7 B-L](#)
[06112024 FAM 7-7 Presentation](#)

- 7-8** Express support for ballot measure ACA 1: Local government financing; affordable housing and public infrastructure; voter approval; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (Leg) **[21-3446](#)**

Attachments: [06112024 LEG 7-8 B-L](#)
[06102024 LEG 7-8 Presentation](#)

- 7-9** Express opposition to Initiative 1935: The Taxpayer Protection and Government Accountability Act and express support for ballot measure ACA 13: Voting thresholds; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA (Leg) **[21-3447](#)**

Attachments: [06112024 LEG 7-9 B-L](#)
[06102024 LEG 7-9 Presentation](#)

- 7-10** Approve the nomination and naming of the Wildflower Trail at Diamond Valley Lake in honor of Metropolitan Board Vice Chair Judy Abdo; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FNA) **[21-3400](#)**

Attachments: [06112024 BOD 7-10 B-L](#)
[06112024 LEG 7-10 Attachment Received](#)

**** END OF CONSENT CALENDAR ITEMS ****

8. OTHER BOARD ITEMS - ACTION

- 8-1** Approve and appropriate an increase of \$25 million to the Capital Investment Plan for fiscal years 2022/23 and 2023/24 for a new biennium amount of \$625 million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) **[21-3403](#)**

Attachments: [06112024 EOT 8-1 B-L](#)
[06102024 EOT 8-1 Presentation](#)

- 8-2** By a two-thirds vote, authorize two payments of up to \$993,600 for support of the Colorado River Board, Six Agency Committee, and Colorado River Joint Powers Authority for fiscal year 2024/2025 and \$1,023,408 for fiscal year 2025/2026; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (OWS) **[21-3408](#)**

Attachments: [06112024 OWS 8-2 B-L](#)
[06102024 OWS 8-2 Presentation](#)

- 8-3** Authorize entering into a three-year contract with We Are RALLY, LLC for media placement services related to drought awareness and water conservation not to exceed \$10.5 million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (Leg) **[21-3445](#)**

Attachments: [06112024 LEG 8-3 B-L](#)
[06102024 LEG 8-3 Presentation](#)

- 8-4** 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 appeals of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901, A148266, A161144, and A162168, 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; 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; the Metropolitan Water District of Southern California v. San Diego County Water Authority cross-complaints in the 2014, 2016, and 2018 actions; and the appeals of the 2014, 2016, and 2018 actions, Court of Appeal for the First Appellate District Case No. A170156; authorize initiation of settlement negotiations with SDCWA and provide direction to staff regarding the 2014, 2016, and 2018 actions, including the cross-complaints and appeals, San Francisco County Superior Court Case Nos. CPF-14-514004, CPF-16-515282, and CPF-18-516389 and Court of Appeal for the First Appellate District Case No. A170156; 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)] (LC) **[21-3438](#)**

- 8-5** Authorize an option agreement with The AES Corporation, LLC, for a long-term lease of up to 6,742 acres of land in the Palo Verde Valley, California for possible carbon-free energy production and storage purposes, contingent upon further project permits and approvals; the General Manager has determined that the proposed action of issuing an option agreement is exempt or otherwise not subject to CEQA. The property is located southwest of the city of Blyth in Riverside County and commonly known as the Palo Verde Mesa, Riverside County Assessor Parcel Nos. 879-230-001, 879-230-003; 879-230-005; 879-230-008; 879-230-010; 879-230-011; 879-230-012; 879-230-013; 879-230-014; 879-230-015; 879-230-016; 879-230-017; 879-230-018; 879-230-023; 879-230-024; 879-240-001; 879-240-002; 879-240-037; 879-240-038; 879-250-001; 879-250-008; 879-250-011; 879-250-013; 879-250-014; 879-261-019; 879-261-020; 879-261-021; 879-261-022; [Conference with real property negotiators agency negotiators: Kevin Webb and Kieran Callanan; negotiating parties: The AES Corporation, LLC; under negotiation: price and terms; to be heard in closed session pursuant to Government Code Section 54956.8. [ADDED ITEM 6/3/2024] (FAM)

[21-3469](#)

Attachments: [06112024 FAM 8-5 Open Session Presentation](#)

- 8-6** Discussion of correspondence alleging employment violations and provide direction to staff; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA [Conference with legal counsel—anticipated litigation; based on existing facts and circumstances, including receipt of a correspondence containing allegations of serious Equal Employment Opportunity and other violations; there is significant exposure to litigation against Metropolitan; one potential case; to be heard in closed session pursuant to Gov. Code Section 54956.9 (d)(2)]. [ADDED ITEM 6/7/24]

[21-3478](#)

9. BOARD INFORMATION ITEMS

- 9-1** Conservation Report

[21-3399](#)

Attachments: [06112024 BOD 9-1 Report](#)

10. OTHER MATTERS

NONE

11. FOLLOW-UP ITEMS

NONE

12. FUTURE AGENDA ITEMS

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 parenthesis at the end of the description of the agenda item, e.g. (EOT). Board agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>

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 <https://mwdh2o.legistar.com/Calendar.aspx>.

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.

June 11, 2024 Board Meeting

Item 5A



Metropolitan Water District of Southern California Summary of Events

Attended by Directors at Metropolitan's Expense in May 2024

Date(s)	Location	Meeting Hosted by:	Participating Director(s)
May 7-9	Sacramento, CA	Association of California Water Agencies (ACWA) – 2024 Spring Conference	Linda Ackerman David De Jesus Dennis Erdman Juan Garza Miguel Luna John Morris Adán Ortega Glen Peterson Karl Seckel
May 28-29	Sacramento, CA	Climate Bond Advocacy	Adán Ortega



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Report

● Chair of the Board Adán Ortega Jr.'s Monthly Activity Report – May 2024

Summary

This report highlights my activities as Chair of the Board during the month of May 2024 on matters relating to The Metropolitan Water District of Southern California's business.

Monthly Activities

Key Activities

- I attended the Municipal Water District of Orange County Board meeting with General Manager Adel Hagekhalil. We addressed the interrelation between CAMP4Water, the Biennial Budget Process, Bay-Delta Issues, and the Colorado River, as well as our collective resiliency in addressing the State Water Project Exclusive Areas challenges. We also answered questions and comments from the member agency directors and, in some instances, members of the public, including local elected officials.
- The Second Annual One Water Awards luncheon recognized four Southern California projects for outstanding achievements in water-saving projects and facility upgrades. The projects feature significant improvements to water management operations and equipment, such as reusing condensation from air conditioning and heating systems, recycling irrigation runoff, switching to sustainable landscaping, and installing more efficient irrigation systems. I addressed how extreme drought and climate change require us to think differently about how we use water and how the water-saving projects developed by these four organizations are great examples of the actions that must be taken to adapt to our changing climate and store water for use when we need it.



- Led Metropolitan in hosting the first ALL SPANISH Sacramento Bay-Delta two-day inspection trip. Participants included 30 engaged grassroots leaders from Compton, Central Basin, Los Angeles, and San Fernando who were learning about water and making this pilot trip successful. There was great brainstorming for the future of engaging the Latino community through learning, cultural celebrations, and new friendships. Thanks to the great Metropolitan Water District Experts, Department of Water Resources & Delta Conveyance Project Guides.



- Participated in the Association of California Water Agencies (ACWA) 2024 Spring Conference, where I met with several water industry leaders and served as a panelist along with Delta County Supervisor Pat Hume and Farmer Randy Fiorini from Merced County in discussing how climate change is impacting long-standing issues affecting water supplies, flood control, and farming in the Bay-Delta. General Manager of State Water Contractors Jennifer Pierre was the moderator.



- Vice Chair Michael Camacho and I joined Elsinore Valley Municipal Water District board President Chance Edmondson, directors Darcy Burke, Harvey Ryan, Jack Ferguson, Andy Morris & General Manager Greg Thomas for an extensive tour of Elsinore Valley Municipal Water District facilities. The tour highlighted the district's ongoing projects and achievements and was followed by an engaging and informative question-and-answer session. We were later joined by the Board and Staff leadership of the Eastern Municipal Water District and Western Municipal Water District for a wide-ranging discussion about CAMP4Water and key water issues such as Delta Conveyance and the Colorado River.



- General Manager Adel Hagekhalil and I jointly received Heal The Bay's "Walk the Talk Awards" at the annual Bring Back the Beach Gala. The award was a recognition of Metropolitan's dedication to conservation and our planning for regional resiliency. We were presented with the awards by Director Tracy Quinn and joined by Board Vice Chair Judy Abdo, as well as Directors Miguel Luna, Dennis Erdman, Desi Alvarez, Jacque McMillan, and Matt Petersen. Former Directors Mark Gold and Heather Repenning were also in attendance.



- Attended a tour and meeting with Metropolitan staff and board members, spending the day learning and connecting with the Colorado River Indian Tribe. Directors Gloria Cordero and Linda Ackerman were in attendance, and we also visited with CRIT Chairwoman Amelia Flores in a candid lunch conversation on the need for collaboration and partnerships.



- During a ceremony held at the Grace F. Napolitano Center for Innovation in Carson, The U.S. Bureau of Reclamation announced a \$99.2 million funding boost for Metropolitan's initiative to create a new water supply through the proposed Southern California PURE Water SoCAL project. Commissioner Camille Calimlim Touton made the announcement and was joined by U.S. Senator Alex Padilla, U.S. Representative Grace Napolitano, California State Water Resources Control Board Chair Joaquin Esquivel, and representatives from Metropolitan, the Los Angeles County Sanitation Districts, and other water agencies that received federal funds.



- As part of a statewide coalition, I joined General Manager Adel Hagekhalil and Metropolitan representatives in Sacramento to advocate for key water infrastructure and climate resilience priorities in the proposed climate resilience bond. We met with over a dozen legislative offices, including Assemblymembers Jacqui Irwin, Lisa Calderon, Anna Caballero, Gregg Hart, and Tina McKinnor.



- Attended and delivered closing remarks at the Water Infrastructure Networking Summit, where keynote speaker Senator Alex Padilla addressed topics such as large-scale water recycling, Colorado River negotiations, and water assistance programs for families. In attendance were also Directors Garza, McCoy, Goldberg, Dick, Dennstedt, McMillan, Seckel, and Camacho.



Delegation of Activities

- On the board's behalf, I would like to thank Board Vice Chair Michael Camacho, who represented us and provided remarks at the 2024 Spring Service Awards Luncheon, paying tribute to employees for their years of service and dedication to the organization.

Regularly Scheduled/Ongoing Meetings

I continue to meet regularly to review the Board's organizational issues and coordinate activities with the Board Vice Chairs and Department Heads.



General Manager's Monthly Report



Activities for the Month of May 2024



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Message from the General Manager

At the ACWA Spring Conference in May, I joined a thought-provoking panel discussion about hiring and retention challenges in our industry. The topic is a salient one at Metropolitan, where our employees are unmatched across the water utility sector. I am constantly impressed by their performance under pressure, expertise, and ability to solve difficult problems.

To maintain that leading-edge position, we are investing in the development of our employees as we adapt to new technology, shifting operational demands and evolving expectations about the modern workplace.

Nearly one-third of our employees are relatively new—at Metropolitan less than five years—while another one-third are eligible to retire. So it is critical that we take a cohesive approach to workforce development, from recruitment of new hires to career growth for existing staff to succession planning. For example:

- The 14th cohort of our innovative and intensive Metropolitan Management University kicked off in May, which will provide valuable skill development to 14 new managers;
- We are partnering with community colleges, trusted organizations, and Indigenous communities to open new pathways for diverse talent to contribute to Metropolitan;
- Our Project Labor Agreement and apprenticeship programs expand access and opportunity to underrepresented communities; and
- We are implementing practices to overlap certain hires to mitigate operational impact and support knowledge transfer during retirements.

Last year, we surveyed our member agencies on the issue of workforce development, and a number of agencies expressed an interest in sharing information to identify common needs and to support regional strategies. I am committed to exploring this collaborative opportunity. Investing in workforce development not only strengthens Metropolitan, it provides regional benefits toward more effective and sustainable water management operations.

We are one,

Adel



“Because things are the way they are, things will not stay the way they are.”

- Bertolt Brecht, playwright and poet



Strategic Priorities Update

The General Manager's Strategic Priorities guide actions in key areas of change and opportunity that will strengthen Metropolitan and its ability to fulfill its mission. Review the General Manager's [Business Plan for FY23-24](#) and the ["SMART Tracker"](#) dashboard of specific actions that advance the Strategic Priorities.



Empower the workforce and promote diversity, equity, and inclusion



Goal Dashboard

7 of 9 Outcomes in process and on target
2 Outcomes completed

■ **Build a safe, inclusive, and accountable workplace where all employees feel valued, respected, and able to meaningfully contribute to decisions about their work to fulfill Metropolitan's Mission.**

The charter and composition of Metropolitan's new Executive Safety Committee was finalized, completing the top three recommendations from the National Safety Council (NSC). This committee will demonstrate executive leadership support of safety and reinforce the importance of chain of command when addressing safety concerns. Executive leadership training with the NSC, as well as standing meetings, have been scheduled for the rest of the calendar year. Staff has been preparing multiple events for National Safety Month in June.

The GM visited Iron Mountain in May to celebrate desert-based employees. In addition, the community planner team met with bargaining units, and now all four have been updated about the workforce housing concepts being analyzed. The next board report on the progress of desert housing is planned for July.

■ Prepare and support the workforce by expanding training and skill development and updating strategies to recruit and retain diverse talent at a time when Metropolitan's needs are evolving and employee expectations about the workplace are changing.

Recruitment improvements and reducing recruitment times are a central focus of Human Resources (HR), and how to prioritize among the vacancies in the queue is an ongoing focus of discussions among HR and Group and Section managers. HR, Diversity, Equity, and Inclusion (DEI), and Equal Employment Opportunity offices are putting together an outreach plan to assist with hard-to-fill positions and to help with potential underutilization.

The DEI Office held meetings with CSU Dominguez Hills and LA Trade Tech to understand how we may better engage to provide educational and workforce development opportunities focused on Pure Water and the Carson community.

The Organizational Development & Training Unit (OD&T) hosted the Spring Service Awards Luncheon honoring employees with 35, 30, 25, and 20 years at Metropolitan. OD&T also visited Weymouth and Skinner to discuss the development and rollout of a Job Shadow program for Control Systems. The 14th cohort in the ongoing series of Metropolitan Management University trainings for 14 new managers kicked off in May 2024. OD&T has also partnered with CSU Northridge for their Master in Public Administration Program for employees interested in furthering their education goals.



Manager Training

Metropolitan Management University provides extensive in-house training for new managers. It launched its 14th cohort!



Sustain Metropolitan's mission with a strengthened business model



Goal Dashboard

5 of 5 Outcomes in process and on target

Develop revenue and business model options that support the needs of the member agencies as well as Metropolitan's financial sustainability and climate adaptation needs.

In May, the CAMP4W Task Force held a second workshop focused on the Business Model. Foundational information on the rate structure was presented, along with a focus on the relationship of conservation and local resources to volumetric revenue and to alternative supply costs. Discussion that followed emphasized areas of interest in the drivers behind the need to consider refinements to the Business Model. The next meeting is anticipated to be June 24.

As committed to in the budget adoption, Metropolitan convened member agencies for a discussion of the Treated Water Surcharge. As an initial meeting, it also focused on foundational information and historical context of the current charge.

Manage rate pressure on member agencies through attention to programmatic costs, organizational efficiencies, and efforts to secure external funding for projects with broad and multi-purpose benefits.

This FY through May 2024, the new Centralized Grants Office has assisted with grants applications worth close to \$213 million, and Metropolitan has been awarded over \$125 million. In the month of May, Metropolitan was awarded three grants from the Bureau of Reclamation (USBR):

- \$99.2 million dollars for the Pure Water Southern California's from USBR's Large Scale Water Recycling Program for planning and design work. At the same time, USBR announced funding for the City of LA, the City of Ventura, and Washington County in Utah. Metropolitan's advocacy for water recycling funding is bringing benefit to the region and also the Colorado River Basin:



Grant Funding

This FY, the new Grants Office helped apply for more than \$200M in grants. We have been awarded more than \$125M.

- \$390,000 dollars for the Interoperable Flow and Temperature Data for Salmonid Restoration Scenarios
- \$5 million to complete the Foothill Pump Station Intertie project to improve regional drought resilience.

Staff will be working with USBR to refine the scopes of work and budgets for the projects, and, as previously presented, future board discussion will be held to consider approval to accept funds and recommendations for any matching funds requirements.

After an extensive recruitment process led by an outside firm, three new Group Managers were named to fulfill one of the primary recommendations from the Organizational Assessment from 2023. By reorganizing our largest group of staff, Water System Operations, into three groups, the new managers be able to take a more active supervisory role, the span of control will be enhanced, and there will be new opportunities for succession planning and leadership development.



Adapt to changing climate and water resources



Goal Dashboard

6 of 11 Outcomes in process and on target

2 Outcomes behind schedule

3 Outcomes completed

■ Provide each member agency access to an equivalent level of water supply reliability through the development of a Climate Adaptation Master Plan for Water (CAMP4) that integrates water resource, financial and climate adaptation planning.



CAMP4W

Board concurred with the CAMP4W Year One Progress Report and the draft Climate Decision-Making Framework

The Board concurred with the CAMP4W Year One Progress Report and Next Steps, which includes the draft Climate Decision-Making Framework including Evaluative Criteria and initial Time-Bound Targets. The Year One Report also includes the list of near-term projects to address the State Water Project Dependent Areas and next steps to guide discussion on Business Model refinement, CAMP4W-related policy recommendations and the adaptive management framework. Staff is now testing the evaluative criteria and in the coming months will be demonstrating the integration of the Decision-Making Framework with the district's processes.

■ **Advance the long-term reliability and resilience of the region's water sources through a One Water approach that recognizes the interconnected nature of imported and local supplies, meets both community and ecosystem needs and adapts to a changing climate.**

Metropolitan held the second annual One Water Awards to showcase the latest in water efficiency, spotlighting four Southern California leading-edge projects in Los Angeles, Riverside, and San Diego counties that together will save more than 200 million gallons of water annually.

We have fully executed the DWR grant, which includes \$30M for CII or Non-Functional Turf replacement, and we anticipate a launch date of July 1, 2024. To further promote California friendly landscaping, we held two firescape training and landscape certification classes for 120 total participants.

Staff implemented the Floating Wetland Cage Study. The objective is to leverage the field deployment of floating wetlands on Bouldin Island to determine whether increased food production from the floating wetland increases the growth and survival of Delta smelt. Studies supported by Metropolitan were showcased at the 2024 Interagency Ecological Program Annual Workshop.

Metropolitan submitted comments to the California State Board of Food and Agriculture, which is developing a definition for "regenerative agriculture" that may guide policy and help bring substance to the use of the term in marketing. Based on Metropolitan's research of water efficiency in agricultural practices and soil health, our comments recommended five elements of a preferred definition and practices associated with each.

The Department of Water Resources (DWR) released a benefit-cost analysis for the Delta Conveyance Project, which will be presented to the Metropolitan Board in June.

Metropolitan is pursuing multiple paths toward collaboration around water supply, including the signing of MOUs with the Friant Water Authority, the Westlands Water District, and the Water Blueprint of the San Joaquin Valley. We also provided a letter of support to the Yuba Water Agency to extend the Yuba Accord Long-term Water Transfer Program.

The next Pure Water Southern California (PWSC) program update will be presented to the Subcommittee on PWSC on June 26. Meanwhile, the demo plant is reporting good nitrogen removal. Los Angeles County Sanitation District (LACSD) operators have been shadowing Metropolitan operators to get experience with the MBR operation since LACSD may be responsible for MBR design, construction, and operation.



One Water Awards

**The second annual
One Water Awards
showcased the latest in
water efficiency**



Climate Action Plan

**The second annual
Climate Action Plan
progress report is
[available on the website](#)**

The development of member agency agreements and term sheets for PWSC was the focus of technical discussions with member agencies in May. Discussions will proceed through a series of workshops as well as agency specific meetings, such as one this month that focused on coordination with the City of L.A.'s OperationNext project. Because of the focus and intensity of these meetings, as well as other schedule conflicts, we did not convene the regional Water Reuse Collaborative that was scheduled for May.

The second annual Climate Action Plan progress report was completed and distributed. It demonstrates areas of progress but also a slight increase in emissions. Recruitment for a Climate Action Plan Program Manager closed this month, and the SRI office is reviewing resumes. This position is critical to ensure compliance with our CAP targets.



Protect public health, the regional economy, and Metropolitan's assets



Goal Dashboard

5 of 7 Outcomes in process and on target

2 Outcomes completed

Proactively identify, assess, and reduce potential vulnerabilities to Metropolitan's system, operations, and infrastructure.

This month Metropolitan was recognized by the United States Society on Dams for outstanding development of our Dam Emergency Action Plans (13 EAPs have been completed and submitted to the state). Emergency Management staff conducted Dam EAP training at the Weymouth plant, and DVL and hosted a DWR Dam EAP tabletop exercise at the Jensen plant. Staff conducted hazardous materials incident command training with local fire departments, including in the City of Riverside and at the Jensen plant with the Los Angeles Fire Department.

Cybersecurity staff is preparing to launch a new cyber governance model in line with the new National Institute of Standards and Technology Cybersecurity Framework 2.0. The first phase of this effort is targeted for completion by June 30 with the launch of a new steering committee during Q1 of the next fiscal year.

Apply innovation, technology, and sustainable practices across project lifecycles (design, construction, operations, maintenance, and replacement).

On SCADA, staff is evaluating the results of the recently installed pilot equipment. The system upgrades at the Mills plant are scheduled to be complete in October 2026.

Operating Policies G-05 and G-06 are nearly final and will govern the integration of sustainability considerations in to procurement decisions. Staff is working to finalize a Sustainable Procurement Guide to support the new policies.

Preparation of the Envision submittal for the Casa Loma Siphon Seismic Upgrade Project is underway.



Partner with interested parties and the communities we serve



Goal Dashboard

4 of 7 Outcomes in process and on target

1 Outcome behind schedule

2 Outcomes completed

- **Grow and deepen collaboration and relationships among member agencies, interested parties and leaders on the issues most important to them and toward mutual and/or regional benefits.**

External Affairs supported the CAMP4W Year 1 Progress report, the CAMP4W web page, and collateral material for the general public. Presentations were given to the West Basin Water Association and Western Water's Drought Task Force. Staff is collaborating with the Council for Watershed Health to convene a group of community based organizations in early June to introduce CAMP4W and explore ways to increase public participation in the planning.

Metropolitan partnered with WeTap and our member agencies to promote Tap Water Day in May. We created social media assets that our member agencies used by branding and tailoring them for their own audience while sharing a unified message across the region that emphasized the importance and high quality of tap water.

- **Reach disadvantaged communities and non-traditional interested parties to better understand their needs and ensure their inclusion in decision making.**

A range of GIS mapping tools have been identified to help understand where DACs are within Southern California, based on income, environmental, and other conditions. These tools will be catalogued for use in future program development and grant proposals and as reference to inform decision making.

Board Chair Ortega, along with directors and staff, spent a day with the Colorado River Indian Tribes, learning about their operations and building on Metropolitan's partnership with the tribe.

Executive Summary

This executive summary is added to this report to provide a high-level snapshot of a key accomplishment from each area of the organization. Detailed information is reported in the pages following this summary.

Bay-Delta Resources

The California Department of Water Resources released a benefit-cost analysis for the Delta Conveyance Project that finds that the infrastructure modernization project would create billions of dollars in benefits for California communities. These benefits include reliable water supplies, climate change adaptation, earthquake preparedness, and improved water quality.

Chief Financial Officer

In April the Board approved the Biennial budget for fiscal years 2024/25 and 2025/26 with overall rate increases of 8.5 percent in CY 2025 and 8.5 percent for CY 2026, which includes the Capital Investment Plan and revenue requirements for fiscal years 2024/25 and 2025/26 and the ten-year financial forecast.

Colorado River Resources

In May, the Bureau of Reclamation finalized their water accounting report for 2023, which confirmed that Metropolitan left a record amount of water stored in Lake Mead (450,000 acre-feet) and that California's water use of 3.7 million acre-feet was the lowest diversion amount in over 70 years. That stored water will help ensure Metropolitan's call for the Colorado River Aqueduct for the next several years. Additionally, Metropolitan's Board Chair, along with some other directors and staff, spent a day with the Colorado River Indian Tribes, learning about their operations and building on Metropolitan's partnership with the tribe.

Diversity, Equity & Inclusion

Throughout the month of May, the DEI team continued to engage in the diverse communities we serve, advancing equity and inclusion across the business community, advancing workforce development efforts, and building trust and Indigenous pathways to water careers for our Tribal communities. Of particular note is the fact that much of our efforts in engaging with CRIT on workforce development are now having a residual positive impact in advancing conversations around the Colorado River. The DEI Team continues to be instrumental in advancing Metropolitan's holistic commitment to equity and inclusion to our employees, our business community, in the industry and in the diverse communities we serve.

Engineering Services

In May, Engineering Services led or participated in several events focused on growing and deepening collaborative relationships among member agencies, other regional agencies, and the communities we serve. This included leading an annual meeting with member agency engineering managers, which was hosted by the City of Long Beach this year, supporting Bureau of Reclamation's study of low-water operation of Glen Canyon Dam, and presenting upcoming projects to several construction industry groups.

Empowering staff is intentional in Engineering Services. Recently, a flash mentoring session with several Metropolitan group managers was conducted as part of Engineering Services' formal mentoring program. Also, a mentoring program, which pairs nine recently promoted team managers with more experienced managers, was initiated to accelerate the learning curve for new managers.

Equal Employment Opportunity Office

The Equal Employment Opportunity Office (EEO) Office is currently conducting its annual review of the EEO Policy (H-07) and Sexual Harassment Prohibition Policy (H-13) to ensure that the policies continue to be in alignment with industry standards, best practices, and current EEO laws and regulations. The EEO policy review process is expected to be completed by July 2024. Additionally, EEO worked in partnership with Human Resources to include Careers in Government to Metropolitan's external job announcements. Careers in Government will post external recruitments to minority groups such as, African American Jobs in Government, Asian Jobs in Government, Disability Jobs in Government, Latino Jobs in Government, Native American Jobs in Government, Veteran Jobs in

Government, and Women in Government. EEO also updated Metropolitan's job announcement tagline to state, "Metropolitan is an Equal Opportunity Employer." All qualified applicants will receive consideration for employment without regard to disability, status as a protected veteran, or any other protected characteristic(s)." Lastly, EEO completed the FY23 (July 1, 2022–June 30, 2023) Non-Discrimination programs and has identified underutilized positions which will be disseminated to the unions by the end of the fiscal year.

External Affairs

Metropolitan hosted a ceremony at which the U.S. Bureau of Reclamation Commissioner Touton announced new federal funding for innovative water reuse projects that strengthen drought resilience across the West including Pure Water Southern California, as well as projects for LADWP, City of Ventura, and the Washington County Water Conservation District. Senator Padilla, Reps. Napolitano and Barragan, and State Water Board Chair Esquivel attended the event along with many local officials and water industry leaders (May 28)

Human Resources

The Organizational Development & Training Unit also started its 14th cohort of Metropolitan Management University for 14 new managers. Classes included content on Developing a Leadership Mindset, Evaluating your Communication Strategy, Maintain Work/Life Balance, Conducting Effective One-on-One Meetings, and Leading Teams through Change.

Information Technology

Information Technology staff supported Engineering Services to develop water age prediction capabilities for the hydraulic system model based on conditions in the distribution system. This capability will assist operational decision-making to help avoid water quality issues like nitrification. This effort has now moved on to the implementation of chlorine residual predictions.

Safety, Security and Protection

As we continue to strengthen our partnerships with local and federal law enforcement agencies and invest in cutting-edge technologies and training, we are positioning ourselves to effectively mitigate risks and uphold the highest standards of safety and resilience for our infrastructure. By engaging with federal law enforcement agencies such as the FBI, we are demonstrating a proactive approach to security, recognizing the evolving threats posed to our water systems. Their involvement signifies a collaborative effort to enhance our preparedness and response capabilities against potential risks and malicious activities. This milestone serves as a testament to our commitment to ensuring the integrity and safety of our water supply.

Safety, Regulatory and Training finalized the charter and composition of the new Metropolitan Executive Safety Committee. Executive leadership training with the National Safety Council, as well as standing meetings, have been scheduled for the rest of the calendar year.

Safety issued a new Safety Talk regarding the safe use of dichlorination chemicals and completed a major update of Metropolitan's Electrical Safety Program. Environmental responded to a cleanup of abandoned waste along Metropolitan's property and assisted in bringing the Weymouth underground fuel storage tanks back to full service. Staff supported the demonstration of an all-electric dump truck and received positive feedback regarding its onsite capabilities, but it had challenges and limitations regarding its range for offsite work. Apprenticeship and Training continued training efforts, including completion of final exams for mechanical and electrical apprentices and conducted Hydroelectric On-site Operator training, which included field site visits of several hydroelectric power plants and pressure control structures.

Sustainability, Resiliency and Innovation

SRI and Fleet staff attended the annual Advanced Clean Transportation Expo in Las Vegas from May 19–24, 2024. The Expo provided staff with the opportunity to attend workshops conducted by ZEV industry leaders to learn about the latest advancements in clean vehicle technology.

Water Resource Management

Water Resource Management supported ongoing sustainability management of Colorado River supplies and attended the two-day Multi-Species Conservation Plan technical workgroup meeting. On the collaboration front, WRM staff led the preparation and discussions that resulted in the signing of an MOU with the Friant Water Authority and the Westlands Water District, and a MOU with the Water Blueprint of the San Joaquin Valley. WRM Staff provided a letter of support to the Yuba Water Agency on their EIR to extend the Yuba Accord Long-term Water Transfer Program. WRM staff continued its leadership and participation in climate change adaptation planning by attending the annual spring meeting of the Water Utility Climate Alliance. On the conservation and water use efficiency front, WRM staff held and hosted Metropolitan’s second annual One Water Awards ceremony at the California Endowment and held two firescape training and landscape certification classes for 120 total participants.

Water System Operations

Staff replaced a disabled 42-inch sleeve valve at the Auld Valley Control Structure, which controls flow on San Diego Pipeline No. 3. Last year, this valve seized and became inoperable. The team removed the faulty valve and sent it to the La Verne Shops for refurbishment. The Shops quickly identified and fixed the issue within the valve operator, and also repaired several other valve components. In a recent shutdown, staff reinstalled the refurbished valve and removed a second valve for similar refurbishment. This work highlights Metropolitan’s in-house expertise in performing complex repairs, both under normal and emergency conditions, to ensure reliable deliveries.



Environmental, Health, and Safety (EHS) and Security share the common goal of protecting people, property, and the community. Now that we are all in OSSP, it creates a strong synergy and eliminates the communication silos between these functions."

- Ofelia Perez Safety, Regulatory & Training Interim Section Manager



"Placing the EHS function in OSSP positions our Section to more directly reach, engage, collaborate, and weigh in with stakeholders throughout Metropolitan, especially on EHS issues with enterprise-wide impacts. Additionally, the strategic alignment of the District's Emergency Management program, Security, Safety, and our Hazardous Materials Management programs is fundamental to ensuring we can effectively respond to incidents in coordination with external agencies and partners."

- Emerson Lego, Safety and Environmental Services Interim Unit Manager



"The new scope of OSSP allows us to expand our training programs and topics across the organization and support regulatory requirements while continuing to supply the trades workforce with the technical skills needed to maintain employee and facility safety."

- April Hall, Apprentice & Technical Training Unit Manager

PROGRAM DESCRIPTION

The creation of the Office of Safety, Security, and Protection (OSSP) in August 2023 signified a major step forward for Metropolitan's commitment to safety. This decision, driven by a comprehensive safety and security needs assessment, demonstrates the unwavering leadership of the General Manager to prioritize employee and stakeholder well-being.

IMPORTANCE TO METROPOLITAN

Today's world presents a complex landscape with evolving threats, increasingly frequent natural disasters, and evolving regulatory requirements, particularly in California. The establishment of an independent office dedicated to safety and security reflects a proactive approach to address these emerging challenges. The OSSP elevates these critical tasks from an operational level to an enterprise-wide focus, ensuring a comprehensive approach to safety across all aspects of Metropolitan's operations.

Previously, environmental, health, and safety (EHS), regulatory training, emergency management, and security were integrated within Metropolitan's operations group. Moving these functions to OSSP delivers a holistic approach, allowing for a comprehensive assessment of areas that may have been overlooked or not well aligned in the past. In addition to continuing to support EHS programs, training needs, and emergency management coordination, OSSP's broader focus now encompasses crucial areas like managing unsheltered populations, protecting Delta islands, and prioritizing employee well-being through workplace violence prevention, de-escalation training, and first aid program initiatives.

MEMORABLE MOMENT

The establishment of the OSSP marks a significant milestone in Metropolitan's ongoing commitment to safety, security, and protection. With dedicated leadership and a proactive approach, Metropolitan is well-equipped to navigate the complexities of today's environment and build a more resilient and secure future.

Water Supply Conditions Report

Water Year 2023-2024

As of 05/31/2024

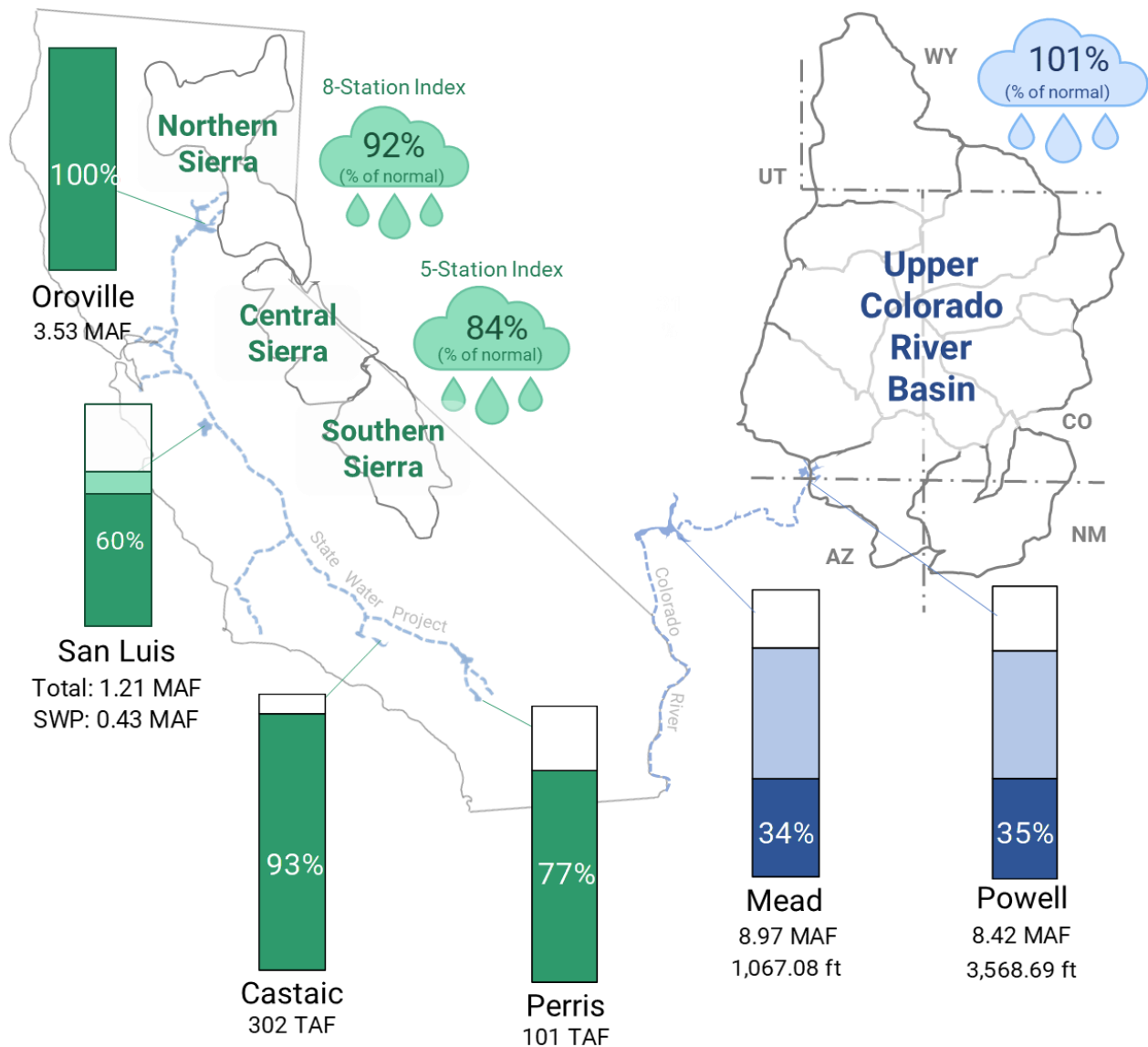
Extended Report: <https://www.mwdh2o.com/WSCR>

State Water Project Resources

SWP Allocation
40% Table A: 764,600 acre-feet

Colorado River Resources

Projected CRA Diversions
903,000 acre-feet



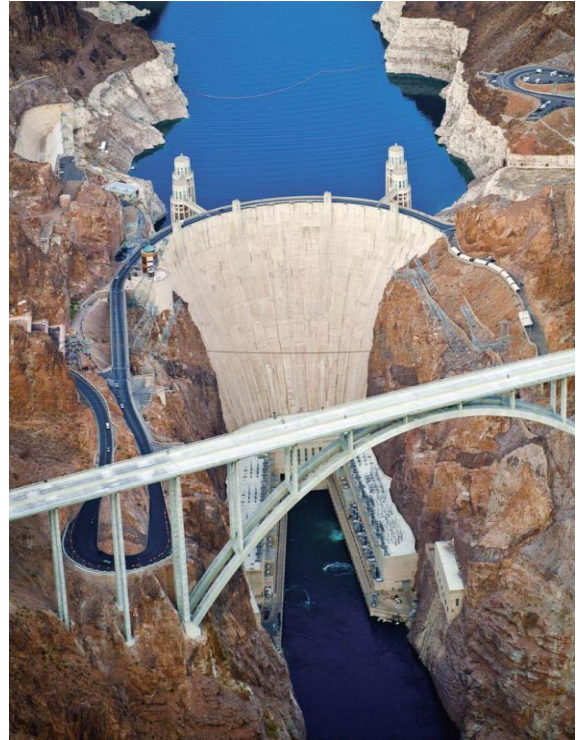
Reservoir Report

End of Month Reservoir Report

Monthly Update as of:

5/31/2024

<u>Reservoir</u>	<u>Current Storage</u>	<u>Percent of Capacity</u>
<i>Colorado River Basin</i>		
Lake Powell	8,419,721	35%
Lake Mead	8,978,540	35%
<i>DWR</i>		
Lake Oroville	3,531,575	99%
Shasta Lake	4,297,854	94%
San Luis Total	1,210,502	60%
San Luis CDWR	427,708	40%
Castaic Lake	302,336	93%
Silverwood Lake	71,720	96%
Lake Perris	100,886	77%
<i>MWD</i>		
DVL	731,741	90%
Lake Mathews	130,973	72%
Lake Skinner	35,847	81%



Hoover Dam



Metropolitan's Mission is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

700 N. Alameda Street, Los Angeles, CA 90012
General Information (213) 217-6000
www.mwdh2o.com www.bewaterwise.com

General Manager: Adel Hagekhalil
Office of the GM (213) 217-6139
OfficeoftheGeneralManager@mwdh2o.com



Matters Impacting Metropolitan

Friends of the River, et al. v. Sites Project Authority, et al. **(Yolo County Superior Court)**

On May 31, 2024, Judge Samuel T. McAdam of the Yolo County Superior Court issued a ruling on the merits upholding the Final Environmental Impact Report for the Sites Reservoir Project and denying the plaintiffs' petition for a writ of mandate based on multiple alleged violations of the California Environmental Quality Act (CEQA). The case was filed in December 2023 by six environmental organizations, Friends of the River,

Center for Biological Diversity, California Sportfishing Protection Alliance, California Water Impact Network, Save California Salmon, and Sierra Club. It was litigated on an expedited basis under last year's SB 149 budget trailer bill, which requires that for critical infrastructure projects certified by the governor as eligible, CEQA litigation through any appeal be completed within 270 days, if feasible. If appealed, which appears likely, the appeal will proceed on an expedited basis as well, with a final judgment on appeal issuing as early as September 2024.

Other Matters

Miscellaneous

On May 1, 2024, Metropolitan issued \$35,565,000 of Tax-Exempt Flexible Rate Revolving Notes, Series 2024 A-4. The Notes were issued to defease the outstanding Subordinate Water Revenue Refunding Bonds, 2017 Series B. Legal Department staff attorneys worked with and assisted outside bond counsel with the drafting and negotiation of several contracts and closing certificates.

On May 6, 2024, Metropolitan issued \$367,005,000 of Water Revenue Refunding

Bonds, 2024 Series A (Bonds). The Bonds were issued to refund and redeem all of Metropolitan's \$271,815,000 outstanding principal amount of Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B and \$155,565,000 of Metropolitan's senior lien short-term notes evidencing draws made under its Short-Term Revolving Credit Facility. Legal Department staff attorneys worked with Finance, Engineering and Water Resources staff to prepare the official statement used to market the Bonds and assisted outside bond and disclosure counsel with the drafting and negotiation of several contracts and closing certificates.

Matters Concluded and/or Terminated

Hearing Officer Appeal Matter - Grievance

In this appeal, Local 1902 alleged that its member was entitled to backpay for missed COLA adjustments. MWD disputed the assertion and the matter proceeded through the grievance and hearing officer appeal process. Prior to the

hearing, the parties engaged in extensive negotiations and a resolution was reached where the impacted employee would receive \$4,006 in adjusted backpay, subject to applicable payroll withholding. In exchange, Local 1902 agreed to withdraw the appeal.



Matters Received

<u>Category</u>	<u>Received</u>	<u>Description</u>	
Action in which MWD is a party	1	Complaint for Damages for: (1) Breach of Contract; (2) Indebitatus Assumpsit; (3) Accounts Stated; (4) Payment on Bond; (5) Enforcement of Lien (Stop Notice), filed in Riverside County Superior Court, in the case <i>R&J Sheet Metal, Inc. v. Pyramid Building & Engineering, Inc.</i> , MWD, Case No. CVMW2403580, relating to Plaintiff R&J Sheet Metal providing labor and materials for the installation of cut and fabricated sheet-metal components for the Electrical Upgrade Phase 2 at the Mills Water Treatment Plant	
Government Code Claims	4	Claims described as follows: (1) black electrical tape flew off of MWD truck striking Claimant's vehicle; (2) business operations impacted when MWD vehicle blocked the Claimant's driveway; (3) motor vehicle accident involving an MWD vehicle; and (4) employment claim asserting retaliation, harassment, discrimination, failure to prevent harassment, discrimination and retaliation, defamation, battery, false imprisonment, negligent supervision, and intentional infliction of emotional distress	
Requests Pursuant to the Public Records Act	12	<u>Requestor</u>	<u>Documents Requested</u>
		Brayton Purcell, LLP	Insurance coverage information for the contractors, including F. E Young Construction and Scott Co., who constructed the Diemer Filtration Plant that was completed in 1964
		Capitol City Research	All expenses incurred by Director Juan Garza since he became a member of the MWD Board
		Evergreen Solutions	Current list of job titles and compensation range for each job title
		Langan	As-built drawings for any MWD pipelines along West Cienega Avenue in the city of San Dimas
		Mazel Equities National Associates	List of unclaimed or outstanding checks and unclaimed bonds
		PCL Construction	Proposals submitted in response to Request for Qualifications for Progressive Design-Build Services for Sepulveda Feeder Pump Stations Project
		Private Citizen	Salary schedules effective as of June 2018, June 2019, June 2020, June 2021, and June 2022
		Pro Engineering Consulting,	Information on water pressure at a property in the city of Brea

Date of Report: June 5, 2024



<u>Requestor</u>	<u>Documents Requested</u>
Sierra Club	Population forecasts used for the 2020 IRP Regional Needs Assessment
SmartProcure	Purchase order data including purchase order number, purchase order date, line item details, line item quantity, line item price, vendor information from 02/09/2024 to current
Stetson Engineers (2 requests)	(1) Watershed Sanitary Surveys for the Colorado River Watershed and State Water Project; and (2) 2002 Source Water Assessment



PLEASE NOTE

- ADDITIONS ONLY IN THE FOLLOWING TWO TABLES WILL BE SHOWN IN RED.
- ANY CHANGE TO THE *OUTSIDE COUNSEL AGREEMENTS* TABLE WILL BE SHOWN IN REDLINE FORM (I.E., ADDITIONS, REVISIONS, DELETIONS).



Bay-Delta and SWP Litigation	
Subject	Status
Delta Conveyance Project CEQA Cases <i>City of Stockton v. California Department of Water Resources</i> <i>County of Butte v. California Department of Water Resources</i> <i>County of Sacramento v. California Department of Water Resources</i> <i>County of San Joaquin et al. v. California Department of Water Resources</i> <i>Sacramento Area Sewer District v. California Department of Water Resources</i> <i>San Francisco Baykeeper, et al. v. California Department of Water Resources</i> <i>Sierra Club, et al. v. California Department of Water Resources</i> <i>South Delta Water Agency and Rudy Mussi Investment L.P. v. California Department of Water Resources</i> <i>Tulare Lake Basin Water Storage District v. California Department of Water Resources</i> Sacramento County Superior Ct. (Judge Acquisto)	<ul style="list-style-type: none"> DWR is the only named respondent/defendant All alleged CEQA violations Most allege violations of the Delta Reform Act, Public Trust Doctrine and Delta and Watershed Protection Acts Two allege violations of the fully protected bird statute One alleges violations of Proposition 9 (1982) and the Central Valley Project Act Second case management conference and hearing on motion for preliminary injunction re geotechnical work held set for May 31, 2024 Deadline for DWR to prepare the administrative record extended to June 14 <u>Sept. 30</u>, 2024 <u>Next case management conference Oct. 18, 2024</u> <u>Ruling on motions for preliminary injunction re geotechnical work TBD</u>
Delta Conveyance Project Water Right Permit Litigation <i>Central Delta Water Agency et al. v. State Water Resources Control Board</i> Fresno County Superior Court (Judge TBD <u>Whalen</u>)	<ul style="list-style-type: none"> <u>Complaint filed April 16, 2024, alleges that the State Water Board must rule on DWR's 2009 petition to extend the time to perfect its State Water Project rights before the State Water Board may begin to adjudicate DWR's petition to change its water rights to add new points of diversion for the Delta Conveyance Project</u> <u>July 17, 2024 hearing date for State Water Resources Control Board demurrer (motion to dismiss)</u>



Subject	Status
<p>Consolidated DCP Revenue Bond Validation Action and CEQA Case</p> <p><i>Sierra Club, et al. v. California Department of Water Resources</i> (CEQA, designated as lead case)</p> <p><i>DWR v. All Persons Interested</i> (Validation)</p> <p>Sacramento County Superior Ct. (Judge Kenneth C. Mennemeier)</p> <p>3d District Court of Appeal Case No. C100552</p>	<ul style="list-style-type: none"> • Validation Action • Final Judgment and Final Statement of Decision issued January 16, 2024 ruling the bonds are not valid • DWR, Metropolitan and other supporting public water agencies filed Notices of Appeal on or before the February 16, 2024 deadline • Eight opposing groups filed Notices of Cross Appeals by March 27, 2024 • April 16, 2024 DWR moved to dismiss the cross appeals as untimely • Motion to dismiss cross appeals denied without prejudice to renewing the motion in merits briefing May 1, 2024 deadline to file oppositions to motion to dismiss cross appeals • <u>Parties meeting and conferring on briefing schedule</u>
<p>SWP-CVP 2019 BiOp Cases</p> <p><i>Pacific Coast Fed'n of Fishermen's Ass'ns, et al. v. Raimondo, et al.</i> (PCFFA)</p> <p><i>Calif. Natural Resources Agency, et al. v. Raimondo, et al.</i> (CNRA)</p> <p>Federal District Court, Eastern Dist. of California, Fresno Division (Judge Thurston)</p>	<ul style="list-style-type: none"> • SWC intervened in both <i>PCFFA</i> and <i>CNRA</i> cases • Federal defendants reinitiated consultation on Oct 1, 2021 • March 28, 2024 order extending the Interim Operations Plan and the stay of the cases through the issuance of a new Record of Decision or December 20, 2024, whichever is first
<p>CESA Incidental Take Permit Cases</p> <p>Coordinated Case Name <i>CDWR Water Operations Cases</i>, JCCP 5117 (Coordination Trial Judge Gevercer)</p> <p><i>Metropolitan & Mojave Water Agency v. Calif. Dept. of Fish & Wildlife, et al.</i> (CESA/CEQA/Breach of Contract)</p> <p><i>State Water Contractors & Kern County Water Agency v. Calif. Dept. of Fish & Wildlife, et al.</i> (CESA/CEQA)</p> <p><i>Tehama-Colusa Canal Auth., et al. v. Calif. Dept. of Water Resources</i> (CEQA)</p>	<ul style="list-style-type: none"> • Administrative records certified in October 2023 • Parties are conferring on <u>stipulation to delay setting a merits briefing schedule by 90 days and extending the time to bring the action to trial by six months</u>



Subject	Status
<p><i>San Bernardino Valley Municipal Water Dist. v. Calif. Dept. of Water Resources, et al.</i> (CEQA/CESA/ Breach of Contract/Takings)</p> <p><i>Sierra Club, et al. v. Calif. Dept. of Water Resources</i> (CEQA/Delta Reform Act/Public Trust)</p> <p><i>North Coast Rivers Alliance, et al. v. Calif. Dept. of Water Resources</i> (CEQA/Delta Reform Act/Public Trust)</p> <p><i>Central Delta Water Agency, et. al. v. Calif. Dept. of Water Resources</i> (CEQA/Delta Reform Act/Public Trust/ Delta Protection Acts/Area of Origin)</p> <p><i>San Francisco Baykeeper, et al. v. Calif. Dept. of Water Resources, et al.</i> (CEQA/CESA)</p>	
<p>CDWR Environmental Impact Cases Sacramento Superior Ct. Case No. JCCP 4942, 3d DCA Case No. C100302 (20 Coordinated Cases)</p> <p>Validation Action <i>DWR v. All Persons Interested</i></p> <p>CEQA 17 cases</p> <p>CESA/Incidental Take Permit 2 cases</p> <p>(Judge Arguelles)</p>	<ul style="list-style-type: none"> • Cases dismissed after DWR rescinded project approval, bond resolutions, decertified the EIR, and CDFW rescinded the CESA incidental take permit • January 10, 2020 – Nine motions for attorneys’ fees and costs denied in their entirety • May 11, 2022, court of appeal reversed the trial court’s denial of attorney fees and costs • Coordinated cases remitted to trial court for re-hearing of fee motions consistent with the court of appeal’s opinion • Dec. 26, 2023 order denying fee motions • Six notices of appeal filed
<p>COA Addendum/ No-Harm Agreement</p> <p><i>North Coast Rivers Alliance v. DWR</i> Sacramento County Superior Ct. (Judge Rockwell)</p>	<ul style="list-style-type: none"> • Plaintiffs allege violations of CEQA, Delta Reform Act & public trust doctrine • Westlands Water District and North Delta Water Agency granted leave to intervene • Metropolitan & SWC monitoring • Deadline to prepare administrative record last extended to Nov. 18, 2022
<p>Water Management Tools Contract Amendment</p> <p><i>California Water Impact Network et al. v. DWR</i> Sacramento County Superior Ct. (Judge Aquisto)</p>	<ul style="list-style-type: none"> • Filed September 28, 2020 • CWIN and Aqualliance allege one cause of action for violation of CEQA • NCRA et al. allege four causes of action for violations of CEQA, the Delta Reform Act,



Subject	Status
<i>North Coast Rivers Alliance, et al. v. DWR</i> Sacramento County Super. Ct. (Judge Aquisto)	Public Trust Doctrine and seeking declaratory relief <ul style="list-style-type: none">• SWC motion to intervene in both cases granted• Dec. 20, 2022 DWR filed notice of certification of the administrative record and filed answers in both cases



<i>San Diego County Water Authority v. Metropolitan, et al.</i>		
Cases	Date	Status
2014, 2016	Sept. 30	Based on the Court of Appeal's Sept. 21 opinion (described above), and the Board's Sept. 28 authorization, Metropolitan paid \$35,871,153.70 to SDCWA for 2015-2017 Water Stewardship Rate charges under the Exchange Agreement and statutory interest.
2017	July 23, 2020	Dismissal without prejudice entered.
2018	April 11, 2022	Court entered order of voluntary dismissal of parties' WaterFix claims and cross-claims.
2014, 2016, 2018	June 11, 2021	Deposition of non-party witness.
	Aug. 25	Hearing on Metropolitan's motion for further protective order regarding deposition of non-party witness.
	Aug. 25	Court issued order consolidating the 2014, 2016, and 2018 cases for all purposes, including trial.
	Aug. 30	Court issued order granting Metropolitan's motion for a further protective order regarding deposition of non-party witness.
	Aug. 31	SDCWA filed consolidated answer to Metropolitan's cross-complaints in the 2014, 2016, and 2018 cases.
	Feb. 22	Metropolitan and SDCWA each filed motions for summary adjudication.
	April 13	Hearing on Metropolitan's and SDCWA's motions for summary adjudication.
	May 4	Court issued order granting Metropolitan's motion for summary adjudication on cross-claim for declaratory relief that the conveyance facility owner, Metropolitan, determines fair compensation, including any offsetting benefits; and denying its motion on certain other cross-claims and an affirmative defense.
	May 11	Court issued order granting SDCWA's motion for summary adjudication on cross-claim for declaratory relief in the 2018 case regarding lawfulness of the Water Stewardship Rate's inclusion in the wheeling rate and transportation rates in 2019-2020; certain cross-claims and affirmative defenses on the ground that Metropolitan has a duty to charge no more than fair compensation, which includes reasonable credit for any offsetting benefits, with the court also stating that whether that duty arose and whether Metropolitan breached that duty are issues to be resolved at trial; affirmative defenses that SDCWA's claims are untimely and SDCWA has not satisfied claims presentation requirements; affirmative defense in the 2018 case that SDCWA has not satisfied contract dispute resolution requirements; claim, cross-claims, and affirmative defenses regarding applicability of



Cases	Date	Status
2014, 2016, 2018 (cont.)		Proposition 26, finding that Proposition 26 applies to Metropolitan's rates and charges, with the court also stating that whether Metropolitan violated Proposition 26 is a separate issue; and cross-claims and affirmative defenses regarding applicability of Government Code section 54999.7, finding that section 54999.7 applies to Metropolitan's rates. Court denied SDCWA's motion on certain other cross-claims and affirmative defenses.
	May 16-27	Trial occurred but did not conclude.
	June 3, June 24, July 1	Trial continued, concluding on July 1.
	June 24	SDCWA filed motion for partial judgment.
	July 15	Metropolitan filed opposition to motion for partial judgment.
	Aug. 19	Post-trial briefs filed.
	Sept. 14	Court issued order granting in part and denying in part SDCWA's motion for partial judgment (granting motion as to Metropolitan's dispute resolution, waiver, and consent defenses; denying motion as to Metropolitan's reformation cross-claims and mistake of fact and law defenses; and deferring ruling on Metropolitan's cost causation cross-claim).
	Sept. 21	Metropolitan filed response to order granting in part and denying in part SDCWA's motion for partial judgment (requesting deletion of Background section portion relying on pleading allegations).
	Sept. 22	SDCWA filed objection to Metropolitan's response to order granting in part and denying in part SDCWA's motion for partial judgment.
	Sept. 27	Post-trial closing arguments.
	Oct. 20	Court issued order that it will rule on SDCWA's motion for partial judgment as to Metropolitan's cost causation cross-claim simultaneously with the trial statement of decision.
	Dec. 16	Parties filed proposed trial statements of decision.
	Dec. 21	SDCWA filed the parties' stipulation and proposed order for judgment on Water Stewardship Rate claims for 2015-2020.
	Dec. 27	Court entered order for judgment on Water Stewardship Rate claims for 2015-2020 as proposed by the parties.
	March 14, 2023	Court issued tentative statement of decision (tentatively ruling in Metropolitan's favor on all claims litigated at trial, except for those ruled to be moot based on the rulings in Metropolitan's favor)



Cases	Date	Status
	March 14	Court issued amended order granting in part and denying in part SDCWA's motion for partial judgment (ruling that Metropolitan's claims for declaratory relief regarding cost causation are not subject to court review).
	March 29	SDCWA filed objections to tentative statement of decision
	April 3	Metropolitan filed response to amended order granting in part and denying in part SDCWA's motion for partial judgment (requesting deletion of Background section portion relying on pleading allegations).
	April 25	Court issued statement of decision (ruling in Metropolitan's favor on all claims litigated at trial, except for those ruled to be moot based on the rulings in Metropolitan's favor)
	Jan. 10, 2024	Parties filed joint status report and stipulated proposal on form of judgment
	Jan. 17	Court issued order approving stipulated proposal on form of judgment (setting briefing and hearing)
	April 3	Court entered final judgment
	April 3	Court issued writ of mandate regarding demand management costs
	April 3	SDCWA filed notice of appeal
	April 17	Metropolitan filed notice of cross-appeal
	May 3	Participating member agencies filed notice of appeal
	July 18	Hearing on prevailing party
All Cases	April 15, 2021	Case Management Conference on 2010-2018 cases. Court set trial in 2014, 2016, and 2018 cases on May 16-27, 2022.
	April 27	SDCWA served notice of deposition of non-party witness.
	May 13-14	Metropolitan filed motions to quash and for protective order regarding deposition of non-party witness.
	June 4	Ruling on motions to quash and for protective order.



Outside Counsel Agreements				
Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Albright, Yee & Schmit, APC	Employment Matter	211923	05/23	\$60,000
Andrade Gonzalez LLP	MWD v. DWR, CDFW and CDNR Incidental Take Permit (ITP) CESA/CEQA/Contract Litigation	185894	07/20	\$250,000
Aleshire & Wynder	Oil, Mineral and Gas Leasing	174613	08/18	\$50,000
Atkinson Andelson Loya Ruud & Romo	Employee Relations	59302	04/04	\$1,316,937
	Delta Conveyance Project Bond Validation-CEQA Litigation	185899	09/21	\$250,000
	MWD Drone and Airspace Issues	193452	08/20	\$50,000
	AFSCME Local 1902 in Grievance No. 1906G020 (CSU Meal Period)	201883	07/12/21	\$30,000
	AFSCME Local 1902 v. MWD, PERB Case No. LA-CE-1438-M	201889	09/15/21	\$20,000
	MWD MOU Negotiations**	201893	10/05/21	\$100,000
BDG Law Group, APLC	Gutierrez v. MWD	216054	03/24	\$100,000
Best, Best & Krieger	Bay-Delta Conservation Plan/Delta Conveyance Project (with SWCs)	170697	08/17	\$500,000
	Environmental Compliance Issues	185888	05/20	\$100,000
	Grant Compliance Issues	211921	05/23	\$75,000
	Pure Water Southern California	207966	11/22	\$100,000
	Progressive Design Build	216053	04/24	\$250,000
Blooston, Mordkofsky, Dickens, Duffy & Prendergast, LLP	FCC and Communications Matters	110227	11/10	\$100,000
Buchalter, a Professional Corp.	Union Pacific Industry Track Agreement	193464	12/07/20	\$50,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Burke, Williams & Sorensen, LLP	Real Property – General	180192	01/19	\$100,000
	Labor and Employment Matters	180207	04/19	\$75,000
	General Real Estate Matters	180209	08/19	\$200,000
	Rancho Cucamonga Condemnation Actions (Grade Separation Project)	207970	05/22	\$100,000
Law Office of Alexis S.M. Chiu*	Bond Counsel	200468	07/21	N/A
<u>Castañeda + Heidelman LLP</u>	<u>Employment Matter</u>	<u>216055</u>	<u>04/24</u>	<u>\$100,000</u>
Cislo & Thomas LLP	Intellectual Property	170703	08/17	\$100,000
Curls Bartling P.C.*	Bond Counsel	200470	07/21	N/A
Duane Morris LLP	SWRCB Curtailment Process	138005	09/14	\$615,422
Duncan, Weinberg, Genzer & Pembroke	Power Issues	6255	09/95	\$3,175,000
Ellison, Schneider, Harris & Donlan	Colorado River Issues	69374	09/05	\$175,000
	Issues re SWRCB	84457	06/07	\$200,000
Erin Joyce Law, PC	Employment Matter	216039	11/23	\$100,000
Greines, Martin, Stein & Richland LLP	SDCWA v. MWD	207958	10/22	\$100,000
	Colorado River Matters	207965	11/22	\$100,000
Haden Law Office	Real Property Matters re Agricultural Land	180194	01/19	\$50,000
Hanna, Brophy, MacLean, McAleer & Jensen, LLP	Workers' Compensation	211926	06/23	\$200,000
Hanson Bridgett LLP	SDCWA v. MWD	124103	03/12	\$1,100,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
	Finance Advice	158024	12/16	\$100,000
	Deferred Compensation/HR	170706	10/17	\$500,000
	Tax Issues	180200	04/19	\$50,000
	Alternative Project Delivery (ADP)	207961	10/22	\$250,000
	Ad Valorem Property Taxes	216042	11/23	\$100,000
<u>Hausman & Sosa, LLP</u>	<u>Jones v. MWD</u>	<u>216056</u>	<u>05/24</u>	<u>\$100,000</u>
Hawkins Delafield & Wood LLP*	Bond Counsel	193469	07/21	N/A
Hemming Morse, LLP	Baker Electric v. MWD	211933	08/23	\$100,000
Horvitz & Levy	SDCWA v. MWD	124100	02/12	\$1,250,000
	General Appellate Advice	146616	12/15	\$200,000
	Colorado River	203464	04/22	\$100,000
	Delta Conveyance Bond Validation Appeal	216047	03/24	\$25,000
	PFAS Multi-District Litigation – Appeal	216050	03/24	\$200,000
Innovative Legal Services, P.C.	Employment Matter	211915	01/19/23	\$125,000
Internet Law Center	Cybersecurity and Privacy Advice and Representation	200478	04/13/21	\$100,000
	Systems Integrated, LLC v. MWD	201875	05/17/21	\$100,000
Amira Jackmon, Attorney at Law*	Bond Counsel	200464	07/21	N/A
Jackson Lewis P.C.	Employment: Department of Labor Office of Contract Compliance	137992	02/14	\$45,000
Jones Hall, A Professional Law Corp*	Bond Counsel	200465	07/21	N/A
Kronenberger Rosenfeld, LLP	Systems Integrated, LLC v. MWD	211920	04/23	\$250,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Kutak Rock LLP	Delta Islands Land Management	207959	10/22	\$10,000
Liebert Cassidy Whitmore	Labor and Employment	158032	02/17	\$240,821 \$229,724
	FLSA Audit	180199	02/19	\$50,000
	EEO Advice	216041	12/23	\$100,000
Lieff Cabraser Heimann & Bernstein, LLP	PFAS Multi-District Litigation	216048	03/24	\$100,000
Manatt, Phelps & Phillips	SDCWA v. MWD rate litigation	146627	06/16	\$4,400,000
	Raftelis-Subcontractor of Manatt, Agr. #146627: Per 5/2/22 Engagement Letter between Manatt and Raftelis, MWD paid Raftelis Financial Consultants, Inc.	Invoice No. 23949		\$56,376.64 for expert services & reimbursable expenses in SDCWA v. MWD
Marten Law LLP	PFAS Multi-District Litigation	216034	09/23	\$550,000 \$400,000
Meyers Nave Riback Silver & Wilson	Pure Water Southern California	207967	11/22	\$100,000
	PFAS Compliance Issues	207968	11/14/22	\$100,000
Miller Barondess, LLP	SDCWA v. MWD	138006	12/14	\$600,000
Morgan, Lewis & Bockius	SDCWA v. MWD	110226	07/10	\$8,750,000
	Project Labor Agreements	200476	04/21	\$100,000
Musick, Peeler & Garrett LLP	Colorado River Aqueduct Electric Cables Repair/Contractor Claims	193461	11/20	\$2,500,000
	Arvin-Edison v. Dow Chemical	203452	01/22	\$100,000
	Semitropic TCP Litigation	207954	09/22	\$75,000
Nixon Peabody LLP*	Bond Counsel [re-opened]	193473	07/21	\$100,000
	Special Finance Project	207960	10/22	\$50,000
Norton Rose Fulbright US LLP*	Bond Counsel	200466	07/21	N/A



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Olson Remcho LLP	Government Law	131968	07/14	\$400,000
	Executive Committee/Ad Hoc Committees Advice	207947	08/22	\$60,000
	Public Records Act	207950	08/22	-\$54,000
	Advice/Assistance re Proposition 26/Election Issues	211922	05/23	\$100,000
Pearlman, Brown & Wax, L.L.P.	Workers' Compensation	216037	10/23	\$100,000
Procopio, Cory, Hargreaves & Savitch, LLP	CityWatch Los Angeles Public Records Act Request	216046	02/24	\$75,000
Rains Lucia Stern St. Phalle & Silver, PC	Employment Matter	211919	4/23	\$60,000
Renne Public Law Group, LLP	ACE v. MWD (PERB Case No. LA-CE-1574-M)	203466	05/22	\$100,000
	ACE v. MWD (PERB Case No. LA-CE-1611-M)	207962	10/22	\$50,000
	Employee Relations and Personnel Matters	216045	01/24	\$50,000
Ryan & Associates	Leasing Issues	43714	06/01	\$200,000
	Oswalt v. MWD	211925	05/23	\$100,000
Seyfarth Shaw LLP	Claim (Contract #201897)	201897	11/04/21	\$350,000
	Claim (Contract #203436)	203436	11/15/21	\$350,000
	Claim (Contract #203454)	203454	01/22	\$210,000
	Reese v. MWD	207952	11/22	\$750,000
	General Labor/Employment Advice	211917	3/23	\$100,000
	Civil Rights Department Complaint	211931	07/23	\$100,000
	Crawford v. MWD	216035	09/23	\$100,000
	Tiegs v. MWD	216043	12/23	\$250,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
	Zarate v. MWD	216044	01/24	\$250,000
Sheppard Mullin Richter & Hampton	Rivers v. MWD	207946	07/22	-\$250,000
	Lorentzen v. MWD	216036	09/23	\$100,000
Stradling Yocca Carlson & Rauth*	Bond Counsel	200471	07/21	N/A
Theodora Oringher PC	Construction Contracts - General Conditions Update	185896	07/20	\$100,000
Thompson Coburn LLP	NERC Energy Reliability Standards	193451	08/20	\$300,000
Van Ness Feldman, LLP	General Litigation	170704	07/18	\$50,000
	Colorado River MSHCP	180191	01/19	\$50,000
	Bay-Delta and State Water Project Environmental Compliance	193457	10/15/20	\$50,000
	Colorado River Issues	211924	05/23	\$100,000

*Expenditures paid by Bond Proceeds/Finance

**Expenditures paid by another group



Office of the General Auditor

• General Auditor's Report for May 2024

Summary

This report highlights significant activities of the Office of the General Auditor for the month ended May 31, 2024.

Purpose

Informational

Attachments

1. Final report on Contract Audit: Kennedy/Jenks Consultants, Inc., Agreement No. 184581
2. Final report on Compliance Audit: Fuel Regulations

Detailed Report

Audit & Advisory Projects

Twenty-seven projects are in progress:

- Twelve audit projects are in the report preparation phase, including:
 - One draft report pending management response (IBI Group)
 - One preliminary draft report pending management comment (Surplus Personal Property)
- Eleven projects are in the execution phase, including five audits and six advisories.
- Four audit projects are in the planning phase.

Work priority is being given to carry-forward audits.

Final Reports

1. **Contract Audit: Kennedy/Jenks Consultants, Inc., No. 184581** (project number 22-2102-02) issued May 31, 2024
 - Audit scope included reviewing internal controls over the administration and accounting of the contract from November 16, 2018 to November 30, 2021.
 - One recommendation with the following rating: **Priority 2**.
2. **Compliance Audit: Fuel Regulations** (project number 22-3051) issued May 31, 2024
 - Audit scope included evaluating the administrative controls over the regulatory compliance of fuel stored in aboveground storage tanks (AST) and underground storage tanks (UST) over the period July 1, 2018 to June 30, 2021.
 - Five total recommendations with the following rating: **Priority 3**.

Board Report (General Auditor's Report for May 2024)

Advisory Memos

1. **Fixed Asset Capitalization** (no. 2301) issued May 31, 2024
 - Project accounting improvements should be implemented to ensure expenses are correctly recorded in the proper period in Metropolitan's accounting system.

Follow-Up Audits

We will follow up on nine audits from prior years. Follow-up audit forms have been received back from management for seven of the audits, and follow-up audit work is in progress for all seven.

Other General Auditor Activities

1. **FY 2024/25 General Auditor Internal Audit Plan**

Next fiscal year's internal audit plan was completed and Board feedback received at this month's Audit Subcommittee meeting. The audit plan is pending approval at the June Board of Directors meeting.
2. **External Auditor Support**

Macias Gini & O'Connell LLP has commenced planning for this fiscal year's external audit. Internal Audit is assisting with the interim testing and will provide 800 hours of support.
3. **Service Awards**

Principal Auditors Sherman Hung and Linawaty Tan received their 20-year service awards.



Office of the General Auditor

Contract Audit: Kennedy/Jenks Consultants Inc. Agreement No. 184581

Project Number: 22-2102-02
May 31, 2024

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Scope & Objectives • Exclusions • Prior Audit Coverage • Authority • Audit Team • Professional Internal Audit Standards • Follow-Up Audits • Internal Control System • Metropolitan's Responsibility for Internal Control

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Executive Summary

BACKGROUND

Metropolitan's distribution system includes over 830 miles of pipelines and 5,400 individual structures that require regular maintenance and monitoring. The system is comprised of four operating regions: Los Angeles County, Orange County, Riverside/San Diego County, and Western San Bernadino County. Metropolitan staff routinely inspect the condition of the structures and pipelines within each region to plan and prioritize needed repairs.

In November 2018, the Board authorized the rehabilitation of 15 service connection structures on three feeders within the Orange County operating region, and the preliminary investigations of approximately 290 additional structures within the same region. In December 2018, Metropolitan entered into an agreement with Kennedy/Jenks Consultants, Inc. (Kennedy/Jenks) to provide technical support for this project. The consultant was selected from a previously prequalified pool of vendors to provide this service under Request for Qualifications (RFQ) No. 1131. The agreement is effective from December 3, 2018 to December 2, 2025, with a maximum amount payable of \$2,037,000. As of the report date, the total payments to Kennedy/Jenks under this agreement total \$1,206,295. The consultant's scope of work is to respond to the contractor's request for information as the engineer on record and assist with testing and commissioning of the 15 service connection structures, conduct field surveys, and evaluate the condition of existing electrical, mechanical, and instrumentation equipment for the approximately 290 additional structures, including the review of existing drawings, identifying hazardous materials, and evaluating compliance with current codes.

WHAT WE DID

Our audit scope included reviewing the internal controls over the administration and accounting of the Kennedy/Jenks agreement (No. 184581) from the Board approval date of November 16, 2018 through November 30, 2021.

Our audit objectives were to:

- (1) Determine if the procurement of the consultant contract was properly authorized, processed, and managed.
- (2) Determine if the contract administration (including task orders and deliverables) and reporting processes adhered to Metropolitan's policies and procedures.
- (3) Determine if charges paid to the consultant were submitted timely, and were authorized, complete, and accurate.
- (4) Determine if the tasks were delivered by the consultant in a timely manner.
- (5) Determine if consultant expenditures were correctly recorded, posted, and reported in Metropolitan's accounting system.

WHAT WE CONCLUDED

- (1) The procurement of the consultant contract was properly authorized, processed, and managed.
- (2) Contract administration and reporting processes generally adhered to Metropolitan's policy and procedures; however, certain task order administration processes should be improved.
- (3) Charges paid to the consultant were submitted timely and were authorized, complete, and accurate.
- (4) Tasks were delivered by the consultant in a timely manner.
- (5) Consultant expenditures were correctly recorded, posted, and reported in Metropolitan's accounting system.

WHAT WE RECOMMEND

We recommended management ensure task orders are executed before the commencement of associated work.

Management agreed with our observation and recommendation.

NUMBER OF RECOMMENDATIONS



PRIORITY 1
Response time:
Immediate



PRIORITY 2
Response time:
Within 90 days



PRIORITY 3
Response time:
Within 180 days



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: May 31, 2024
To: Executive Committee
From: Scott Suzuki, CPA, CIA, CISA, CFE, General Auditor
Subject: Contract Audit: Kennedy/Jenks Consultants, Inc., Agreement No. 184581
(Project Number 22-2102-02)

This report presents the results of our contract audit of the Kennedy/Jenks Consultants, Inc., Agreement No. 184581.

Results, including our observations and recommendations, follow this letter. Supplemental information, including our scope and objectives, is included in Appendix A. Appendix B includes a description of our new recommendation priority rating system. Finally, management's response to our audit is now included in Appendix C.

We appreciate the cooperation and courtesies provided by the Office of the General Manager and the Engineering Services Group.

The results in this report will be summarized for inclusion in a status report to the Board. If you have any questions regarding our audit, please do not hesitate to contact me directly at 213.217.6528 or Deputy General Auditor Kathryn Andrus at 213.217.7213.

Attachment

cc: Board of Directors
General Manager
General Counsel
Ethics Officer
Office of the General Manager Distribution
Assistant General Managers
Engineering Services Group Distribution
External Auditor

RESULTS

RECOGNITION

Positive aspects observed during our audit include:

- Procurement procedures, which include solicitation, selection, and awarding of the consultant contract (agreement), were properly followed.
- The contract was properly authorized.
- Insurance certificates for the consultant were kept current and in Oracle.
- Tasks were delivered timely.
- Invoices were submitted timely by the consultant and in accordance with the contract.
- Payments were properly approved and within the approved funding limit.
- Consultant expenditures were charged to the appropriate project, subaccount, and appropriation.

RESULTS OVERVIEW

	OBSERVATION	RISK	RECOMMENDATION	MANAGEMENT AGREEMENT
PRIORITY 1				
	None			
PRIORITY 2				
1	Work commenced on certain task orders before the task order was executed.	Unauthorized, unnecessary, or incorrect work performed	Ensure task orders and amendments are timely authorized. Implement a task order review process.	Agree
PRIORITY 3				
	None			



OBSERVATIONS & RECOMMENDATIONS

1 Contractual Compliance

Work commenced on certain task orders before the task order was executed.

Compliance with contractual requirements is necessary to ensure adequate control over the administration of the agreement and to ensure only proper and necessary charges are incurred.

Two task orders were issued against this agreement. Task order #1 comprises the initial task order and three amendments, and task order #2 contains no amendments within the audit period.

Per our review of both task orders and the associated amendments:

- One of 5 (20%) task orders/amendments had work performed before the associated task order execution date, resulting in \$7,452 incurred before approval to proceed.

Priority 2

Permitting work to proceed before an authorized task order could result in unauthorized, unnecessary, or incorrect work being performed.

Recommendation 1

We recommend the Engineering Services Group:

- (1) Ensure task orders and related amendments are timely authorized.
- (2) Review the status of task orders and related amendments during project management meetings to ensure work has only commenced on fully executed task orders and related amendments.

Management Response

Agree. The Engineering Services Group concurs with the audit findings and will remind their staff to begin work only if task orders and related amendments are fully executed. We will provide this guidance during project management meetings and the review of task orders and related amendments.

Estimated implementation is May 2024.

EVALUATION OF MANAGEMENT'S RESPONSE

Internal Audit considers management's response appropriate to our recommendations, and their planned actions should resolve the condition identified in the report.



APPENDIX A: SUPPLEMENTAL INFORMATION

SCOPE & OBJECTIVES

Our audit scope included reviewing the internal controls over the administration and accounting of the Kennedy/Jenks agreement (No. 184581) from the Board approval date of November 16, 2018 through November 30, 2021.

Our audit objectives were to:

- (1) Determine if the procurement of the consultant contract was properly authorized, processed, and managed.
- (2) Determine if the contract administration (including task orders and deliverables) and reporting processes adhered to Metropolitan's policy and procedures.
- (3) Determine if charges paid to the consultant were submitted timely, and were authorized, complete, and accurate.
- (4) Determine if the tasks were delivered by the consultant in a timely manner.
- (5) Determine if consultant expenditures were correctly recorded, posted, and reported in Metropolitan's accounting system.

EXCLUSIONS

Our audit scope did not include reviewing other costs charged to the project, including internal costs incurred in the administration of the agreement.

PRIOR AUDIT COVERAGE

We have completed two audit reports with a similar scope during the past five years:

- (1) Consulting Agreements – IBI Group (139755), Cooper & Associates (161856), Atkins North America, Inc. (161820), Project Number 19-2100 issued on February 8, 2019.
- (2) Consulting Agreements – Project Partners (177915), Carollo Engineers (180287), HDR Engineering (178378), Project Number 20-2102 issued on August 31, 2020.

AUTHORITY

We performed this audit in accordance with the FY 2021/22 Audit Plan presented to the former Audit & Ethics Committee and our FY 2023/24 Audit Plan approved by the Board.

AUDIT TEAM

Kathryn Andrus, CPA, Deputy General Auditor
Chris Gutierrez, CPA, CIA, Audit Program Manager
Neena Mehta, Senior Deputy Auditor



PROFESSIONAL INTERNAL AUDIT STANDARDS

Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

FOLLOW-UP AUDITS

The Office of the General Auditor has implemented a new follow-up process to ensure management has effectively implemented corrective action related to our recommendations. Management is required to report recommendation implementation status to our office within six months following the issuance of this report and a first follow-up audit will occur shortly thereafter. All audit recommendations are expected to be implemented within a year of this report and if necessary, a second follow-up audit will occur approximately six months after issuance of the first follow-up audit report. Any audit recommendations not implemented after the second follow-up audit will be shared with the Board/Audit Subcommittee of the Executive Committee at its next scheduled meeting.

INTERNAL CONTROL SYSTEM

An internal control system is a continuously operating and integrated component of Metropolitan's operations. Internal controls are implemented by Metropolitan management and seek to provide reasonable (not absolute) assurance that the district's business objectives will be achieved. However, limitations are inherent in any internal control system no matter how well designed, implemented, or operated. Because of these limitations, errors or irregularities may occur and may not be detected. Specific examples of limitations include but are not limited to, poor judgment, carelessness, management override, or collusion. Accordingly, our audit would not necessarily identify all internal control weaknesses or resultant conditions affecting operations, reporting, or compliance. Additionally, our audit covers a point in time and may not be representative of a future period due to changes within Metropolitan and/or external changes impacting the district.

METROPOLITAN'S RESPONSIBILITY FOR INTERNAL CONTROL

It is important to note that Metropolitan management is responsible for designing, implementing, and operating a system of internal control. The objectives of internal controls are to provide reasonable assurance as to the reliability and integrity of information; compliance with policies, plans, procedures, laws, and regulations; the safeguarding of assets; the economic and efficient use of resources; and the accomplishment of established goals and objectives. In fulfilling this responsibility, management judgment is required to assess the expected benefits and related costs of internal control policy and procedures and to assess whether those policies and procedures can be expected to achieve Metropolitan's operational, reporting, and compliance objectives.



APPENDIX B: PRIORITY RATING DEFINITIONS

The Office of the General Auditor utilizes a priority rating system to provide management a measure of urgency in addressing the identified conditions and associated risks. We assess the significance of each observation identified during the audit using professional judgment and assign priority ratings to each recommendation using the criteria listed below. Factors taken into consideration in assessing the priority include the likelihood of a negative impact if not addressed, the significance of the potential impact, and how quickly a negative impact could occur.

PRIORITY			
Definition	Observation is <i>serious</i> enough to warrant <i>immediate</i> corrective action. The condition may represent a <i>serious</i> financial, operational, or compliance risk. A priority 1 recommendation may result from a <i>key</i> control(s) being absent, not adequately designed, or not operating effectively.	Observation is of a <i>significant</i> nature and warrants <i>prompt</i> corrective action. It may represent a moderate <i>financial</i> , operational, or compliance risk. A priority 2 recommendation may result from a <i>process</i> or less critical <i>control(s)</i> not being adequate in design and/or not operating effectively on a consistent basis.	Observation involves an internal control issue or compliance lapse that can be corrected in the <i>timely</i> course of <i>normal</i> business. A priority 3 recommendation may result from a <i>process</i> or control that <i>requires</i> enhancement to better support Metropolitan's objectives and manage risk.
Response Time	Immediate	Within 90 Days of report issuance	Within 180 Days of report issuance



APPENDIX C: MANAGEMENT'S RESPONSE



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: May 9, 2024

To: Scott Suzuki, General Auditor

From: Adel Hagekhalil, General Manager

cc: John Bednarski, Group Manager, Engineering Services
Deven Upadhyay, Executive Officer and AGM

Subject: Management Response to Audit Number 22-2102-02

Please find below the management response to the Kennedy Jenks contract audit. I am confident that the recommendations will be effectively implemented and look forward to working with you to ensure they are. This Management Response was prepared by the subject area lead(s) under the coordination of John Bednarski, manager of the Engineering Services Group. Please do not hesitate to contact me or my chief of staff Mohsen Mortada if you would like to discuss our response or any other matters.

Thank you for your partnership in strengthening Metropolitan's systems, controls and capacity.



Contract Audit: Kennedy/Jenks Consultants, Inc., Agreement No. 184581
Project Number 22-2102-02
Management Response

OBSERVATION 1		Contractual Compliance
		Work commenced on certain task orders before the task order was executed.
RECOMMENDATION 1		We recommend Engineering Services Group: (1) Ensure task orders and related amendments are timely authorized. (2) Review the status of task orders and related amendments during project management meetings to ensure work has only commenced on fully executed task orders and related amendments.
PRIORITY 2		
X	MANAGEMENT ACTION PLAN	The Engineering Services Group concurs with the audit findings and will remind staff to begin work only if task orders and related amendments are fully executed. We will provide this guidance during project management meetings and the review of task orders and related amendments.
	ESTIMATED IMPLEMENTATION	May 2024
	PARTIALLY AGREE	EXPLANATION
	DO NOT AGREE	

FORM

MANAGEMENT RESPONSE FORM

PAGE

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NOVEMBER 2023 (Rev. N/A)





Office of the General Auditor _

Compliance Audit: Fuel Regulations

Project Number: 22-3051
May 31, 2024



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Executive Summary

BACKGROUND

Metropolitan utilizes both aboveground and underground storage tanks to store fuel. Safety, Regulatory & Training (SRT), a section of Safety, Security, and Protection, manages Metropolitan's 42 aboveground storage tanks (AST) and 41 underground storage tanks (UST) across 19 facilities, ensuring compliance with regulatory agencies, such as the Certified Unified Program Agencies (CUPA), South Coast Air Quality Management District (SCAQMD), the California Air Resources Board, and the State Water Resources Control Board. SRT uses the Environmental Management System (Enviance), a cloud-based application, to track certifications, citations, inspections, and permits to assist with regulatory compliance. SRT collaborates with Fleet Services to provide training and sustain compliance with the regulations, and SRT has published and maintains the Health, Safety, and Environmental Manual. See Appendix A – Additional Information for the specific regulations.

WHAT WE DID

Our audit scope included evaluating the administrative controls over the regulatory compliance of fuel stored in aboveground storage tanks (AST) and underground storage tanks (UST) covering the period July 1, 2018 to June 30, 2021. Our work was limited to the documentation associated with periodic inspections, testing, and training records to ensure compliance with:

- Health Safety Environmental Manual Sections:
 - 204.109 (Non-Retail Gasoline Transfer and Dispensing Procedure)
 - 207 (Underground Storage Tank (UST) Program and Responsibilities)
 - 207.101 (UST Alarm Response and Release Reporting)
 - 207.102 (Tank Inspections and Recordkeeping)
- Title 40 Code of Federal Regulations (CFR) Part 112 (Oil Pollution Prevention).

Our audit objectives were to:

- (1) Ensure compliance with applicable government regulations.
- (2) Ensure compliance with internal policies.
- (3) Ensure required reporting was timely, accurate, and complete.
- (4) Ensure regulatory, inspection, and testing invoices were accurately paid and substantiated.

WHAT WE CONCLUDED

- (1) Compliance with certain governmental regulations should be improved.
- (2) Internal policies were complied with.
- (3) Required reporting was timely, accurate, and complete; however, the updating, approval, and certification process of the pumping plants' Spill Prevention Control and Countermeasure (SPCC) Plans needs improvement.
- (4) Regulatory and inspection testing invoices were accurately paid and substantiated.

WHAT WE RECOMMEND

We recommended SRT management: (1) conduct periodic UST documentation reviews; (2) establish processes to ensure UST training is provided and completed within required time frames and implement a training monitoring program; (3) finish updating, publishing, and certifying outstanding SPCC Plans and establish monitoring procedures to ensure regulatory compliance moving forward; (4) ensure UST Permits and Leak and Prevention Plans are posted as required; and (5) evaluate aligning Metropolitan's UST Alarm Logbook record retention requirements with governmental compliance requirements.

Management agreed with our observations and recommendations.

NUMBER OF RECOMMENDATIONS



PRIORITY 1
Response time:
Immediate



PRIORITY 2
Response time:
Within 90 days



PRIORITY 3
Response time:
Within 180 days



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: May 31, 2024
To: Executive Committee
From: Scott Suzuki, CPA, CIA, CISA, CFE, General Auditor
Subject: Compliance Audit: Fuel Regulations
(Project Number 22-3051)

This report presents the results of our audit of Fuel Regulations Compliance.

Results, including our observations and recommendations, follow this letter. Supplemental information, including our scope and objectives, is included in Appendix A. Appendix B includes a description of our new recommendation priority rating system. Finally, management's response to our audit is now included in Appendix C.

We appreciate the cooperation and courtesies provided by the Safety, Regulatory & Training, and Fleet Management sections.

The results in this report will be summarized for inclusion in a status report to the Board. If you have any questions regarding our audit, please do not hesitate to contact me directly at 213.217.6528 or Deputy General Auditor Kathryn Andrus at 213.217.7213.

Attachment

cc: Board of Directors
General Manager
General Counsel
Ethics Officer
Office of the General Manager Distribution
Assistant General Managers
Safety, Regulatory & Training Section Distribution
External Auditor

RESULTS

RECOGNITION

Positive aspects observed during our audit include:

- No major violations/citations issued by regulatory agencies.
- No fines/penalties imposed by regulatory agencies.
- Underground Storage Tank (UST) testing and certifications performed as required.
- Permits obtained and maintained as required.
- Invoices substantiated and paid accurately.

RESULTS OVERVIEW

	OBSERVATION	RISK	RECOMMENDATION	MANAGEMENT AGREEMENT
PRIORITY 1				
	None	None		
PRIORITY 2				
	None	None		
PRIORITY 3				
1	Required UST documentation was not consistently maintained as required.	Civil penalties Liability exposure	Conduct periodic UST documentation reviews. Develop a UST alarm logbook solution.	Agree
2	UST Training scheduling, attendance, and record management did not consistently occur as required.	Civil penalties Insufficient qualified personnel available to respond to a leak Liability exposure	Ensure training occurs timely and can be evidenced. Implement a training monitoring program.	Agree
3	Certain pumping plant SPCC Plans were not updated, approved, and certified as required.	Civil penalties Liability exposure	Finish SPCC Plans. Establish monitoring procedures.	Agree
4	Certain site UST Permit and Leak Response Plans were not posted as required.	Civil penalties. Delayed response to an emergency	Ensure permits and plans are posted as required.	Agree
5	Metropolitan's record retention policy for UST Alarm Logbooks exceeds governmental compliance requirements.	Inefficient use of Metropolitan resources	Align internal UST Alarm Logbook record retention requirements.	Agree



OBSERVATIONS & RECOMMENDATIONS

1 Required UST Documentation

Required UST documentation was not consistently maintained as required.

Health, Safety, and Environmental (HSE) Manual 207 Section 4.5 requires all UST alarms to be immediately investigated and recorded in the UST Alarm Logbook.

Per a review of the physical UST Alarm Logbooks at the six sites visited, the following alarms were not recorded or were only partially recorded:

- (1) Pressurized Line Leak Detection (PLLD) alarm at Union Station in April 2020 noted in the Certified Unified Program Agencies (CUPA) Inspection Report
- (2) Diesel PLLD Pressure Transducer Fail alarm at Diemer on December 8, 2020
- (3) DSL (Digital Subscriber Line) South line Test Failed alarm at Mills on February 24, 2021
- (4) Annular alarm at Valley View on July 7, 2021

In addition, HSE Manual 207.101 Section 4.2 requires that every alarm must be recorded, including all testing alarms. For the six sites visited, the testing alarms in the Monthly Designated UST Operator Visual Inspections were not consistently recorded, as shown in the table below:

Table 1. Months with No Inspection Entries by Location

Location	Month(s) with No Inspection Entries	Without Entries (Nov 2020 to Oct 2021- total 12)
Mills	11	92%
Lake Mathews	8	67%
Diemer	6	50%
Union Station	3	25%
Sepulveda Pressure Control Structure	2	17%
Weymouth	1	8%

SOURCE: On-Site UST Alarm Logbook per location

Further, HSE Manual 207 Section 4.10 requires UST Records to be retained on-site for a designated period based on the record type.

- (1) Per review of the UST Alarm Logbook records, the Logbooks were maintained off-site.



- (2) A UST document box is used to store all the required UST documents, and a binder is used to keep the documents organized. During our site visits in November 2021, Lake Mathews did not have a UST binder, and the following documents were missing:
 - (a) Monthly Designated UST Visual Inspection Reports from January 2021 to November 2021.
 - (b) Designated Operator UST Training Records for all years from 2017 to 2021.
 - (c) Annual UST Monitoring Certification Test Results from 2019 to 2021
- (3) The Annual UST Monitoring Certification Test results are to be maintained on-site for three years. However, Weymouth's UST Monitoring Certification Test results were not in the binder for 2020 and 2021.

Priority 3

Improper UST documentation could result in civil penalties and increased liability exposure.

Recommendation 1

We recommend Safety, Regulatory & Training (SRT) Management:

- (1) Implement and appropriately maintain a UST document binder at Lake Mathews.
- (2) Conduct periodic reviews of UST Recordkeeping Requirements at sites that must maintain documentation to ensure compliance with government regulations, including document retention requirements.
- (3) Develop plans to implement an electronic UST alarm logbook solution per tank and submit them for CIP inclusion.

Management Response**Agree.**

- (1) Document box has been placed and labeled by the UST panel at Lake Mathews to reflect the location of the UST document binder.
- (2) Periodic reviews of UST Recordkeeping Requirements are conducted during annual monitoring certification pre-inspections. A checklist has been revised to ensure all documents and retention times are listed.
- (3) SRT will be modifying the UST Alarm Logbook requirements in HSE 207.101. All alarms are digitally maintained in the tank monitoring systems which satisfies the regulatory requirement. SRT will instruct the CIP UST study to prioritize available systems that provide electronic records of UST alarms.

Management's action plans for (1) and (2) were implemented in February 2024 and April 2024 respectively. The estimated implementation date for (3) is June 2024.



2 Facility Employee UST Training

UST Training scheduling, attendance, and record management did not consistently occur as required.

HSE Manual 207 Section 4.9 requires employees who respond to a UST leak alarm to be trained annually.

UST training records reviewed from 2019 to 2021 showed the following:

- (1) In 2021, employee training conducted at Weymouth and Union Station facilities was provided 12 to 30 days late.
- (2) Twenty of 30 (67%) employees sampled who attended training, attended 11 to 221 days past their due date.
- (3) The Facility Employee Training Certificates for Union Station (2019), Mills (2020), Lake Mathews (2020, 2021), and the Sepulveda Pressure Control Structure (2020, 2021) could not be provided.

Further, HSE Manual 207 Section 4.10 requires UST Designated Training Records to be maintained on-site for five years. Based upon a review of training records during each of the six site visits, the locatable records of the Designated Operator UST Training were as follows:

Table 2. UST Training Records by Location

Location	Years Certificate On-site	Training Certificate On-site
Union Station	2 (2020, 2021)	40%
Mills	3 (2018, 2019, 2021)	60%
Lake Mathews	0	0%
Diemer	3 (2019, 2020, 2021)	60%
Weymouth	3 (2018, 2019, 2020)	60%
Sepulveda Pressure Control	1 (2019)	20%

SOURCE: On-Site UST Document Binder per location



Priority 3

Improper UST training could result in civil penalties imposed against Metropolitan, insufficient qualified personnel available to respond to a leak, and increased liability exposure from mishandling of leaks.

Recommendation 2

We recommend SRT Management:

- (1) Establish processes to ensure UST training is provided and completed within required time frames, and documentation of training is maintained as required.
- (2) Implement a monitoring program to identify and remediate non-compliance promptly.

Management Response
Agree.

- (1) SRT will be modifying the HSE 207 Section 4.10 to clarify that records must be maintained on-site or offsite at a readily accessible location and made available upon request within 36 hours.
- (2) SRT will draft a bulletin to remind custodians and managers of required annual training and changes in course naming. Additionally, on a quarterly basis, SRT will identify the training status of employees overseeing alarm response and convey this to their managers to ensure timely registration of training courses. SRT is also evaluating the option of adding the required training to plans on a semi-annual basis to ensure at least one class is attended.

The estimated implementation date for (1) is June 2024. Management's action plan for (2) was partially implemented in February 2024 and is estimated to be fully implemented by July 2024.

3 Spill Prevention Control & Countermeasure (SPCC) Plans

Certain pumping plant SPCC Plans were not updated, approved, and certified as required.

The purpose of an SPCC Plan is to provide the facility guidance on preventing oil spills and controlling a spill should one occur. Title 40 Code of Federal Regulations, Part 112, as specified below, specifically requires the SPCC Plan to:

- (1) Be certified by a Professional Engineer – 112.3(d).
- (2) Be reviewed every five years – 112.5(b).
- (3) Have Management's approval and commitment – 112.7.

Per our review of the SPCC plans for 24 facilities, Eagle Mountain, and Hinds's SPCC Plans were last reviewed, certified, and approved in November 2014. The 2020 draft SPCC Plan for Iron Mountain and Hinds was still in review and thus not completed. Management had not completed the review, approval, and certification process for the proposed plans.



Priority 3

Improper SPCC Plans could result in civil penalties imposed against Metropolitan and increased liability exposure due to inappropriate response from outdated plans.

Recommendation 3

We recommend SRT Management:

- (1) Finish updating, publishing, and certifying the Eagle Mountain and Hinds SPCC Plans.
- (2) Establish processes and monitoring procedures to ensure plans are timely reviewed, certified, and approved every five years.

Management Response

Agree.

- (1) The Hinds and Eagle Mountain SPCC Plans have been updated and they are currently in review and in the certification process.
- (2) The SPCC Plan requirements are included as tasks in SRT's HSE Management System. Additionally, auto-generated email notifications will be sent as deadlines approach. SRT will also be creating workflows in the system that will track each step of the SPCC Plan process to monitor the progress and ensure all regulatory requirements are met.

Management's action plan for (1) was partially implemented in March 2024 and is estimated to be fully implemented by June 2024. Management's action plan for (2) was implemented April 2024.

4 UST Permit and Leak Response Plan Posting

Certain site UST Permit and Leak Response Plans were not posted as required.

HSE Manual 207 Sections 4.1 (Permit) and 4.2 (Leak Response Plan) require that the Permit and Leak Response Plan be posted near the UST System.

We conducted six on-site visits. During our visit to the Mills and the Lake Mathews sites, the UST Permit and UST Leak Response Plan were kept in the UST Document Box, rather than being posted near the UST system as required.



Priority 3

Unposted plans could result in civil penalties imposed against Metropolitan and delayed response to an emergency.

Recommendation 4

We recommend SRT Management post the current UST permit and updated Leak Response Plan near the UST System at the Mills and Lake Mathews sites as required.

Management Response

Agree. HSE 207 was updated in January 2022 to reflect that permits are required to be “posted on-site at or near the UST system” to reflect actual regulatory requirements. The UST document box, containing the Leak Response Plan at Lake Mathews has been labeled and placed by the UST monitoring panel. SRT will be posting signage at Mills to more clearly identify the location of the UST document box and its Leak Response Plan. SRT will consult with Fleet and Plant Management to determine the most appropriate place to post the UST permits and will place signs by the UST indicating the actual conspicuous location of the UST Permit Posting.

Management’s action plans were implemented by April 2024.

5 UST Alarm Logbook Record Retention

Metropolitan’s record retention policy for UST Alarm Logbooks exceeds governmental compliance requirements.

HSE Manual 207 Section 4.10 requires UST Alarm Logbook Records to be maintained on-site for the life of the tank. Regulatory guidelines require a minimum of five years to be kept.

Per a review of the UST Alarm Logbook records at each of the six sites visited, logbooks are not consistently maintained in accordance with internal policy. For example, the UST located in the Sepulveda Pressure Control Structure, was installed in 1989. However, management could not provide the UST Alarm Logbook for over 30 years (1989 through 2019).

Based on the documentation provided during our review, the following is the oldest month the UST Alarm Logbook was maintained offsite for each location visited:

Table 3. UST Alarm Logbooks Maintained Offsite

Location	Tank Installed	Oldest Month Maintained
Union Station	1996	May 2011
Weymouth	1990	December 2004
Mills	1996	September 2004
Diemer	1997	February 2017
Sepulveda Pressure Control	1989	July 2020
Lake Mathews	1992	January 2019

SOURCE: Logbooks provided by Safety, Regulatory & Training



Priority 3

Unnecessary record retention could result in inefficient use of Metropolitan resources.

Recommendation 5

We recommend SRT Management align internal UST Alarm Logbook record retention requirements to regulatory requirements.

Management Response

Agree. SRT will be revising the HSE 207 Section 4.10 to reflect that UST Alarm Logs should be maintained for 3 years. The UST Alarm Logs are supporting documentation for the regulatory required Monthly UST Designated Operator Visual Inspection Reports and as such, will be maintained for the same duration and in the same location (UST document box).

The estimated implementation date is June 2024.

EVALUATION OF MANAGEMENT'S RESPONSE

Internal Audit consider management's response appropriate to the recommendations and management's corrective actions should resolve the conditions identified in the report.

AUDIT TEAM

Kathryn Andrus, CPA, Deputy General Auditor

Linawaty Tan, Principal Auditor

Leo Roldan, CPA, CIA, CGMA, Principal Auditor



APPENDIX A: SUPPLEMENTAL INFORMATION

ADDITIONAL INFORMATION

Safety, Regulatory & Training (SRT) encompasses the following regulations into the Health, Safety, and Environmental Manual to effect fuel storage compliance:

- Mojave Desert Air Quality Management District (MDAQMD) and South Coast Air Quality Management District (SCAQMD) Rules 461 (Gasoline Transfer and Dispensing)
- California Air Resources Board (CARB) California Code of Regulations, Title 17, Sections 94010 – 94168 (Gasoline Vapor Recovery Systems)
- Title 40 Code of Federal Regulations Chapter I, Subchapter I Parts 264.190-264.196 (Subpart J) (Standards for Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities)
- Title 40 Code of Federal Regulations – Part 112 (Oil Pollution Prevention)
- California Health & Safety Code (HSC) Chapter 6.7, Sections 25280 – 25299.8 (Underground Storage of Hazardous Substances)
- State Water Resources Control Board (SWRCB) California Code of Regulations (CCR), Title 23, Division 3, Chapter 16 (UST Regulations)

Additionally, SRT has published and maintains the Health, Safety, and Environmental Manual sections 204.109 (Non-Retail Gasoline Transfer and Dispensing Procedure), 207 (Underground Storage Tank (UST) Program and Responsibilities), 207.101 (UST Alarm Response and Release Reporting), and 207.102 (Tank Inspections and Recordkeeping) to effect fuel storage compliance with established regulations.

SCOPE & OBJECTIVES

Our audit scope included evaluating the administrative controls over the regulatory compliance of fuel stored in aboveground storage tanks (AST) and underground storage tanks (UST) covering the period July 1, 2018 to June 30, 2021.

Our work was limited to the documentation associated with periodic inspections, testing, and training records to ensure compliance with:

- Health Safety Environmental Manual Sections:
 - 204.109 (Non-Retail Gasoline Transfer and Dispensing Procedure)
 - 207 (Underground Storage Tank (UST) Program and Responsibilities)
 - 207.101 (UST Alarm Response and Release Reporting)
 - 207.102 (Tank Inspections and Recordkeeping)
- Title 40 Code of Federal Regulations (CFR) Part 112 (Oil Pollution Prevention)

Our audit objectives were to:

- (1) Ensure compliance with applicable government regulations.
- (2) Ensure compliance with internal policies.
- (3) Ensure required reporting was timely, accurate, and complete.
- (4) Ensure regulatory, inspection, and testing invoices were accurately paid and substantiated.



EXCLUSIONS

Our audit scope did not include: (1) Fuel Operations, (2) Enviance – a cloud-based system used by the SRT Section to track permits due, corrective actions due, inspections date, violations, etc., nor (3) the efficiency or performance of the Underground Storage Tank Program.

PRIOR AUDIT COVERAGE

We have not completed any audit reports with a similar scope within the last five years.

AUTHORITY

We performed this audit in accordance with the FY 2021/22 Audit Plan presented to the former Audit & Ethics Committee and our FY 2023/24 Audit Plan approved by the Board.

PROFESSIONAL INTERNAL AUDIT STANDARDS

Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

FOLLOW-UP AUDITS

The Office of the General Auditor has implemented a new follow-up process to ensure management has effectively implemented corrective action related to our recommendations. Management is required to report recommendation implementation status to our office within six months following the issuance of this report, and a first follow-up audit will occur shortly thereafter. All audit recommendations are expected to be implemented within a year of this report, and if necessary, a second follow-up audit will occur approximately six months after the issuance of the first follow-up audit report. Any audit recommendations not implemented after the second follow-up audit will be shared with the Board/Audit Subcommittee of the Executive Committee at its next scheduled meeting.

INTERNAL CONTROL SYSTEM

An internal control system is a continuously operating and integrated component of Metropolitan's operations. Internal controls are implemented by Metropolitan management and seek to provide reasonable (not absolute) assurance that the district's business objectives will be achieved. However, limitations are inherent in any internal control system, no matter how well designed, implemented, or operated. Because of these limitations, errors or irregularities may occur and may not be detected. Specific examples of limitations include but are not limited to, poor judgment, carelessness, management override, or collusion. Accordingly, our audit would not necessarily identify all internal control weaknesses or resultant conditions affecting operations, reporting, or compliance. Additionally, our audit covers a point in time and may not be representative of a future period due to changes within the Metropolitan and/or external changes impacting the district.

METROPOLITAN'S RESPONSIBILITY FOR INTERNAL CONTROL

It is important to note that Metropolitan management is responsible for designing, implementing, and operating a system of internal control. The objectives of internal controls are to provide reasonable assurance as to the reliability and integrity of information; compliance with policies, plans, procedures, laws, and regulations; the safeguarding of assets; the economic and efficient use of resources; and the accomplishment of established goals and objectives. In fulfilling this responsibility, management judgment is required to assess the expected benefits and related costs of internal control policy and procedures and to assess whether those policies and procedures can be expected to achieve Metropolitan's operational, reporting, and compliance objectives.



APPENDIX B: PRIORITY RATING DEFINITIONS

The Office of the General Auditor utilizes a priority rating system to provide management a measure of urgency in addressing the identified conditions and associated risks. We assess the significance of each observation identified during the audit using professional judgment and assign priority ratings to each recommendation using the criteria listed below. Factors taken into consideration in assessing the priority include the likelihood of a negative impact if not addressed, the significance of the potential impact, and how quickly a negative impact could occur.

PRIORITY			
Definition	Observation is <i>serious</i> enough to warrant <i>immediate</i> corrective action. The condition may represent a <i>serious</i> financial, operational, or compliance risk. A priority 1 recommendation may result from a <i>key</i> control(s) being absent, not adequately designed, or not operating effectively.	Observation is of a <i>significant</i> nature and warrants <i>prompt</i> corrective action. It may represent a moderate financial, operational, or compliance risk. A priority 2 recommendation may result from a <i>process</i> or less critical control(s) not being adequate in design and/or not operating effectively on a consistent basis.	Observation involves an internal control issue or compliance lapse that can be corrected in the <i>timely</i> course of <i>normal</i> business. A priority 3 recommendation may result from a <i>process</i> or control that requires enhancement to better support Metropolitan's objectives and manage risk.
Response Time	Immediate	Within 90 Days of report issuance	Within 180 Days of report issuance



APPENDIX C: MANAGEMENT'S RESPONSE



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: May 31, 2024
To: Scott Suzuki, General Auditor
From: Adel Hagekhalil, General Manager
cc: Gonzalo Barriga, Chief, Office of Safety, Security, and Protection
Deven Upadhyay, Executive Officer and AGM
Subject: Updated Management Response to Audit Number 22-3051

Please find below the management response to the Fuel Regulations Compliance Audit. Thank you for working with my team to ensure clarity and accuracy during the response process. I look forward to working with you throughout the implementation of the recommendations to ensure the effectiveness of our safety protocols and programs. This Management Response was prepared by the subject area lead(s) under the coordination of Gonzalo Barriga, chief officer for Safety, Security and Protection. Please do not hesitate to contact me or my chief of staff Mohsen Mortada if you would like to discuss our response or any other matters.



Fuel Regulations Compliance
Project Number: 22-3051
Management Response

OBSERVATION 1		Required UST Documentation
		Required UST documentation was not consistently maintained as required.
RECOMMENDATION 1		We recommend Safety, Regulatory & Training (SRT) Management:
PRIORITY 3		
		(1) Implement and appropriately maintain a UST document binder at Lake Matthews. (2) Conduct periodic reviews of UST Recordkeeping Requirements at sites that must maintain documentation to ensure compliance with government regulations including document retention requirements. (3) Develop plans to implement an electronic UST alarm logbook solution per tank and submit for CIP inclusion.
X	AGREE	MANAGEMENT ACTION PLAN (1) Document box has been placed and labeled by the UST panel at Lake Matthews to reflect the location of the UST document binder. (2) Periodic reviews of UST Recordkeeping Requirements are conducted during annual monitoring certification pre-inspections. A checklist has been revised to ensure all documents and retention times are listed. (3) SRT will be modifying the UST Alarm Logbook requirements in HSE 207.101. All alarms are digitally maintained in the tank monitoring systems which satisfies the regulatory requirement. SRT will instruct the CIP UST study to prioritize available systems that provide electronic records of UST alarms.
		ESTIMATED IMPLEMENTATION (1) Completed February 2024 (2) Completed April 2024 (3) June 2024
	PARTIALLY AGREE DO NOT AGREE	EXPLANATION

OBSERVATION 2		Facility Employee UST Training
		UST Training scheduling, attendance, and record management did not consistently occur as required.
RECOMMENDATION 2		We recommend SRT Management:
PRIORITY 3		



			(1) Establish processes to ensure UST training is provided and completed within required time frames, and documentation of training is maintained as required. (2) Implement a monitoring program to identify and remediate non-compliance promptly.
X	AGREE	MANAGEMENT ACTION PLAN ESTIMATED IMPLEMENTATION	(1) SRT will be modifying the HSE 207 Section 4.10 to clarify that records must be maintained on-site or off-site at a readily accessible location and made available upon request within 36 hours. (2) SRT will draft a bulletin to remind custodians and managers of required annual training and changes in course naming. Additionally, on a quarterly basis, SRT will identify the training status of employees overseeing alarm response and convey this to their managers to ensure timely registration of training courses. SRT is also evaluating the option of adding the required training to plans on a semi-annual basis to ensure at least one class is attended. (1) June 2024 (2) UST Training Reminder Bulletin –June 2024; UST Training Monitoring – Completed Feb 2024; Follow-Up for Missed Training Implementation – July 2024
	PARTIALLY AGREE	EXPLANATION	
	DO NOT AGREE		

OBSERVATION 3		Spill Prevention Control and Countermeasure (SPCC) Plans
		Certain pumping plant SPCC Plans were not updated, approved, and certified as required.
RECOMMENDATION 3		We recommend SRT Management:
PRIORITY 3		(1) Finish updating, publishing, and certifying the Eagle Mountain and Hinds SPCC Plans. (2) Establish processes and monitoring procedures to ensure plans are timely reviewed, certified, and approved every five years.
X	AGREE	MANAGEMENT ACTION PLAN (1) The Hinds and Eagle Mountain SPCC Plans have been updated and they are currently in review and certification process. (2) The SPCC Plan requirements are included as tasks in SRT's HSE Management System. Additionally, auto-generated email notifications will be sent as deadlines approach. SRT will also be creating workflows in the system that will track each step of



		the SPCC Plan process to monitor the progress and ensure all regulatory requirements are met.
	ESTIMATED IMPLEMENTATION	(1) Hinds Completed March 2024, Eagle Mountain June 2024 (2) HSE Management Task and Workflow Update Completed April 2024
	PARTIALLY AGREE	EXPLANATION
	DO NOT AGREE	

OBSERVATION 4**UST Permit and Leak Response Plan Posting**

Certain site UST Permit and Leak Response Plans were not posted.

RECOMMENDATION 4**PRIORITY 3**

We recommend SRT Management post the current UST permit and updated Leak Response Plan for Mills and Lake Matthews near the UST System, as required.

		MANAGEMENT ACTION PLAN	HSE 207 was updated in January 2022 to reflect that permits are required to be “posted on-site at or near the UST system” to reflect the actual regulatory requirements. The UST document box, containing the Leak Response Plan at Lake Matthews has been labeled and placed by the UST monitoring panel. SRT will be posting signage at Mills to more clearly identify the location of the UST document box and its Leak Response Plan. SRT will consult with Fleet and Plant Management to determine the most appropriate place to post the UST permits and will place signs by the UST indicating the actual conspicuous location of the UST Permit Posting.
X	AGREE	ESTIMATED IMPLEMENTATION	Lake Matthews Leak Response Plan – Completed February 2024 Lake Matthews Permit Posting and Signage – Completed April 2024 Mills Leak Response Plan, Permit Posting and Signage – Completed April 2024
	PARTIALLY AGREE	EXPLANATION	
	DO NOT AGREE		

OBSERVATION 5**UST Alarm Logbook Record Retention**

Metropolitan’s record retention policy for UST Alarm Logbooks exceeds governmental compliance requirements.

RECOMMENDATION 5**PRIORITY 3**

We recommend SRT Management align internal UST Alarm Logbook retention requirements to regulatory requirements.

X	AGREE	MANAGEMENT ACTION PLAN	SRT will be revising the HSE 207 Section 4.10 to reflect that UST Alarm Logs should be maintained for 3 years. The UST Alarm Logs are supporting documentation for the regulatory required Monthly UST Designated
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FORM

MANAGEMENT RESPONSE FORM

PAGE

3 OF 5

NOVEMBER 2023 (RV: N/A)



		Operator Visual Inspection Reports and as such, will be maintained for the same duration and in the same location (UST document box).
	ESTIMATED IMPLEMENTATION	June 2024
PARTIALLY AGREE	EXPLANATION	
DO NOT AGREE		





Ethics Office Monthly Report

MAY 2024

EDUCATION

Continued to provide ethics training to employees including sessions at the Soto Street location. Since initiating new live trainings last December, the Ethics Office has trained 1337 employees.

At the Ethics, Organization & Personnel Committee, staff provided a focused presentation to directors about the purpose and elements of the contractor code of conduct.

Staff presented an Ethics Office overview for ten new hires at New Employee Orientations hosted by Human Resources.

ONGOING STAFF TRAINING

Staff attended online training by the Society of Corporate Compliance and Ethics titled “Encouraging, Managing, and Integrating Employee Reporting” and online trainings by the Association of Workplace Investigators on investigating fraud and new EEOC guidelines.

COMPLIANCE

Assisted directors and employees with their Annual, Assuming Office, and Leaving Office Form 700 filings. Assistance included filing for multiple positions, troubleshooting the electronic filing system, and notifications of deadlines.

ADVICE

Addressed 20 advice matters related to the following: conflicts of interest, financial disclosure, gifts, and other ethics-related topics.

INVESTIGATIONS

Received two complaints involving the following allegations:

- A manager misused their authority for personal gain.
- Off-duty employee misconduct.

ADVICE AND INVESTIGATIVE DATA

Advice Matters	20
Compliance Assistance	78
Complaints Received	2
Investigations Opened	0
Pending Investigations	6

COMPLAINTS MAY BE FILED AT:

ANONYMOUS ETHICS HOTLINE (Convercent)
(800) 461-9330
<http://www.mwdethicshotline.net/>

ETHICS OFFICE
(213) 217-5832
ethicsoffice@mwdh2o.com



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Information

● Board of Directors

06/11/2024 Board Meeting

Subject

Sufficiency of Credentials for Appointment of a Director from Central Basin Municipal Water District.

Description

Credentials (**Attachment 1**) have been received from Central Basin Municipal Water District evidencing that on May 6, 2024 its Board of Directors approved the appointment of Jim Crawford as its representative on Metropolitan's Board of Directors for an indefinite term. The credentials have been examined and found to be in compliance with the Metropolitan Water District Act.

Policy

Board membership

Board Options

That the attached credentials evidencing the appointment of Mr. Crawford as a Director of The Metropolitan Water District of Southern California representing Central Basin Municipal Water District be received and filed. The oath of office is expected to be given to Mr. Crawford on or before the June 11, 2024 board meeting.


Marcia Scully
General Counsel

6/7/2024
Date

Attachment 1 – Credentials of Jim Crawford



RESOLUTION NO. 05-24-1063

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
CENTRAL BASIN MUNICIPAL WATER DISTRICT APPOINTING
DIRECTORS JUAN GARZA AND JIM CRAWFORD AS REPRESENTATIVES
FROM THE CENTRAL BASIN MUNICIPAL WATER DISTRICT TO THE BOARD OF THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CENTRAL BASIN MUNICIPAL
WATER DISTRICT as follows:**

Section 1. Purpose

The District desires to appoint one or more persons to serve on the Board of Directors of the Metropolitan Water District of Southern California representing Central Basin Municipal Water District.

Section 2. Appointment

Pursuant to Section 51 of the Metropolitan Water District Act, the Board of Directors of the Central Basin Municipal Water District hereby appoints Directors Juan Garza and Jim Crawford to serve as members of the Board of Directors of the Metropolitan Water District of Southern California, effective May 6, 2024. This resolution shall supersede any previously adopted resolution approved by the Board of Directors of the Central Basin Municipal Water District as it relates to the appointment of its representative to serve as a member of the Board of Directors of the Metropolitan Water District of Southern California.

Section 3. Certification

The Secretary shall certify the passage of this resolution and provide a certified copy thereof to the Secretary of the Board of Directors of the Metropolitan Water District of Southern California.

PASSED, APPROVED, and ADOPTED this 6th day May with the following vote:

AYES: 5

NOES: 0

ABSENT: 2

ABSTAIN: 0

ATTEST:


Elizabeth Brizuela, Board Secretary


Arturo Chacon
President

(SEAL)



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Information

● Board of Directors

06/11/2024 Board Meeting

Subject

Sufficiency of Credentials for Appointment of a Director from Las Virgenes Municipal Water District.

Description

Credentials (**Attachment 1**) have been received from Las Virgenes Municipal Water District evidencing that on June 4, 2024 its Board of Directors approved the appointment of Jay Lewitt as its representative on Metropolitan's Board of Directors for an indefinite term. The credentials have been examined and found to be in compliance with the Metropolitan Water District Act.

Policy

Board membership

Board Options

That the attached credentials evidencing the appointment of Mr. Lewitt as a Director of The Metropolitan Water District of Southern California representing Las Virgenes Municipal Water District be received and filed. The oath of office is expected to be given to Mr. Lewitt on or before the June 11, 2024 board meeting.

M. Scully
Marcia Scully
General Counsel

6/7/2024

Date

Attachment 1 – Credentials of Jay Lewitt

RESOLUTION NO. 2641

A RESOLUTION OF THE BOARD OF DIRECTORS OF LAS VIRGENES MUNICIPAL WATER DISTRICT APPOINTING THE DISTRICT'S REPRESENTATIVE TO SERVE ON THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF LAS VIRGENES
MUNICIAPL WATER DISTRICT as follows:

Section 1. Purpose

This Resolution appoints Jay Lewitt to serve as a member of the Board of Directors of the Metropolitan Water District of Southern California, representing Las Virgenes Municipal Water District, effective June 4, 2024.

Section 2 Tenure

The District's representative shall serve during an indefinite term until replaced by majority vote of the Board of Directors of the District.

Section 3. Transmittal

The Secretary shall transmit a certified copy of this resolution to the Clerk of the Metropolitan Water District of Southern California Board of Directors.

PASSED, APPROVED AND ADOPTED this 4th day of June, 2024, by the following vote:

AYES: Director(s): Burns, Caspary, Coradeschi, Lewitt, Polan

NOES: None


ABSTAIN: None

ABSENT: None




Jay Lewitt, President

ATTEST:


Gary Burns, Secretary

APPROVED AS TO FORM:


W. Keith Lemieux
District Counsel



STATE OF CALIFORNIA)
) SS.
 COUNTY OF LOS ANGELES)

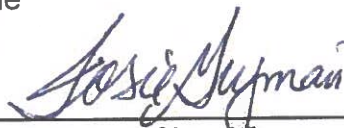
I, JOSIE GUZMAN, Deputy Secretary of the Board of Directors of Las Virgenes Municipal Water District, DO HEREBY CERTIFY the foregoing Resolution No. 2641 was duly adopted by the Board of Directors of said District at a regular meeting held on the 4th day of June 2024, by the following vote:

YES: Directors: Burns, Caspary, Coradeschi, Lewitt, Polan

NOES: Directors: None

ABSENT: Directors: None

ABSTAIN: Directors: None



Deputy Secretary of Las Virgenes Municipal Water
 District and of the Board of Directors thereof



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Minutes

SUBCOMMITTEE ON AUDITS

January 23, 2024

Chair De Jesus called the meeting to order at 11:52 a.m.

Members present: Directors Armstrong, De Jesus, Miller, and Seckel.

Members absent: Director Jung.

Other Board Members present: Directors Abdo, Alvarez, Bryant, Cordero, Dennstedt, Dick, Erdman, Fellow, Fong-Sakai, Garza, Gray (teleconference posted location), Goldberg, Kurtz, Lefevre (teleconference posted location), McCoy, McMillan, Morris, Ortega, Peterson, and Pressman.

Committee Staff present: Andrus, Elias, Hagekhalil, Parsons, and Suzuki.

1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

None

CONSENT CALENDAR ITEMS – ACTION

2. CONSENT CALENDAR OTHER ITEMS – ACTION

- A. Subject: Approval of the Minutes of the Subcommittee on Audits for November 28, 2023 (Copies have been submitted to each Director, Any additions, corrections, or omissions)

Director Miller made a motion, seconded by Director Seckel, to approve the consent calendar consisting of item 2A.

The vote was:

Ayes: Directors Armstrong, De Jesus, Miller, and Seckel

Noes: None

Abstentions: None

Absent: Directors Jung

The motion for item 2A passed by a vote of 4 ayes, 0 noes, 0 abstain, and 1 absent.

END OF CONSENT CALENDAR ITEMS

3. SUBCOMMITTEE ITEMS

- a. Subject: Institute of Internal Auditors Quality Assessment Report
 Presented by: Scott Suzuki, General Auditor

Mr. Suzuki presented the results from the Institute of Internal Auditors Quality Assessment Report.

- b. Subject: Annual Audit Department Charter Review
 Presented by: Kathryn Andrus, Deputy General Auditor

Ms. Andrus presented the proposed Audit Department Charter revisions.

The following Directors asked questions and provided comments:

1. Armstrong
2. De Jesus
3. Dennstedt

Staff responded to the Directors' comments and questions.

- c. Subject: General Auditor's Quarterly Report
 Presented by: Scott Suzuki, General Auditor

Mr. Suzuki presented the General Auditor's quarterly report dashboard.

The following Directors asked questions and provided comments:

1. Dennstedt
2. Garza

Staff responded to the Directors' comments and questions.

- d. Subject: Discussion on Macias Gini O'Connell, LLP Significant Deficiency Finding
 Presented by: Charles Eckstrom, Information Technology Group Manager

Mr. Suzuki introduced Mr. Charles Eckstrom, Information Technology Group Manager, who presented on the Macias Gini O'Connell, LLP Significant Deficiency finding.

4. FOLLOW-UP ITEMS

None

5. FUTURE AGENDA ITEMS

None

6. ADJOURNMENT

Meeting adjourned at 12:37 p.m.

David De Jesus

Chair

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
May 14, 2024

53607 The Board of Directors of The Metropolitan Water District of Southern California met in a regular session on Tuesday, May 14, 2024.

Chair Ortega called the meeting to order at 2:30 p.m.

Directors De Jesus, Garza, and Smith are using AB 2449 just cause due to an illness that prevents them from attending in person. The Directors appeared by audio and video.

53608 The Meeting was opened with an invocation by Director Thai Viet Phan, City of Santa Ana.

53609 The Pledge of Allegiance was given by Director Glen Peterson, Las Virgenes Municipal Water District.

53610 Board Executive Secretary Hudson administered the roll call. Those responding present were: Directors Abdo, Ackerman, Alvarez, Armstrong, Bryant, Camacho Cordero, De Jesus (AB 2449), Dennstedt, Dick, Erdman, Faessel, Fellow, Garza (AB 2449), Goldberg, Jung (teleconference posted location available for the public), Kurtz, Lefevre (teleconference posted location available for the public), Luna, McCoy, McMillan, Miller, Morris, Ortega, Petersen, Peterson, Phans , Pressman, Ramos (teleconference posted location available for the public), Seckel, and Smith (AB 2449).

Directors De Jesus, Garza, and Smith announced during the roll that no one was in the room with her 18 years of age or older.

Those not responding were: Director Fong-Sakai, Kassakhian, Quinn, and Sutley.

Board Executive Secretary Hudson declared a quorum present.

Directors entered the meeting after the roll call: Director Gray (teleconference posted location available for the public) and Douglas (teleconference posted location available for the public).

Chair Ortega announced that Metropolitan will be inviting Member Agency Presidents and Chairs to the board meetings. Mel Katz, Board Chair for San Diego County Water Authority was the first to join the meetings. Chair Ortega introduced Mr. Katz. Mr. Katz introduced the guest Member Agency Manager Dan Denham, General Manager for San Diego County Water Authority. Mr. Katz and Mr. Denham made remarks.

Director Ackerman left the meeting.

Chair Ortega welcomed Mr. Katz and Mr. Denham for joining the board and encouraged them to comment on matters important to San Diego County Water Authority.

Chair Ortega announced that May is Water Awareness Month, Infrastructure Week is May 13-17, 2024, Asian American Pacific Islander Month, and National Military Appreciation Month.

53611 Chair Ortega invited members of the public to address the Board on matters within the Board's jurisdiction and the public hearing (in-person and via teleconference).

	Name	Affiliation	Comment
1.	Darcy Burke	Elsinore Valley Municipal Water District	Metropolitan Fifteenth Anniversary Event, CAMP4W One Year Progress Report, and Chair's Comments about Metropolitan's Brand

Director Douglas entered the meeting.

Director McMillan left the meeting.

Chair Ortega addressed the following: Other Matters and Reports.

53612 Chair Ortega asked if there were any corrections to the report of events attended by Directors at Metropolitan's expense during the month of March, as previously posted and distributed to the Board. None were made.

53613 Chair Ortega referred to the Chair's monthly report, which was previously posted and distributed to the Board. In addition, he reminded Directors that the Employee Fall Service Awards will be on May 23, 2024.

Chair Ortega asked if there were any questions regarding his report. None were made.

53614 General Manager Hagekhalil provided an update on: CAMP4W business model update will be discussed at the May 30, 2024 meeting; the photo exhibit display celebrating Asian American and Pacific Islander Heritage Month; Baklava available to guests and Directors compliments of the Arab American Association of Engineers and Architects; Metropolitan receiving the Walk the Talk Award; the Heal the Bay's annual gala; MOU signing event; Town Hall meetings with staff; and the loss of Metropolitan Employee Rick Barnett.

Director Luna entered the meeting.

53615 General Counsel Scully stated she had nothing to add to the written report.

53616 Ethics Officer Salinas stated he had nothing to add to the written report.

53617 General Auditor Suzuki reported that on May 20th the Audit Subcommittee will be presenting the next fiscal year's audit plan.

53618 Chair Ortega congratulated Chair Emeritus Gray for her 15-year of service. Chair Emeritus Gray made remarks.

53619 Presentation of 5-year service pin to Director S. Gail Goldberg. Director Goldberg made remarks.

Director Peterson announced his retirement from the Metropolitan Board and Las Virgenes Municipal Water District Board.

The following Director(s) asked questions or made comments:

Director(s)

1. Ortega
2. Gray
3. Fellow
4. Petersen
5. Abdo

53618 Chair Ortega asked the Directors if there were any comments or discussions on the Approval of the Minutes of the Board of Directors Workshop on Long-Term Planning Processes and Business Modeling for March 18, 2024; Board of Directors Workshop on Proposed Biennial Budget for March 26, 2024; and Board of Directors Meeting for April 9, 2024 (Copies have been submitted to each Director any additions, corrections, or omissions) (Agenda Item 6A). No amendments were made.

53619 Approval of Committee Assignments (Agenda Item 6B).

Appoint Director Bryant to the Finance and Asset Management Committee.

Appoint Director Faessel to the Equity, Inclusion, and Affordability Committee.

Chair Ortega called on Directors who are requesting that any items be pulled from the Consent Calendar Action Items and to state any recusals, abstentions, and disclosures.

Director Kurtz disclosed that Item 7-5 involves an agreement with the City of Pasadena; she receives a stipend from Pasadena for her service on the Metropolitan Board and receives retirement income as a former employee. She is allowed to participate in the item.

53620 Authorize an increase of \$2.35 million to an agreement with HDR Engineering Inc. for a new not-to-exceed amount of \$5.15 million for final design of erosion control structures along the CRA system, as set forth in Agenda Item 7-1 board letter.

53621 Amend the Capital Investment Plan for fiscal years 2022/23 and 2023/24 to include upgrades to the flocculation system at the Joseph Jensen Water Treatment Plant, as set forth in Agenda Item 7-2 board letter.

53622 Authorize the General Manager to enter into an agreement for administrative supplemental labor services containing the following thirty supplemental temporary labor agencies: SuperbTech Inc., AtWork Personnel Services, Project Partners, PSP Group

Inc., Johnson Service Group Inc., CathyJon Enterprises Inc. Tryfacta Inc., 22nd Century Technologies Inc., Ronin Staffing LLC, Enterprise Resource Services Inc., Sierra Cybernetics Inc., Morris and Willner Partners, Staffmark Group, Balanced Diversity Solutions, Partners In Diversity Inc., AppleOne Inc., Genesis Global Recruiting, HireGround Personnel Services Inc., Jada Systems Inc., Mantek Solutions Inc., TPS Group, Good People Inc., Info Origin Inc, Harvest Technical Services Inc., TruCapital Partners, Information Management Resources Inc., Kaygen Inc., SoftHQ Inc., Akshar IT Solutions LLC, and Infojini Inc, each with up to four annual renewal options, with a maximum not-to-exceed amount of \$8 million per year for the contract, as set forth in Agenda Item 7-3 board letter.

53623 Approve the Department Head 360° Evaluation Process, as set forth in Agenda Item 7-4 board letter.

53624 Authorize the General Manager to execute a new ground license for telecommunications facilities with the City of Pasadena to enhance the reliability of Metropolitan's wireless wide area networks and local area networks, as set forth in Agenda Item 7-5 board letter.

53625 Authorize contracts for Bond Counsel services with Anzel Galvan LLP, Hawkins Delafield & Wood LLP, Katten Muchin Rosenman LLP, Nixon Peabody LLP, and Norton Rose Fulbright US LLP; Co-Bond Counsel services with Amira Jackmon and Law Offices of Alexis S.M. Chiu; and Disclosure Counsel services with Stradling Yocca Carlson & Rauth, P.C. for the period ending June 30, 2027; and determine that Bond Counsel, Co-Bond Counsel, and Disclosure Counsel fees may be approved by the General Counsel in amounts sufficient to procure Bond Counsel, Co-Bond Counsel, or Disclosure Counsel services for bond issues and for legal advice, as described in this board letter, as set forth in Agenda Item 7-6 board letter.

53626 Adopt a resolution declaring approximately 6,742 acres of Metropolitan-owned real property in the County of Riverside, located southwest of the City of Blythe, California, and commonly known as the Palo Verde Mesa, as exempt surplus land under the Surplus Land Act, as set forth in Agenda Item 7-7 board letter.

53627 Authorize the waiver of a \$1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States, as set forth in Agenda Item 7-8 board letter.

Director Pressman moved, seconded by Director Fellow that the Board approve the Consent Calendar Items 6A, 6B, 7-1 through 7-8 as follows:

The following is a record of the vote:

Record of Vote on Consent Item(s): Items: 6A, 6B and 7-1 through 7-8									
Member Agency	Total Votes	Director	Present	Yes	Yes Vote	No	No Vote	Abstain	Abstain Vote
Anaheim	6038	Faessel	x	x	6038				
Beverly Hills	4493	Pressman	x	x	4493				
Burbank	3175	Ramos	x	x	3175				
Calleguas Municipal Water District	13073	McMillan							
Central Basin Municipal Water District	19324	Garza	x	x	19324				
		Vacant							
			Subtotal:		19324				
Compton	641	McCoy	x	x	641				
Eastern Municipal Water District	12060	Armstrong	x	x	12060				
Foothill Municipal Water District	2409	Bryant	x	x	2409				
Fullerton	2561	Jung	x	x	2561				
Glendale	3985	Kassakhian							
Inland Empire Utilities Agency	16030	Camacho	x	x	16030				
Las Virgenes	3090	Peterson	x	x	3090				
Long Beach	6558	Cordero	x	x	6558				
Los Angeles	80172	Sutley							
		Petersen	x	x	26724				
		Quinn							
		Luna	x	x	26724				
		Douglas	x	x	26724				
			Subtotal:		80172				
Municipal Water Dist. of Orange County	64634	Ackerman							
		Seckel	x	x	21545				
		Dick	x	x	21545				
		Erdman	x	x	21545				
			Subtotal:		64634				
Pasadena	3864	Kurtz	x	x	3864				
San Diego County Water Authority	67201	Fong-Sakai							
		Goldberg	x	x	22400				
		Miller	x	x	22400				
		Smith	x	x	22400				
			Subtotal:		67201				
San Fernando	260	Ortega	x	x	260				
San Marino	800	Morris	x	x	800				
Santa Ana	3431	Phan	x	x	3431				
Santa Monica	4861	Abdo	x	x	4861				
Three Valleys Municipal Water District	8634	De Jesus	x	x	8634				
Torrance	3590	Lefevre	x	x	3590				
Upper San Gabriel Valley Mun. Wat. Dis	13418	Fellow	x	x	13418				
West Basin Municipal Water District	27064	Alvarez	x	x	27064				
		Gray	x						
			Subtotal:		27064				
Western Municipal Water District	14775	Dennstedt	x	x	14775				
Total	386141				369083				
Present and not voting									
Absent	17058								

The motion to approve the Consent Calendar Items 6A, 6B, 7-1 through 7-6 (**M.I. No. 53618 through 53627**) passed by a vote of 369,083 ayes; 0 noes; 0 abstain; 0 not voting; and 17,058 absent.

Directors De Jesus, Garza, and Smith, using AB 2449 just cause, appeared on video and did not have anyone over the age of 18 present during the vote.

Director Phan recused herself on Item 8-1, as it involves J.F. Shea Construction Inc. clients of her employer Rutan & Tucker, LLP., and she left the meeting.

53628 a. Award a \$24,912,000 contract to J.F. Shea Construction Inc. to rehabilitate approximately 2.4 miles of PCCP portions of the Allen-McColloch Pipeline; b. Authorize an increase of \$250,000 to an agreement with Helix Environmental Planning Inc. for a new not-to-exceed amount of \$2,500,000; c. Amend Metropolitan's Project Labor Agreement to include the Allen-McColloch Urgent PCCP Rehabilitation Stage 2 Project (Agenda Item 8-1).

Director Erdman moved, seconded by Director Camacho, that the Board approve the Board Item 8-1 as follows:

Chair Ortega called for a vote on the motion for Agenda Item 8-1 Option 1.

The following is a record of the vote:

Record of Vote on Item:		8-1							
Member Agency	Total Votes	Director	Present	Yes	Yes Vote	No	No Vote	Abstain	Abstain Vote
Anaheim	6038	Faessel	x	x	6038				
Beverly Hills	4493	Pressman	x	x	4493				
Burbank	3175	Ramos	x	x	3175				
Calleguas Municipal Water District	13073	McMillan							
Central Basin Municipal Water District	19324	Garza	x	x	19324				
		Vacant							
			Subtotal:		19324				
Compton	641	McCoy	x	x	641				
Eastern Municipal Water District	12060	Armstrong	x	x	12060				
Foothill Municipal Water District	2409	Bryant	x	x	2409				
Fullerton	2561	Jung	x	x	2561				
Glendale	3985	Kassakhian							
Inland Empire Utilities Agency	16030	Camacho	x	x	16030				
Las Virgenes	3090	Peterson	x	x	3090				
Long Beach	6558	Cordero	x	x	6558				
Los Angeles	80172	Sutley							
		Petersen	x	x	26724				
		Quinn							
		Luna	x	x	26724				
		Douglas	x	x	26724				
			Subtotal:		80172				
Municipal Water Dist. of Orange County	64634	Ackerman							
		Seckel	x	x	21545				
		Dick	x	x	21545				
		Erdman	x	x	21545				
			Subtotal:		64634				
Pasadena	3864	Kurtz	x	x	3864				
San Diego County Water Authority	67201	Fong-Sakai							
		Goldberg	x	x	22400				
		Miller	x	x	22400				
		Smith	x	x	22400				
			Subtotal:		67201				
San Fernando	260	Ortega	x	x	260				
San Marino	800	Morris	x	x	800				
Santa Ana	3431	Phan							
Santa Monica	4861	Abdo	x	x	4861				
Three Valleys Municipal Water District	8634	De Jesus	x	x	8634				
Torrance	3590	Lefevre	x	x	3590				
Upper San Gabriel Valley Mun. Wat. Dist.	13418	Fellow	x	x	13418				
West Basin Municipal Water District	27064	Alvarez	x	x	13532				
		Gray	x	x	13532				
			Subtotal:		27064				
Western Municipal Water District	14775	Dennstedt	x	x	14775				
Total	386141				365652				
Present and not voting									
Absent	20489								

The motion to approve the Board Item 8-1 (**M.I. No. 53628**) passed by a vote of 365,652 ayes; 0 noes; 0 abstain; 0 not voting; and 20,489 absent.

Directors De Jesus, Garza, and Smith using AB 2449 just cause, appeared on video and did not have anyone over the age of 18 present during the vote.

53629 Adopt the resolution to continue the Standby Charge for fiscal year 2024/25 (Agenda Item 8-2).

Director Dick moved, seconded by Director Miller, that the Board approve the Board Item 8-2 as follows:

Chair Ortega called for a vote on the motion for Agenda Item 8-2 Option 1.

The following is a record of the vote:

Record of Vote on Item:		8-2							
Member Agency	Total Votes	Director	Present	Yes	Yes Vote	No	No Vote	Abstain	Abstain Vote
Anaheim	6038	Faessel	x	x	6038				
Beverly Hills	4493	Pressman	x	x	4493				
Burbank	3175	Ramos	x	x	3175				
Calleguas Municipal Water District	13073	McMillan							
Central Basin Municipal Water District	19324	Garza	x	x	19324				
		Vacant							
			Subtotal:		19324				
Compton	641	McCoy	x	x	641				
Eastern Municipal Water District	12060	Armstrong	x	x	12060				
Foothill Municipal Water District	2409	Bryant	x	x	2409				
Fullerton	2561	Jung	x	x	2561				
Glendale	3985	Kassakhian							
Inland Empire Utilities Agency	16030	Camacho	x	x	16030				
Las Virgenes	3090	Peterson	x	x	3090				
Long Beach	6558	Cordero	x	x	6558				
Los Angeles	80172	Sutley							
		Petersen	x	x	26724				
		Quinn							
		Luna	x	x	26724				
		Douglas	x	x	26724				
			Subtotal:		80172				
Municipal Water Dist. of Orange County	64634	Ackerman							
		Seckel	x	x	21545				
		Dick	x	x	21545				
		Erdman	x	x	21545				
			Subtotal:		64634				
Pasadena	3864	Kurtz	x	x	3864				
San Diego County Water Authority	67201	Fong-Sakai							
		Goldberg	x	x	22400				
		Miller	x	x	22400				
		Smith	x	x	22400				
			Subtotal:		67201				
San Fernando	260	Ortega	x	x	260				
San Marino	800	Morris	x	x	800				
Santa Ana	3431	Phan							
Santa Monica	4861	Abdo	x	x	4861				
Three Valleys Municipal Water District	8634	De Jesus	x	x	8634				
Torrance	3590	Lefevre	x	x	3590				
Upper San Gabriel Valley Mun. Wat. Dist	13418	Fellow	x	x	13418				
West Basin Municipal Water District	27064	Alvarez	x	x	13532				
		Gray	x	x	13532				
			Subtotal:		27064				
Western Municipal Water District	14775	Dennstedt	x	x	14775				
Total	386141				365652				
Present and not voting									
Absent	20489								

The motion to approve the Board Item 8-2 (**M.I. No. 53629**) passed by a vote of 365,652 ayes; 0 noes; 0 abstain; 0 not voting; and 20,489 absent.

Directors De Jesus, Garza, and Smith using AB 2449 just cause, appeared on video and did not have anyone over the age of 18 present during the vote.

53630 Concur with the Climate Adaptation Master Plan for Water: Draft Year One Progress Report and Next Steps, with the understanding that staff will provide the Board with updated data and other updated information before the Board considers the approval of any projects under CAMP 4 Water. (Agenda Item 8-3).

Director Dick moved, seconded by Director Fellow, that the Board approve the Board Item 8-3 as follows:

Chair Ortega called for a vote on the motion for Agenda Item 8-3 Option 1.

The following is a record of the vote:

Member Agency	Total Votes	Director	Present	Yes	Yes Vote	No	No Vote	Abstain	Abstain Vote
Anaheim	6038	Faessel	x	x	6038				
Beverly Hills	4493	Pressman	x	x	4493				
Burbank	3175	Ramos	x	x	3175				
Calleguas Municipal Water District	13073	McMillan							
Central Basin Municipal Water District	19324	Garza	x	x	19324				
		Vacant							
			Subtotal:		19324				
Compton	641	McCoy	x	x	641				
Eastern Municipal Water District	12060	Armstrong	x	x	12060				
Foothill Municipal Water District	2409	Bryant	x	x	2409				
Fullerton	2561	Jung	x	x	2561				
Glendale	3985	Kassakhian							
Inland Empire Utilities Agency	16030	Camacho	x	x	16030				
Las Virgenes	3090	Peterson	x	x	3090				
Long Beach	6558	Cordero	x	x	6558				
Los Angeles	80172	Sutley							
		Petersen	x	x	26724				
		Quinn							
		Luna	x	x	26724				
		Douglas	x	x	26724				
			Subtotal:		80172				
Municipal Water Dist. of Orange County	64634	Ackerman							
		Seckel	x	x	21545				
		Dick	x	x	21545				
		Erdman	x	x	21545				
			Subtotal:		64634				
Pasadena	3864	Kurtz	x	x	3864				
San Diego County Water Authority	67201	Fong-Sakai							
		Goldberg	x	x	22400				
		Miller	x	x	22400				
		Smith	x	x	22400				
			Subtotal:		67201				
San Fernando	260	Ortega	x	x	260				
San Marino	800	Morris	x	x	800				
Santa Ana	3431	Phan							
Santa Monica	4861	Abdo	x	x	4861				
Three Valleys Municipal Water District	8634	De Jesus	x	x	8634				
Torrance	3590	Lefevre	x	x	3590				
Upper San Gabriel Valley Mun. Wat. Dist.	13418	Fellow	x	x	13418				
West Basin Municipal Water District	27064	Alvarez	x	x	13532				
		Gray	x	x	13532				
			Subtotal:		27064				
Western Municipal Water District	14775	Dennstedt	x	x	14775				
Total	386141				365652				
Present and not voting									
Absent	20489								

The motion to approve the Board Item 8-3 (**M.I. No. 53630**) passed by a vote of 365,652 ayes; 0 noes; 0 abstain; 0 not voting; and 20,489 absent.

Directors De Jesus, Garza, and Smith using AB 2449 just cause, appeared on video and did not have anyone over the age of 18 present during the vote.

Director Camacho left the meeting.

Chair Ortega asked the Board if they wanted to hear and/or vote on Agenda Item 8-4 in closed session. No requests were made.

Committee Chair Dick announced that on Item 8-4, the Finance and Asset Management Committee met in closed session regarding authorization of a possible option agreement with The AES Corporation, LLC for a long term lease of up to 6,742 acres in the Palo Verde Mesa to give price and terms direction to Metropolitan's real property negotiators. Metropolitan's negotiators will report back on the item in a future committee meeting, and there is no vote or recommended action for the Board today.

Chair Ortega thanked Mr. Katz and Mr. Denham for joining the meeting and provided them with a gift of appreciation.

Chair Ortega recused himself from Item 8-5 as it involves Honeywell, a company that was a source of income to him within the past twelve months, and he left for the remainder of the meeting.

Chair Ortega requested Board Vice Chair Goldberg to chair the meeting in his absence.

Director Dick recused himself from Item 8-5 as it involves Bayer, 3M, and Corteva, companies in which he currently owns stock, and he left the meeting.

Director Faessel recused himself from Item 8-5 as it involves Corteva, a company which he currently owns stock, and he left the meeting.

Board Vice Chair Goldberg called the meeting into closed session to discuss Agenda Item 8-5.

The Board returned to open session; in closed session, the Board discussed and conferred with legal counsel regarding Items 8-5. No reportable action on Item 8-5.

53631 Authorize an increase in maximum amount payable under contract for legal services with Marten Law LLP in the amount of \$150,000 for a total amount not to exceed \$550,000. (Agenda Item 8-5).

Director Luna moved, seconded by Director Morris, that the Board approve the Board Item 8-5 as follows:

Board Vice Chair Goldberg called for a vote on the motion for Agenda Item 8-5 Option 1.

The following is a record of the vote:

Record of Vote on Item:		8-5 Open Session							
Member Agency	Total Votes	Director	Present	Yes	Yes Vote	No	No Vote	Abstain	Abstain Vote
Anaheim	6038	Faessel							
Beverly Hills	4493	Pressman							
Burbank	3175	Ramos							
Calleguas Municipal Water District	13073	McMillan							
Central Basin Municipal Water District	19324	Garza	x	x	19324				
		Vacant							
			Subtotal:		19324				
Compton	641	McCoy	x	x	641				
Eastern Municipal Water District	12060	Armstrong	x	x	12060				
Foothill Municipal Water District	2409	Bryant	x	x	2409				
Fullerton	2561	Jung	x	x	2561				
Glendale	3985	Kassakhian							
Inland Empire Utilities Agency	16030	Camacho							
Las Virgenes	3090	Peterson	x	x	3090				
Long Beach	6558	Cordero	x	x	6558				
Los Angeles	80172	Sutley							
		Petersen							
		Quinn							
		Luna	x	x	40086				
		Douglas	x	x	40086				
			Subtotal:		80172				
Municipal Water Dist. of Orange County	64634	Ackerman							
		Seckel	x	x	32317				
		Dick							
		Erdman	x	x	32317				
			Subtotal:		64634				
Pasadena	3864	Kurtz	x	x	3864				
San Diego County Water Authority	67201	Fong-Sakai							
		Goldberg	x	x	22400				
		Miller	x	x	22400				
		Smith	x	x	22400				
			Subtotal:		67201				
San Fernando	260	Ortega							
San Marino	800	Morris	x	x	800				
Santa Ana	3431	Phan							
Santa Monica	4861	Abdo	x	x	4861				
Three Valleys Municipal Water District	8634	De Jesus	x	x	8634				
Torrance	3590	Lefevre							
Upper San Gabriel Valley Mun. Wat. Dis	13418	Fellow	x	x	13418				
West Basin Municipal Water District	27064	Alvarez	x	x	13532				
		Gray	x	x	13532				
			Subtotal:		27064				
Western Municipal Water District	14775	Dennstedt	x	x	14775				
Total	386141				332066				
Present and not voting									
Absent	54075								

The motion to approve the Board Item 8-5 (**M.I. No. 53631**) passed by a vote of 332,066 ayes; 0 noes; 0 abstain; 0 not voting; and 54,075 absent.

Directors De Jesus, Garza, and Smith using AB 2449 just cause, appeared on video and did not have anyone over the age of 18 present during the vote.

Board Vice Chair Goldberg announced Item 8-6 is an update on labor negotiations and to approve entering into two-year extension of 2022-2024 Memorandum of Understanding between the Metropolitan Water District of Southern California and the Association of Confidential Employees. She advised that a copy of a non-interest disclosure notice was posted to the website and that the notice will be attached to the minutes of this meeting and made a part of the official record of the meeting.

Board Vice Chair Goldberg asked the Board if they wanted to hear and/or vote on Agenda Item 8-6 in closed session. No requests were made.

53632 Authorize the General Manager to exercise discretion under Administrative Code Section 610(k) to enter into a new Memorandum of Understanding with the Association of Confidential Employees. (Agenda Item 8-6).

Director Peterson moved, seconded by Director Bryant, that the Board approve the Board Item 8-6 as follows:

Board Vice Chair Goldberg called for a vote on the motion for Agenda Item 8-6 Option 1.

The following is a record of the vote:

Record of Vote on Item:		8-6							
Member Agency	Total Votes	Director	Present	Yes	Yes Vote	No	No Vote	Abstain	Abstain Vote
Anaheim	6038	Faessel	x	x	6038				
Beverly Hills	4493	Pressman							
Burbank	3175	Ramos							
Calleguas Municipal Water District	13073	McMillan							
Central Basin Municipal Water District	19324	Garza	x	x	19324				
		Vacant							
			Subtotal:		19324				
Compton	641	McCoy	x	x	641				
Eastern Municipal Water District	12060	Armstrong	x	x	12060				
Foothill Municipal Water District	2409	Bryant	x	x	2409				
Fullerton	2561	Jung	x	x	2561				
Glendale	3985	Kassakhian							
Inland Empire Utilities Agency	16030	Camacho							
Las Virgenes	3090	Peterson	x	x	3090				
Long Beach	6558	Cordero	x	x	6558				
Los Angeles	80172	Sutley							
		Petersen							
		Quinn							
		Luna	x	x	40086				
		Douglas	x	x	40086				
			Subtotal:		80172				
Municipal Water Dist. of Orange County	64634	Ackerman							
		Seckel	x	x	32317				
		Dick							
		Erdman	x	x	32317				
			Subtotal:		64634				
Pasadena	3864	Kurtz	x	x	3864				
San Diego County Water Authority	67201	Fong-Sakai							
		Goldberg	x	x	22400				
		Miller	x	x	22400				
		Smith	x	x	22400				
			Subtotal:		67201				
San Fernando	260	Ortega							
San Marino	800	Morris	x	x	800				
Santa Ana	3431	Phan							
Santa Monica	4861	Abdo	x	x	4861				
Three Valleys Municipal Water District	8634	De Jesus	x	x	8634				
Torrance	3590	Lefevre							
Upper San Gabriel Valley Mun. Wat. Dis	13418	Fellow	x	x	13418				
West Basin Municipal Water District	27064	Alvarez	x	x	13532				
		Gray	x	x	13532				
			Subtotal:		27064				
Western Municipal Water District	14775	Dennstedt	x	x	14775				
Total	386141				338104				
Present and not voting									
Absent	48037								

The motion to approve the Board Item 8-6(**M.I. No. 53632**) passed by a vote of 338,104 ayes; 0 noes; 0 abstain; 0 not voting; and 48,037 absent.

Directors De Jesus, Garza, and Smith using AB 2449 just cause, appeared on video and did not have anyone over the age of 18 present during the vote.

53633 Board Vice Chair Goldberg asked if there were questions or need for discussion on Board Information Item 9-1 or 9-2. No requests were made.

Board Vice Chair Goldberg called the meeting into closed session to discuss an Agenda Item 10-1 an update and training on Headquarters Security Measures, conference with Tomer Benito Unit Manager of Security.

The Board returned to open session; in closed session, the Board discussed Item 10-1. No action was taken on Item 10-1.

53634 Board Vice Chair Goldberg asked if there were any Follow-Up Items. There were none.

53635 Board Vice Chair Goldberg asked if there were any Future Agenda Items. There were none.

53636 There being no objection, at 4:21 p.m., the Board Vice Chair adjourned the meeting in honor of Metropolitan Employee Richard Barnett, Instrument and Control Tech III in the Water Quality Treatment Lab, who recently passed away.

RICKITA HUDSON
BOARD EXECUTIVE SECRETARY

ADÁN ORTEGA, JR.
CHAIR OF THE BOARD

BOARD MEETING
May 14, 2024 – 2:30 p.m.
MWD Headquarters Building/Teleconference Meeting

NON-INTEREST DISCLOSURE NOTICE
BOARD ITEM 8-6.

BOARD ITEM Item 8-6. – Update on labor negotiations and approve entering into two-year extension of 2022-2024 Memorandum of Understanding between The Metropolitan Water District of Southern California and the Association of Confidential Employees; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with Labor Negotiators; to be heard in closed session pursuant to Gov. Code 54957.6. Metropolitan representatives: Katano Kasaine, Assistant General Manager, Chief Financial Officer, Mark Brower, Human Resources Group Manager, Gifty J. Beets, Human Resources Section Manager of Labor Relations and Adam Benson, Finance Group Manager. Employee organizations: Association of Confidential Employees.]

This Non-Interest Disclosure Notice is being provided under the California Government Code: Pursuant to Government Code Section 1091.5(a)(9), a District officer or employee does not have a financial interest in a District contract if these conditions are satisfied: (i) his or her interest is that of a person receiving a salary, per diem or reimbursement for expenses from a government entity; (ii) the contract does not directly involve the department of the government entity that employs him or her; and (iii) the interest is disclosed to his or her body or board at the time the contract is considered and is noted in its official record. In accordance with this statute, the following District officers or employees have been, or may be, involved in the bargaining unit negotiations on behalf of management:

Adel Hagekhalil, Marcia Scully, Katano Kasaine, Shane Chapman, Deven Upadhyay, Gifty Beets, Mark Brower, Adam Benson, Henry Torres, Tony Zepeda, Gonzalo Barriga Jr., Mohsen Mortada, Isamar Munoz Marroquin, and Diana Vidal.

Isamar Munoz Marroquin and Diana Vidal are members of the Association of Confidential Employees (“ACE”), which have a salary provision in its Memorandum of Understanding that allows ACE to select an annual salary adjustment from any one of the Memoranda of Understanding for the other bargaining units. Each of the remaining individuals is unrepresented. Under Administrative Code Section 6500(d), unless the Board directs otherwise, the pay rate range for each unrepresented individual except Adel Hagekhalil and Marcia Scully, will be adjusted annually to correspond with the annual across-the-board salary adjustment provided to the District’s management employees under the Memoranda of Understanding; although actual pay rates for these unrepresented individuals will be determined by their management. The other compensation and benefits for which the unrepresented individuals are eligible are set forth in the Administrative Code.



- **Board of Directors**
Executive Committee

6/11/2024 Committee Meeting

7-1

Subject

Approve General Auditor's Internal Audit Plan for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The General Auditor's Internal Audit Plan (**Attachment 1**) describes how the audit plan was developed, the internal audit services available to Metropolitan, and the planned projects for the fiscal year 2024/25. Strategic goals and FY 2023/24 accomplishments will be provided separately in a July business plan presentation to the Board.

The fiscal year 2024/25 Internal Audit plan is comprised of 20 planned audits, including seven new audits, 12 carried forward audits from prior fiscal years, and one recurring board request. Additionally, the audit plan includes nine advisory projects plus follow-up reviews.

This action requests that the Board approve the General Auditor's Audit Plan for fiscal year 2024/25, which is presented for consideration in accordance with the Metropolitan Administrative Code and professional internal auditing standards.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve General Auditor's Internal Audit Plan for fiscal year 2024/25.

Fiscal Impact: None

Business Analysis: This option will authorize the General Auditor to proceed with planned audit and advisory projects that add value and improve Metropolitan's operations.

Option #2

Do not approve General Auditor's Internal Audit Plan for fiscal year 2024/25.

Fiscal Impact: None

Business Analysis: This option may impact the General Auditor's ability to perform audit work and other duties prescribed by the Metropolitan Administrative Code.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 6451: Audit Department Charter

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

July 11, 2023, Item 7-8, Approve General Auditor's Business Plan for fiscal year 2023/24

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5).)

CEQA determination for Option #2:

None required

Details and Background

Background

The mission of the Office of the General Auditor, Metropolitan's Internal Audit function, is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan's operations. Internal Audit helps Metropolitan accomplish its objectives by using a proactive, systematic approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Professional internal audit standards require the General Auditor to establish a risk-based plan to determine the priorities of the office that are consistent with Metropolitan's goals and objectives. Internal Audit's methodology is to perform focused audits and provide advisory services that evaluate important areas of Metropolitan and deliver timely results.

Internal Audit completed an audit risk assessment by gaining an understanding of Metropolitan's business operations through documentation reviews, interviews with management, and discussions with the Board. The results facilitated efforts to identify and measure risks and prioritize potential audits and advisory projects for the audit plan. Internal Audit's approach is to provide coverage of the most important aspects of the areas identified. Exceptions may be made to this approach when there are carryforward audits from the prior year, where there has been recent audit coverage, or if professional judgment dictates otherwise.

This year's audit risk assessment identified opportunities for Internal Audit to provide audit or advisory services in the following areas (listed in alphabetical order): business continuity, conveyance & distribution, cybersecurity, human resources, information technology, infrastructure reliability, integrated operations planning & support services, power operations & planning, and treatment & water quality.

Internal Audit Plan Overview


The Internal Audit Plan includes the following information:

- (1) An introduction to the Metropolitan Internal Audit Office.
- (2) A description of the audit plan project planning and execution methodology.
- (3) A description of the project's results.
- (4) An overview of the services Internal Audit offers to Metropolitan.
- (5) Projects planned to be performed during fiscal year 2024/25.
- (6) A crosswalk of risk areas to associated projects.
- (7) Specific risks/internal control concerns identified pending audit resource/time availability.
- (8) An overview of internal audit resources that will support the execution of the audit plan.


(9) Our internal reporting structure.

(10) References to relevant professional internal audit standards.

The General Auditor, from time to time, may determine it appropriate to substitute, postpone, or cancel a planned engagement due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in activity reports submitted to the Board, and acceptance of the reporting authorizes any changes noted and amends the audit plan.



Scott Suzuki
General Auditor
5/22/2024
Date



Adel Hagekhalil
General Manager
5/22/2024
Date

Attachment 1 – General Auditor’s Internal Audit Plan for FY 2024/25

Ref# a12692344



Office of General Auditor __

General Auditor's Internal Audit Plan for FY 2024/25

June 11, 2024

DRAFT – PENDING BOARD APPROVAL

Executive Summary

BACKGROUND

The mission of the Office of the General Auditor, Metropolitan's internal audit function, is to provide independent, professional, and objective assurance and consulting services designed to add value and improve Metropolitan's operations. We help Metropolitan accomplish its objectives by using a proactive and systematic approach to evaluate and recommend improvements to the effectiveness of risk management, internal control, and governance processes.

Professional internal audit standards require we establish a risk-based plan to determine the priorities of our office that are consistent with Metropolitan's goals and objectives. Our methodology is to perform focused audits and provide advisory services that evaluate important areas of Metropolitan and deliver timely results.

We completed an audit risk assessment by gaining an understanding of Metropolitan's business operations through documentation reviews, interviews with management, and discussions with the Board. The results facilitated our efforts to identify and measure risks and prioritize potential audits and advisory projects for the audit plan. Our approach is to provide coverage of the most important aspects of the areas identified. We may make exceptions to this approach when there are carryforward audits from the prior year, where there has been recent audit coverage, or if our professional judgment dictates otherwise.

RESULTS

Our fiscal year 2024/25 Internal Audit Plan is comprised of 20 planned audits, including seven new audits, 12 carried forward audits from prior fiscal years, and one recurring Board request. Additionally, we plan to cover nine advisory projects plus follow-up reviews.

Our audit risk assessment identified opportunities for our office to provide audit or advisory services in the following areas (listed in alphabetical order):

- | | |
|-----------------------------|---|
| • Business Continuity | • Infrastructure Reliability |
| • Conveyance & Distribution | • Integrated Operations Planning & Support Services |
| • Cybersecurity | • Power Operations & Planning |
| • Human Resources | • Treatment & Water Quality |
| • Information Technology | |

Due to limited staffing resources, our audit plan includes projects addressing the highest identified audit risk areas. As resources and/or time become available in fiscal year 2024/25, we will incorporate additional risk areas into the audit plan. While we will re-evaluate the audit risk assessment periodically during the fiscal year, any risk areas not incorporated into the audit plan by fiscal year-end will be re-evaluated for inclusion in our fiscal year 2025/26 Internal Audit Plan.

DRAFT – PENDING BOARD APPROVAL

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: June 11, 2024

To: Adán Ortega, Jr., Board Chair
Members of the Board of Directors

From: Scott Suzuki, CPA, CIA, CISA, CFE, General Auditor

Subject: General Auditor's Internal Audit Plan for Fiscal Year 2024/25

The Office of the General Auditor is pleased to present our audit plan for fiscal year 2024/25 in accordance with the Metropolitan Administrative Code Section 6451 and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The audit plan results from careful analysis of Metropolitan documents and data, numerous risk discussions with Metropolitan managers, and Board input on specific risk and internal control concerns.

Our office is charged with determining whether Metropolitan's network of risk management, internal control, and governance processes are appropriate and functioning as intended by management. To execute this charge, we plan to perform a series of audits and advisory projects, 29 in total, during the fiscal year (seven new audits, 12 carryforward audits, one recurring Board request, and nine advisories).

Our mission is to add value by recommending improvements to Metropolitan's operations while maintaining transparency and trust in the work we perform. We will do this by working collaboratively with all levels of the Metropolitan team, identifying risks and opportunities that evolve under our changing environment, and ultimately contributing to ensuring Metropolitan's resources have the maximum impact on the communities and member agencies we serve.

We appreciate the opportunity to serve Metropolitan by offering independent, professional, and objective audit and advisory services and appreciate the cooperation provided by the Metropolitan staff and Board during our audit risk assessment project.

If you have any questions regarding our audit plan, please do not hesitate to contact me directly at 213.217.6528 or Deputy General Auditor Kathryn Andrus at 213.217.7213.

Attachments

Other report recipients:

General Manager
General Counsel
Ethics Officer
Chief of Staff
Assistant General Managers
Board Executive Officer
External Auditor

DRAFT – PENDING BOARD APPROVAL**TABLE OF CONTENTS****Introduction****1 Department Overview**

An introduction to our office

Audit Risk Assessment**2 Audit Risk Assessment Process**

A description of our project planning and execution methodology

4 Audit Risk Assessment Summary

A description of project results

Internal Audit Plan**6 Service Portfolio**

An overview of the services we provide to Metropolitan

7 Planned Engagements

Projects we plan to perform during fiscal year 2024/25

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A crosswalk of risk areas to associated projects

13 Deferred Projects

Specific risks/internal control concerns identified pending audit resource/time availability

14 Resource Plan

An overview of our resources that will support execution of the audit plan

15 Organization Chart

Our internal reporting structure

16 Standards

References to relevant professional internal audit standards

DRAFT – PENDING BOARD APPROVAL

INTRODUCTION

DEPARTMENT OVERVIEW

The General Auditor provides independent, professional, and objective advice to the Board and Metropolitan management in accordance with the professional standards issued by The Institute of Internal Auditors. To maintain independence, the General Auditor reports directly to the Board through the Audit Subcommittee of the Executive Committee.

Our goal is to assist Metropolitan's Board and management in improving business and financial practices. To carry out this effort, the General Auditor oversees a team of audit professionals who determine whether Metropolitan activities, programs, or agreements comply with policies, procedures, and applicable regulations. The team proactively addresses issues, focusing on risk management, internal control, and governance processes.

Towards this goal, our office is charged with determining if Metropolitan's network of risk management, internal control, and governance processes (as designed and represented by management), are adequate and functioning in a manner to ensure:

- ◆ Risks are appropriately identified, managed, and monitored.
- ◆ Significant financial, managerial, and operating information is accurate, reliable, and timely.
- ◆ Employees' actions comply with policies, standards, procedures, and applicable laws and regulations.
- ◆ Resources are acquired economically, used efficiently, and adequately protected.
- ◆ Programs, plans, and objectives are achieved.
- ◆ Quality and continuous improvement are fostered in Metropolitan's control process.
- ◆ Significant legislative or regulatory issues are recognized and addressed appropriately.

Our office carries out its responsibilities in accordance with the Audit Department Charter specified in the Metropolitan Administrative Code Section 6451.



DRAFT – PENDING BOARD APPROVAL**AUDIT RISK ASSESSMENT****AUDIT RISK ASSESSMENT PROCESS**

The Office of the General Auditor's objective is to add value to and improve Metropolitan's effectiveness and efficiency.

Our strategy to accomplish this is thorough planning, nimble responsiveness, aligning our priorities with Metropolitan's objectives, and auditing risks with the greatest potential to affect Metropolitan's ability to achieve its objectives.

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals. – International Professional Practices Framework Standard 2010

There are eight primary steps in performing and maintaining the audit risk assessment and audit plan:

1. Understand the organization
2. Identify, assess, and prioritize risks
3. Coordinate with other assurance providers
4. Estimate resources
5. Propose the audit plan and solicit feedback
6. Finalize and communicate the audit plan
7. Assess risks continuously
8. Update the audit plan and communicate changes

Metropolitan's internal audit team developed the audit plan using this process to ensure a thorough and comprehensive risk evaluation, facilitate effective communication with the Board, management, and other stakeholders, and allocate sufficient resources to perform the planned projects.

As part of identifying, assessing, and prioritizing risks, we looked at the following risk factors:

Impact Factors

1. Loss/Material Exposure: Dollar values at risk, annual expenses, number of transactions, impact on other areas of Metropolitan, and degree of reliance on IT.
2. Strategic Risk: Public perception/reputation, economic conditions, volatility, significance to the General Manager's business plan/strategy, degree of regulation, and recent changes.



DRAFT – PENDING BOARD APPROVALLikelihood Factors

3. Control Environment: Degree of process isolation, degree of formalization, the newness of processes/applications, third-party reliance, management turnover, management monitoring, and policy & procedures.
4. Complexity: Degree of automation, degree of required specialization, level of technical detail, complexity of structure, and frequency of change.
5. Assurance Coverage: Type of engagement, other reviews, second-line coverage, and current audit/follow-up.
6. Board & Management Concern: Quantity and specificity of concerns shared during interviews and meetings.

Speed Factor

7. Velocity: How fast a risk can occur and impact Metropolitan.

We obtained input and suggestions from management in key business areas to better identify and quantify the risks Metropolitan faces. We also looked at goals and objectives in various Metropolitan documents, including the financial statements, the Integrated Resources Plan, the Climate Action Plan, monthly General Manager reports, Board and Committee meeting agendas, and the biennial budget.

Our audit universe was defined as 35 auditable units and generally revolved around functional areas of Metropolitan. All departments, groups, sections, and units of Metropolitan are included in the audit universe except for our office. We scored each factor and sorted each auditable unit according to a total risk score to identify those with the most significant risks.

An auditable unit with a higher audit risk score indicates the services or functions it is responsible for are a higher risk activity due to factors including, but not limited to, having a large amount of expenditures and/or revenues, having a high level of liquid assets such as cash, undergoing significant change (e.g., organizational structure, major system), processing complex transactions, criticality to Metropolitan's mission, or having a high degree of public interest. A higher audit risk score indicates that if something were to go wrong, it could have a greater impact on Metropolitan.



DRAFT – PENDING BOARD APPROVAL**AUDIT RISK ASSESSMENT SUMMARY**

Our audit risk assessment results show that eight auditable units are considered higher risk, 22 are moderate risk, and five are lower risk. Below are Metropolitan's auditable units in their respective risk categories in alphabetical order.

HIGHER AUDIT RISK

- | | | |
|-----------------------------|---|-------------------------------|
| • Business Continuity | • Human Resources | • Power Operations & Planning |
| • Conveyance & Distribution | • Information Technology | • Treatment & Water Quality |
| • Cybersecurity | • Integrated Operations Planning & Support Services | |

A higher audit risk score DOES NOT mean that a business area/process is being managed ineffectively or that internal control is inadequate.

MODERATE AUDIT RISK

- | | | |
|---------------------------------|-----------------------------------|--|
| • Administrative Services | • Environmental Planning | • Revenue & Budget |
| • Bay Delta Initiatives | • Equal Employment Opportunity | • Security |
| • Board of Directors | • External Affairs | • Sustainability Resilience & Innovation |
| • Centralized Grants & Research | • General Manager Office | • Treasury & Debt Management |
| • Controller (accounting) | • Infrastructure Reliability | • Water Resource Implementation |
| • Diversity Equity & Inclusion | • Land Management | • Water Resource Planning |
| • Employee Relations | • Operational Safety & Regulation | |
| • Engineering Planning | • Program Management | |

LOWER AUDIT RISK

- | | | |
|--------------------------|---------------------------|-------------------------------|
| • Board Support Services | • Ethics | • Risk Management (insurance) |
| • Engineering Design | • General Counsel (legal) | |

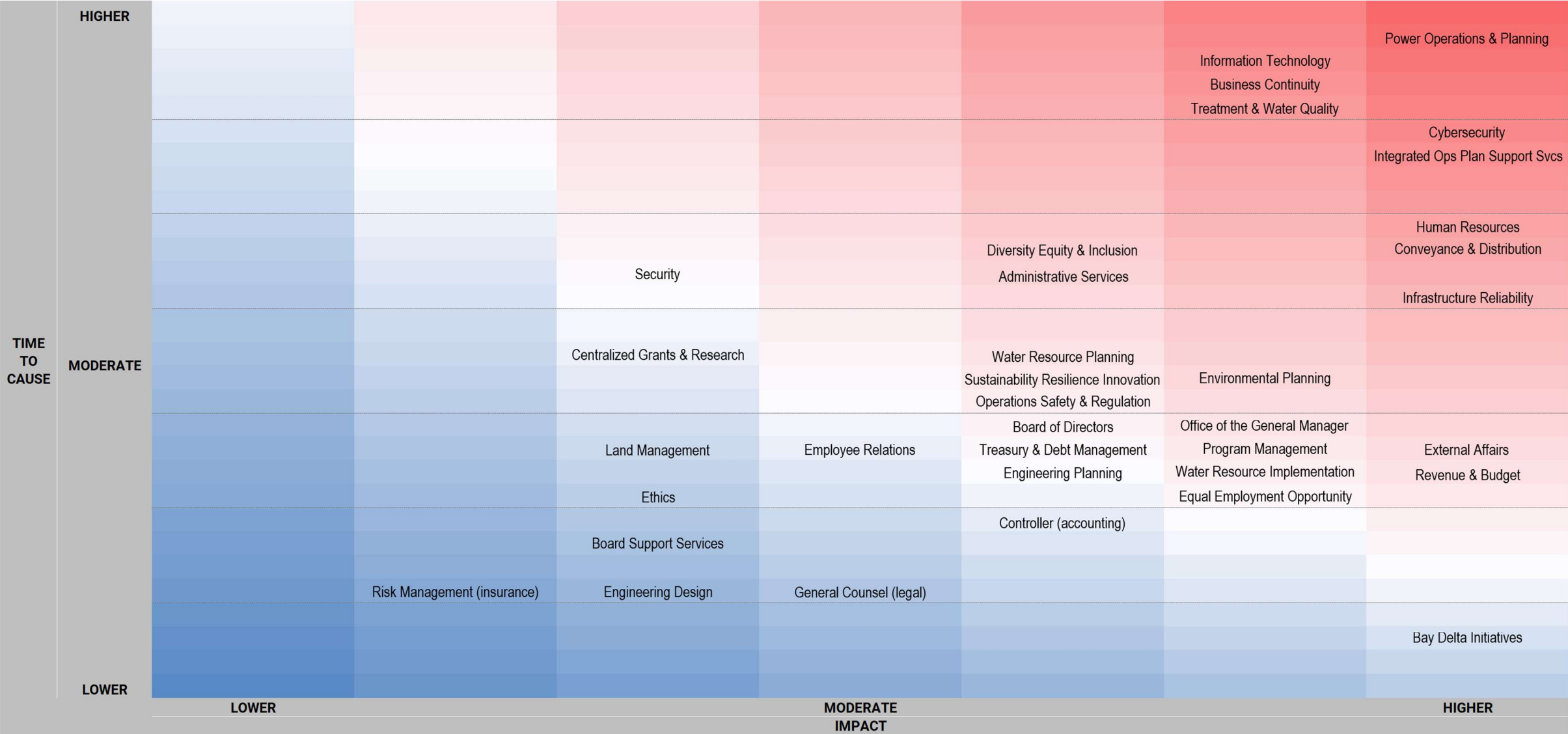


Eastern Municipal Water District Recycled Water Process and Usage

DRAFT – PENDING BOARD APPROVAL

HEAT MAP

The diagram below shows the relationship between time to cause (likelihood + velocity) vs. impact for each Metropolitan auditable area.



DRAFT – PENDING BOARD APPROVAL**INTERNAL AUDIT PLAN****SERVICE PORTFOLIO**

Our core portfolio includes the following services:

1 Operational & Compliance Audits

These audits provide assurance focusing on internal control design, implementation, and/or maintenance of core business operations. The criteria used for our internal control audits is the Committee on Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. Projects can also include assessment of policy compliance, contractual compliance, and/or regulatory compliance.

2 Information Technology Audits

Information technology is pervasive in Metropolitan's system of internal control. These audits focus on general information technology controls (e.g., operations, change management, disaster recovery) or specialized cybersecurity controls (e.g., asset management, data protection, malware defense).

3 Advisory Services

These advisory projects include providing consulting services to Metropolitan functions primarily in support of major business changes (e.g., new application implementation, re-organization, new service line, process re-alignment); however, they can also include ad-hoc on-demand advice.

4 Follow-Up Reviews

Follow-up reviews of observations from prior audits to monitor the implementation progress of recommended corrective actions. The amount of follow-up necessary will depend on the severity of the issue and the type of corrective action.

5 Administration & Other Activities

Includes the annual audit risk assessment and audit plan; TeamMate+ training and functional utilization; quality assessment & improvement program; and contractually required assistance to the external auditor.



DRAFT – PENDING BOARD APPROVAL**PLANNED ENGAGEMENTS**

Planned engagements are based upon approximately 12,900 productive hours provided by nine audit professionals. Higher audit risk areas are given priority for project assignment over moderate and lower audit risk areas. Once all higher audit risk areas are assigned an audit, additional moderate audit risk areas are selected at the discretion of the General Auditor. Projects may also be assigned based on Board direction or as mandated by law/regulation. Lastly, recurring audits are generally not assigned unless determined as higher risk or mandated by law/regulation.

The following table provides planned audit and advisory engagements and includes preliminary objectives and budgeting:

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Operational & Compliance Audits		
1. CRA Reliability	Review CRA Main Pump Reliability Program.	600
2. Total Asset Management	Assess CIP requirements for proper preventative maintenance thresholds.	600
3. Chemical Safety	Review chemical transfer procedures.	600
4. Recruiting Process	Compare recruiting procedures and technology against industry and sector best practices.	600
5. Business Continuity Program	Review Metropolitan business continuity program procedures.	600
6. Small/Disadvantaged Business Enterprise Program	Review small/disadvantage business enterprise program	600
7. Colorado River Water User Association Review <i>Board Request</i>	Perform agreed-upon procedures on Colorado River Water User Association financial statements.	120
8. Sole Source Contracts <i>Carryforward from FY 2023/24</i>	Determine if sole-source contracts are issued in accordance with Metropolitan policy.	400
9. Power Market Operations <i>Carryforward from FY 2023/24</i>	Review Metropolitan power market operations.	200
10. State Audit Monitoring <i>Carryforward from FY 2023/24</i>	Review implementation status of State Auditor recommendations.	200



DRAFT – PENDING BOARD APPROVAL

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Operational & Compliance Audits (con't)		
11. Bay Delta Disaster Preparedness <i>Carryforward from FY 2023/24</i>	Review Bay Delta disaster preparedness procedures.	120
12. CRA Maintenance <i>Carryforward from FY 2023/24</i>	Review conveyance maintenance program/processes.	160
13. California Landscape Contractors Association Contract Compliance <i>Carryforward from FY 2023/24</i>	Review contract compliance.	120
14. Pure Water State Funding Audit <i>Carryforward from FY 2023/24</i>	Determine adherence to state and Board directives for the Pure Water state funding.	120
15. Reserves/Rate Stabilization Fund <i>Board request</i> <i>Carryforward from FY 2022/23</i>	Determine if reserves are maintained in accordance with Metropolitan Administrative Code.	120
16. Real Property Business Management System <i>Carryforward from FY 2022/23</i>	Review administration of the Real Property Business Management System Project.	80
17. CRA Discharge Line Isolation Couplings Rehabilitation Project <i>Carryforward from FY 2022/23</i>	Review administration of the CRA Discharge Line Isolation Couplings Project.	80
Final Report Closeout	NA	320
Information Technology Audits		
18. IT Governance	Evaluate the value delivered by Metropolitan's IT investments and initiatives.	600
19. Cybersecurity: Software Asset Inventory & Control <i>Carryforward from FY 2023/24</i>	Determine if Metropolitan actively manages all software on the network.	200
20. Oracle Enterprise Business Suite Security <i>Carryforward from FY 2022/23</i>	Assess Oracle security controls.	160
Final Report Closeout	NA	40



DRAFT – PENDING BOARD APPROVAL

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Advisory Services		
21. Grants	Provide advice to the new grants management function.	200
22. Buy v. Lease	Advise on advantages and disadvantages of leasing Metropolitan vehicles versus purchasing.	200
23. Progressive Design-Build	Advise on progressive design-build construction project procedures.	200
24. Corporate Climate Assessments	Advise on Metropolitan climate/culture assessments.	200
25. Risk Oversight Committee (Power Operations)	Advise on committee matters.	NA
26. METCON <i>Carryforward from FY 2023/24</i>	Advise on new application implementation.	80
27. WINS <i>Carryforward from FY 2023/24</i>	Advise on new application implementation.	80
28. PeopleSoft Time & Labor <i>Carryforward from FY 2023/24</i>	Advise on new application implementation.	80
29. Enterprise Content Management <i>Carryforward from FY 2023/24</i>	Advise on new application implementation.	80
Follow-Up Reviews		
Follow up on Operational & Compliance Audits	Follow up on audit recommendation implementation by management.	1,084
Administration & Other Activities		
External Audit Support	Assist Macias Gini & O'Connell (MGO) in the annual financial audit and single audit.	800
Annual Audit Risk Assessment & Internal Audit Plan	Perform annual audit risk assessment tasks and prepare Internal Audit Plan.	360
TeamMate+ Training & Functional Utilization	Provide and receive training on internal audit project management system.	160



DRAFT – PENDING BOARD APPROVAL

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Administration & Other Activities (con't)		
Quality Assessment & Improvement Program (QAIP)	Complete mandates to ensure adherence to professional internal audit standards and improve internal audit operations.	120
On-Demand Advisory Services	Provide rapid advice upon request.	80

The General Auditor, from time to time, may determine it appropriate to substitute, postpone, or cancel a planned engagement due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in activity reports submitted to the Board and acceptance of the reporting authorizes any changes noted and amends the audit plan.

PROJECT TEAM

- ◆ Kathryn Andrus, CPA, Deputy General Auditor
- ◆ Chris Gutierrez, CPA, CIA, Audit Program Manager
- ◆ Arturo Castro, Principal Auditor
- ◆ Sherman Hung, CISA, Principal Auditor
- ◆ Andrew Lin, CPA, CIA, CIGA, Principal Auditor
- ◆ Leo Roldan, CPA, CIA, CGMA, Principal Auditor
- ◆ Lina Tan, Principal Auditor
- ◆ Bonita Leung, CPA, CIA, CRMA, CGMA, Senior Deputy Auditor
- ◆ Neena Mehta, Senior Deputy Auditor
- ◆ Faviola Sanchez, Deputy Auditor III
- ◆ Mari Elias, Executive Assistant II



DRAFT – PENDING BOARD APPROVAL**APPENDIX A: ADDITIONAL INFORMATION****ASSURANCE COVERAGE**

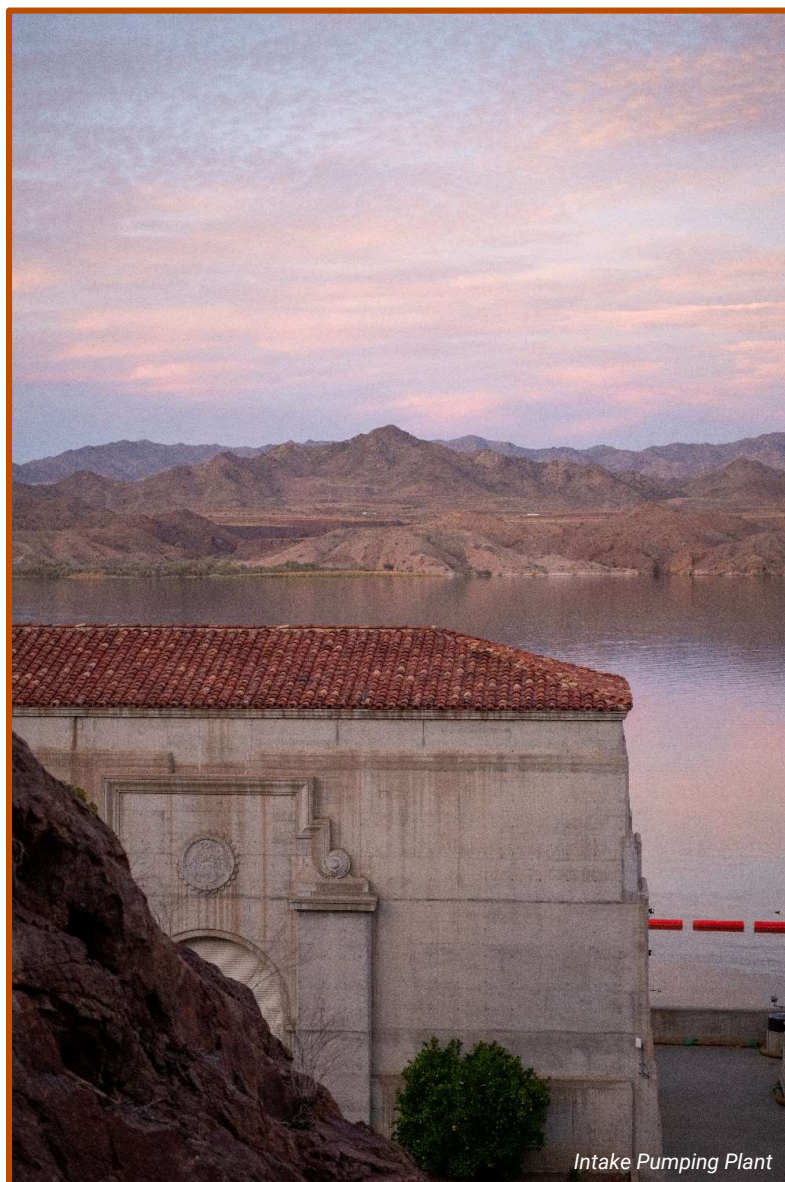
Risk areas we identified as part of the audit risk assessment process are listed alphabetically and mapped to their associated auditable areas, and the resultant planned engagement number is included in parentheses:

RISK AREA	AUDITABLE AREA	ENGAGEMENT
Asset management	Infrastructure Reliability	Total Asset Management (2)
Business continuity	Business Continuity	Business Continuity Program (5)
Chemical safety	Treatment & Water Quality	Chemical Safety (3)
Competitive contracting	Administrative Services	Sole Source Contracts (8)
Construction	Engineering Design	Progressive Design-Build (advisory)(23)
Culture	Diversity Equity & Inclusion Equal Employment Opportunity Ethics Human Resources	Corporate Climate Assessments (advisory)(24)
Cybersecurity	Cybersecurity	Cybersecurity: Software Asset Inventory & Control (19)
Data governance	Administrative Services	Enterprise Content Management (advisory)(29)
Delta failure/earthquake	Bay Delta Initiatives	Bay Delta Disaster Preparedness (11)
Fleet vehicles	Integrated Operations Planning & Support Services	Buy v. Lease (advisory)(22)
Grant compliance	Centralized Grants & Research	Grants (advisory)(21) Pure Water State Funding Audit (14)
IT Governance	Information Technology	IT Governance (18)
New Applications	Controller Conveyance & Distribution	Peoplesoft Time & Labor (advisory)(28) WINS (advisory)(27) METCON (advisory)(26)



DRAFT – PENDING BOARD APPROVAL

RISK AREA	AUDITABLE AREA	ENGAGEMENT
Power costs/operations	Power Operations & Planning	Power Market Operations (9) Risk Oversight Committee (advisory)(25)
Recruiting	Human Resources	Recruiting Process (4)
SBA/DBE contracting	Diversity Equity Inclusion	SBA/DBE Program (6)
State Audit	Human Resources	State Audit Monitoring (10)
Third-party compliance	Water Resource Implementation	CLCA Contract Compliance (13)
Water system maintenance	Conveyance & Distribution	CRA Reliability (1) CRA Maintenance (12)



DRAFT – PENDING BOARD APPROVAL**DEFERRED PROJECTS**

Risks/internal control concerns identified from Board input and management interviews (in high or medium-high areas of the audit risk assessment) are mapped to auditable areas below and will be added to the audit plan as resources and/or time become available:

RISK AREA	AUDITABLE AREA
California Air Resources Board (CARB) regulations/ fleet exemptions	Integrated Operations Planning & Support Services Sustainability Resilience & Innovation
Community Outreach	External Affairs
Conservation funding	Water Resource Implementation
Contract administration (post-award)	Program Management
Contract selection/award	Administrative Services Engineering External Affairs
Cybersecurity program	Information Technology
Desert housing	Integrated Operations Planning & Support Services
District temporary/annuitant usage	Human Resources
Electrical equipment supply chain	Integrated Operations Planning & Support Services
Enterprise risk management	Office of the General Manager
Investigative process	Multiple
Reserves/cost of service	Revenue & Budget
Revenue-generating lease/license contracts	Sustainability Resilience & Innovation



Bay Delta, Feather River

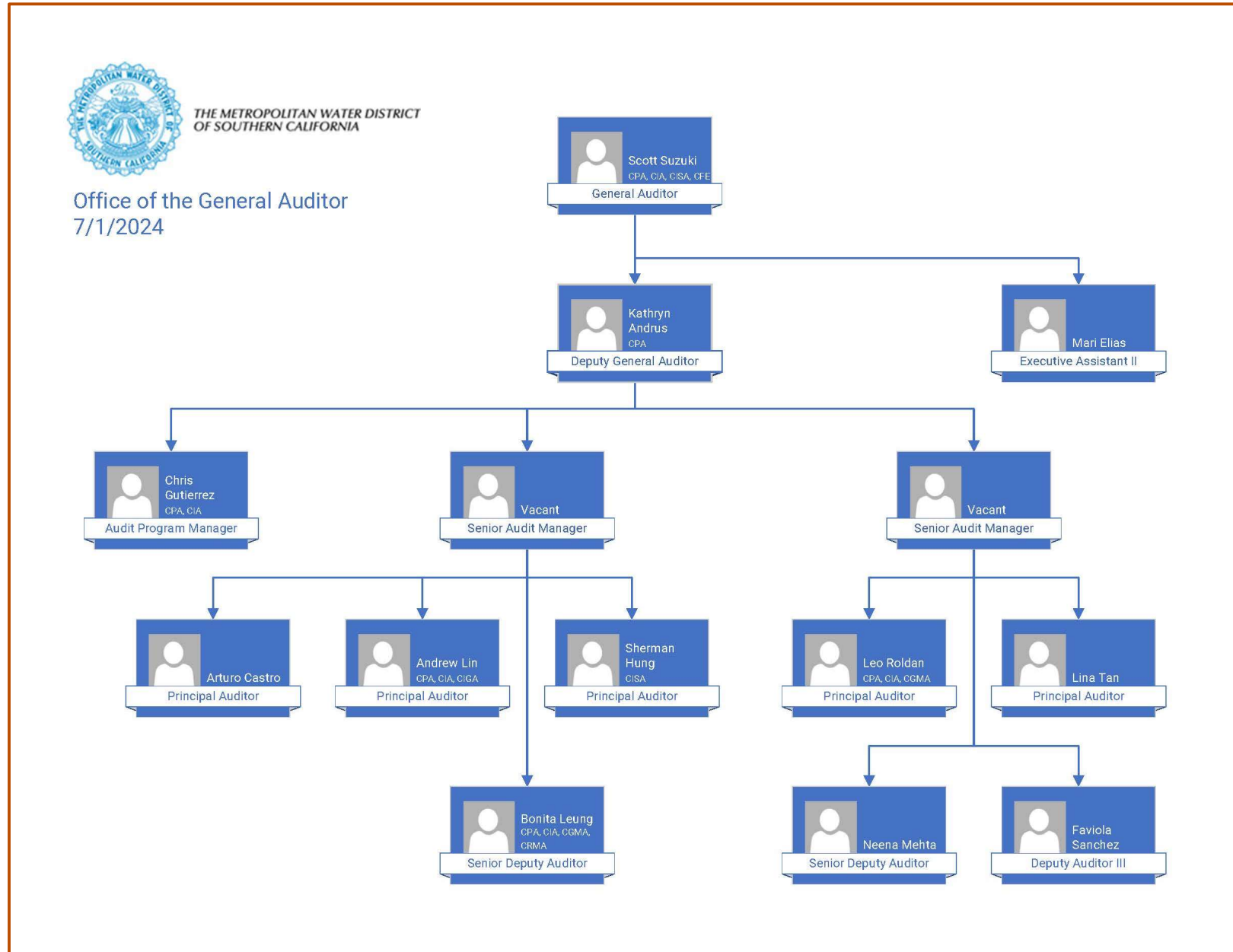


DRAFT – PENDING BOARD APPROVAL**RESOURCE PLAN**

The department is comprised of 11 professional audit team members and one administrative professional. Team member audit experience includes financial, performance, fraud, compliance, and information technology. Six members are licensed Certified Public Accountants (CPA), five are Certified Internal Auditors (CIA), and two are Certified Information System Auditors (CISA). Other professional certifications held include Certified Fraud Examiner (CFE), Chartered Global Management Accountant (CGMA), Certification in Risk Management Assurance (CRMA), and Certified Inspector General Auditor (CIGA).

Our total productive hours available for portfolio services is 12,884 hours after allowances for benefits and non-productive time (e.g., training, staff meetings, HR activities). Additional time is then deducted for administration and other activities, a contingency reserve, Board requests, and special projects, resulting in 8,564 hours available for audit and advisory projects. Audit hours for the general auditor and deputy general auditor are not included in the productive hour total.



DRAFT – PENDING BOARD APPROVAL**ORGANIZATION CHART**

DRAFT – PENDING BOARD APPROVAL**STANDARDS**

The following are references to conformance with relevant International Professional Practices Framework standards. Note: The IIA issued the Global Internal Audit Standards in January 2024 as an update to its standards, which will take effect in January 2025.

2010 – Planning

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

- The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the Board must be considered in this process.
- The chief audit executive must identify and consider the expectations of senior management, the Board, and other stakeholders for internal audit opinions and other conclusions.
- The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

2020 – Communication & Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the Board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for: (1) making strategic and operational decisions, (2) overseeing risk management and control, (3) promoting appropriate ethics and values within the organization, (4) ensuring effective organizational performance management and accountability, (5) communicating risk and control information to appropriate areas of the organization, (6) coordinating the activities of, and communicating information among the Board, external and internal auditors, other assurance providers, and management.

- The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.
- The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.



DRAFT – PENDING BOARD APPROVAL**2120 – Risk Management**

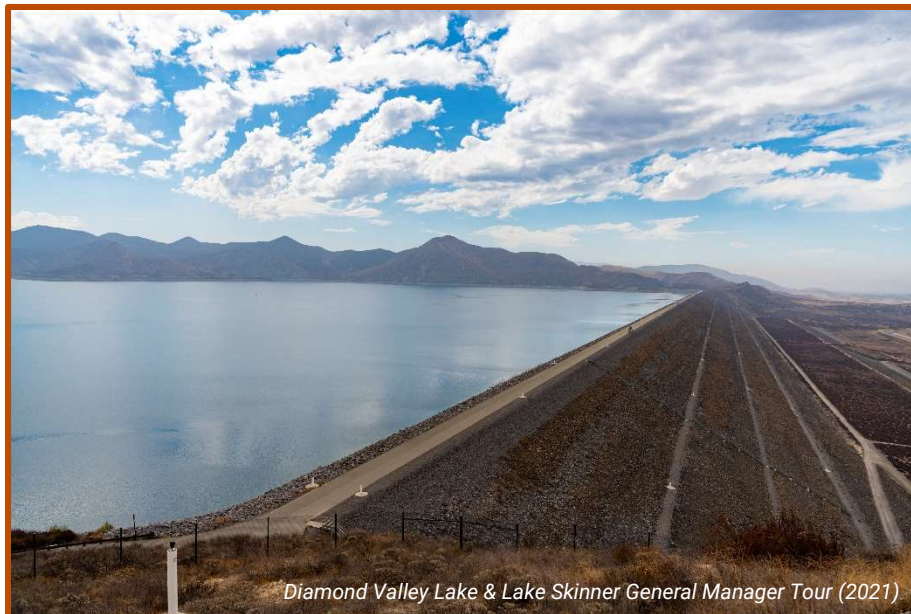
The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

- ◆ The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the: (1) Achievement of the organization's strategic objectives; (2) Reliability and integrity of financial and operational information; (3) Effectiveness and efficiency of operations and programs; (4) Safeguarding of assets; and (5) Compliance with laws, regulations, policies, procedures, and contracts.
- ◆ The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.
- ◆ During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.
- ◆ Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes.
- ◆ When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

- ◆ The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the: (1) Achievement of the organization's strategic objectives; (2) Reliability and integrity of financial and operational information; (3) Effectiveness and efficiency of operations and programs; (4) Safeguarding of assets; (5) Compliance with laws, regulations, policies, procedures, and contracts.
- ◆ Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes.





Executive Committee

General Auditor's Internal Audit Plan Fiscal Year 2024/25

Item 7-1

May 28, 2024

Item # 7-1 General Auditor fiscal year 2024/25 Audit Plan

Subject

Approve General Auditor's Internal Audit Plan for fiscal year 2024/25

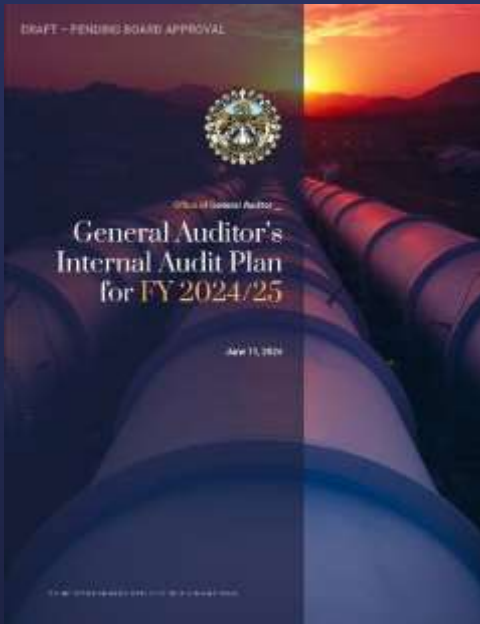
Purpose

Provide an overview of the department, the audit risk assessment process, and the Internal Audit Plan for fiscal year 2024/25

Next Steps

Submit the Internal Audit Plan for approval by the Board

Business Plan



Department Overview

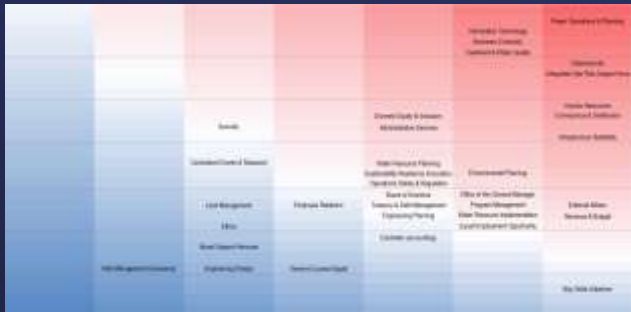
- Provide independent, professional, and objective advice to the Board and Metropolitan management in accordance with professional standards issued by The Institute of Internal Auditors
- Assist Metropolitan's Board and management in improving business and financial practices
- Proactively address issues, focusing on risk management, internal control, and governance processes
- Carry out responsibilities in accordance with the Audit Department Charter specified in Metropolitan Administrative Code Section 6451

[illegible]

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals – International Professional Practices Framework (IPPF) Standard 2010

1. Understand the organization
2. Identify, assess, and prioritize risks
3. Coordinate with other assurance providers
4. Estimate resources
5. Propose the audit plan and solicit feedback
6. Finalize and communicate the audit plan
7. Assess risks continuously
8. Update the audit plan and communicate changes

Audit Risk Assessment



Audit Risk Assessment Summary

Higher Audit Risk Areas

- Business Continuity
- Conveyance & Distribution
- Cybersecurity
- Human Resources
- Information Technology
- Integrated Operations Planning & Support Services
- Power Operations & Planning
- Treatment & Water Quality

NOTE: A higher audit risk score **DOES NOT** mean that a business area/process is being managed ineffectively or that internal control is not adequate.

Audit Plan



Service Portfolio

1. Operational & Compliance Audits

2. Information Technology Audits

3. Advisory Services

4. Follow-Up Reviews

5. Administration & Other Activities

Audit Plan



New Engagements

Operational & Compliance Audits

1. CRA Reliability
2. Total Asset Management
3. Chemical Safety
4. Recruiting Process
5. Business Continuity Program
6. Small/Disadvantaged Business Enterprise Program

Information Technology Audit

18. IT Governance

Recurring Board Request

7. Colorado River Water User Association Review

Audit Plan



Audit Plan



Carryforward Engagements

Operational & Compliance Audits

8. Sole Source Contracts
9. Power Market Operations
10. State Audit Monitoring
11. Bay Delta Disaster Preparedness
12. CRA Maintenance
13. California Landscape Contractors Association Contract Compliance
14. Pure Water State Funding Audit
15. Reserves/Rate Stabilization Fund
16. Real Property Business Management System
17. CRA Discharge Line Isolation Couplings Rehabilitation Project

Audit Plan



Carryforward Engagements (con't)

Information Technology Audit

- 19. Cybersecurity: Software Asset Inventory & Control
- 20. Oracle Enterprise Business Suite Security

Audit Plan



Advisory Engagements

- 21. Grants
- 22. Buy v. Lease
- 23. Progressive Design-Build
- 24. Corporate Climate Assessments
- 25. Risk Oversight Committee (Power Operations)
- 26. METCON (*carryforward*)
- 27. WINS (*carryforward*)
- 28. PeopleSoft Time & Labor (*carryforward*)
- 29. Enterprise Content Management (*carryforward*)

Audit Plan



Administration & Other Activities

- External Audit Support
- Annual Audit Risk Assessment & Internal Audit Plan
- TeamMate+ Training & Functional Utilization
- Quality Assessment & Improvement Program (QAIP)
- On-Demand Advisory Services

Assurance Coverage

Specific risk areas covered by planned engagements:

RISK	AUDITABLE AREA	ENGAGEMENT
Asset management	Infrastructure Reliability	Total Asset Management (2)
Business continuity	Business Continuity	Business Continuity Program (5)
Chemical safety	Treatment & Water Quality	Chemical Safety (3)
Competitive contracting	Administrative Services	Sole Source Contracts (8)
Construction	Engineering Design	Progressive Design-Build (Advisory)(23)
Culture	DEI EEO Ethics Human Resources	Corporate Climate Assessments (Advisory)(24)

Additional
Information



Assurance Coverage (con't)

RISK	AUDITABLE AREA	ENGAGEMENT
Cybersecurity	Cybersecurity	Cybersecurity: Software Asset Inventory & Control (19)
Data governance	Administrative Services	Enterprise Content Management (Advisory)(29)
Delta failure/earthquake	Bay Delta Initiatives	Bay Delta Disaster Preparedness (11)
Fleet vehicles	Integrated Operations Planning & Support Services	Buy v. Lease (Advisory)(22)
Grant compliance	Centralized Grants & Research	Grants (Advisory)(21) Pure Water State Funding Audit (14)
IT Governance	Information Technology	IT Governance (18)

Additional
Information



Assurance Coverage (con't)

Additional Information



RISK	AUDITABLE AREA	ENGAGEMENT
New Applications	Controller Conveyance & Distribution	Peoplesoft Time & Labor (Advisory)(28) WINS (Advisory)(27) METCON (Advisory)(26)
Power costs/operations	Power Operations & Planning	Power Market Operations (9) Risk Oversight Committee (Advisory)(25)
Recruiting	Human Resources	Recruiting Process (4)
SBA/DBE contracting	Diversity Equity Inclusion	SBA/DBE Program (6)
State Audit	Human Resources	State Audit Monitoring (10)
Third-party compliance	Water Resource Implementation	CLCA Contract Compliance (13)
Water system maintenance	Conveyance & Distribution	CRA Reliability (1) CRA Maintenance (12)

Deferred Projects

Added to audit plan as resources/time become available:

RISK	AUDITABLE AREA
California Air Resources Board (CARB) regulations/fleet exemptions	Integrated Operations Planning & Support Services Sustainability Resiliency Innovation
Community Outreach	External Affairs
Conservation funding	Water Resource Implementation
Contract administration (post-award)	Program Management
Contract selection/award	Administrative Services Engineering External Affairs
Cybersecurity program	Information Technology
Desert housing	Integrated Operations Planning & Support Services

Additional
Information



Deferred Projects (con't)

RISK	AUDITABLE AREA
District temporary/annuitant usage	Human Resources
Electrical equipment supply chain	Integrated Operations Planning & Support Services
Enterprise risk management	Office of the General Manager
Investigative process	Multiple
Reserves/cost of service	Revenue & Budget
Revenue-generating lease/license contracts	Sustainability Resiliency & Innovation

Additional
Information



Additional Information



Other Risk Areas

- Bonding capacity
- RFP development

Additional Information



Resource Plan

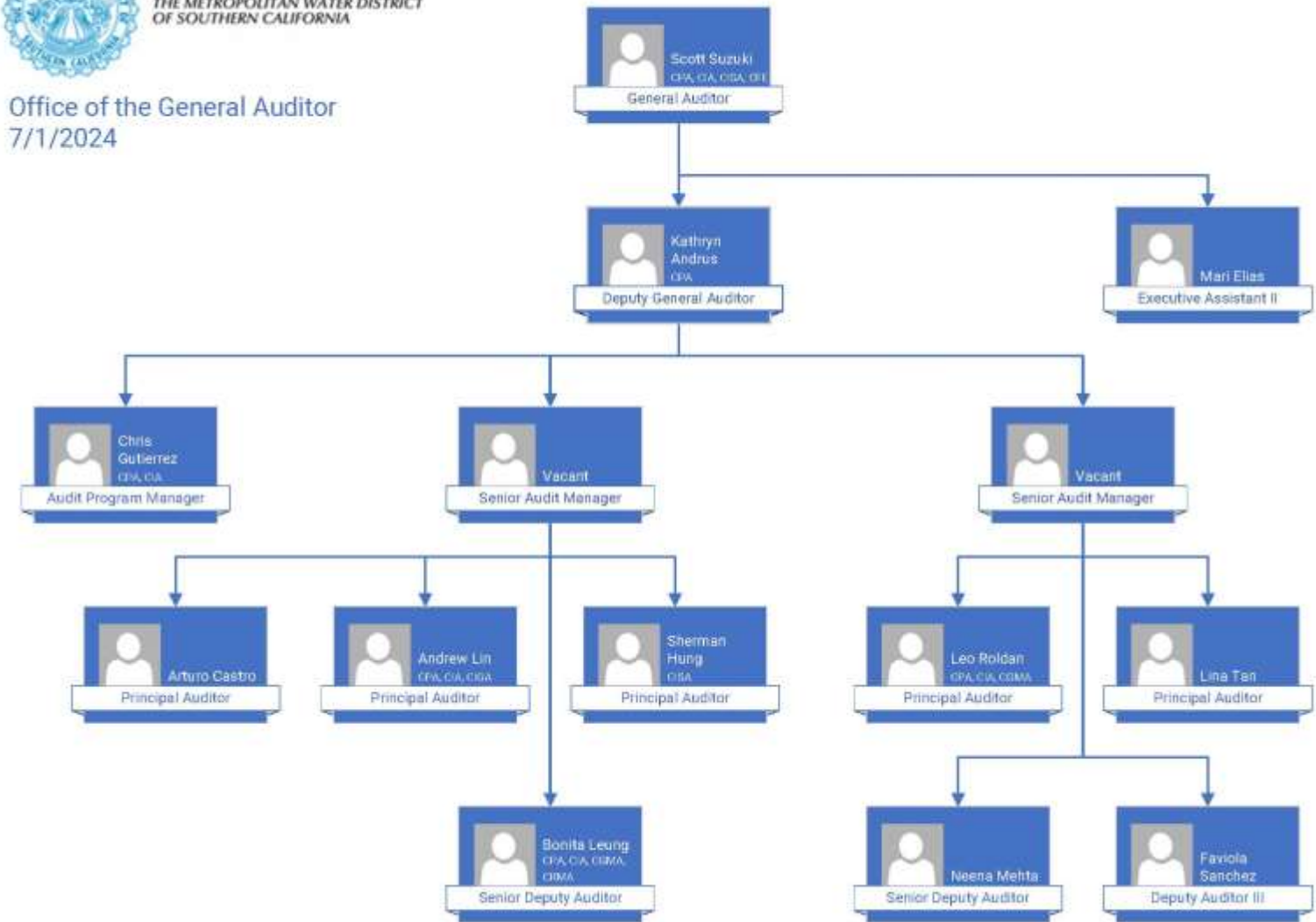
- Eleven professional audit team members and one administrative professional
- Audit experience includes financial, performance, fraud, compliance, and information technology
- Six licensed Certified Public Accountants (CPA)
- Five Certified Internal Auditors (CIA) and two Certified Information Systems Auditors (CISA)
- 12,884 productive hours of which 8,564 are net project hours
- All eight higher-risk auditable areas will be covered

Organization Chart

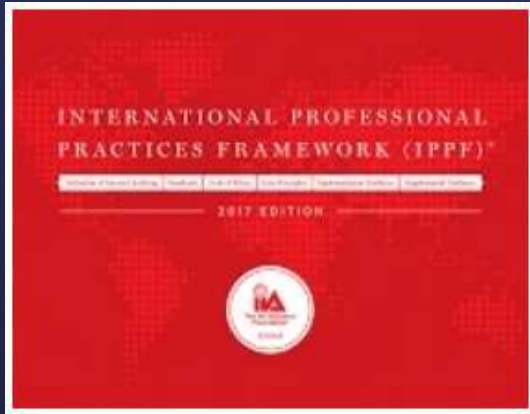


THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Auditor
7/1/2024



Additional Information



Standards

International Professional Practices Framework (IPPF)
standards applicable to this project:

- 2010 - Planning
- 2020 - Communication & Approval
- 2100 - Nature of Work
- 2110 - Governance
- 2120 - Risk Management
- 2130 - Control

Note: The IIA issued the Global Internal Audit Standards in January 2024 as an update to its standards, which will take effect in January 2025.





- **Board of Directors**
Engineering, Operations, and Technology Committee

6/11/2024 Board Meeting

7-2

Subject

Authorize on-call agreements with AECOM, Black & Veatch, and Hazen and Sawyer in amounts not to exceed \$3 million each, for a maximum of three years for engineering services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff's strategy for managing capital and O&M work is to rely on in-house engineering staff to accomplish the base load of projects, while professional services agreements are selectively utilized to handle projects above this base load or where specialized services are required. This action authorizes three new professional services agreements to provide engineering support for capital and O&M projects. The three new agreements will be the on-call type, which is typically used for shorter-term assignments, urgent projects, and projects with specialized technical needs. The recommended maximum amounts of these agreements are \$3 million each for AECOM, Black & Veatch, and Hazen and Sawyer. The maximum duration of these engineering services agreements will be three years.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize on-call agreements with AECOM, Black & Veatch, and Hazen and Sawyer in amounts not to exceed \$3 million each, for a maximum period of three years for engineering services.

Fiscal Impact: Funding for the work to be assigned to the consultants under on-call agreements and performed this biennium has been previously authorized. Future costs will be accounted for and appropriated under subsequent biennial budgets. In addition, no work is guaranteed to the consultants under these agreements.

Business Analysis: Contracting with multiple firms provides flexibility and an efficient means for Metropolitan to obtain needed technical services and to complete capital projects in accordance with board-adopted schedules.

Option #2

Do not authorize the consulting agreements at this time.

Fiscal Impact: None

Business Analysis: Under this option, Metropolitan staff would perform the engineering activities, or would request board authorization for agreements on a project-specific basis. This option would forego an opportunity to reduce administrative costs or address urgent projects promptly.

Alternatives Considered

Staff initially considered using project-specific agreements instead of additional on-call agreements. Project-specific agreements are negotiated for an amount needed to cover a specific project, with agreements over \$250,000 requiring approval by the Board. The current approach of utilizing multiple on-call agreements is recommended to ensure that staff can efficiently execute the planned work in the Capital Investment Plan (CIP) over the upcoming biennium. On-call agreements allow staff to streamline administrative procedures, reduce costs, and enable the design of projects to move forward without delay.

Applicable Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 52778, dated April 12, 2022, the Board appropriated a total of \$600 million for projects identified in the Capital Investment Plan for Fiscal Years 2022/23 and 2023/24.

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan's Board adopts an operating budget biennially that includes planned expenditures for capital programs, which are aggregated within the CIP. The CIP contains the programs and projects necessary for ensuring the reliability of Metropolitan's infrastructure, operating systems, and other assets. Staff's approach for the design of capital projects is to use available in-house staff first, with professional consultant services used only where appropriate. This approach maintains a stable, responsive, and experienced in-house workforce and is consistent with Metropolitan's succession planning efforts.

When resource needs exceed available in-house staffing or require specialized technical expertise, Metropolitan uses a combination of project-specific and on-call professional services agreements. Firms are competitively evaluated, resulting in a list from which both project-specific and on-call agreements are executed as capital project needs are identified. Project-specific agreements are negotiated for an amount needed to cover specific tasks on a specific project, with agreements over \$250,000 approved by the Board. By contrast, on-call agreements are multi-year agreements with not-to-exceed limits. These types of agreements have been used extensively in the past and provide a high degree of flexibility to respond to schedule or scope adjustments, allow quicker delivery times, and lower administrative costs for both Metropolitan and the consultants. For these types of agreements, consultants are assigned work only after specific tasks are identified by staff, up to the not-to-exceed amounts of the contracts. These on-call agreements have been successfully relied upon for over 15 years for the efficient execution of capital projects. Typically, Engineering Services has ten or more on-call

agreements for design services available for use at any one time and has utilized approximately 60 percent of the agreement capacities since inception.

Over the next several fiscal years, several projects have been identified that will require engineering services beyond the level that can be supported by in-house staff. These projects will be located along the Colorado River Aqueduct (CRA), within the conveyance and distribution system, and at Metropolitan's treatment plants, and will address critical programs such as rehabilitation of the CRA electrical systems, hydroelectric plants, valves structures, and infrastructure modifications needed to improve water reliability and address water supply equity. For these projects, it is anticipated that supplemental engineering support will be needed in the areas of:

(1) electrical systems; (2) instrumentation and controls; (3) communications; (4) security systems; (5) mechanical equipment refurbishment; (6) pipeline and valve structure rehabilitation; (7) heating, ventilation, and air conditioning improvements; (8) site and erosion protection improvements; (9) treatment processes and chemical feed systems; (10) seismic and other structural upgrades; and (11) preparation of record drawings.

Multiple three-year on-call agreements are recommended to ensure that staff can execute the planned work in the CIP over the upcoming fiscal years. Staff recommends board authorization of three new multi-year agreements. Two will replace agreements that have already expired to ensure the timely execution of the CIP over the next several years; the other proposed agreement is with a firm that has not previously been awarded an on-call agreement but has performed well under project-specific agreements.

In support of Metropolitan's goal of increasing business opportunities for Small Business Enterprise (SBE) firms, staff establishes SBE participation levels for the vast majority of professional services agreements for capital projects. The only exceptions are for highly specialized areas of expertise, or for the uncommon occasions when sub-consulting opportunities are limited.

Agreements for Engineering Services – AECOM, Black & Veatch, and Hazen and Sawyer

Request for Qualifications (RFQ) No. 1305 was issued in March 2022 to establish a pool of qualified firms to support projects related to Metropolitan's conveyance, distribution, storage, and treatment facilities. Planned engineering services to be provided under the resulting agreements were identified in the RFQ and include conceptual, preliminary, and final design support for new facilities and rehabilitation of existing facilities; field investigations; planning studies; specialized technical analyses and reviews; cost estimating; engineering support during bid, advertisement, and construction; and project controls. The RFQ covered services in four categories: water treatment facilities, conveyance and distribution facilities, large rotating equipment, and power distribution. The consultants submitted Statements of Qualifications (SOQs) for one or more of these four categories. Twenty-one firms submitted SOQs, which were then evaluated based on qualifications, key personnel, experience related to planned projects, past performance, environmental sensitivity, and business outreach. All 21 firms were prequalified to provide services under one or more of the above categories through this process and will be eligible for project-specific agreements within the categories of work for which they were prequalified.

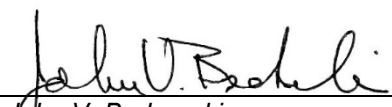
Agreements are currently in place with all of the prequalified firms, with a combined total of approximately \$226 million in authorized agreements to date. Fourteen of these existing agreements are on-call agreements, and the remaining are project-specific agreements. New on-call agreements are recommended to be awarded at this time to three prequalified firms based on staff's current assessment of technical resources needed for capital projects over the next several fiscal years. New agreements are recommended with AECOM, Black & Veatch, and Hazen and Sawyer. These firms were selected through the evaluation process described above.

This action authorizes on-call agreements with AECOM, Black & Veatch, and Hazen and Sawyer in an amount not to exceed \$3 million each per contract. The maximum duration of the agreements will be three years. Staff will return to the Board in the future to authorize additional agreements if a need for such work is identified. Staff plans to issue a new RFQ for engineering services in early 2025.

For each of the agreements, Metropolitan has established an SBE participation level of 25 percent of the amount of the agreement. AECOM, Black & Veatch, and Hazen and Sawyer have committed to meet this level of participation.

Summary

This action authorizes a total of three on-call agreements for engineering services with AECOM, Black & Veatch, and Hazen and Sawyer in an amount not to exceed \$3 million each per contract for a maximum duration of three years.



John V. Bednarski
Manager/Chief Engineer
Engineering Services

5/30/2024

Date



Adel Hagekhalil
General Manager

6/3/2024

Date

Ref# es12695114



Engineering, Operations, & Technology Committee

Professional Services Agreements for Engineering Services

Item 7-2

June 10, 2024

Item 7-2 Professional Services Agreements for Engineering Services

Subject

Authorize on-call agreements with AECOM, Black & Veatch, and Hazen and Sawyer in amounts not to exceed \$3 million each, for a maximum of three years for engineering services

Purpose

Contracting with multiple firms provides flexibility and an efficient means for Metropolitan to obtain needed technical services and to complete capital projects

Recommendation and Fiscal Impact

Authorize agreements for design services in support of the CIP
Fiscal impact - None

Budgeted

Professional Services Agreements for Engineering Services

Staffing Strategy for Capital Programs

- Rely on in-house labor to fullest extent possible
- Use consultants:
 - When capital resource needs exceed available staffing levels
 - For specialized technical expertise/skills
 - For independent/3rd party review
- Planned CIP expenditures for the upcoming biennium – \$636.48 M
- Funding available within Metropolitan capital expenditure plan

Professional Services Agreements for Engineering Services

Professional Services Agreements

- Project-Specific Agreements
 - Used for projects with extended duration or larger scope
- On-Call Agreements
 - Typically utilized for short-term assignments, urgent projects, etc.
 - Allows for flexibility & expedited project delivery
 - Work is not guaranteed to consultants
- Approved individually by the Board over \$250K

Professional Services Agreements for Engineering Services

Example Projects

- Pressure control structure rehabilitation
- Service connection rehabilitations
- Valve & meter replacements



Covina Pressure Control Structure - Valve Replacement

Professional Services Agreements for Engineering Services

Request for Qualifications (RFQ) 1305

- Issued March 2022 to establish pool of qualified firms
 - 21 firms responded
 - All firms were determined to be qualified in one specialized category or multiple categories
 - Water treatment facilities
 - Conveyance & distribution facilities
 - Large rotating equipment
 - Power distribution
 - Agreements currently in place for all qualified firms
 - Board awarded eight on-call agreements
 - Oct. 2022 – five agreements authorized
 - June 2023 – three agreements authorized

Professional Services Agreements for Engineering Services

Request for Qualifications (RFQ) 1305

- Three firms recommended for agreements at this time
- Services to be provided include:
 - Conceptual, preliminary & final designs
 - Specialized technical analyses
 - Support during bid, advertisement & construction
 - SBE participation level – 25% of agreement amount

Professional Services Agreements for Engineering Services

Alternatives Considered

- Utilize project specific agreements
 - Require board authorization for agreements exceeding \$250,000
- Selected Alternative – Utilize on-call agreements
 - Streamlines administrative procedures & reduces costs
 - Allows timely completion of work

Board Options

- Option #1
Authorize on-call agreements with AECOM, Black & Veatch, and Hazen and Sawyer in amounts not to exceed \$3 million each, for a maximum period of three years for engineering services.
- Option #2
Do not authorize the consulting agreements at this time.

Staff Recommendation

- Option #1





- **Board of Directors**
Engineering, Operations, and Technology Committee

6/11/2024 Board Meeting

7-3

Subject

Award a \$897,469 contract to Exaro Technologies Corporation to construct a cathodic protection system along the Santa Monica Feeder; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The Santa Monica Feeder serves the cities of Santa Monica, Beverly Hills, Burbank, and Glendale. The 49-inch diameter mortar-coated steel portion of the pipeline within the City of Glendale is experiencing corrosion deterioration due to corrosive soils along this portion of the pipeline alignment. Staff recommends installation of a cathodic protection system as a proactive and cost-effective measure to reduce the risk of shutdowns and costly urgent repairs.

This action awards a \$897,469 contract to Exaro Technologies Corporation for the construction of a cathodic protection system on the Santa Monica Feeder. See **Attachment 1** for the Allocation of Funds, **Attachment 2** for the Abstract of Bids, **Attachment 3** for the List of Subcontractors, and **Attachment 4** for the Location Map.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Award an \$897,469 contract to Exaro Technologies Corporation for the construction of a cathodic protection system on the Santa Monica Feeder.

Fiscal Impact: Expenditure of \$1.25 million in capital funds. All costs will be incurred in the Fiscal Years 2024/2025 and 2025/2026 and have been previously authorized.

Business Analysis: This option will protect Metropolitan's assets, enhance delivery reliability to member agencies, and reduce the risk of costly urgent repairs.

Option #2

Do not proceed with the project at this time.

Fiscal Impact: None

Business Analysis: Under this option, staff would continue to monitor levels of stray current and corrosion in the Santa Monica Feeder. This option would forego an opportunity to enhance reliability and extend the service life of the Santa Monica Feeder and could lead to more extensive repairs, higher repair costs, and unplanned shutdowns.

Alternatives Considered

Staff considered using several shallow anode wells less than 50 feet deep instead of the two proposed 400-foot-deep anode wells. Shallower wells would not require a Los Angeles County well permit application. However, this option was deemed unacceptable because additional anode wells, beyond those required for the recommended

alternative, would be needed to compensate for the lack of depth. This would, in turn, increase the space needed for construction, require traffic control, increase the risk of utility interferences, and the amount of repaving.

The selected option will rehabilitate the feeder by installing the deep-well cathodic protection system. This alternative, which reduces the construction footprint, is a more cost-effective approach.

Applicable Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

By Minute Item 52778, dated April 12, 2022, the Board appropriated a total of \$600 million for projects identified in the Capital Investment Plan for Fiscal Years 2022/2023 and 2023/2024.

By Minute Item 51159, dated April 10, 2018, the Board authorized final design phase activities for installation of a cathodic protection system on the Santa Monica Feeder.

Summary of Outreach Completed

Metropolitan staff has completed the initial outreach with the City of Glendale regarding the upcoming cathodic protection project.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because the action consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. In addition, the proposed action consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure. Finally, the proposed action consists of minor public or private alterations in the condition of land, water, and/or vegetation, which do not involve removal of healthy, mature, scenic trees except for forestry or agricultural purposes. (State CEQA Guidelines Sections 15301, 15303, and 15304)

CEQA determination for Option #2:

None required

Details and Background

Background

The Santa Monica Feeder was installed in 1941 and conveys treated water from the Eagle Rock Control Facility to its terminus at service connection SMN-1 in Santa Monica. The 23-mile-long feeder includes reaches of mortar-coated welded steel, precast concrete pipe, and cast-iron pipe.

Mortar coating typically provides long-term corrosion protection for welded steel pipe. However, these exterior coatings may lose their protective properties over time, making the steel increasingly susceptible to corrosion. Buried metallic pipelines may also be protected from corrosive soils with cathodic protection systems. These systems are installed to extend the life of the pipelines and reduce the potential for emergency repairs and have demonstrated successful past performance on numerous Metropolitan projects. Impressed current cathodic systems use an external power source to apply a protective current to the line. This protective current is then discharged through anodes, which are electrically connected to the pipe's metal. Since the anodes are composed

of metals that are more easily oxidized than the materials in welded steel pipelines, they corrode before the pipeline metal and continue to corrode until depleted.

Recent corrosion surveys of the pipeline indicate that a portion of the line within the City of Glendale is experiencing corrosion deterioration associated with the age of the line and its corrosive buried environment. Staff recommends the installation of an impressed current cathodic protection system to significantly arrest the rate of corrosion to the pipe in this area of the pipeline alignment. Final design of a cathodic protection system has been completed, and staff recommends proceeding with construction.

Santa Monica Feeder Cathodic Protection – Construction (Appropriation-15480, Project Number-104964)

The scope of the contract includes: (1) installation of traffic control during construction; (2) drilling of vertical wells to install graphite anodes; (3) installation of rectifiers and electrical service cabinets; (4) installation of electrical conduits; (5) street surface restoration; and (6) start-up testing.

A total of \$1.25 million is required for this work. In addition to the amount of the contract described below, other allocated funds include: \$105,000 for construction management and inspection; \$32,000 for submittals review, technical support, responding to manufacturer requests for information, and preparation of record drawings; \$122,000 for project management, environmental monitoring, survey, and contract administration; and \$93,531 for the remaining budget. **Attachment 1** provides the allocation of the required funds.

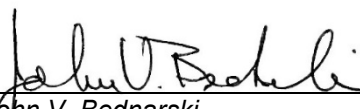

Award of Construction Contract (Exaro Technologies Corporation)

Specifications No. 1963A to install an impressed current cathodic protection system on the Santa Monica Feeder was advertised for bids on March 5, 2024. As shown in **Attachment 2**, three bids were received and opened on April 9, 2024. The low bid from Exaro Technologies Corporation, in the amount of \$897,469, complies with the requirements of the specifications. The other bids were \$900,000 and \$1,433,970, while the engineer's estimate for this project was \$950,000. For this contract, Metropolitan established a Small Business Enterprise participation level of at least 25 percent of the bid amount. Exaro Technologies Corporation has committed to meet this level of participation. The subcontractors for this contract are listed in **Attachment 3**.

This action awards a \$897,469 contract to Exaro Technologies Corporation for the construction of a cathodic protection system on a portion of the Santa Monica Feeder. As described above, Metropolitan staff will perform construction management and inspection. Engineering Services' performance metric target range for construction management and inspection of projects with construction less than \$3 million is 12 to 15 percent. For this project, the performance metric goal for inspection is 11.7 percent of the total construction cost (\$897,469).

Project Milestone

March 2025 – Completion of construction

 _____ John V. Bednarski Manager/Chief Engineer Engineering Services	5/20/2024 Date
 _____ Adel Hagekhalil General Manager	5/28/2024 Date

Attachment 1 – Allocation of Funds**Attachment 2 – Abstract of Bids****Attachment 3 – List of Subcontractors for Low Bidder****Attachment 4 – Location Map**

Ref# es12696044

Allocation of Funds for Santa Monica Feeder Cathodic Protection

	Current Board Action (Jun. 2024)
Labor	
Studies & Investigations	\$ -
Final Design	-
Owner Costs (Program mgmt., envir. monitoring)	122,000
Submittals Review & Record Drwgs.	32,000
Construction Inspection & Support	105,000
Metropolitan Force Construction	-
Materials & Supplies	-
Incidental Expenses	-
Professional/Technical Services	-
Right-of-Way	-
Contracts	
Exaro Technologies Corporation	897,469
Remaining Budget	93,531
Total	\$ 1,250,000

The total amount expended for the Santa Monica Feeder Cathodic Protection is approximately \$650,000. The total cost to complete this project, including funds spent to date and funds allocated for the work described in this action, is \$1.9 million.

The Metropolitan Water District of Southern California

Abstract of Bids Received on April 9, 2024 at 2:00 P.M.

**Specifications No. 1963A
Santa Monica Feeder Cathodic Protection**

This work consists of installing impressed cathodic protection systems, including two 400-foot-deep ground-bed anode wells, electric service cabinets, rectifiers, site restoration, and preparing, obtaining approval of, and implementing traffic control plans.

Engineer's estimate: \$950,000

Bidder and Location	Total	SBE \$	SBE %	Met SBE¹
Exaro Technologies Corporation Burlingame, CA	\$897,469	\$288,500	32%	Yes
National Corrosion Stanton, CA	\$900,00	-	-	-
Farwest Corrosion Control Company Downey, CA	\$1,433,970	-	-	-

¹ Small Business Enterprise (SBE) participation level established at 25 percent for this contract.

The Metropolitan Water District of Southern California**Subcontractors for Low Bidder****Specifications No. 1963A
Santa Monica Feeder Cathodic Protection****Low bidder: Exaro Technologies Corporation**

Subcontractor and Location	Service Category, Specialty
ABC Liovin Drilling Inc. Signal Hill, CA	Drilling
GEC2 Inc. Gardena, CA	Electrical
City Service Paving Placentia, CA	Paving





Engineering, Operations, & Technology Committee

Santa Monica Feeder Cathodic Protection

Item 7-3

June 10, 2024

Item 7-3

Santa Monica Feeder Cathodic Protection

Subject

Award a contract of \$897,469 to Exaro Technologies Corporation for the construction of cathodic protection on the Santa Monica Feeder

Purpose

This project protects the Santa Monica Feeder from deterioration related to corrosion

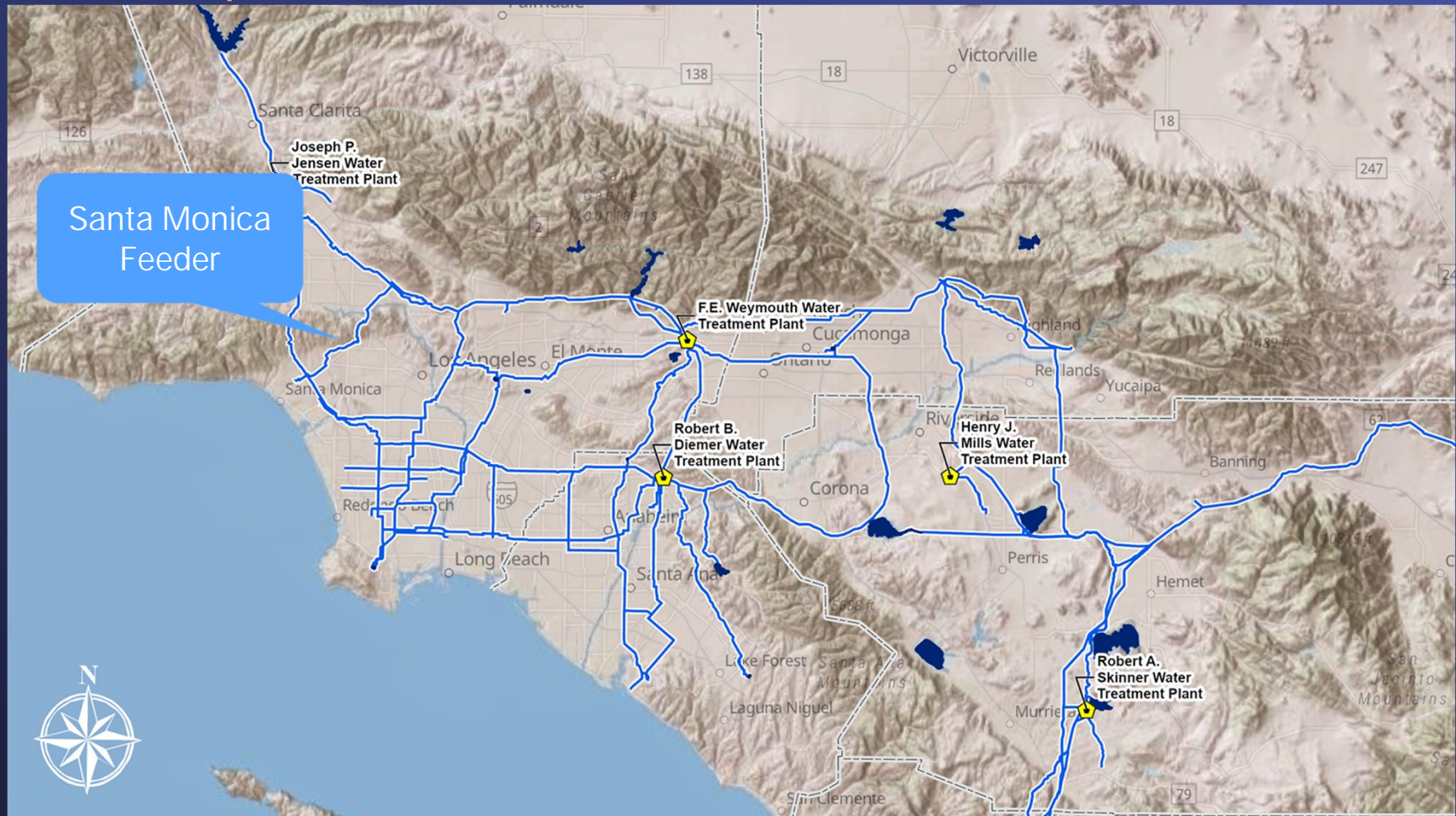
Recommendation and Fiscal Impact

Awards a construction contract for cathodic protection on the Santa Monica Feeder

Fiscal Impact of \$1.25 M

Budgeted

Location Map



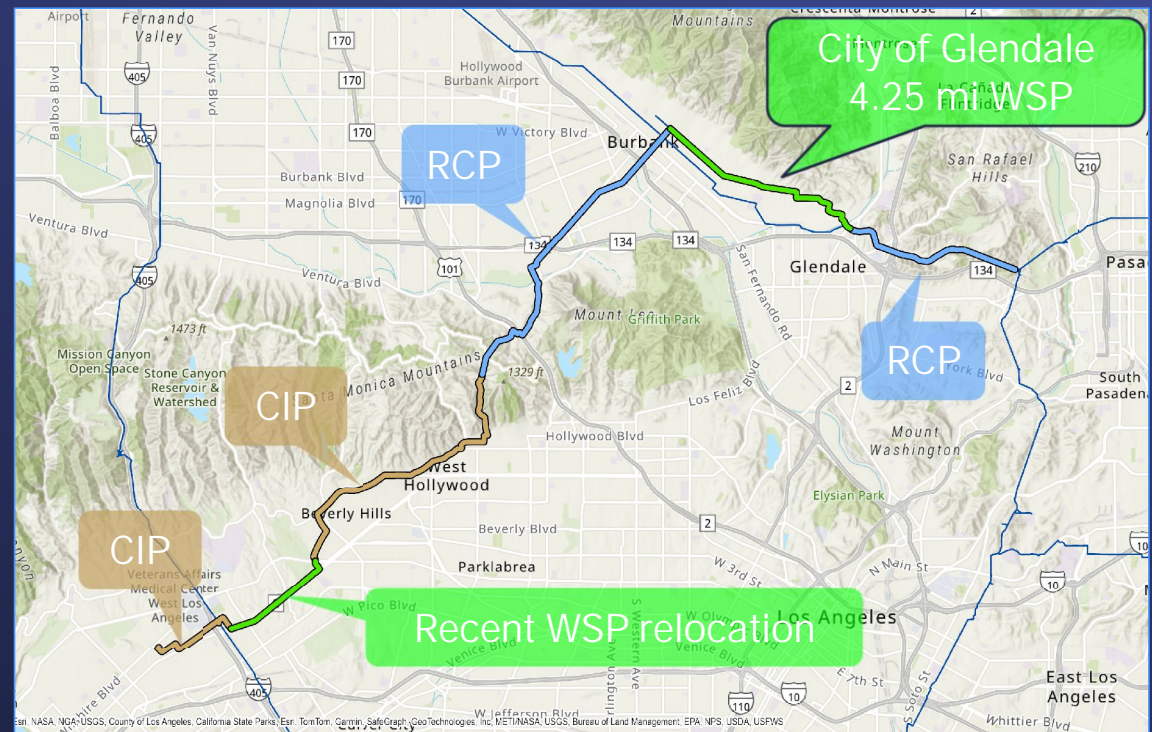
June 10, 2024

Engineering, Operations, & Technology Committee

Item # 7-3 Slide 3

Background

- Santa Monica Feeder installed in 1941
 - Mortar-coated welded steel pipe (WSP), reinforced concrete pipe (RCP), & cast-iron pipe (CIP)
 - Testing indicates mortar deteriorating on WSP in Glendale, increased corrosion risk
 - Cathodic protection required on 4.25 mile WSP alignment in Glendale to mitigate corrosion risk

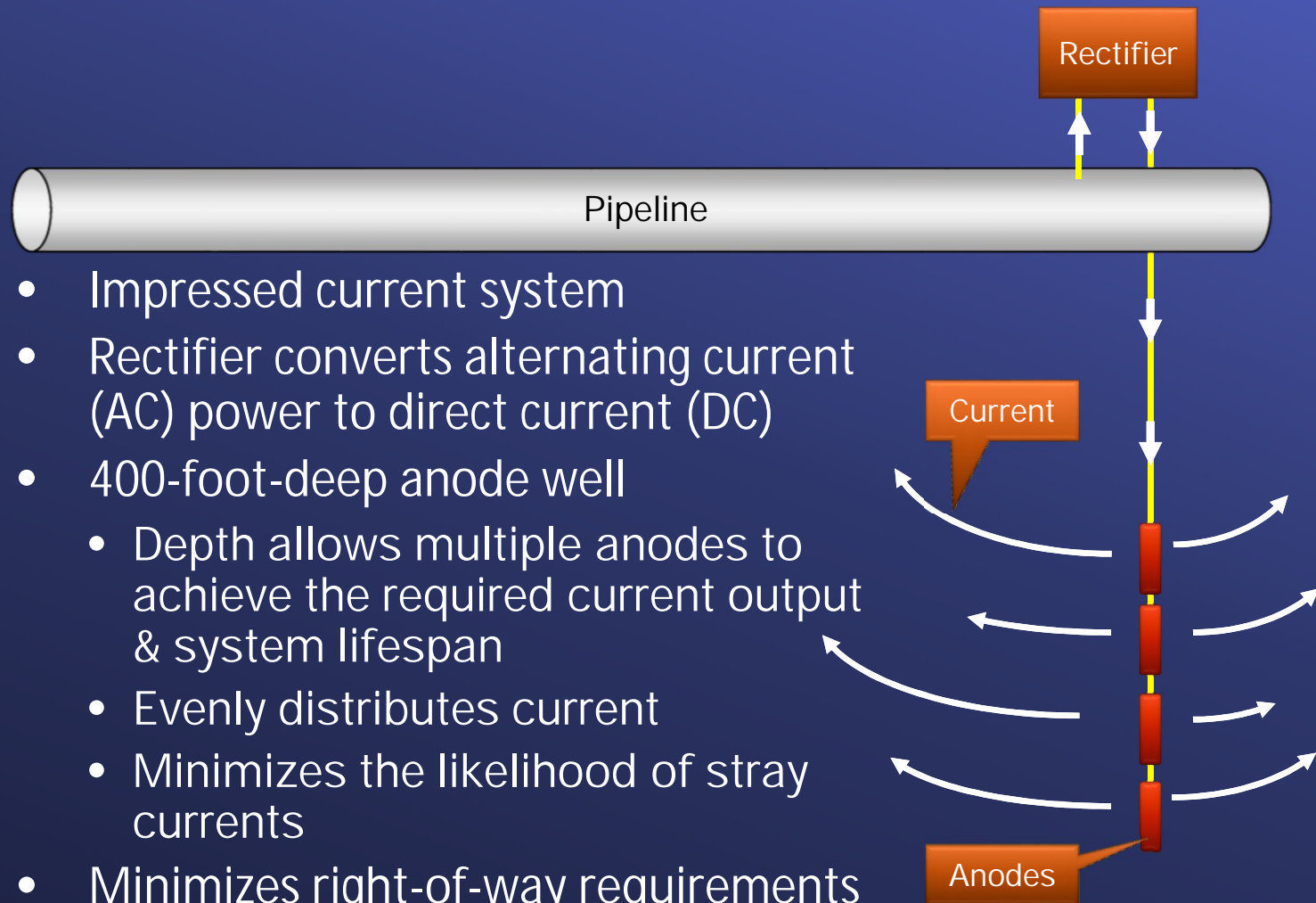


Background

- Pipelines subject to external corrosion from corrosive soils & stray electric currents
- Water utilities historically rely on cement mortar coatings to prevent external corrosion
 - Corrosive soils degrade mortar over time
- Cathodic Protection prevents corrosion using electric current
 - Highly effective – Required by Federal regulation on oil/gas pipes
 - Metropolitan installing pipeline CP since 1987 on steel pipes as needed to compensate for degrading mortar coating
 - Typically not effective on cast iron/reinforced concrete pipe

Cathodic Protection Typical System

- Impressed current system
- Rectifier converts alternating current (AC) power to direct current (DC)
- 400-foot-deep anode well
 - Depth allows multiple anodes to achieve the required current output & system lifespan
 - Evenly distributes current
 - Minimizes the likelihood of stray currents
- Minimizes right-of-way requirements



Santa Monica Feeder Cathodic Protection

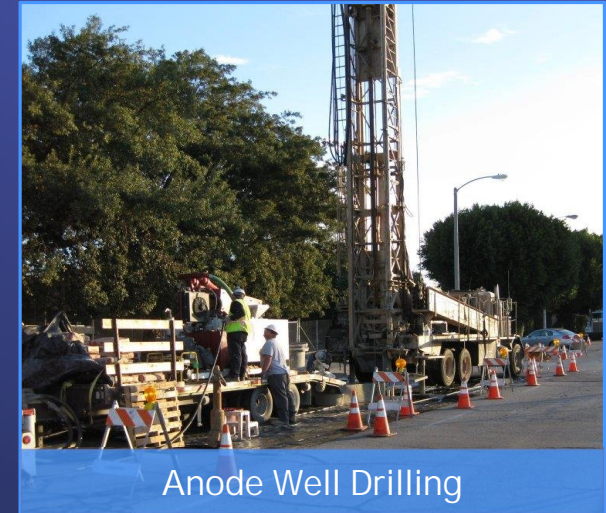
Alternatives Considered

- Shallow anode wells less than 50 feet deep
 - More anode wells needed – higher construction cost & duration
 - Larger construction footprint – additional traffic closures
 - Risk of utility interference
- Selected Alternative – Two 400-foot-deep anode wells
 - Reduces construction footprint
 - Cost-effective – 30+ year life
 - Will protect entire 4.25-mile WSP pipe alignment

Santa Monica Feeder Cathodic Protection

Scope of Work - Contractor

- Setup traffic control
- Drill & install anode wells
- Install rectifiers, electrical service cabinets & conduits
- Restore street surface
- Start-up testing



Anode Well Drilling



Wire Conduit Trenching



Rectifier Cabinets

June 10, 2024

Engineering, Operations, & Technology Committee

Item # 7-3 Slide 8

Bid Results

Specifications No. 1963A

Bids Received	April 9, 2024
No. of Bidders	3
Lowest Responsible Bidder	Exaro Technologies Corporation
Low Bid	\$897,469
Other Bids	\$900,000 and \$1,433,970
Engineer's Estimate	\$950,000
SBE Participation*	32%

*SBE (Small Business Enterprise) participation level set at 25%

Santa Monica
Feeder
Cathodic
Protection

Scope of Work - Metropolitan

- Construction management
- Submittal review
- Technical support
- Prepare record drawings
- Environmental monitoring
- Survey, contract administration & project management

Allocation of Funds

Santa Monica Feeder Cathodic Protection

Metropolitan Labor

Owner Costs (Proj. Mgmt., Contract Admin., Envir. Support)	\$ 122,000
Construction Inspection & Support	105,000
Submittals Review, Tech. Support, Record Dwgs.	32,000

Contracts

Exaro Technologies Corporation	897,469
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Remaining Budget	93,531
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Total \$ 1,250,000

Project Schedule



Board Options

- Option #1
 - Award an \$897,469 contract to Exaro Technologies Corporation for the construction of a cathodic protection system on the Santa Monica Feeder.
- Option #2
 - Do not proceed with the project at this time.

Staff Recommendation

- Option #1





- **Board of Directors**
Finance and Asset Management Committee

6/11/2024 Board Meeting

7-4

Subject

Approve up to \$2.257 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The Property and Casualty Insurance Policy premiums for fiscal year (FY) 2024/25 will increase by up to \$194,000 or approximately 10.6 percent, from about \$1.838 million for the current fiscal year, to approximately \$2.032 million, if Metropolitan maintains the same coverage limits and retentions. To accommodate an additional \$225,000, the estimated premium cost to acquire cyber liability coverage, the total cost is projected to be \$2.257 million, an increase of about 22.8 percent. The cost increase to renew coverages results from the insurance market pricing in a confluence of conditions and trends, including catastrophic storm and wildfire losses, continued higher for longer post-pandemic inflation rates, and fall out from global military conflicts. In addition, a trend of more frequent and expensive liability settlements against municipalities due in part to rising social and political unrest continues to pressure the general liability market. Finally, rising medical costs contributes to rising settlement costs and higher premiums across multiple lines of coverage.

The following insurance coverages within the Property and Casualty Insurance Program will be expiring on June 30, 2024:

1. \$75 million general liability coverage in excess of a \$25 million self-insured retention.
2. \$60 million fiduciary and employee benefits liability coverage in excess of a \$25 million self-insured retention.
3. \$65 million public officials, directors, and officer's liability coverage in excess of a \$25 million self-insured retention.
4. \$5 million crime coverage for exposures such as fraud, theft, faithful performance, and employee dishonesty in excess of a \$150,000 deductible.
5. \$25 million aircraft liability coverage; \$10 million Unmanned Aerial Vehicle (UAV) liability coverage; and aircraft hull coverage up to the planes' assessed values.
6. Statutory workers' compensation, and \$1 million employer's liability coverage, in excess of a \$5 million self-insured retention; and statutory coverage for Washington, D.C. employees.
7. Property damage coverage up to the stated property value, with a \$25 million policy limit.

Attachment 1 compares the current coverage and premium costs to those proposed for FY 2024/25

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #2

Option #1

Approve up to \$2.032 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program to renew or replace all the expiring excess liability and specialty insurance policies and maintain the \$25 million self-insured retention for general liability coverage.

Fiscal Impact: The anticipated \$2.032 million premium cost for FY 2024/25 would result in an approximate \$194,000 cost increase compared with the \$1.838 million premium cost for FY 2023/24. The \$2.032 million is included in the current board-approved budget.

Business Analysis: Protects Metropolitan's financial position against the risk of catastrophic loss.

Option #2

Approve up to \$2.257 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program to renew or replace all the expiring excess liability and specialty insurance policies for and maintain the \$25 million self-insured retention for FY 2024/25, and include up to \$225,000 to obtain cyber liability coverage.

Fiscal Impact: The anticipated \$2.257 million premium cost for FY 2024/25 would result in an approximate \$419,000 increase compared with the \$1.838 million premium cost for FY 2023/24. The \$2.257 million cost is within the current board-approved Office of the CFO Group budget.

Business Analysis: Cost increase of a projected \$225,000 compared with Option #1 protects Metropolitan's financial position against the risk of catastrophic loss and expands the insurance portfolio to add cyber liability coverage.

Alternatives Considered

Reviewed both higher and lower self-insured retentions for Excess General Liability coverages and weighed the benefits of adding cyber liability coverage.

Applicable Policy

Metropolitan Water District Administrative Code Section 5201: Restricted Funds

Metropolitan Water District Administrative Code Section 5202: Fund Parameters

Metropolitan Water District Administrative Code Section 6413: Insurance Program

Metropolitan Water District Administrative Code Section 9101: Risk Retention and Procurements of Insurance

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

None

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)). In addition, the proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)). Finally, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project

which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)). In addition, the proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)). Finally, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

Details and Background

Background

Self-Insured Retention and Excess Limits – For all coverages, staff reviews the self-insured retention levels and excess coverage limits to ensure that coverage is adequate, premium costs are controlled, and to take advantage of market changes that create opportunities to increase coverage limits and decrease premiums or self-insured retention levels. This process is completed with the services of actuarial consultants, Metropolitan’s insurance broker, staff review, and comparisons with other like agencies. To limit the expected premium cost increases for excess general liability coverage (catastrophic coverage for claims exceeding Metropolitan’s \$25 million self-insured retention), staff requests premium quotes at various retention levels. Last year, Metropolitan obtained additional premium quotes for the first policy layer of this coverage with self-insured retentions of **\$35 million and \$50 million, versus our current 25 million retention level**. The cost savings were minimal compared with the risk exposure of adding \$10 million or \$25 million in risk exposure.

Consequently, the Board Committee did not support the option of adding that risk for a small premium cost savings. For this coming fiscal year, we again requested quotes above the \$25 million Self-insured retention (SIR), and we were advised that there would be no premium savings for increasing the retention level. Consequently, no quotes were required. Staff also received a premium indication for coverage at a lower (\$15 million) SIR. The premium for that policy was estimated to range in cost from \$2.5 million to \$2.8 million versus the \$825,440 for the coverage with a \$25 million SIR purchased in FY 2023/24 with the carrier (AEGIS). Based on Metropolitan’s ability to maintain the \$25 million SIR, the coverage option with the lower retention level is not cost-effective. Because there are no premium savings to increasing the retention level and lowering the retention below the current \$25 million would create a significant cost increase, we believe that the current retention level remains suitable and cost-effective for Metropolitan’s risk profile.

In addition to the usual coverage review such as that described above, staff may investigate other coverage options, such as cyber liability and earthquake insurance, which we have been evaluating over the last couple of years. Due to notable price increases for existing coverages, the operational investment and activities to enhance cyber defenses, and the continuation of the Metropolitan Headquarters Building earthquake retrofit project, it was not timely to pursue those coverage options in recent years. Because of the dramatic rise in cyber-attacks worldwide and the increasing threat, we have likewise upped our efforts to investigate initiating **cyber liability coverage** during the past few years. For the FY2022/23 renewal, we sought pricing of a cyber liability policy that included coverage for business interruption, data loss, system failure, cyber extortion and other features for up to a premium of \$200,000. We are again attempting to secure a quote for this coverage and determine if the benefits are worth the expenditure, and based upon the market indication, the projection is \$225,000.

While all coverage limits and retentions are reviewed to maintain appropriate protection at cost-effective rates, historically, there have been more changes to Metropolitan’s self-insured retention and excess coverage limits for the workers’ compensation policies than the other coverages during the last two decades due to global events and

medical cost trends. Because of the difficult insurance market where coverage has become less available and prices continue to rise, we are not recommending changes to the existing coverage portfolio retentions and limits. Each of the different lines of insurance coverage is described below.

General Liability – The two layers of excess general liability, and public officials, directors, and officer’s liability (D&O) policies provide catastrophic coverage for claims exceeding Metropolitan’s \$25 million self-insured retention level, make up the largest portion of Metropolitan’s casualty and specialty insurance premium budget. The cost of these coverages in the aggregate is projected to increase by about 19.8 percent, from \$1,180,313 in FY 2023/24 to a projected \$1,414,290 in FY 2024/25. The quotes this year, including the continuity credit (a dividend or rebate for good aggregate claims experience, and remaining with the insurer), are the same as last year, which lowered the cost of the excess general liability by just under \$27,000. Within the total general liability aggregate, the premium cost for the two layers of D&O coverage in FY 2023/24 was \$323,318, after the initial cost of \$346,075 was also reduced by a continuity credit of \$26,007. For FY 2024/25, the premium cost is \$350,812, without the inclusion of a continuity credit, an increase of 8.5 percent from the previous year.

Fiduciary Liability – In FY 2019/20, Metropolitan added coverage to include the deferred compensation program to its existing fiduciary coverage for the first \$35 million layer of coverage. Metropolitan also carries a second layer of excess coverage with \$40 million in limits. For FY 2023/24, the premium cost for the two layers of coverage was \$96,989. For FY 2024/25, the premium cost will remain unchanged.

Workers’ Compensation – Excess workers’ compensation insurance protects Metropolitan against the financial exposure of workplace injury and illness claims. This coverage is designed to handle an individual’s catastrophic injury or, for example, an event such as multiple injuries occurring at the Metropolitan Headquarters Building due to a major disaster. Metropolitan is self-insured for the first \$5 million in losses, after which the excess coverage with statutory limits goes into effect. Metropolitan also carries a separate first dollar (no deductible) policy to cover employees based in Washington, D.C. Over the last 15 years, Metropolitan has actively adjusted its self-insured retention and coverage limit in reaction to changes in the insurance market in order to maintain cost-efficient and adequate coverage. To control sky-rocketing premium costs during the early 2000s that resulted from the 9/11 terrorist attacks and other global events, Metropolitan incrementally increased the self-insured retention to its current level of \$5 million. Since FY 2011/12, premium costs have leveled, and occasionally even declined. Consequently, Metropolitan took advantage of the premium rate reduction and increased the coverage limit from \$25 million to \$50 million.

In 2015, Metropolitan was again able to take advantage of coverage capacity and market rate changes and obtained statutory excess coverage without increasing costs over the previous year. A stable claims history and claims experience have also contributed to Metropolitan’s enhancement of coverage without increasing costs. Metropolitan typically has had an excellent claims history, and its claims experience rating or “Ex Mod,” which assesses an organization’s claims performance based on payroll and claims history versus other California businesses in the industry. The score increased from .94 during FY 2022/23 to 1.28 for FY 2023/24. For context, a score below the benchmark of 1.00 trends positive; a score above 1.00 trends more negative. While referenced here to reflect the claims history, the “Ex Mod” is not a weighted factor in the cost of obtaining excess workers’ compensation coverage for Metropolitan.

The total premium costs for FY 2024/25 for the excess workers’ compensation policy, and the first dollar policy for Washington D.C. employees will increase by about 4.5 percent, from \$127,944 in FY 2023/24 to \$133,701. Within that total amount, the premium for the first dollar policy for Washington, D.C. employees will increase slightly, from \$1,167 to \$1,198.

Property Insurance – In order to have obtained reimbursement of over \$500,000 from the Federal Emergency Management Agency for damage resulting from the 2009 fall season fires, Metropolitan maintains a property damage insurance policy to cover the area damaged in that fire. The policy cost \$7,350 in FY 2023/24, and will rise by as much as 22 percent to a projected amount of \$9,000 for FY 2024/25. Though a small dollar amount, the projected large percentage increase is due to the past three years’ historic catastrophic wildfire seasons, and the continuing exposure going forward.


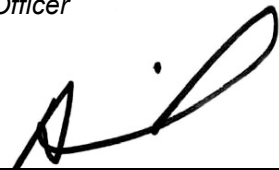
Specialty Coverages – Metropolitan also carries aircraft liability and hull coverage, crime, travel accident, and special contingency policies to complete its insurance portfolio. The aircraft liability and hull policies provide \$25 million aircraft liability, hull coverage up to the assessed value of the planes, and UAV liability coverage up to \$10 million. For FY 2023/24, policies covering Metropolitan's two planes and eight UAVs cost \$89,735. For FY 2024/25, the premium will increase by 29.6 percent to \$116,295. The crime policy provides \$5 million in coverage with a \$150,000 deductible to protect against losses such as fraud, public employee dishonesty, and forgery. The cost to obtain this policy will decrease slightly from \$11,401 to \$9,866 for the coming year. Metropolitan also carries three-year duration special contingency crime, and travel accident policies last purchased in FY 2022/23 for the amounts of \$4,442 and \$21,633, respectively. These are not up for renewal until FY 2025/26.

The projected total cost of the insurance renewal for FY 2024/25, with similar limits and retentions, without the inclusion of the expected continuity credits, will be \$2,032,151, up from approximately \$1,838,217 million expended in FY 2023/24.

If Metropolitan chooses the option to allow additional funds to enable purchasing cyber liability coverage once quotations are available, the total projected cost will be up to \$2,257,151, up from \$1,838,217 million expended in FY 2023/24.

Project Milestone

Insurance policies are bound (official decision to purchase) in June or once they become final and are paid immediately thereafter.

 Katano Kasaine Assistant General Manager/Chief Financial Officer	6/6/2024 Date
 Adel Hagekhalil General Manager	6/6/2024 Date

Attachment 1 – Metropolitan's Casualty and Property Insurance Program Insurance Premium Comparison in Dollars

Ref# cfo12701653

**Metropolitan's Casualty and Property Insurance Program
Insurance Premium Comparison
In Dollars**

Insurance Policy Type	Self-Insured Retention (SIR)	Coverage Limits	2023/24 Insurance Premiums	2024/25 Quoted and Estimated Premium Cost	2024/25 Quoted and Estimated Premium Cost Change	2024/25 Quoted and Estimated Premium % Change
Excess General Liability ¹	\$25 million	\$75 million	1,180,313	1,314,290	233,977	20%
Fiduciary and Employee Benefits Liability ¹	\$25 million	\$60 million	96,989	96,989	0	0%
Public Officials Directors and Officers Liability ¹	\$25 million	\$65 million	323,075	350,812	27,494	9%
Crime	\$150,000	\$5 million	11,401	9,866	(1,535)	(14%)
Aircraft Liability and Hull	\$7,500	\$25 million	89,735	116,295	26,560	30%
Excess Workers' Compensation, CA	\$5 million	Statutory	127,944	133,701	5,757	5%
Excess Workers' Compensation, D.C.	\$0	Statutory	1,167	1,198	31	3%
Property ²	\$0	Asset value	7,350	9,000	1,650	22%
Cyber Liability ^{2 & 4}	\$500,000	\$5 million	NA	225,000	225,000	100%
Special Contingency ³	\$0	\$5 million	4,442	NA	NA	NA
Travel Accident ³	\$0	\$250,000	21,633	NA	NA	NA
Total Insurance Premiums – Option 1			1,838,217	2,032,151	193,934	11%
Total Insurance Premiums – Option 2 ⁴			1,838,217	2,257,151	418,934	23%

¹ Premium costs for two layers of General Liability, Fiduciary and Employee Benefits Liability, and Public Officials Directors and Officers Liability.

² Premium for 2024/25 is a not to exceed estimate based upon market indications.

³ Three-year duration policies last purchased July 2022, and are up for renewal FY 2025/26.

⁴ Option to add Cyber Liability.



Finance and Asset Management Committee

Renewal Status of Metropolitan's Property and Casualty Insurance Program

Item 7-4

June 11, 2024

Renewal of MWD's Property & Casualty Insurance Program

Item 7-4

Subject

Renewal of Metropolitan's Property and Casualty Insurance Program

Purpose

Review the Current Property and Casualty Insurance Program and obtain Board approval to renew and replace coverages

Metropolitan's Property and Casualty Insurance Program

Review

Review the Current Program

Provide Cost Estimates for this year's Insurance Renewal

Metropolitan's Property and Casualty Insurance Program

Review

Self-Insured Retentions

Claims Programs to Manage Self-Insured Retentions

Liability / Property

Workers' Compensation

Excess and Specialty Insurance Coverages

Metropolitan's Property and Casualty Insurance Program

Self-Insured Retention

General Liability	\$25 million
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Workers' Compensation	\$ 5 million
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Property Damage *	Self-Insured
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* Excluding Stand Alone Property Insurance Coverage

Metropolitan's Property and Casualty Insurance Program

Claims Programs

Liability & Property

Risk Management Unit

Third Party Claims Administrator

MWD General Counsel

Workers' Compensation

Workers' Compensation/Benefits Section

Third Party Claims Administrator

MWD General Counsel

Metropolitan's Property and Casualty Insurance Program

Excess Insurance

General Liability	\$75 million
Workers' Compensation	Statutory
Public Officials, Directors & Officers Liability	\$65 million
Fiduciary & Employee Benefit Liability	\$60 million

Metropolitan's Excess General Liability Coverage Layers and Limits

In Million Dollars

Excess Coverage	SIR	AEGIS 1 st Layer	EIM 2 nd Layer	Coverage Limits
General Liability	25	35	40	100
Fiduciary Liability	25	35	25	85
Directors & Officers Liability	25	25	40	90

Associated Electric & Gas (AEGIS)
Energy Insurance Mutual (EIM)
Self-Insured Retention (SIR)

Metropolitan's Property and Casualty Insurance Program

Periodic Review

Periodic review of self-insured retention and excess coverage limits to ensure appropriate levels

- Actuarial Study, Insurance Broker and Staff Reviews
- Metropolitan's operations and risks remain stable
- Embedded safety programs in operations
- Environmental, Health & Safety training and monitoring
- Claims Management Programs
- Access to Capital

Metropolitan's Property and Casualty Insurance Program

Specialty Insurance

Aircraft Liability	\$25 million
Aircraft Hull	Assessed Value
Property Damage	Assessed Value
Crime	\$5 million
Special Risk *	\$5 million
Travel Accident *	\$250,000

* 3-year coverages last purchased FY 2022/2023

Metropolitan's Property and Casualty Insurance Program

2024/25 Outlook

10.6% Overall Cost Increase

Factors Driving Expected Cost Increase

- Continued post Pandemic inflation
- Ukraine-Russia and Middle East military conflicts
- Climate change fueled mega-catastrophic weather events such as extreme storms and historic wildfires
- Domestic and Global political and social unrest

Total Policy Renewal is estimated to increase from

\$1.838 million

\$2.032 million

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
General Liability	1,180,313	1,314,290	20%
Fiduciary and Employee Benefit Liability	96,989	96,989	0%
Public Officials Directors & Officers Liability	323,075	350,812	9%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Workers' Compensation - CA	127,977	133,701	5%
Workers' Compensation - DC	1,167	1,198	3%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Aircraft Hull & Liability	89,735	116,295	30%
Crime	11,401	9,866	(14%)
Property *	7,350	9,000	22%

* Premium not to exceed estimate based upon market indication and standalone coverage for three structures previously damaged by fire

Metropolitan's Property and Casualty Insurance Program

Option 2 – Addition of Cyber Liability

Some Coverage Features Include:

- Privacy and Network Security Liability
- System and Data Recovery
- Business Interruption
- Media Liability
- Regulatory Fines and Penalties
- Reputation Harm
- Estimated Premium Cost Not to Exceed \$225,000

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Cyber Liability *	0	225,000	100%

* Option 2 - Addition of Cyber Liability and premium not to exceed estimate based upon market indications

Metropolitan’s Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Options	Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Option 1	Renewal without Cyber Liability	\$1,838,217	\$2,032,151	11%
Option 2	Renewal with Cyber Liability	NA	\$2,257,151	23%

Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2019/20	Actual 2020/21	Actual 2021/22	Actual 2022/23	Actual 2023/24
\$ 1,181,848*	\$ 1,308,608	\$ 1,543,787	\$ 1,715,308*	\$ 1,838,217
		Estimated 2024/2025	\$ 2,257,151	

* Includes renewal cost of 3-year duration policies for Travel Accident and Special Contingency policies

OPTIONS

Option #1 Approve up to \$2.032 million to renew excess and specialty insurance coverages.

Impact The anticipated \$2.032 million premium cost for FY 2023/24 would result in a \$194,000 cost increase compared with a \$177,950 premium cost increase for FY 2022/23.

OPTIONS

Option #2 Approve up to \$2.257 million to renew excess and specialty insurance coverages and include the addition of Cyber Liability with an estimate premium not to exceed \$225,000.

Impact The anticipated \$2.257 million premium cost for FY 2024/25 would result in an approximate \$419,000 increase compared with the \$1.838 million premium cost for FY 2023/24.

Staff Recommendation

Option #2 Approve up to \$2.257 million to renew excess and specialty insurance coverages and add Cyber Liability coverage.





- **Board of Directors**
Finance and Asset Management Committee

6/11/2024 Board Meeting

7-5

Subject

Approve Metropolitan's Statement of Investment Policy for fiscal year 2024/25, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Per Section 5114 of the Metropolitan Water District Administrative Code, staff seeks board approval of Metropolitan's Statement of Investment Policy (Policy) for fiscal year (FY) 2024/25. Staff also seeks board approval for the delegation of authority to the Treasurer to invest Metropolitan's funds for FY 2024/25, pursuant to the California Government Code (Government Code).

The Policy has been updated to ensure that it complies with the requirements of the Government Code, conforms to the investment policy certification standards established by the California Municipal Treasurers Association, provides a balance between investment restrictions and investment flexibility, and expresses Metropolitan's investment objectives and preferences with clarity and consistency.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve the Statement of Investment Policy for fiscal year 2024/25; and delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25.

Fiscal Impact: Allows Metropolitan's portfolio to continue to earn a reasonable return on investments while meeting the overarching goals of safety and liquidity.

Business Analysis: Permits the Treasurer to continue managing Metropolitan's investment portfolios and approves the Statement of Investment Policy for fiscal year 2024/25, governing investment practices.

Option #2

Do not approve the Statement of Investment Policy for fiscal year 2024/25, and do not delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25.

Fiscal Impact: May prevent Metropolitan's portfolio from earning a reasonable return on investments

Business Analysis: Not approving the Statement of Investment Policy would be an exception to the Metropolitan Water District Administrative Code requirement in Section 5114. Not delegating authority to the Treasurer to invest Metropolitan's funds would require the Board to directly manage Metropolitan's daily investments or have an authorized Board representative available to approve daily investment transactions identified by the Treasurer. This would likely result in lost investment income should the Board be unavailable to either manage or approve daily investment transactions.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Act Section 125: Investment of Surplus Money

Metropolitan Water District Administrative Code Section 2701(a): Treasurer's Reports

Metropolitan Water District Administrative Code Section 5101: Investment of Surplus Funds

Metropolitan Water District Administrative Code Section 5114: Reporting Requirements of the Treasurer

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities California Environmental Quality Act (CEQA)

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

Under Section 5114 of the Metropolitan Water District Administrative Code, not less than annually, the Treasurer is required to render a Statement of Investment Policy for the following fiscal year for approval by the Board.

Metropolitan's Policy for FY 2024/25 (**Attachment 1**) adheres to the following three criteria:

1. **Safety of Principal.** Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss.
2. **Liquidity.** Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. **Return on Investment.** Investments shall be undertaken to produce an acceptable rate of return after first considering the safety of principal and liquidity and the prudent investor standard.



In accordance with Section 53607 of the Government Code, the authority to invest public funds granted to the Board may be delegated to the Treasurer for a one-year period. The Board's prior delegation to the Treasurer expires on June 30, 2024. Subject to review, the Board may renew the delegation to the Treasurer annually.

Details

The Policy for FY 2024/25 is updated. The proposed Policy is included as **Attachment 1**. **Attachment 2** is a redlined document that compares the Policy for FY 2023/24 to the proposed Policy for FY 2024/25. The following changes to Sections X.14 and XIII of the Policy are highlighted for the Board's consideration:

Section X.14 – This section is updated to incorporate a minor Code revision that took effect January 1, 2024. Senate Bill 882, Local Government Omnibus Act of 2023, made various minor edits to state statutes, including a change to Code Section 53601(o). The Bill codified the common Code interpretation that mortgage-backed securities issued by federal agencies are excluded from the Code's requirements described in Section 53601(o) for privately issued asset- and mortgage-backed securities. This change does not otherwise modify the Code's or the Policy's requirements for the purchase of agency mortgage-backed securities.

Section XIII – This section is updated to incorporate the name change of the District's other fund to the Endowment fund.

 _____ Katano Kasaine Assistant General Manager/ Chief Financial Officer	6/6/2024 _____ Date
 _____ Adel Hagekhalil General Manager	6/6/2024 _____ Date

Attachment 1 – Statement of Investment Policy Fiscal Year 2024/25

Attachment 2 – Redline of Statement of Investment Policy Fiscal Year 2024/25

Ref# cfo12702679

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**STATEMENT OF INVESTMENT POLICY
FISCAL YEAR 2024/25****June 11, 2024****I. POLICY**

This Statement of Investment Policy (Policy) is intended to outline the guidelines and practices to be used in managing the Metropolitan Water District of Southern California's (District) investment portfolio. District funds not required for immediate cash disbursements will be invested in compliance with the Government Code of the state of California (California Government Code).

II. INVESTMENT AUTHORITY

As authorized by Section 53607 of the California Government Code, authority to invest or reinvest funds of the District is hereby delegated by the Board of Directors to the Treasurer, for a period of one-year, who shall thereafter assume full responsibility for the investment program until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

The Treasurer may also delegate the day-to-day execution of investments to registered investment managers through written agreements. The investment manager(s), in coordination with the Treasurer, will manage on a daily basis the District's investment portfolio pursuant to the specific and stated investment objectives of the District. The investment manager(s) shall follow this Policy, the specific investment guidelines provided to each investment manager, and such other written instructions provided by the Treasurer or their designee(s). The investment manager(s) may be given discretion to acquire and dispose of assets in their designated account, but the investment manager(s) shall not be permitted to have custodial control over the District's investment portfolio.

III. STATEMENT OF OBJECTIVES

In accordance with California Government Code Section 53600.5, and in order of importance, the Treasurer shall adhere to the following three criteria:

1. **Safety of Principal.** Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure that each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss. Diversification of the portfolio will be used in order to reduce exposure to principal loss.
2. **Liquidity.** Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. **Return on Investment.** Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

IV. SCOPE

This Policy applies to all funds and investment activities under the direct authority of the District and accounted for in the Annual Comprehensive Financial Report (ACFR), except for the employee's retirement and deferred compensation funds. In addition, deposits with banks under the California Government Code's "Deposit of Funds" provisions are excluded from this Policy's requirements. Funds of the District will be invested in compliance with the provisions of, but not necessarily limited to securities specified in the California Government Code Section 53601 et seq. and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of the District's bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this Policy.

V. PRUDENT INVESTOR STANDARD

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the "prudent investor standard". The prudent investment standard obligates a trustee to ensure that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

VI. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of individual securities dealers, all investment transactions involving deliverable securities will be conducted on a delivery versus payment (DVP) basis. All deliverable securities owned by the District, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All financial institutions that provide safekeeping services for the District shall be required to provide reports or safekeeping receipts directly to the Controller to verify securities taken into their possession. The Controller shall also maintain evidence of the District ownership in non-deliverable securities (e.g. LAIF, CAMP, and Time CDs).

VII. INVESTMENT TRANSACTIONS

Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community. Confirmations for investment transactions will be sent directly to the Controller for audit. When practical, the Treasurer shall solicit more than one quotation on each trade.

VIII. REPORTING

If the Board delegates responsibility of the investment program to the Treasurer, then in accordance with the Metropolitan Water District Administrative Code, Section 5114, the Treasurer shall submit a monthly report to the Executive Secretary of the Board of Directors via the General Manager indicating the types of investment by fund and date of maturity, and shall provide the current market value of all securities, rates of interest, and expected yield to maturity. The Treasurer shall also submit a monthly summary report to the Board of Directors via the General Manager showing investment activity, including yield and earnings, and the status of cash by depository.

In addition, the monthly report shall also include a statement denoting the ability to meet the District's expenditure requirements for the next six (6) months. The report shall also state compliance of the portfolio to this Policy, or manner in which the portfolio is not in compliance. In the event of non-compliance, staff will prepare a report for the Board that details the compliance issue, provides analysis, and provides a recommendation to bring the portfolio back into compliance with this Policy.

IX. PERFORMANCE STANDARDS

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the District. The District will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates. Securities may be sold for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall a transaction be used for purely speculative purposes. The District recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

X. INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The District is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the investments listed below are authorized.

The District is prohibited from investing in any investment authorized by the California Government Code but not explicitly listed in this Policy without the prior approval of the Board of Directors. Some of the limitations on investments set forth below are more stringent than required by the California Government Code and have been included to better manage the credit risks specific to the District's portfolio. Under the provisions of California Government Code Sections 53601.6, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, mortgage-derived, interest-only strips or any investment that may result in a zero interest accrual if held to maturity, except as authorized by Code Section 53601.6.

1. US Treasury Obligations

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

2. Federal Agency Obligations

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

3. Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: One-hundred eighty (180) days
- Credit requirement: A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Issued by banks from offices in the USA.

4. Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Two hundred seventy (270) days
- Credit requirement: Highest ranking or highest letter and number rating as provided by an NRSRO.
- Entity issuing the commercial paper must meet the conditions of California Government Code Section 53601(h)(1) or (2).

5. Medium Term Corporate Notes

All corporate and depository institution debt securities (not to include other investment types specified in Code) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A or its equivalent or better by an NRSRO.

6. Negotiable Certificates of Deposit

Issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

- Maximum allocation: Thirty percent (30%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

7. Bank Deposit

Insured or collateralized time certificates of deposits, saving accounts, market rate accounts, or other bank deposits.

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity: Five (5) years

- Credit requirement: All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
- Deposits are limited to a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, located in California.
- Deposits must meet the conditions of California Government Code Sections 53630 et seq.

Pursuant to Government Code 53637, the District is prohibited from investing in deposits of a state or federal credit union if a member of the District's Board of Directors, or any person at the District with investment decision-making authority, serves on the board of directors or committee of the state or federal credit union.

8. Money Market Mutual Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC.

- Maximum maturity: N/A
- Maximum allocation: Twenty percent (20%) of the portfolio
- Credit requirement: Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements
- The use of money market funds is limited to Government money market funds that provide daily liquidity and seek to maintain a stable Net Asset Value (NAV)

9. State of California, Local Agency Investment Fund (LAIF)

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount authorized by the Local Agency Investment Fund (LAIF) is set by the California State Treasurer's Office. The LAIF is held in trust in the custody of the State of California Treasurer. The District's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: The current limit set by LAIF for operating accounts
- Maximum maturity: N/A
- Credit requirement: N/A

10. Municipal Bonds and Notes

Municipal obligations issued by the State of California, any other of the states in the union, or a local agency within the State of California. This may include bonds, notes, warrants, or other evidences of indebtedness including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by an authorized entity.

- Maximum limit: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Must be issued by State of California, any of the other 49 states, or a California local agency

11. Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum allocation: Twenty percent (20%) of the portfolio
- Maximum maturity: Two hundred seventy (270) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated in a rating category of “A” or its equivalent or higher by an NRSRO.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

12. California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

- Maximum allocation: Forty percent (40%) of the portfolio
- Maximum maturity: N/A
- Credit requirement: AAAm or its equivalent or better by an NRSRO
- Joint powers authority has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission, has five or more years of experience investing in the securities and obligations authorized under California Government Code Section 53601, and has assets under management in excess of five hundred million dollars (\$500,000,000).

13. Supranationals

Securities issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) and eligible for purchase and sale within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

14. Asset-Backed Securities

A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply:

- Maximum allocation: Twenty percent (20%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

XI. DIVERSIFICATION

The District shall seek to diversify the investments within the investment portfolio to avoid incurring unreasonable risks inherent in concentrated holdings in specific instruments, individual financial institutions or maturities. To promote diversification, this Policy sets various percentage holding limits by investment type and issuer. Investment type and issuer percentage limitation listed in this Policy are calculated at the time the security is purchased. Per issuer limits, when listed, are calculated across

investment types at the parent company level. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities. However, no additional investments can be made in that investment type or issuer while it is above the limits established by this Policy.

XII. CREDIT RATINGS

Credit rating requirements for eligible securities in this Policy specify the minimum credit rating category required at the time of purchase without regard to +, -, or 1, 2, 3 modifiers, if any. The security, at the time of purchase, may not be rated below the minimum credit requirement by any of the NRSROs that rate the security.

If a security is downgraded below the minimum rating criteria specified in this Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. The Treasurer shall note in the monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

XIII. MATURITY

The Treasurer shall maintain a system to monitor and forecast revenues and expenditures so that the District's funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the District's reasonably anticipated cash flow requirements.

The final maturity of any investment in the portfolios shall not exceed five (5) years with certain exceptions:

- The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Endowment Fund.
- The core portfolio may hold United States Treasury and Federal Agency securities with maturities in excess of five years.

XIV. DURATION

Duration is a measure of a security's price sensitivity to interest rate changes. It indicates the approximate percentage change of a security's value given a 1% change in interest rates. A portfolio's duration is the weighted average of the individual security durations held in the portfolio.

The investment portfolio is divided into liquidity, core, and endowment fund portfolios. The Policy's duration limits only apply to the liquidity and core portfolios. The duration of the liquidity portfolio is limited to the duration of the benchmark index plus or minus 0.5 years. The duration of the core portfolio will be limited to the duration of the benchmark index plus or minus 1.5 years. The appropriate benchmark indices will be set by the Treasurer and reported to the Board in the Monthly Treasurer's Report.

XV. ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

XVI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

For investments not purchased directly from the issuer, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the District's Policy, and intends to present only those investment recommendations and transactions to the District that is appropriate under the terms and conditions of the Policy.

The District's external investment manager(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Investment managers may also use their own list of internally-approved issuers, broker-dealers and other financial firms, so long as such managers are registered under the Investment Advisers Act of 1940.

XVII. INTERNAL CONTROLS

The Treasurer or designee shall maintain a system of internal control procedures designed to ensure compliance with the Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control procedures shall apply to the investment activities of any person with investment decision-making authority acting on behalf of the District. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. As part of the annual audit, the District's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

XVIII. ETHICS AND CONFLICT OF INTEREST

The Treasurer and designees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions.

The Treasurer and designees shall disclose to the Ethics Officer and General Counsel any personal financial interests that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

XIX. INVESTMENT POLICY

This Policy shall be reviewed periodically by the Treasurer with any and all modifications made thereto approved by the Board of Directors at a public meeting.

SUMMARY TABLE OF INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The following table is intended to be a summary of the Policy's requirements in Section X of this Policy. If there is a discrepancy between Section X and this table, the requirements listed in Section X take precedence.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
US Treasury Obligations	100%	N/A	5 Years ¹	N/A
Federal Agency Obligations	100%	N/A	5 Years ¹	N/A
Bankers' Acceptance	40%	5% per issuer ²	180 days	"A-1" or its equivalent or higher by an NRSRO.
Commercial Paper	40%	5% per issuer ²	270 days	Highest ranking or of the highest letter and number rating as provided for by an NRSRO.
Medium Term Corporate Notes	30%	5% per issuer ² . US licensed and operating corporations	5 years	"A" or its equivalent or higher by an NRSRO.
Negotiable CD	30%	5% per issuer ² , National or state chartered bank, S&L, or branch of foreign bank	5 years	"A-1" (short-term) or "A" (long-term) or their equivalents or higher by an NRSRO.
Bank Deposit	30%	See California Government Code Section 53637	5 Years	Collateralized/FDIC Insured in accordance with California Government Code
Money Market Mutual Funds	20%	Gov't MMF. Stable NAV	Daily Liquidity	Highest ranking by two NRSROs or advisor requirements
Local Agency Investment Fund ("LAIF")	LAIF limit for operating accounts	Subject to California Government Code Section 16429.1 limitations	N/A	N/A
Municipal Bonds and Notes	30%	5% per issuer ² . State of California or California agencies or other 49 states	5 Years ¹	"A" or its equivalent or higher by an NRSRO.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
Repurchase Agreements (“REPO”)	20%	Limited to primary dealers or financial institutions rated “A” or better by a NRSROs	270 days	Collateralized (min 102% of funds invested) with US Government or federal agency securities with maximum 5 year maturities
California Asset Management Program (“CAMP”)	40%	N/A	Daily Liquidity	“AAAm” or its equivalent or higher by a NRSRO
Supranationals	30%	Limited to IBRD, IFC, IADB	5 Years	“AA” or its equivalent or higher by an NRSRO.
Asset-Backed Securities	20%	5% per issuer ²	5 Years	“AA” or its equivalent or higher by an NRSRO.

Notes:

1. The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Lake Mathews Multi-Species Reserve Trust Fund.

The core portfolio may be invested in United States Treasury and Federal Agency securities with maturities in excess of five years.

2. Per issuer limits, when listed, are calculated across investment types at the parent company level.

GLOSSARY

The glossary is provided for general information only. It is not to be considered a part of the Policy for determining Policy requirements or terms.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

ASSET BACKED: Securities whose income payments and hence value is derived from and collateralized (or “backed”) by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

BANKERS’ ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder’s balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP): A local government investment pool organized as joint powers authority in which funds from California local agency investors/participants are aggregated together for investment purposes.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

EFFECTIVE RATE OF RETURN: The annualized rate of return on an investment considering the price paid for the investment, its coupon rate, and the compounding of interest paid. $(\text{Total Earnings} / \text{Average daily balance}) \times (365 / \# \text{ of days in the reporting period})$

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INDEX: An index is an indicator that is published on a periodic basis that shows the estimated price and/or yield levels for various groups of securities. Examples of relevant indices for Metropolitan include, but not limited to, ICE BofAML, 3-Month Treasury Bill Index, and ICE BofAML, 1 - 5 years AAA-A US Corporate and Government Index

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate

levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution that agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high-quality ratings for long-term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that Agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities,

counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities that are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit that can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High-quality ratings for short-term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as

the “trade date”.

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the District) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the District) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the District sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the District) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service that banks offer to clients for a fee, where physical securities are held in the bank’s vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank’s name for the benefit of the client. As an agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed-income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include “inverse floating rate” notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and “dual index floaters”, which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through

sustainable economic growth. The California Government Code allows local agencies to purchase the United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return that equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity. $(\text{Net Invested Income} / \text{Time Weighted Invested Value}) \times (365 / \# \text{ of days in the reporting period})$

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that

are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

RATING DESCRIPTION TABLE

Long Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	Aaa	AAA	AAA
Strong Quality	Aa1/Aa2/Aa3	AA+/AA/AA-	AA
Good Quality	A1/A2/A3	A+/A/A-	A
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB
Low	B1/B2/B3	B+/B/B-	B
Poor	Caa	CCC+	CCC
Highly Speculative	Ca/C	CCC/CCC-/CC	CC
Short Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	P-1	A-1+	F1
Strong Quality		A-1	
Good Quality	P-2	A-2	F2
Medium Quality	P-3	A-3	F3

Note: Investment Grade ratings apply to securities with at least a medium credit quality or higher by one of the nationally recognize statistical rating organization; anything below the medium credit quality is non-investment grade.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

STATEMENT OF INVESTMENT POLICY FISCAL YEAR 2023/242024/25

June ~~13, 2023~~11, 2024

I. POLICY

This Statement of Investment Policy (Policy) is intended to outline the guidelines and practices to be used in managing the Metropolitan Water District of Southern California's (District) investment portfolio. District funds not required for immediate cash disbursements will be invested in compliance with the Government Code of the state of California (California Government Code).

II. INVESTMENT AUTHORITY

As authorized by Section 53607 of the California Government Code, authority to invest or reinvest funds of the District is hereby delegated by the Board of Directors to the Treasurer, for a period of one-year, who shall thereafter assume full responsibility for the investment program until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

The Treasurer may also delegate the day-to-day execution of investments to registered investment managers through written agreements. The investment manager(s), in coordination with the Treasurer, will manage on a daily basis the District's investment portfolio pursuant to the specific and stated investment objectives of the District. The investment manager(s) shall follow this Policy, the specific investment guidelines provided to each investment manager, and such other written instructions provided by the Treasurer or their designee(s). The investment manager(s) may be given discretion to acquire and dispose of assets in their designated account, but the investment manager(s) shall not be permitted to have custodial control over the District's investment portfolio.

III. STATEMENT OF OBJECTIVES

In accordance with California Government Code Section 53600.5, and in order of importance, the Treasurer shall adhere to the following three criteria:

1. **Safety of Principal.** Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure that each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss. Diversification of the portfolio will be used in order to reduce exposure to principal loss.
2. **Liquidity.** Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. **Return on Investment.** Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

IV. SCOPE

This Policy applies to all funds and investment activities under the direct authority of the District and accounted for in the Annual Comprehensive Financial Report (ACFR), except for the employee's retirement and deferred compensation funds. In addition, deposits with banks under the California Government Code's "Deposit of Funds" provisions are excluded from this Policy's requirements. Funds of the District will be invested in compliance with the provisions of, but not necessarily limited to securities specified in the California Government Code Section 53601 et seq. and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of the District's bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this Policy.

V. PRUDENT INVESTOR STANDARD

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the "prudent investor standard". The prudent investment standard obligates a trustee to ensure that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

VI. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of individual securities dealers, all investment transactions involving deliverable securities will be conducted on a delivery versus payment (DVP) basis. All deliverable securities owned by the District, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All financial institutions that provide safekeeping services for the District shall be required to provide reports or safekeeping receipts directly to the Controller to verify securities taken into their possession. The Controller shall also maintain evidence of the District ownership in non-deliverable securities (e.g. LAIF, CAMP, and Time CDs).

VII. INVESTMENT TRANSACTIONS

Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community. Confirmations for investment transactions will be sent directly to the Controller for audit. When practical, the Treasurer shall solicit more than one quotation on each trade.

VIII. REPORTING

If the Board delegates responsibility of the investment program to the Treasurer, then in accordance with the Metropolitan Water District Administrative Code, Section 5114, the Treasurer shall submit a monthly report to the Executive Secretary of the Board of Directors via the General Manager indicating the types of investment by fund and date of maturity, and shall provide the current market value of all securities, rates of interest, and expected yield to maturity. The Treasurer shall also submit a monthly summary report to the Board of Directors via the General Manager showing investment activity, including yield and earnings, and the status of cash by depository.

In addition, the monthly report shall also include a statement denoting the ability to meet the District's expenditure requirements for the next six (6) months. The report shall also state compliance of the portfolio to this Policy, or manner in which the portfolio is not in compliance. In the event of non-compliance, staff will prepare a report for the Board that details the compliance issue, provides analysis, and provides a recommendation to bring the portfolio back into compliance with this Policy.

IX. PERFORMANCE STANDARDS

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the District. The District will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates. Securities may be sold for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall a transaction be used for purely speculative purposes. The District recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

X. INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The District is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the investments listed below are authorized.

The District is prohibited from investing in any investment authorized by the California Government Code but not explicitly listed in this Policy without the prior approval of the Board of Directors. Some of the limitations on investments set forth below are more stringent than required by the California Government Code and have been included to better manage the credit risks specific to the District's portfolio. Under the provisions of California Government Code Sections 53601.6, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, mortgage-derived, interest-only strips or any investment that may result in a zero interest accrual if held to maturity, except as authorized by Code Section 53601.6.

1. US Treasury Obligations

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

2. Federal Agency Obligations

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

3. Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: One-hundred eighty (180) days
- Credit requirement: A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Issued by banks from offices in the USA.

4. Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Two hundred seventy (270) days
- Credit requirement: Highest ranking or highest letter and number rating as provided by an NRSRO.
- Entity issuing the commercial paper must meet the conditions of California Government Code Section 53601(h)(1) or (2).

5. Medium Term Corporate Notes

All corporate and depository institution debt securities (not to include other investment types specified in Code) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A or its equivalent or better by an NRSRO.

6. Negotiable Certificates of Deposit

Issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

- Maximum allocation: Thirty percent (30%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

7. Bank Deposit

Insured or collateralized time certificates of deposits, saving accounts, market rate accounts, or other bank deposits.

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity: Five (5) years

- Credit requirement: All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
- Deposits are limited to a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, located in California.
- Deposits must meet the conditions of California Government Code Sections 53630 et seq.

Pursuant to Government Code 53637, the District is prohibited from investing in deposits of a state or federal credit union if a member of the District's Board of Directors, or any person at the District with investment decision-making authority, serves on the board of directors or committee of the state or federal credit union.

8. Money Market Mutual Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC.

- Maximum maturity: N/A
- Maximum allocation: Twenty percent (20%) of the portfolio
- Credit requirement: Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements
- The use of money market funds is limited to Government money market funds that provide daily liquidity and seek to maintain a stable Net Asset Value (NAV)

9. State of California, Local Agency Investment Fund (LAIF)

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount authorized by the Local Agency Investment Fund (LAIF) is set by the California State Treasurer's Office. The LAIF is held in trust in the custody of the State of California Treasurer. The District's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: The current limit set by LAIF for operating accounts
- Maximum maturity: N/A
- Credit requirement: N/A

10. Municipal Bonds and Notes

Municipal obligations issued by the State of California, any other of the states in the union, or a local agency within the State of California. This may include bonds, notes, warrants, or other evidences of indebtedness including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by an authorized entity.

- Maximum limit: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Must be issued by State of California, any of the other 49 states, or a California local agency

11. Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum allocation: Twenty percent (20%) of the portfolio
- Maximum maturity: Two hundred seventy (270) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated in a rating category of “A” or its equivalent or higher by an NRSRO.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

12. California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

- Maximum allocation: Forty percent (40%) of the portfolio
- Maximum maturity: N/A
- Credit requirement: AAAm or its equivalent or better by an NRSRO
- Joint powers authority has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission, has five or more years of experience investing in the securities and obligations authorized under California Government Code Section 53601, and has assets under management in excess of five hundred million dollars (\$500,000,000).

13. Supranationals

Securities issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) and eligible for purchase and sale within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

14. Asset-Backed Securities

A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply:

- Maximum allocation: Twenty percent (20%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

XI. DIVERSIFICATION

The District shall seek to diversify the investments within the investment portfolio to avoid incurring unreasonable risks inherent in concentrated holdings in specific instruments, individual financial institutions or maturities. To promote diversification, this Policy sets various percentage holding limits by investment type and issuer. Investment type and issuer percentage limitation listed in this Policy are calculated at the time the security is purchased. Per issuer limits, when listed, are calculated across

investment types at the parent company level. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities. However, no additional investments can be made in that investment type or issuer while it is above the limits established by this Policy.

XII. CREDIT RATINGS

Credit rating requirements for eligible securities in this Policy specify the minimum credit rating category required at the time of purchase without regard to +, -, or 1, 2, 3 modifiers, if any. The security, at the time of purchase, may not be rated below the minimum credit requirement by any of the NRSROs that rate the security.

If a security is downgraded below the minimum rating criteria specified in this Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. The Treasurer shall note in the monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

XIII. MATURITY

The Treasurer shall maintain a system to monitor and forecast revenues and expenditures so that the District's funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the District's reasonably anticipated cash flow requirements.

The final maturity of any investment in the portfolios shall not exceed five (5) years with certain exceptions:

- The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the [Lake Mathews Multi-Species Reserve Trust Endowment Fund](#).
- The core portfolio may hold United States Treasury and Federal Agency securities with maturities in excess of five years.

XIV. DURATION

Duration is a measure of a security's price sensitivity to interest rate changes. It indicates the approximate percentage change of a security's value given a 1% change in interest rates. A portfolio's duration is the weighted average of the individual security durations held in the portfolio.

The investment portfolio is divided into liquidity, core, and endowment fund portfolios. The Policy's duration limits only apply to the liquidity and core portfolios. The duration of the liquidity portfolio is limited to the duration of the benchmark index plus or minus 0.5 years. The duration of the core portfolio will be limited to the duration of the benchmark index plus or minus 1.5 years. The appropriate benchmark indices will be set by the Treasurer and reported to the Board in the Monthly Treasurer's Report.

XV. ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

XVI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

For investments not purchased directly from the issuer, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the District's Policy, and intends to present only those investment recommendations and transactions to the District that is appropriate under the terms and conditions of the Policy.

The District's external investment manager(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Investment managers may also use their own list of internally-approved issuers, broker-dealers and other financial firms, so long as such managers are registered under the Investment Advisers Act of 1940.

XVII. INTERNAL CONTROLS

The Treasurer or designee shall maintain a system of internal control procedures designed to ensure compliance with the Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control procedures shall apply to the investment activities of any person with investment decision-making authority acting on behalf of the District. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. As part of the annual audit, the District's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

XVIII. ETHICS AND CONFLICT OF INTEREST

The Treasurer and designees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions.

The Treasurer and designees shall disclose to the Ethics Officer and General Counsel any personal financial interests that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

XVIX. INVESTMENT POLICY

This Policy shall be reviewed periodically by the Treasurer with any and all modifications made thereto approved by the Board of Directors at a public meeting.

SUMMARY TABLE OF INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The following table is intended to be a summary of the Policy's requirements in Section X of this Policy. If there is a discrepancy between Section X and this table, the requirements listed in Section X take precedence.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
US Treasury Obligations	100%	N/A	5 Years ¹	N/A
Federal Agency Obligations	100%	N/A	5 Years ¹	N/A
Bankers' Acceptance	40%	5% per issuer ²	180 days	"A-1" or its equivalent or higher by an NRSRO.
Commercial Paper	40%	5% per issuer ²	270 days	Highest ranking or of the highest letter and number rating as provided for by an NRSRO.
Medium Term Corporate Notes	30%	5% per issuer ² . US licensed and operating corporations	5 years	"A" or its equivalent or higher by an NRSRO.
Negotiable CD	30%	5% per issuer ² , National or state chartered bank, S&L, or branch of foreign bank	5 years	"A-1" (short-term) or "A" (long-term) or their equivalents or higher by an NRSRO.
Bank Deposit	30%	See California Government Code Section 53637	5 Years	Collateralized/FDIC Insured in accordance with California Government Code
Money Market Mutual Funds	20%	Gov't MMF. Stable NAV	Daily Liquidity	Highest ranking by two NRSROs or advisor requirements
Local Agency Investment Fund ("LAIF")	LAIF limit for operating accounts	Subject to California Government Code Section 16429.1 limitations	N/A	N/A
Municipal Bonds and Notes	30%	5% per issuer ² . State of California or California agencies or other 49 states	5 Years ¹	"A" or its equivalent or higher by an NRSRO.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
Repurchase Agreements (“REPO”)	20%	Limited to primary dealers or financial institutions rated “A” or better by a NRSROs	270 days	Collateralized (min 102% of funds invested) with US Government or federal agency securities with maximum 5 year maturities
California Asset Management Program (“CAMP”)	40%	N/A	Daily Liquidity	“AAAm” or its equivalent or higher by a NRSRO
Supranationals	30%	Limited to IBRD, IFC, IADB	5 Years	“AA” or its equivalent or higher by an NRSRO.
Asset-Backed Securities	20%	5% per issuer ²	5 Years	“AA” or its equivalent or higher by an NRSRO.

Notes:

1. The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Lake Mathews Multi-Species Reserve Trust Fund.

The core portfolio may be invested in United States Treasury and Federal Agency securities with maturities in excess of five years.

2. Per issuer limits, when listed, are calculated across investment types at the parent company level.

GLOSSARY

The glossary is provided for general information only. It is not to be considered a part of the Policy for determining Policy requirements or terms.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

ASSET BACKED: Securities whose income payments and hence value is derived from and collateralized (or “backed”) by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt..

BANKERS’ ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder’s balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP): A local government investment pool organized as joint powers authority in which funds from California local agency investors/participants are aggregated together for investment purposes.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

EFFECTIVE RATE OF RETURN: The annualized rate of return on an investment considering the price paid for the investment, its coupon rate, and the compounding of interest paid. $(\text{Total Earnings} / \text{Average daily balance}) \times (365 / \# \text{ of days in the reporting period})$

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INDEX: An index is an indicator that is published on a periodic basis that shows the estimated price and/or yield levels for various groups of securities. Examples of relevant indices for Metropolitan include, but not limited to, ICE BofAML, 3-Month Treasury Bill Index, and ICE BofAML, 1 - 5 years AAA-A US Corporate and Government Index

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate

levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution that agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high-quality ratings for long-term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that Agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities,

counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities that are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit that can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit ratings that the U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High-quality ratings for short-term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as

the “trade date”.

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the District) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the District) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the District sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the District) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service that banks offer to clients for a fee, where physical securities are held in the bank’s vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank’s name for the benefit of the client. As an agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed-income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include “inverse floating rate” notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and “dual index floaters”, which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through

sustainable economic growth. The California Government Code allows local agencies to purchase the United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return that equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity. $(\text{Net Invested Income} / \text{Time Weighted Invested Value}) \times (365 / \# \text{ of days in the reporting period})$

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that

are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

RATING DESCRIPTION TABLE

Long Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	Aaa	AAA	AAA
Strong Quality	Aa1/Aa2/Aa3	AA+/AA/AA-	AA
Good Quality	A1/A2/A3	A+/A/A-	A
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB
Low	B1/B2/B3	B+/B/B-	B
Poor	Caa	CCC+	CCC
Highly Speculative	Ca/C	CCC/CCC-/CC	CC
Short Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	P-1	A-1+	F1
Strong Quality		A-1	
Good Quality	P-2	A-2	F2
Medium Quality	P-3	A-3	F3

Note: Investment Grade ratings apply to securities with at least a medium credit quality or higher by one of the nationally recognize statistical rating organization; anything below the medium credit quality is non-investment grade.



Finance and Asset Management Committee

Statement of Investment Policy and Authority to Invest

Item 7-5

June 11, 2024

Item 7-5 Investment Policy

Subject

- Approve Metropolitan's Statement of Investment Policy for fiscal year 2024/25, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25

Purpose

- Comply with state law to adopt an investment policy for each fiscal year
- Provide key components to govern investment of district funds, manage risk and generate financial return on funds

Investment Policy and Authority to Invest

- Section 5114 of Metropolitan's Administrative Code requires the Treasurer to submit a Statement of Investment Policy to the Board for approval for the following fiscal year.
- Sections 53600 et seq. of the California Government Code expressly grant the authority to the Board to invest public funds and that authority may be delegated to the Treasurer for a one-year period.

Statement of Investment Policy – Change

	FY2023/24	FY2024/25	Rationale
§X.14	A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond	A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply	To align the Policy's requirements with the current Code language

Statement of Investment Policy – Change

	FY2023/24	FY2024/25	Rationale
§XIII	The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Lake Mathews Multi-Species Reserve Trust Fund.	The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Endowment Fund.	Lake Mathews Multi-Species Reserve Trust Fund combined with other trust funds as Endowment Fund effective July 1, 2023

Options for Considerations

Option #1:

- Approve the Statement of Investment Policy for fiscal year 2024/25; and
- Delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25.

Option #2:

- Do not approve the Statement of Investment Policy for fiscal year 2024/25 and do not delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25.

Staff Recommendation

Option #1



Questions





- **Board of Directors**
Finance and Asset Management

6/11/2024 Board Meeting

7-6

Subject

Authorize the General Manager to grant a permanent easement to the Las Virgenes Municipal Water District for water pipeline purposes on Metropolitan fee-owned property in the City of Los Angeles within Assessor Parcel Number 2723-009-905; the General Manager has determined that the proposed action is exempt and not subject to CEQA

Executive Summary

This action authorizes the General Manager to grant a non-exclusive permanent easement to the Las Virgenes Municipal Water District (LVMWD) for the installation, maintenance, and operation of a sixteen-inch (16") water pipeline. LVMWD is requesting the easement in connection with their Twin Lakes Pump Station Pipeline Project. The proposed 1,458-square-foot easement area is located north of Devonshire Street and south of Chatsworth Street in the Chatsworth area of Los Angeles (**Attachment 1**). Board authorization to grant this permanent easement is required as the real property interest to be conveyed exceeds five years.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to grant a permanent easement to Las Virgenes Municipal Water District for water pipeline purposes on Metropolitan fee-owned property in the City of Los Angeles within Assessor Parcel Number 2723-009-905.

Fiscal Impact: Metropolitan will receive a lump sum payment of \$21,800 for the easement area.

Business Analysis: LVMWD will be able to proceed with its Twin Lakes Pump Station Pipeline Project, leading to a more reliable local water distribution system.

Option #2

Do not approve the permanent easement.

Fiscal Impact: Metropolitan will forgo the lump sum payment of \$21,800.

Business Analysis: LVMWD will not be able to proceed with its Twin Lakes Pump Station Pipeline Project, thus impacting local water distribution.

Applicable Policy

Metropolitan Water District Administrative Code Section 8230: Grants of Real Property Interests

Metropolitan Water District Administrative Code Section 8231: Appraisal of Real Property Interests

Metropolitan Water District Administrative Code Section 8232: Terms and Conditions of Management

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 48766, dated August 16, 2011, the Board adopted the proposed policy principles for managing Metropolitan's real property assets.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because it involves the licensing of existing public structures and facilities, involving negligible or no expansion of existing or former use, and no possibility of significantly impacting the physical environment (State CEQA Guidelines Section 15301.)

CEQA determination for Option #2:

None required

Details and Background

The LVMWD intends to construct a 16-inch diameter water pipeline connecting the Twin Lakes Pump Station in Chatsworth Park South to its existing 30-inch water line in Valley Circle Boulevard. The proposed waterline alignment will be within close proximity, but not impact, Metropolitan's existing West Valley Feeder No.1 and West Valley Feeder No. 2. Pipelines. The proposed permanent easement will be located within an existing paved private driveway project on Metropolitan property and is limited to the installation of one new water pipeline connecting to an existing waterline. LVMWD will restore the ground to its existing condition, including paving once the waterline has been installed. LVMWD is also coordinating its construction activities with the city and local residents to minimize impacts to the community.

Staff has determined that the proposed easement would not interfere with Metropolitan's water operations.

The easement will have the following key provisions:

- Subject to Metropolitan's paramount rights provisions.
- The proposed easement area will be 1,458 square feet.
- Easement rights for the installation, operation, maintenance, repair, or replacement of a water pipeline.
- All plans for construction, maintenance, major repair, or replacement work shall be reviewed and approved by Metropolitan prior to the commencement of such work.
- LVMWD shall defend, indemnify, and hold harmless Metropolitan.

The fair market value for the proposed easement is \$11,300 as determined by a qualified licensed appraiser. There is also a one-time processing fee of \$10,500 for granting the permanent easement.



Elizabeth Crosson
Chief Sustainability, Resilience and
Innovation Officer

5/23/2024

Date



Adel Hagekhalil
General Manager

5/30/2024

Date

Attachment 1 – Site Map

Ref# sri12697261



Feet
0 12.5 25 50

THIS EXHIBIT IS TO BE USED FOR APPROXIMATE POSITIONING ONLY. IT IS NOT TO BE USED, NOR IS IT INTENDED TO BE USED FOR ENGINEERING, RECORDING OR LITIGATION PURPOSES. NO WARRANTY OF ACCURACY IS IMPLIED OR GUARANTEED.



The Metropolitan Water District of Southern California
Engineering Services Group

WEST VALLEY FEEDER NO.2
Permanent Easement
RL 4381

MWD
to
Las Virgenes Municipal Water District

MWD ROW: 1802-3-1PEC100
APN: 2723-009-905



Finance and Asset Management Committee

Las Virgenes Municipal Water District Permanent Easement

Item 7-6

June 11, 2024

Overview of the Easement Conveyance

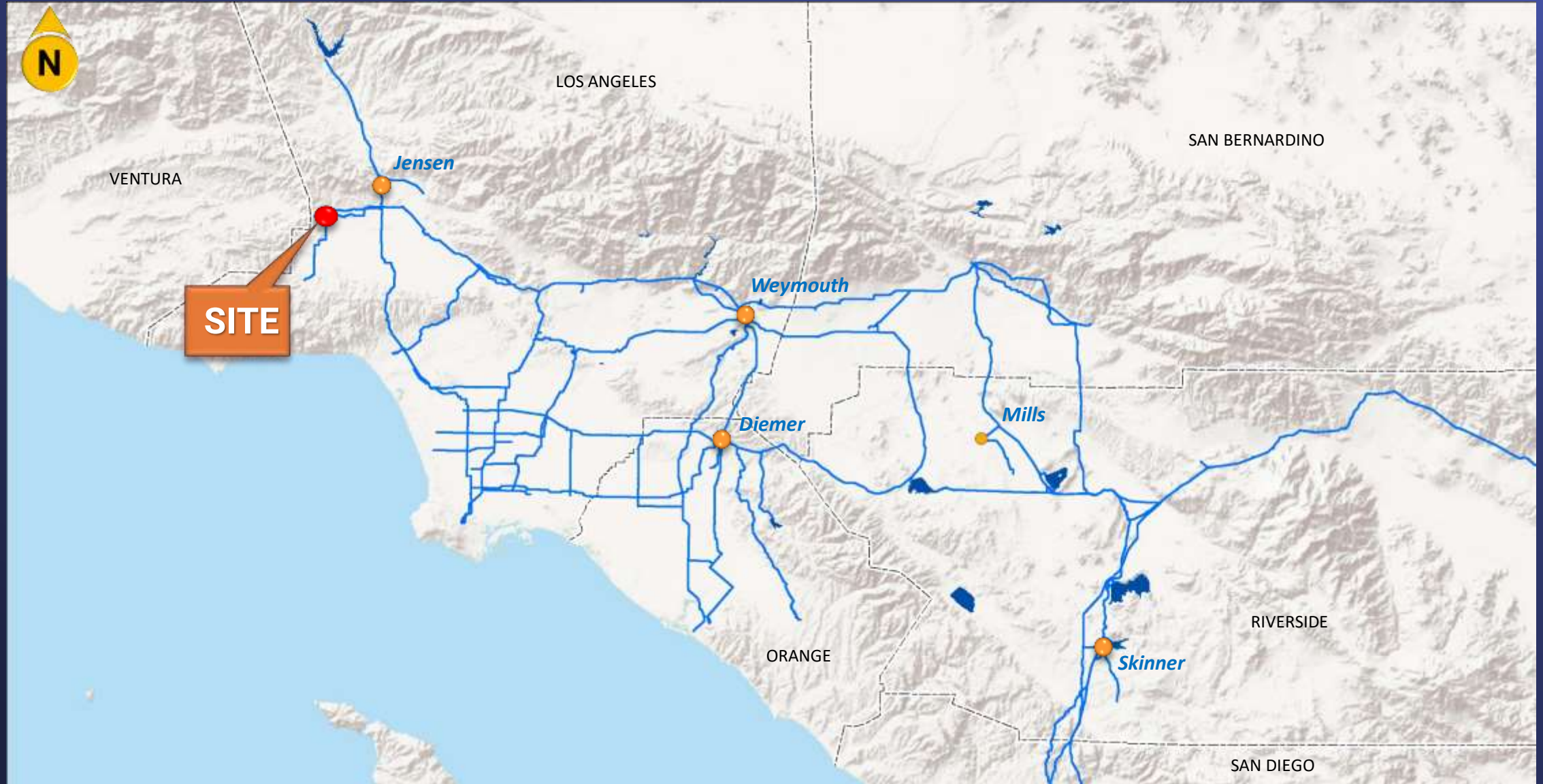
Subject

- Authorize the granting of a permanent easement to the Las Virgenes Municipal Water District (LVMWD) for water line purposes.

Purpose

- Establish rights to install a 16” water line as part of the Twin Lakes Pump Station Project.

Distribution System Map



General Location Map



Site Map



Key Provisions

- Metropolitan's paramount rights provision
- The proposed easement area will be 1,458 sq. ft.
- Installation, maintenance, and other related water pipeline rights
- All plans shall be approved by Metropolitan
- LVMWD shall indemnify, defend, and hold harmless Metropolitan
- Metropolitan will receive \$21,800 for easement

Board Options

Option No. 1

Authorize the granting of a non-exclusive permanent easement to LVMWD for waterline purposes.

Option No. 2

Do not approve the permanent easement

Board Options

Staff Recommendation

- Option No. 1





- **Board of Directors**
Finance and Asset Management Committee

6/11/2024 Board Meeting

7-7

Subject

Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of \$2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of \$500,000, and authorize a new agreement with Arup US, Inc. for a not-to-exceed amount of \$500,000 for a period of three years to provide support services in the development and implementation of the CAMP4W; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In February 2023, the Board directed staff to integrate water resources, climate, and financial planning into a Climate Adaptation Master Plan for Water (CAMP4W). Specifically, the CAMP4W will include: (1) Climate and Growth Scenarios; (2) Time-Bound Targets; (3) A Framework for Climate Decision-Making and Reporting; (4) Policies, Initiatives, and Partnerships, and (5) Business Models and Funding Strategies. CAMP4W will increase Metropolitan's understanding of the climate risks to water supplies, infrastructure, operations, workforce, and financial sustainability. CAMP4W will also develop decision-making tools and long-term planning guidance for adapting to climate change to strengthen Metropolitan's ability to fulfill its mission. This action authorizes the amending of two existing agreements and the initiation of a new agreement to provide support services for the development and implementation of the CAMP4W.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of \$2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of \$500,000, and authorize a new agreement with Arup US, Inc. for a not-to-exceed amount of \$500,000 for a period of three years to provide support services in the development and implementation of the CAMP4W.

Fiscal Impact: Up to \$3,000,000 from Sustainability, Resilience, and Innovation (SRI) and Engineering Services Group (ESG)-approved operations and maintenance budget for fiscal years 2024/25 and 2025/26. Professional Services items in SRI's approved biennial budget for CAMP4W, climate resilience, and sustainability planning and previously approved funding for ESG studies related to system resilience will be directed towards these contracts.

Business Analysis: This option will support the Board's request that staff evaluate Metropolitan's long-term planning with consideration for climate change, resilience, and funding policies under the CAMP4W and will direct previously approved budget for climate, sustainability, and risk analysis towards CAMP4W.

Option #2

Do not authorize the consulting agreements at this time.

Fiscal Impact: None

Business Analysis: Under this option, Metropolitan staff would perform activities, or would request board authorization for agreements on a project-specific basis. This option would forego an opportunity to reduce administrative costs or address urgent projects promptly and which could result in delays.

Alternatives Considered

Several alternatives were considered to develop and implement the CAMP4W, including utilizing in-house staff to perform all work components. Metropolitan's staffing strategy for in-house Metropolitan staff has been: (1) to assess current work; and (2) to use project-specific professional service agreements when resource needs exceed available in-house staffing or require specialized technical expertise.

This strategy relies on the assumption that in-house staff will handle the baseload of work on projects, while professional services agreements are selectively utilized to handle tasks above this baseload or where specialized needs are required. This strategy allows Metropolitan's staff to be strategically utilized on projects to best address projects with special needs or issues.

After assessing the current workload for in-house staff, required expertise, and relative priority of this task, staff has determined that insufficient SRI staff is available to ensure completion of the work in a timely manner. Staff recommends utilizing a hybrid effort of consultant and Metropolitan staff for the performance of this work.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 53596, dated April 9, 2024, the Board adopted the biennial budget for fiscal years 2024/25 and 2025/26, rates for calendar years 2025 and 2026., and charges for 2025.

Related Board Action(s)/Future Action(s)

A Draft Climate Adaptation Master Plan for Water will be presented for board review by the end of 2024.

Summary of Outreach Completed

Request for Qualifications (RFQ) No. 1359 was issued in October 2023 to establish a pool of qualified firms to support CAMP4W planning and implementation. Metropolitan received six statements of qualifications in November 2023.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)).

CEQA determination for Option #2:

None required

Details and Background

Background

Increased climatic variability and water supply uncertainty have prompted Metropolitan's Board to pursue the integration of climate and water resource planning with its financial plans. The Board charged the leadership and staff of Metropolitan to expand the focus of water resource and financial planning to include climate adaptation strategies and to develop a Climate Adaptation Master Plan for Water (CAMP4W). The effort focuses on strengthening the resilience and reliability of Metropolitan and its individual member agencies in the face of a changing climate and the associated risks to our economic and environmental stability.

A number of deliverables have been identified to complete and implement the Climate Adaptation Master Plan for Water. The Board has asked that a Draft Master Plan be developed to include: (1) Climate and Growth Scenarios, (2) Time-Bound Targets, (3) Framework for Climate Decision-Making and Reporting, (4) Policies, Initiatives, and Partnerships, and (5) Business Models and Funding Strategies. Staff has proposed an ambitious schedule to address each of these components over the next year and anticipates that additional professional services will be needed to produce technical memoranda, decision support tools and dashboards, an adaptive management framework, and ultimately a digital Master Plan that is both iterative and comprehensive.

Support Services for Climate Adaptation Master Plan for Water

Metropolitan issued RFQ 1359 to provide support services for the development and implementation of the CAMP4W to better integrate Metropolitan's planning for water resources, climate resilience, and finances. The RFQ process provided a competitive process in which the expertise of the firms' staff, technical approach, proposed methodology, and capability were evaluated. Arup US, Inc.; CDM Smith Inc.; and Hazen and Sawyer were recommended for the support services based on their expertise in climate adaptation and resilience planning.

Based on RFQ 1359 recommendations, on-call Agreement No. 220126 was executed with Hazen and Sawyer for a not-to-exceed amount of \$245,000, and on-call Agreement No. 220127 was executed with CDM Smith Inc. for a not-to-exceed amount of \$245,000. Both agreements were executed under the General Manager's contracting authority. Staff recommends amending Agreement No. 220126 with Hazen and Sawyer to increase a new not-to-exceed amount of \$2,000,000 and amending Agreement No. 220127 with CDM Smith Inc. to a new not-to-exceed amount of \$500,000. In addition, staff recommends a new on-call agreement with Arup US, Inc. for a not-to-exceed amount of \$500,000. On-call agreements provide a high degree of flexibility to respond to schedule or scope adjustments, allow for quicker delivery times, and lower administrative costs for both Metropolitan and the consultants. For these types of agreements, consultants are assigned work only after specific tasks are identified by staff, up to the not-to-exceed amounts of the contracts.

CAMP4W Support Services (Hazen and Sawyer and CDM Smith Inc.) – Amendment of Existing Agreements

Due to the urgency of the CAMP4W work, Metropolitan entered into agreements with Hazen and Sawyer and CDM Smith Inc. in April 2024, immediately following the evaluation and recommendation process for RFQ 1359. Agreement No. 220126 was executed with Hazen and Sawyer for a not-to-exceed amount of \$245,000 for a period of 3 years, and Agreement No. 220127 was executed with CDM Smith Inc. for a not-to-exceed amount of \$245,000 for a period of 3 years. The scope of work to provide Climate Adaptation Planning and Business Model support services as described in the agreements includes:

- 1) Technical memoranda on specific topics related to CAMP4W deliverables.
- 2) Written analyses and draft and final reports.
- 3) Decision-making tools including elements of the Climate Decision-Making Framework and Evaluative Criteria.
- 4) Digital tools including dashboards and data management.
- 5) Technical input into an adaptive management and risk assessment.

This action authorizes amending the existing on-call Agreement No. 220126 with Hazen and Sawyer for a new not-to-exceed amount of \$2,000,000 and on-call Agreement No. 220127 with CDM Smith Inc. for a new not-to-exceed amount of \$500,000. The 3-year term of both agreements will remain unchanged. The amendments are needed to complete the anticipated work recently identified within the CAMP4W process. For these agreements, Metropolitan has established a Small Business Enterprise participation level of 25 percent. Both firms have committed to meet this level of participation within the existing agreement.

CAMP4W Environmental Support Services (Arup US, Inc.) – New Agreement

CAMP4W goals include understanding the economic, environmental, and social implications of Metropolitan's investments and decision-making. Arup US, Inc. is a global firm providing systems thinking to water resources

and climate challenges. Arup US, Inc. has been selected to provide Climate Adaptation Planning support services, including:

- 1) Measuring and evaluating environmental and equity co-benefits.
- 2) Adaptive management and risk assessment.
- 3) Climate science updates.
- 4) Intersection of climate and financial planning.
- 5) Renewable energy infrastructure opportunities.

This action authorizes a new on-call agreement with Arup US, Inc. for a not-to-exceed amount of \$500,000 for a period of three years. The Business Outreach Program Office sets Small/Disabled Veteran Business participation levels on RFQ at the minimum organizational goal of 25 percent, and the proposed agreement complies with this requirement.

Project Milestone

December 2024 – Draft Climate Adaptation Master Plan for Water



Elizabeth Crosson
Chief Sustainability, Resilience and
Innovation Officer

5/28/2024

Date



Adel Hagekhalil
General Manager

5/31/2024

Date

Ref# sri12703097

Finance and Asset Management Committee



CAMP4W Planning and Implementation Support Services Agreement and Amendments

Item 7-7

June 11, 2024

CAMP4W
Planning and
Implementation
Support
Services
Agreement and
Amendments

Subject

- Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of \$2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of \$500,000 and authorize a new agreement with Arup US Inc. for a new not-to-exceed amount of \$500,000 for a period of three years

Purpose

- To provide support services in the development and implementation of the Climate Adaptation Master Plan for Water

Task Force Charter

CAMP4W Task Force

Joint Task Force of Board Members and Member Agencies has been chartered to produce a regional plan (CAMP4W) that includes:

- Climate and Growth Scenarios
- Time-bound Targets
- Framework for Climate Decision-Making and Reporting
- Policies, Initiatives, and Partnerships
- Business Models and Funding Strategies



2024-25 CAMP4W Deliverables



* Requires Working Memorandum / Report Document

Support Services Background

- Metropolitan issued RFQ 1359 to provide support services for the development and implementation of the CAMP4W to better integrate Metropolitan's planning for water resources, climate resilience, and finances
- Based on RFQ 1359 recommendations and immediate needs, on-call Agreement No. 220126 was executed with Hazen and Sawyer for a not-to-exceed amount of \$245,000, and on-call Agreement No. 220127 was executed with CDM Smith Inc. for a not-to-exceed amount of \$245,000

Support Services Scope of Work

Existing
Agreements

Scope of work to provide Climate Adaptation Planning support services as described in the agreements includes:

1. Technical memoranda on specific topics related to CAMP4W deliverables
2. Written analyses and draft and final reports
3. Decision-making tools including elements of the Climate Decision-Making Framework and Evaluative Criteria
4. Digital tools including dashboards and data management
5. Technical input into an adaptive management and risk assessment

Support Services Scope of Work

New Agreement

Arup US, Inc. is a global firm providing systems thinking to water resources and climate challenges. Arup US, Inc. has been selected to provide Climate Adaptation Planning support services, including:

1. Measuring and evaluating environmental and equity co-benefits
2. Adaptive management and risk assessment
3. Climate science updates
4. Intersection of climate and financial planning
5. Renewable energy infrastructure opportunities

Board Options

Option No. 1

- Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of \$2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of \$500,000 and authorize a new agreement with Arup US, Inc. for a not-to-exceed amount of \$500,000 for a period of three years to provide support services in the development and implementation of the CAMP4W

Option No. 2

- Do not authorize the consulting agreements

Board Options

Staff Recommendation

- Option No. 1





- **Board of Directors**
Legislation and Communications Committee

6/11/2024 Board Meeting

7-8

Subject

Express support for ballot measure ACA 1: Local government financing: affordable housing and public infrastructure: voter approval; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Ballot measure ACA 1: Local government financing: affordable housing and public infrastructure: voter approval. (ACA 1) proposes a constitutional amendment that is qualified for the November 5, 2024 ballot (**Attachment 1**). The measure is sponsored by California Professional Firefighters and the California State Building and Construction Trades Council. ACA 1 seeks to create parity between school districts and other local government entities by giving cities, counties and special districts the ability to adopt ad valorem property taxes and pass local bond and special tax measures at the same vote threshold that is currently afforded to school districts when placing a bond or special tax on the ballot.

If passed by the voters, ACA 1 allows for new ad valorem property taxes and special local taxes to be imposed pursuant to a 55 percent majority vote, providing that the taxes pay for bonded indebtedness to pay for affordable housing, permanent supportive housing, or public infrastructure (including water and wastewater infrastructure). New ad valorem property taxes imposed for the specified purposes would be exempt from the constitutional total 1 percent ad valorem limit if approved by a 55 percent vote. Additionally, the voting threshold for local agencies placing a bond or local special tax on the ballot to fund the identified projects is lowered from two-thirds to 55 percent majority. This measure would also set control measures to ensure the taxes pay for the authorized purposes only and allows the Legislature to create additional control measures.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Express Support for Ballot Measure ACA 1: Local government financing: affordable housing and public infrastructure: voter approval.

Fiscal Impact: Unknown

Business Analysis: If passed, ACA 1 would improve local agencies' ability to raise revenues for specified housing and public infrastructure (including water and wastewater infrastructure) projects, which increases the feasibility of project success and improves water supply management.

Option #2

Take no action

Fiscal Impact: Unknown

Business Analysis: Without this measure, local agencies and governments will continue to not have parity with the voting threshold required to raise revenue with local school districts and would continue to need a two-thirds supermajority to approve financing for affordable housing, permanent supportive housing and public infrastructure (including water and wastewater infrastructure) projects.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Actions

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves proposals for legislation to be enacted by the State Legislature. (State CEQA Guidelines Section 15378(b)(1).)

CEQA determination for Option #2:

None required

Details and Background

Background on ACA 1

ACA 1 will be on the November 2024 ballot and is sponsored by the California Professional Firefighters and the California State Building and Construction Trades Council. This measure allows for new ad valorem property taxes and special local taxes to be imposed pursuant to a 55 percent majority vote, providing that the taxes pay for bonded indebtedness to pay for affordable housing, permanent supportive housing, or public infrastructure (including water and wastewater infrastructure). New ad valorem property taxes imposed for the specified purposes would be exempt from the constitutional total 1 percent ad valorem limit if approved by a 55 percent vote. Additionally, the voting threshold for local agencies placing a bond or local special tax on the ballot to fund the identified projects is lowered from two-thirds to 55 percent majority. This measure would also set control measures to ensure the taxes pay for the authorized purposes only and allows the Legislature to create additional control measures.

This measure is broadly supported by local government agencies that view the measure as establishing parity between local school districts and other local governments. Currently, school districts have the ability to impose ad valorem property taxes and pass a bond or special tax with a 55 percent vote. If passed, ACA 1 would provide local communities the same ability to finance other public infrastructure and critically needed affordable housing, in addition to local educational facilities.

Key Provisions of ACA 1

Ad Valorem Tax for Voter-Approved Debt

The California Constitution currently prohibits the assessment of an ad valorem tax above 1 percent of the property value, unless specified exemptions apply. Exemptions include:

- (1) Indebtedness approved by the voters before July 1, 1978.
- (2) Bonded indebtedness to fund the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.
- (3) Bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities approved

by 55 percent of the voters of the district or county, as appropriate, voting on the proposition on or after November 8, 2000.

ACA 1 would add an exemption for bonded indebtedness incurred by a city, county, city and county, or special district for the development or replacement of public infrastructure, affordable housing, or permanent supportive housing. (Attachment 1)

This measure also contains a range of voter protections and guardrails, which include, but are not limited to: (1) a requirement that the local agency conduct annual, independent financial audits on the revenues and uses related to bond proceeds and (2) a requirement that a local citizens oversight committee be established to ensure appropriate management of the funds.

Parcel Taxes and Sales and Use Taxes

The California Constitution currently requires local government agencies to pass special taxes with a two-thirds vote of the local electorate in order to take effect. Specifically, these are parcel taxes, sales and use taxes, and transactions and use taxes.

ACA 1 would provide local government agencies the ability to pass a special tax measure with a 55 percent vote instead of the current two-thirds vote requirement. This section of the measure also contains the same voter protections as noted for the ad valorem tax above, including requirements for an independent audit to be conducted through the duration of the tax funds being in use and the establishment of a citizen's oversight committee to oversee the management of the funds.

Supporters

Supporters include, but are not limited to, the California Special Districts Association and League of California Cities; the measure was sponsored by the California Professional Firefighters California State Building and Construction Trades Council.

Arguments in Support

Proponents of ACA 1 argue this measure will level the playing field and create parity with school districts so that cities, counties, and special districts have a viable financing tool to help address important community needs for affordable housing and public infrastructure. Local voters would still need to overwhelmingly support a new ad valorem tax, bond or special tax with a 55 percent vote, and ACA 1 provides specific requirements for financial accountability.

Questions of taxation and public indebtedness are of the greatest importance to the voters of this state. That is why the California Constitution requires that these questions be taken directly to the voters instead of decided solely by their elected representatives. A 55 percent threshold is enough to indicate whether the bulk of a community is willing to incur that indebtedness or pay a tax for such important services. The current two-thirds structure gives every no vote twice as much say as a yes vote. These are local decisions where a significant majority of the people should be enough to have a say in shaping the outcomes of their community.

Opponents

Opponents include but are not limited to the California Association of Realtors, California Chamber of Commerce, California Taxpayers Association and Howard Jarvis Taxpayers Association.

Arguments in Opposition

Opponents argue that Californians resoundingly approved Proposition 13 to provide a check on local governments' taxing authority, and to ensure a greater representative voice for those who would be taxed. Proposition 13 also limits taxes on property to 1 percent of the property's assessed value. Reducing the vote threshold would diminish the people's voice on tax increases and would erode property tax safeguards.

In addition, ACA 1 would sharply lower Proposition 13's two-thirds voter threshold to 55 percent for local special taxes to fund 'infrastructure' so vaguely defined that virtually anything could qualify. It would open the door to the possibility of significant new tax hikes, giving the government more control over property taxpayers without providing an appropriate return on investment.

If passed, ACA 1 would provide local communities parity in financing public infrastructure, including water and wastewater, and critically needed affordable housing with local school districts. For this reason, staff recommends that the Board express support for ACA 1.



Susan B. Sims
Group Manager – External Affairs
6/6/2024
Date



Adel Hagekhalil
General Manager
6/6/2024
Date

Attachment 1 – ACA 1: Local government financing: affordable housing and public infrastructure: voter approval.

Ref# 12694298

RC 173

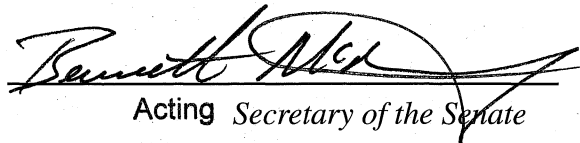
Assembly Constitutional Amendment No. 1

Adopted in Assembly September 6, 2023



Chief Clerk of the Assembly

Adopted in Senate September 14, 2023



Acting Secretary of the Senate

This resolution was received by the Secretary of State this
20th day of September, 2023, at 11
o'clock a.m.



Deputy Secretary of State

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RESOLUTION CHAPTER _____

Assembly Constitutional Amendment No. 1—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Sections 1 and 4 of Article XIII A thereof, by amending Section 2 of, and by adding Section 2.5 to, Article XIII C thereof, by amending Section 3 of Article XIII D thereof, and by amending Section 18 of Article XVI thereof, relating to local finance.

LEGISLATIVE COUNSEL'S DIGEST

ACA 1, Aguiar-Curry. Local government financing: affordable housing and public infrastructure: voter approval.

(1) The California Constitution prohibits the ad valorem tax rate on real property from exceeding 1% of the full cash value of the property, subject to certain exceptions.

This measure would create an additional exception to the 1% limit that would authorize a city, county, city and county, or special district to levy an ad valorem tax to service bonded indebtedness incurred to fund the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, including downpayment assistance, or permanent supportive housing, or the acquisition or lease of real property for those purposes, if the proposition proposing that tax is approved by 55% of the voters of the city, county, city and county, or special district, as applicable, and the proposition includes specified accountability requirements. The measure would prohibit a city, county, city and county, or special district from placing a proposition on the ballot pursuant to these provisions if the voters have previously approved a proposition pursuant to these provisions or the below special tax provisions until all funds from the previous proposition are committed to programs and projects listed in the specific local program or ordinance, as described. The measure, subject to certain vote thresholds, would authorize the Legislature to enact laws establishing additional accountability measures and laws for the downpayment assistance programs authorized by the measure, as specified. The measure would specify that these provisions apply to any city, county, city and county, or special district measure

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imposing an ad valorem tax to pay the interest and redemption charges on bonded indebtedness for these purposes that is submitted at the same election as this measure.

(2) The California Constitution conditions the imposition of a special tax by a local government upon the approval of $\frac{2}{3}$ of the voters of the local government voting on that tax.

This measure would authorize a local government to impose, extend, or increase a sales and use tax or transactions and use tax imposed in accordance with specified law or a parcel tax for the purposes of funding the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, including downpayment assistance, or permanent supportive housing, or the acquisition or lease of real property for those purposes, if the proposition proposing that tax is approved by a majority vote of the membership of the governing board of the local government and by 55% of its voters voting on the proposition and the proposition includes specified accountability requirements. The measure would prohibit a local government from placing a proposition on the ballot pursuant to these provisions if the voters have previously approved a proposition pursuant to these provisions or the above ad valorem tax provisions until all funds from the previous proposition are committed to programs and projects listed in the specific local program or ordinance, as described. The measure, subject to certain vote thresholds, would authorize the Legislature to enact laws establishing additional accountability measures and laws for the downpayment assistance programs authorized by the measure, as specified. This measure would also make conforming changes to related provisions. The measure would specify that these provisions apply to any local measure imposing, extending, or increasing a sales and use tax, transactions and use tax, or parcel tax for these purposes that is submitted at the same election as this measure.

(3) The California Constitution prohibits specified local government agencies from incurring any indebtedness exceeding in any year the income and revenue provided in that year, without the assent of $\frac{2}{3}$ of the voters and subject to other conditions. In the case of a school district, community college district, or county office of education, the California Constitution permits a proposition for the incurrence of indebtedness in the form of general obligation bonds for the construction, reconstruction,

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rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, to be adopted upon the approval of 55% of the voters of the district or county, as appropriate, voting on the proposition at an election.

This measure would expressly prohibit a special district, other than a board of education or school district, from incurring any indebtedness or liability exceeding any applicable statutory limit, as prescribed by the statutes governing the special district. The measure would also similarly require the approval of 55% of the voters of the city, county, city and county, or special district, as applicable, to incur bonded indebtedness, exceeding in any year the income and revenue provided in that year, that is in the form of general obligation bonds issued to fund the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, or permanent supportive housing projects, if the proposition proposing that bond includes specified accountability requirements. The measure would specify that this 55% threshold applies to any proposition for the incurrence of indebtedness by a city, county, city and county, or special district for these purposes that is submitted at the same election as this measure.

(4) This measure would deem another measure on the same statewide election ballot relating to state or local requirements for the imposition, adoption, creation, or establishment of taxes, charges, and other revenue measures in conflict with it and would make the other measure null and void if this measure receives more affirmative votes.

Resolved by the Assembly, the Senate concurring, That the Legislature of the State of California at its 2023–24 Regular Session commencing on the fifth day of December 2022, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California, that the Constitution of the State be amended as follows:

First—That Section 1 of Article XIII A thereof is amended to read:

SECTION 1. (a) The maximum amount of any ad valorem tax on real property shall not exceed 1 percent of the full cash value of that property. The 1 percent tax shall be collected by the

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counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any of the following:

(1) Indebtedness approved by the voters before July 1, 1978.

(2) Bonded indebtedness to fund the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

(3) Bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters of the district or county, as appropriate, voting on the proposition on or after November 8, 2000. This paragraph shall apply only if the proposition approved by the voters and resulting in the bonded indebtedness includes all of the following accountability requirements:

(A) A requirement that the proceeds from the sale of the bonds be used only for the purposes specified in this paragraph, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

(B) A list of the specific school facilities projects to be funded and certification that the school district board, community college board, or county office of education has evaluated safety, class size reduction, and information technology needs in developing that list.

(C) A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed.

(D) A requirement that the school district board, community college board, or county office of education conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

(4) (A) Bonded indebtedness incurred by a city, county, city and county, or special district for the construction, reconstruction,

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rehabilitation, or replacement of public infrastructure, affordable housing, or permanent supportive housing for persons at risk of chronic homelessness, including persons with mental illness, or the acquisition or lease of real property for public infrastructure, affordable housing, or permanent supportive housing for persons at risk of chronic homelessness, including persons with mental illness, approved by 55 percent of the voters of the city, county, city and county, or special district, as appropriate, voting on the proposition on or after the effective date of the measure adding this paragraph. This paragraph shall apply only if the proposition approved by the voters and resulting in the bonded indebtedness includes all of the following accountability requirements:

(i) A requirement that the proceeds from the sale of the bonds be used only for the purposes specified in this paragraph, and not for any other purpose, including city, county, city and county, or special district employee salaries and other operating expenses. The administrative cost of the city, county, city and county, or special district executing the projects and programs of the proposition shall not exceed 5 percent of the proceeds from the sale of the bonds.

(ii) A requirement that the proceeds from the sale of the bonds only be spent on projects and programs that serve the jurisdiction of the city, county, city and county, or special district.

(iii) The specific local program or ordinance through which projects will be funded and a certification that the city, county, city and county, or special district has evaluated alternative funding sources.

(iv) A requirement that the city, county, city and county, or special district conduct an annual, independent performance audit to ensure that the funds have been expended pursuant to the local program or ordinance specified in clause (iii).

(v) A requirement that the city, county, city and county, or special district conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the public infrastructure or affordable housing projects, as applicable.

(vi) A requirement that the city, county, city and county, or special district post the audits required by clauses (iv) and (v) in a manner that is easily accessible to the public.

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(vii) A requirement that the audits required by clauses (iv) and (v) will be submitted to the California State Auditor for review.

(viii) (I) A requirement that the city, county, city and county, or special district appoint a citizens' oversight committee to ensure that bond proceeds are expended only for the purposes described in the measure approved by the voters.

(II) Members appointed to an oversight committee established pursuant to subclause (I) shall receive educational training about bonds and fiscal oversight.

(ix) A requirement that an entity owned or controlled by a local official that votes on whether to put a proposition on the ballot pursuant to this section will be prohibited from bidding on any work funded by the proposition.

(B) Notwithstanding any other law, if the voters of the local government have previously approved a proposition pursuant to this paragraph or Section 2.5 of Article XIII C, the local government shall not place a proposition on the ballot pursuant to this section until all funds from the previous proposition are committed to programs and projects listed in the proposition's specific local program or ordinance described in clause (iii) of subparagraph (A) or subparagraph (C) of paragraph (2) of subdivision (a) of Section 2.5 of Article XIII C, as applicable.

(C) The Legislature may, by two-thirds vote, enact laws establishing accountability measures in addition to those listed in subparagraph (A), provided such laws are consistent with the purposes and intent of this paragraph.

(D) The Legislature may, by majority vote, enact laws for the downpayment assistance programs established pursuant to this paragraph, provided that those laws further the purposes of this paragraph.

(E) For purposes of this paragraph:

(i) (I) "Affordable housing" shall include housing developments, or portions of housing developments, that provide workforce housing affordable to households earning up to 150 percent of countywide median income, and housing developments, or portions of housing developments, that provide housing affordable to extremely low, very low, low-, or moderate-income households, as those terms are defined in state law. Affordable housing may include capitalized operating reserves, as the term is defined in state law.

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(II) “Affordable housing” shall also include downpayment assistance programs.

(ii) “At risk of chronic homelessness” includes, but is not limited to, persons who are at high risk of long-term or intermittent homelessness, including persons with mental illness exiting institutionalized settings, including, but not limited to, jail and mental health facilities, who were homeless prior to admission, transition age youth experiencing homelessness or with significant barriers to housing stability, and others, as defined in program guidelines.

(iii) “Permanent supportive housing” means housing with no limit on length of stay, that is occupied by the target population, and that is linked to onsite or offsite services that assist residents in retaining the housing, improving their health status, and maximizing their ability to live and, when possible, work in the community. “Permanent supportive housing” includes associated facilities, if those facilities are used to provide services to housing residents.

(iv) “Public infrastructure” shall include, but is not limited to, projects that provide any of the following:

(I) Water or protection of water quality.

(II) Sanitary sewer.

(III) Treatment of wastewater or reduction of pollution from stormwater runoff.

(IV) Protection of property from impacts of sea level rise.

(V) Parks and recreation facilities.

(VI) Open space.

(VII) Improvements to transit and streets and highways.

(VIII) Flood control.

(IX) Broadband internet access service expansion in underserved areas.

(X) Local hospital construction.

(XI) Public safety buildings or facilities, equipment related to fire suppression, emergency response equipment, or interoperable communications equipment for direct and exclusive use by fire, emergency response, police, or sheriff personnel.

(XII) Public library facilities.

(v) “Special district” has the same meaning as provided in subdivision (c) of Section 1 of Article XIII C and specifically includes a transit district, a regional transportation commission,

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and an association of governments, except that “special district” does not include a school district, redevelopment agency, or successor agency to a dissolved redevelopment agency.

(F) This paragraph shall apply to any city, county, city and county, or special district measure imposing an ad valorem tax to pay the interest and redemption charges on bonded indebtedness for those purposes described in this paragraph that is submitted at the same election as the measure adding this paragraph.

(c) (1) Notwithstanding any other provisions of law or of this Constitution, a school district, community college district, or county office of education may levy a 55-percent vote ad valorem tax pursuant to paragraph (3) of subdivision (b).

(2) Notwithstanding any other provisions of law or this Constitution, a city, county, city and county, or special district may levy a 55-percent vote ad valorem tax pursuant to paragraph (4) of subdivision (b).

Second—That Section 4 of Article XIII A thereof is amended to read:

SEC. 4. Except as provided by Section 2.5 of Article XIII C, a city, county, or special district, by a two-thirds vote of its voters voting on the proposition, may impose a special tax within that city, county, or special district, except an ad valorem tax on real property or a transactions tax or sales tax on the sale of real property within that city, county, or special district.

Third—That Section 2 of Article XIII C thereof is amended to read:

SEC. 2. Notwithstanding any other provision of this Constitution:

(a) Any tax imposed by a local government is either a general tax or a special tax. A special district or agency, including a school district, has no authority to levy a general tax.

(b) A local government may not impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. A general tax is not deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved. The election required by this subdivision shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body.

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(c) Any general tax imposed, extended, or increased, without voter approval, by any local government on or after January 1, 1995, and before the effective date of this article, may continue to be imposed only if that general tax is approved by a majority vote of the voters voting in an election on the issue of the imposition, which election shall be held no later than November 6, 1996, and in compliance with subdivision (b).

(d) Except as provided by Section 2.5, a local government may not impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. A special tax is not deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved.

Fourth—That Section 2.5 is added to Article XIII C thereof, to read:

SEC. 2.5. (a) The imposition, extension, or increase of a sales and use tax imposed in accordance with the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code) or a successor law, a transactions and use tax imposed in accordance with the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code) or a successor law, or a parcel tax imposed by a local government for the purpose of funding the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, or permanent supportive housing for persons at risk of chronic homelessness, including persons with mental illness, or the acquisition or lease of real property for public infrastructure, affordable housing, or permanent supportive housing for persons at risk of chronic homelessness, including persons with mental illness, is subject to approval by 55 percent of the voters in the local government voting on the proposition, if both of the following conditions are met:

(1) The proposition is approved by a majority vote of the membership of the governing board of the local government.

(2) The proposition contains all of the following accountability requirements:

(A) A requirement that the proceeds of the tax only be used for the purposes specified in the proposition, and not for any other purpose, including general employee salaries and other operating expenses of the local government. The administrative cost of the

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local government executing the projects and programs funded by the proposition shall not exceed 5 percent of the proceeds of the tax.

(B) A requirement that the proceeds of the tax only be spent on projects and programs that serve the jurisdiction of the local government.

(C) The specific local program or ordinance through which projects will be funded and a certification that the local government has evaluated alternative funding sources.

(D) A requirement that the local government conduct an annual, independent performance audit to ensure that the proceeds of the special tax have been expended pursuant to the local program or ordinance specified in subparagraph (C).

(E) A requirement that the local government conduct an annual, independent financial audit of the proceeds from the tax during the lifetime of that tax.

(F) A requirement that the audits required by subparagraphs (D) and (E) will be submitted to the California State Auditor for review.

(G) A requirement that the local government post the audits required by subparagraphs (D) and (E) in a manner that is easily accessible to the public.

(H) (i) A requirement that the local government appoint a citizens' oversight committee to ensure the proceeds of the special tax are expended only for the purposes described in the measure approved by the voters.

(ii) (I) A requirement that members appointed to an oversight committee established pursuant to clause (i) receive educational training about local taxation and fiscal oversight.

(II) A requirement that an entity owned or controlled by a local official that votes on whether to put a proposition on the ballot pursuant to this section will be prohibited from bidding on any work funded by the proposition.

(3) The Legislature may, by two-thirds vote, enact laws establishing accountability measures in addition to those listed in paragraph (2), provided such laws are consistent with the purposes and intent of this section.

(b) Notwithstanding any other law, if the voters of the local government have previously approved a proposition pursuant to this section or paragraph (4) of subdivision (b) of Section 1 of

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Article XIII A, the local government shall not place a proposition on the ballot pursuant to this section until all funds from the previous proposition are committed to programs and projects listed in the specific local program or ordinance described in subparagraph (C) of paragraph (2) of subdivision (a) of this section or clause (iii) of subparagraph (A) of paragraph (4) of subdivision (b) of Section 1 of Article XIII A.

(c) The Legislature may, by majority vote, enact laws for the downpayment assistance programs established pursuant to this section, provided that those laws further the purposes of this section.

(d) For purposes of this section, the following terms have the following meanings:

(1) (A) “Affordable housing” shall include housing developments, or portions of housing developments, that provide workforce housing affordable to households earning up to 150 percent of countywide median income, and housing developments, or portions of housing developments, that provide housing affordable to extremely low, very low, low-, or moderate-income households, as those terms are defined in state law. Affordable housing may include capitalized operating reserves, as the term is defined in state law.

(B) “Affordable housing” shall also include downpayment assistance programs.

(2) “At risk of chronic homelessness” includes, but is not limited to, persons who are at high risk of long-term or intermittent homelessness, including persons with mental illness exiting institutionalized settings, including, but not limited to, jail and mental health facilities, who were homeless prior to admission, transition age youth experiencing homelessness or with significant barriers to housing stability, and others, as defined in program guidelines.

(3) “Permanent supportive housing” means housing with no limit on length of stay, that is occupied by the target population, and that is linked to onsite or offsite services that assist residents in retaining the housing, improving their health status, and maximizing their ability to live and, when possible, work in the community. “Permanent supportive housing” includes associated facilities, if those facilities are used to provide services to housing residents.

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(4) "Local government" has the same meaning as provided in subdivision (b) of Section 1 of this article and specifically includes a transit district, a regional transportation commission, and an association of governments.

(5) "Public infrastructure" shall include, but is not limited to, the projects that provide any of the following:

- (A) Water or protection of water quality.
- (B) Sanitary sewer.
- (C) Treatment of wastewater or reduction of pollution from stormwater runoff.
- (D) Protection of property from impacts of sea level rise.
- (E) Parks and recreation facilities.
- (F) Open space.
- (G) Improvements to transit and streets and highways.
- (H) Flood control.
- (I) Broadband internet access service expansion in underserved areas.

(J) Local hospital construction.

(K) Public safety buildings or facilities, equipment related to fire suppression, emergency response equipment, or interoperable communications equipment for direct and exclusive use by fire, emergency response, police, or sheriff personnel.

(L) Public library facilities.

(e) This section shall apply to any local measure imposing, extending, or increasing a sales and use tax imposed pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law, a transactions and use tax imposed in accordance with the Transactions and Use Tax Law, or a parcel tax imposed by a local government for those purposes described in subdivision (a) that is submitted at the same election as the measure adding this section.

Fifth—That Section 3 of Article XIII D thereof is amended to read:

SEC. 3. (a) An agency shall not assess a tax, assessment, fee, or charge upon any parcel of property or upon any person as an incident of property ownership except:

(1) The ad valorem property tax imposed pursuant to Article XIII and Article XIII A.

(2) Any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIII A or receiving a 55-percent approval pursuant to Section 2.5 of Article XIII C.

ACA 1

— 14 —

(3) Assessments as provided by this article.

(4) Fees or charges for property-related services as provided by this article.

(b) For purposes of this article, fees for the provision of electrical or gas service are not deemed charges or fees imposed as an incident of property ownership.

Sixth—That Section 18 of Article XVI thereof is amended to read:

SEC. 18. (a) A county, city, town, township, board of education, or school district, shall not incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for that year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose, except that with respect to any such public entity that is authorized to incur indebtedness for public school purposes, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the purpose of repairing, reconstructing, or replacing public school buildings determined, in the manner prescribed by law, to be structurally unsafe for school use, shall be adopted upon the approval of a majority of the voters of the public entity voting on the proposition at the election; nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and to provide for a sinking fund for the payment of the principal thereof, on or before maturity, which shall not exceed 40 years from the time of contracting the indebtedness. A special district, other than a board of education or school district, shall not incur any indebtedness or liability exceeding any applicable statutory limit, as prescribed by the statutes governing the special district as they currently read or may thereafter be amended by the Legislature.

(b) (1) Notwithstanding subdivision (a), any proposition for the incurrence of indebtedness in the form of general obligation bonds for the purposes described in paragraph (3) or (4) of subdivision (b) of Section 1 of Article XIII A shall be adopted upon the approval of 55 percent of the voters of the school district, community college district, county office of education, city, county, city and county, or other special district, as appropriate, voting on the proposition at an election. This subdivision shall apply to a

— 15 —

ACA 1

proposition for the incurrence of indebtedness in the form of general obligation bonds for the purposes specified in this subdivision only if the proposition meets all of the accountability requirements of paragraph (3) or (4) of subdivision (b), as appropriate, of Section 1 of Article XIII A.


(2) The amendments made to this subdivision by the measure adding this paragraph shall apply to any proposition for the incurrence of indebtedness in the form of general obligation bonds pursuant to this subdivision for the purposes described in paragraph (4) of subdivision (b) of Section 1 of Article XIII A that is submitted at the same election as the measure adding this paragraph.

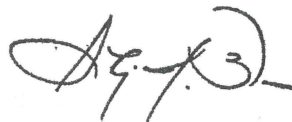
(c) When two or more propositions for incurring any indebtedness or liability are submitted at the same election, the votes cast for and against each proposition shall be counted separately, and if two-thirds or a majority or 55 percent of the voters, as the case may be, voting on any one of those propositions, vote in favor thereof, the proposition shall be deemed adopted.

Seventh—In the event that this measure and another measure or measures relating to state or local requirements for the imposition, adoption, creation, or establishment of taxes, charges, and other revenue measures shall appear on the same statewide election ballot, the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other measure or measures shall be null and void.

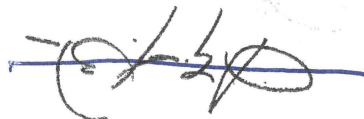
FILED
in the office of the Secretary of State
of the State of California

SEP 20 2023

By 
Deputy Secretary of State



Attest:



Secretary of State



Express support for ballot measure ACA 1: Local government financing: affordable housing and public infrastructure: voter approval

Item 7-8

June 10, 2024

Ballot Measure ACA 1

Subject

Express support for ballot measure ACA 1: Local government financing: affordable housing and public infrastructure: voter approval; the General Manager has determined that the action is exempt or otherwise not subject to CEQA.

Purpose

Seeking Board support for ACA 1 which adjusts the voting threshold for local agency revenue measures for specified public infrastructure projects, including water and wastewater; scheduled for November 2024 ballot

Ballot Measure ACA 1

ACA 1: Local government financing: affordable housing and public infrastructure: voter approval

Sponsors

- California Professional Firefighters
- California State Building and Construction Trades Council

Summary

ACA 1 adjusts the voting threshold for local agency revenue measures to 55% for specified public infrastructure projects, including water and wastewater, which is consistent with public school districts

Ballot Measure ACA 1

Key Provisions

- Adjusts voter approval threshold to 55% from supermajority (two-thirds) for specified project types (housing and public infrastructure)
- Allows for new ad valorem tax, exempt from the 1% limit, for voter-approved debt if approved by 55% of voters
- Allows bonds & local special taxes (parcel, sales and use) by the local agency on the ballot to be passed with a 55% majority
- Includes control measures, and allows for additional legislative control

Ballot Measure ACA 1

Benefits to Metropolitan & Member Agencies

If passed, ACA 1 would:

- Provide parity for local governments with public school systems regarding voting thresholds for specified revenue measures
- Improve local agency ability to raise revenues for water and other specified infrastructure projects
- Increases project success rate and improves water supply management

Ballot Measure ACA 1

Support & Opposition

Supporters (partial)

- California Professional Firefighters (co-sponsor)
- California State Building and Construction Trades Council (co-sponsor)
- California American Federation of State, County and Municipal Employees, AFL-CIO
- Santa Clara Valley Water District Valley Water

Opposition (partial)

- California Association of Realtors
- California Chamber of Commerce
- California Taxpayers Association
- Howard Jarvis Taxpayers Association

Legislation & Communications
Committee

Ballot Measure ACA 1

Opposition Arguments

- Vague definition of “infrastructure”
- Erodes Proposition 13 property tax protections, including the 1 percent ad valorem total cap
- Lowers current voter thresholds from two-thirds (supermajority) to 55%, and may result in increased special and property taxes to property owners

Legislation & Communications
Committee

Ballot Measure ACA 1

Options

Option #1

- Express Support for Ballot Measure ACA 1: Local government financing: affordable housing and public infrastructure: voter approval

Option #2

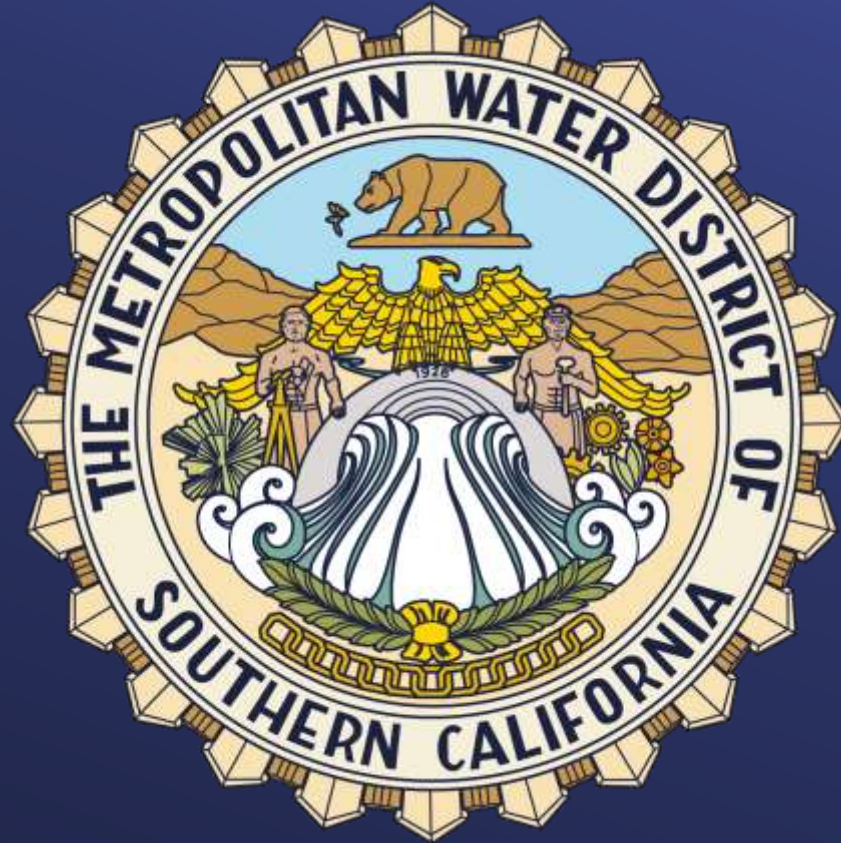
- Take no action

Legislation & Communications Committee

Ballot Measure ACA 1

Staff Recommendation

- Option #1





- **Board of Directors**
Legislation and Communications Committee

6/11/2024 Board Meeting

7-9

Subject

Express opposition to Initiative 1935: The Taxpayer Protection and Government Accountability Act and express support for ballot measure ACA 13: Voting thresholds; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Executive Summary

Two ballot measures relating to government revenues are presented for Board action and direction in this item: Initiative 1935: The Taxpayer Protection and Government Accountability Act (Initiative 1935) and Assembly Constitutional Amendment 13: Voting Thresholds (ACA 13).

Initiative 1935, entitled the “Taxpayer Protection and Government Accountability Act,” is a ballot measure that was introduced by the California Business Roundtable and is eligible for the November 2024 ballot. If successful, this measure would limit the State of California and local agency abilities to raise taxes, fees, assessments, and other charges for agency services, infrastructure improvements, and for any administrative actions by amending Articles XIII.A, C and D of the California Constitution. This measure would require a simple majority vote on the November 2024 ballot in order to amend the State Constitution. Initiative 1935 would prohibit an advisory measure - a non-binding measure often used by local governments to gauge voter preferences in how local funds may be used - from appearing on the same ballot as a general tax measure. The measure would apply retroactively to void all revenue measures adopted by the state or local agency after January 1, 2022. Initiative 1935 is currently being challenged before the California Supreme Court by the California Legislature as unconstitutional and as an improper change to the Constitution’s basic governmental structure. The Court heard the case on May 8, 2024, and may issue a decision at any time.

ACA 13 is a ballot measure introduced in the State Assembly to counter Initiative 1935. The measure would apply to any initiative that seeks to change a constitutional vote requirement to a supermajority (two-thirds), including Initiative 1935. ACA 13 would require that an initiative could only pass by the same vote requirement as proposed in the respective constitutional amendment. ACA 13 would also expressly allow advisory ballots to be placed on the same ballot as a companion tax measure. If Initiative 1935 is removed by the California Supreme Court’s decision, staff proposes to support ACA 13 independent of the status of Initiative 1935.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Express opposition to Initiative 1935: The Taxpayer Protection and Government Accountability Act and express support for ballot measure ACA 13: Voting thresholds

Fiscal Impact: Unknown

Business Analysis: If passed, Initiative 1935 would impede fundamental local and state powers and functions, and create significant risk of costly litigation, potentially reduced quality of service to the public, and budgetary uncertainty and instability for public agencies.

Option #2

Take no action

Fiscal Impact: Unknown**Business Analysis:** Unknown**Alternatives Considered**

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Actions

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves proposals for legislation to be enacted by the State Legislature. (State CEQA Guidelines Section 15378(b)(1).)

CEQA determination for Option #2:

None required

Details and Background

Background on Initiative 1935

Initiative 1935, Two-Thirds Legislative Vote and Voter Approval for New or Increased Taxes Initiative, also known as the “Taxpayer Protection and Government Accountability Act” (**Attachment 1**), is sponsored by the California Business Roundtable and proposes to amend the California Constitution to change the rules for how the state and local governments impose taxes, fees, and other charges, including requiring local special taxes proposed through citizens’ initiative to be approved by a two-thirds vote as opposed to the current majority vote requirement.

This measure has raised significant concern for the state and local government agencies. The Governor and State Legislature filed a challenge to the constitutionality of the measure and believe it should not appear on the ballot since the initiative would amount to an unlawful revision of the California Constitution and an impermissible interference with essential government functions. The Governor and Legislature have requested a Court decision by June in anticipation of the November election. The Court heard the case on May 8, 2024, but it is unclear how or when the California Supreme Court will rule.

The stated intent of the initiative is to ensure direct voter control when determining taxes and improve government transparency by expanding the definition of taxes to include all other state and local revenue sources like fees and charges.

The ability of the state and local government to raise revenues is considered a fundamental function necessary to carry out their duty to the public. This initiative obstructs this essential government function by restricting state and local government abilities and changes the role of the state and local governing bodies. Additionally, this initiative creates significant risk of costly litigation, potentially reduced quality of service, and budgetary uncertainty and instability. It is critical that the state and local governments retain the ability to raise revenue based on clear standards.

Key Provisions of Initiative 1935

Broadens the Definition of a Tax

This initiative revises the definition of a tax to include any levy, charge, or exaction of any kind imposed under state law as a tax, unless it is considered an exempt charge through a new, vague, stricter standard than exists in current law. Exempt charges include:

- 1) a “reasonable charge,” which is a charge that reflects the actual cost of service to the customer. “Actual cost” is defined to mean “the minimum amount necessary to reimburse the government for providing the service;”
- 2) reasonable regulatory costs;
- 3) reasonable charges for entering or using government property;
- 4) imposition of fines or penalties related to violations of the law or adjudicatory due process;
- 5) charges imposed as a condition of property development;
- 6) assessments, fees, and charges imposed on a business by a tourism marketing district or business improvement district; and
- 7) charges for specified healthcare services.

The term “reasonable” is not defined in the text; the term “actual cost” is defined, but it does not take into account that local rate-setting is based on projections and not solely on past costs incurred. This creates undue risk for legal challenges due to the ambiguity in determining what is “reasonable” or an “actual cost” on the part of the state or the local agency. In order to claim an exemption, an agency must present “clear and convincing evidence” that such an exemption complies with the law. Further, if the state or local agency cannot prove that the charge is exempt with “clear and convincing evidence,” the charge may be invalidated and becomes subject to an election. In current law, the evidentiary standard is a “preponderance of the evidence;” this initiative both creates new restrictions on government’s ability to raise revenues and also raises the legal burden of proof.

Finally, an exempt charge at the state or local level must be imposed through the adoption, respectively, of legislation at the state level or an ordinance at the local level.

Retroactive to January 1, 2022

This initiative would be retroactive and would apply to all fees, charges and assessments adopted after January 1, 2022, and onwards. If any charge adopted since January 1, 2022, is determined to be in violation, then the agency will have 12 months to cease the charges, or reassess the charge consistent with the requirements of the new law. This provision could subject agencies to frivolous litigation as a result of the Initiative 1935’s lack of clarity, and could result in costly settlements for charges that have already been implemented, including fees linked to index or other fees that may increase over time.

Requirement for Ratification by Majority Vote Statewide for State Taxes

Initiative 1935 would require the state to ratify all “taxes” by a majority vote of the electorate statewide after it passes the Legislature’s 2/3 vote approval. The requirement for voter ratification of all taxes is prohibitive of the State Legislature enacting any tax without costly elections and would delay administration of many government activities and programs.

Legislative Action Required to Adopt Any State Revenue Measures, including Administrative Fees

Initiative 1935 prohibits the State Legislature from delegating the enactment of administrative fees (even though they are categorized as exempt charges) to administrative agencies. This means that even fees for the most minor government service, such as licensing fees, would have to be adopted by the Legislature. The new requirement could delay government functions, activities, and services to the public. It would also interfere with the current operational role of agencies, like the State Water Resources Control Board, and create undue delays for the licenses and other permits handled by state agencies.

Restricts Citizen Initiative Power

Taxes or other revenue measures proposed by the voters through initiatives are subject only to the majority vote requirement applicable to any initiative, as provided in the California Constitution, Article II, Section 9. Initiative 1935, would require taxes proposed through the voter initiative power be subject to a two-thirds vote. The measure would restrict local agencies and voters in funding services or other activities important to the public.

Additional Administrative Compliance

This initiative adds a requirement that an ordinance be passed for all local exempt charges and requires local agencies to comply with a specific format when placing taxes on the ballot, including identification of the duration of the tax. Requiring an “ordinance” be passed for any local agency charge is both unclear and could be administratively burdensome.

Prohibition on Advisory Measures

Initiative 1935 would prohibit an advisory measure from appearing on the same ballot as a general tax measure. Advisory measures are non-binding measures often used by local governments to gauge voter preferences in how local funds may be used. This prohibition would eliminate the use of an important tool for local community engagement.

Opponents

Opponents include, but are not limited to, the Association of California Water Agencies, AFSCME California, California Alliance for Jobs, California State Association of Counties, the League of California Cities, and the California Special District Association (CSDA).

Arguments in Opposition

Opponents of Initiative 1935 argue it is designed to cripple state and local government's ability to raise critically needed revenues at a time when local resources are already strained. This measure brings significant risk of resulting in costly litigation, reduced quality of service and unstable revenues for agencies providing essential services. As the water industry advances various strategies to respond to climate change, opponents believe it is critical that local government retains the ability to raise revenue based on clear standards that do not inhibit the needs of the public.

Supporters

Supporters include, but are not limited to, the California Business Roundtable (Sponsor), the California Chamber of Commerce and the Howard Jarvis Taxpayers Association.

Arguments in Support

Proponents of Initiative 1935 argue that California has some of the highest taxes in the nation, which has created significant challenges for affordability. This initiative seeks to give California voters the power to determine what they should pay for in taxes and improve transparency by ensuring government officials cannot hide taxes under the guise of fees and charges.

Background on ACA 13

ACA 13: Voting thresholds (**Attachment 2**) is a constitutional amendment passed by the Legislature and is sponsored by the California School Employees Association (CSEA), AFL-CIO and Service Employees International Union (SEIU) California. This measure was specifically introduced to address the adverse impacts of Initiative 1935.

ACA 13 would require that any constitutional ballot measure that proposes a specific vote requirement must also itself pass by that same vote requirement. In addition, this measure would expressly allow a local government agency to present an advisory measure on the same ballot as a general tax measure.

Staff recommends supporting ACA 13 independent of the status of Initiative 1935.

Supporters

Supporters include, but are not limited to, CSDA, CSEA, AFL-CIO, SEIU California, California State Association of Counties, and the League of California Cities.

Arguments in Support

Supporters note that under current law, a simple majority of voters can insert a three-fifths, two-thirds, four-fifths, or higher vote threshold into the California Constitution, even without the corresponding level of support in terms of votes cast in favor of the original amendment proposal.

The California Special Districts Association writes:

“ACA 13 would propose to California voters a solution to this quirk in the initiative process: if approved by two-thirds of the California Legislature, California voters would be asked to decide whether an initiative constitutional amendment containing provisions that increase vote thresholds should be required to attain the same proportion of votes in favor of the amendment that the proposed increased vote thresholds would demand. In this way, ACA 13 would ensure that a proposal cannot impose vote thresholds on our communities and our State that exceed the level of support for imposing such thresholds. ACA 13 protects the democratic process in local communities by ensuring that a simple majority of statewide voters cannot restrict the will of a supermajority of voters in a local community.”

Opponents


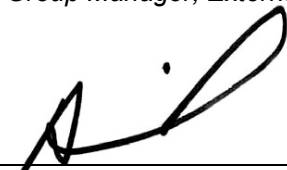
Opponents include, but are not limited to, the California Business Roundtable, the California Chamber of Commerce and the Howard Jarvis Taxpayers Association.

Argument in Opposition

Opponents argue:

The initiative process is a vital tool for Californians to voice their concerns, propose changes, and stand up for their values. It allows citizens to bypass the usual legislative channels and bring about changes that matter deeply to them. However, ACA 13 risks diminishing these voices, shifting power away from the people and towards the Legislature in a drastic and unprecedented way. Under ACA 13, the power to increase voter thresholds for new and higher taxes would vest solely with the Legislature, taking away a fundamental and often-used tool for voters looking to better control their cost of living and higher taxes. However, the power to reduce voter thresholds would remain with both citizens and the Legislature, creating a significant power imbalance and an unlevel playing field.

In order to protect the fundamental function of the state and local governments to raise revenues appropriately as necessary to carry out their duty to the public and provide equity and consistency in voting thresholds needed to amend the State Constitution, staff recommends that the Board express opposition to Initiative 1935 and express support for ACA 13.

 _____ <i>Susan Sims</i> Group Manager, External Affairs	<i>6/3/2024</i> _____ <i>Date</i>
 _____ <i>Adel Hagekhalil</i> General Manager	<i>6/6/2024</i> _____ <i>Date</i>

Attachment 1 – Initiative 1935: The Taxpayer Protection and Government Accountability Act

Attachment 2 – ACA 13: Voting thresholds

Ref# 12703716

BELL, McANDREWS & HILTACHK, LLP

ATTORNEYS AND COUNSELORS AT LAW

455 CAPITOL MALL, SUITE 600

SACRAMENTO, CALIFORNIA 95814

(916) 442-7757

FAX (916) 442-7759

www.bmhlaw.com

21 - 0042 Amdt. # 1

January 4, 2022

RECEIVED**JAN 04 2022**

Anabel Renteria
Initiative Coordinator
Office of the Attorney General
State of California
PO Box 994255
Sacramento, CA 94244-25550

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Re: Initiative 21-0042 - Amendment Number One

Dear Initiative Coordinator:

Pursuant to subdivision (b) of Section 9002 of the Elections Code, enclosed please find Amendment #1 to Initiative No. 21-0042 "The Taxpayer Protection and Government Accountability Act." The amendments are reasonably germane to the theme, purpose or subject of the initiative measure as originally proposed.

I am the proponent of the measure and request that the Attorney General prepare a circulating title and summary of the measure as provided by law, using the amended language.

Thank you for your time and attention processing my request.

Sincerely,



Thomas W. Hiltachk

The Taxpayer Protection and Government Accountability Act

[Deleted codified text is denoted in ~~strikeout~~. Added codified text is denoted by *italics and underline*.]

Section 1. Title

This Act shall be known, and may be cited as, the Taxpayer Protection and Government Accountability Act.

Section 2. Findings and Declarations

(a) Californians are overtaxed. We pay the nation's highest state income tax, sales tax, and gasoline tax. According to the U.S. Census Bureau, California's combined state and local tax burden is the highest in the nation. Despite this, and despite two consecutive years of obscene revenue surpluses, state politicians in 2021 alone introduced legislation to raise more than \$234 *billion* in new and higher taxes and fees.

(b) Taxes are only part of the reason for California's rising cost-of-living crisis. Californians pay billions more in hidden "fees" passed through to consumers in the price they pay for products, services, food, fuel, utilities and housing. Since 2010, government revenue from state and local "fees" has more than doubled.

(c) California's high cost of living not only contributes to the state's skyrocketing rates of poverty and homelessness, they are the pushing working families and job-providing businesses out of the state. The most recent Census showed that California's population dropped for the first time in history, costing us a seat in Congress. In the past four years, nearly 300 major corporations relocated to other states, not counting thousands more small businesses that were forced to move, sell or close.

(d) California voters have tried repeatedly, at great expense, to assert control over whether and how taxes and fees are raised. We have enacted a series of measures to make taxes more predictable, to limit what passes as a "fee," to require voter approval, and to guarantee transparency and accountability. These measures include Proposition 13 (1978), Proposition 62 (1986), Proposition 218 (1996), and Proposition 26 (2010).

(e) Contrary to the voters' intent, these measures that were designed to control taxes, spending and accountability, have been weakened and hamstrung by the Legislature, government lawyers, and the courts, making it necessary to pass yet another initiative to close loopholes and reverse hostile court decisions.

Section 3. Statement of Purpose

(a) In enacting this measure, the voters reassert their right to a voice and a vote on new and higher taxes by requiring any new or higher tax to be put before voters for approval. Voters also intend that all fees and other charges are passed or rejected by the voters themselves or a governing body elected by voters and not unelected and unaccountable bureaucrats.

(b) Furthermore, the purpose and intent of the voters in enacting this measure is to increase transparency and accountability over higher taxes and charges by requiring any tax measure placed on the ballot—

either at the state or local level—to clearly state the type and rate of any tax, how long it will be in effect, and the use of the revenue generated by the tax.

(c) Furthermore, the purpose and intent of the voters in enacting this measure is to clarify that any new or increased form of state government revenue, by any name or manner of extraction paid directly or indirectly by Californians, shall be authorized only by a vote of the Legislature and signature of the Governor to ensure that the purposes for such charges are broadly supported and transparently debated.

(d) Furthermore, the purpose and intent of the voters in enacting this measure is also to ensure that taxpayers have the right and ability to effectively balance new or increased taxes and other charges with the rapidly increasing costs Californians are already paying for housing, food, childcare, gasoline, energy, healthcare, education, and other basic costs of living, and to further protect the existing constitutional limit on property taxes and ensure that the revenue from such taxes remains local, without changing or superseding existing constitutional provisions contained in Section 1(c) of Article XIII A.

(e) In enacting this measure, the voters also additionally intend to reverse loopholes in the legislative two-thirds vote and voter approval requirements for government revenue increases created by the courts including, but not limited to, *Cannabis Coalition v. City of Upland*, *Chamber of Commerce v. Air Resources Board*, *Schmeer v. Los Angeles County*, *Johnson v. County of Mendocino*, *Citizens Assn. of Sunset Beach v. Orange County Local Agency Formation Commission*, and *Wilde v. City of Dunsmuir*.

Section 4. Section 3 of Article XIII A of the California Constitution is amended to read:

Sec. 3(a) Every levy, charge, or exaction of any kind imposed by state law is either a tax or an exempt charge.

(b)(1) (a) Any change in state statute law which results in any taxpayer paying a new or higher tax must be imposed by an act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, and submitted to the electorate and approved by a majority vote, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property, may be imposed. Each Act shall include:

(A) A specific duration of time that the tax will be imposed and an estimate of the annual amount expected to be derived from the tax.

(B) A specific and legally binding and enforceable limitation on how the revenue from the tax can be spent. If the revenue from the tax can be spent for unrestricted general revenue purposes, then a statement that the tax revenue can be spent for "unrestricted general revenue purposes" shall be included in a separate, stand-alone section. Any proposed change to the use of the revenue from the tax shall be adopted by a separate act that is passed by not less than two-thirds of all members elected to each of the two houses of the Legislature and submitted to the electorate and approved by a majority vote.

(2) The title and summary and ballot label or question required for a measure pursuant to the Elections Code shall, for each measure providing for the imposition of a tax, including a measure proposed by an elector pursuant to Article II, include:

(A) The type and amount or rate of the tax;

(B) The duration of the tax; and

(C) The use of the revenue derived from the tax.

(c) Any change in state law which results in any taxpayer paying a new or higher exempt charge must be imposed by an act passed by each of the two houses of the Legislature. Each act shall specify the type of exempt charge as provided in subdivision (e), and the amount or rate of the exempt charge to be imposed.

(d) ~~(b)~~ As used in this section and in Section 9 of Article II, "tax" means every ~~any~~ levy, charge, or exaction of any kind imposed by the State state law that is not an exempt charge, except the following:

(e) As used in this section, "exempt charge" means only the following:

(1) ~~a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the State of conferring the benefit or granting the privilege to the payor.~~

(1) ~~(2)~~ A reasonable charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable actual costs to the State of providing the service or product to the payor.

(2) ~~(3)~~ A charge imposed for the reasonable regulatory costs to the State incident to issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.

(3) A levy, charge, or exaction collected from local units of government, health care providers or health care service plans that is primarily used by the State of California for the purposes of increasing reimbursement rates or payments under the Medi-Cal program, and the revenues of which are primarily used to finance the non-federal portion of Medi-Cal medical assistance expenditures.

(4) A reasonable charge imposed for entrance to or use of state property, or the purchase, rental, or lease of state property, except charges governed by Section 15 of Article XI.

(5) A fine, or penalty, ~~or other monetary charge~~ including any applicable interest for nonpayment thereof, imposed by the judicial branch of government or the State, as a result of a state administrative enforcement agency pursuant to adjudicatory due process, to punish a violation of law.

(6) A levy, charge, assessment, or exaction collected for the promotion of California tourism pursuant to Chapter 1 (commencing with Section 13995) of Part 4.7 of Division 3 of Title 2 of the Government Code.

(f) ~~(e)~~ Any tax or exempt charge adopted after January 1, ~~2022~~ 2010, but prior to the effective date of this act, that was not adopted in compliance with the requirements of this section is void 12 months after the effective date of this act unless the tax or exempt charge is reenacted by the Legislature and signed into law by the Governor in compliance with the requirements of this section.

(g) ~~(1) (d)~~ The State bears the burden of proving by a preponderance of the clear and convincing evidence that a levy, charge, or other exaction is an exempt charge and not a tax. The State bears the burden of proving by clear and convincing evidence that the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor. ~~that the amount is no more than necessary to cover the reasonable costs of the governmental activity and~~

that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity

(2) The retention of revenue by, or the payment to, a non-governmental entity of a levy, charge, or exaction of any kind imposed by state law, shall not be a factor in determining whether the levy, charge, or exaction is a tax or exempt charge.

(3) The characterization of a levy, charge, or exaction of any kind as being voluntary, or paid in exchange for a benefit, privilege, allowance, authorization, or asset, shall not be a factor in determining whether the levy, charge, or exaction is a tax or an exempt charge.

(4) The use of revenue derived from the levy, charge or exaction shall be a factor in determining whether the levy, charge, or exaction is a tax or exempt charge.

(h) As used in this section:

(1) "Actual cost" of providing a service or product means: (i) the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor, and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that cost. In computing "actual cost" the maximum amount that may be imposed is the actual cost less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.

(2) "Extend" includes, but is not limited to, doing any of the following with respect to a tax or exempt charge: lengthening its duration, delaying or eliminating its expiration, expanding its application to a new territory or class of payor, or expanding the base to which its rate is applied.

(3) "Impose" means adopt, enact, reenact, create, establish, collect, increase or extend.

(4) "State law" includes, but is not limited to, any state statute, state regulation, state executive order, state resolution, state ruling, state opinion letter, or other legal authority or interpretation adopted, enacted, enforced, issued, or implemented by the legislative or executive branches of state government. "State law" does not include actions taken by the Regents of the University of California, Trustees of the California State University, or the Board of Governors of the California Community Colleges.

Section 5. Section 1 of Article XIII C of the California Constitution is amended, to read:

Sec. 1. Definitions. As used in this article:

(a) "Actual cost" of providing a service or product means: (i) the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor, and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that cost. In computing "actual cost" the maximum amount that may be imposed is the actual cost less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.

(b) "Extend" includes, but is not limited to, doing any of the following with respect to a tax, exempt charge, or Article XIII D assessment, fee, or charge: lengthening its duration, delaying or eliminating its expiration, expanding its application to a new territory or class of payor, or expanding the base to which its rate is applied.

(c) (a) "General tax" means any tax imposed for general governmental purposes.

(d) "Impose" means adopt, enact, reenact, create, establish, collect, increase, or extend.

(e) (b) "Local government" means any county, city, city and county, including a charter city or county, any special district, or any other local or regional governmental entity, or an elector pursuant to Article II or the initiative power provided by a charter or statute.

(f) "Local law" includes, but is not limited to, any ordinance, resolution, regulation, ruling, opinion letter, or other legal authority or interpretation adopted, enacted, enforced, issued, or implemented by a local government.

(g) (c) "Special district" means an agency of the State, formed pursuant to general law or a special act, for the local performance of governmental or proprietary functions with limited geographic boundaries including, but not limited to, school districts and redevelopment agencies.

(h) (d) "Special tax" means any tax imposed for specific purposes, including a tax imposed for specific purposes, which is placed into a general fund.

(i) (e) As used in this article, and in Section 9 of Article II, "tax" means every ~~any~~ levy, charge, or exaction of any kind, imposed by a local government law that is not an exempt charge, ~~except the following:~~

(i) As used in this section, "exempt charge" means only the following:

(1) ~~A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.~~

(1) (2) A reasonable charge imposed for a specific local government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable actual costs to the local government of providing the service or product.

(2) (3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.

(3) (4) A reasonable charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.

(4) (5) A fine, or penalty, or other monetary charge including any applicable interest for nonpayment thereof, imposed by the judicial branch of government or a local government administrative enforcement agency pursuant to adjudicatory due process, as a result of to punish a violation of law.

(5) (6) A charge imposed as a condition of property development. No levy, charge, or exaction regulating or related to vehicle miles traveled may be imposed as a condition of property development or occupancy.

(6) (7) ~~An Assessments and property related fees~~ assessment, fee, or charge imposed in accordance with the provisions of subject to Article XIII D, or an assessment imposed upon a business in a tourism marketing district, a parking and business improvement area, or a property and business improvement district.

(7) A charge imposed for a specific health care service provided directly to the payor and that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the health care service. As used in this paragraph, a "health care service" means a service licensed or exempt from licensure by the state pursuant to Chapters 1, 1.3, or 2 of Division 2 of the Health and Safety Code.

The local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Section 6. Section 2 of Article XIII C of the California Constitution is amended to read:

Sec. 2. Local Government Tax Limitation. Notwithstanding any other provision of this Constitution:

(a) Every levy, charge, or exaction of any kind imposed by local law is either a tax or an exempt charge. All taxes imposed by any local government shall be deemed to be either general taxes or special taxes. Special purpose districts or agencies, including school districts, shall have no power to levy general taxes.

(b) No local ~~law government, whether proposed by the governing body or by an elector,~~ may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. A general tax shall not be deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved. The election required by this subdivision shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body.

(c) Any general tax imposed, extended, or increased, without voter approval, by any local government on or after January 1, 1995, and prior to the effective date of this article, shall continue to be imposed only if approved by a majority vote of the voters voting in an election on the issue of the imposition, which election shall be held within two years of the effective date of this article and in compliance with subdivision (b). ~~(d) No local law government, whether proposed by the governing body or by an elector,~~ may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. A special tax shall not be deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved.

(d) The title and summary and ballot label or question required for a measure pursuant to the Elections Code shall, for each measure providing for the imposition of a tax, include:

(1) The type and amount or rate of the tax;

(2) the duration of the tax; and

(3) The use of the revenue derived from the tax. If the proposed tax is a general tax, the phrase "for general government use" shall be required, and no advisory measure may appear on the same ballot that would indicate that the revenue from the general tax will, could, or should be used for a specific purpose.

(e) Only the governing body of a local government, other than an elector pursuant to Article II or the initiative power provided by a charter or statute, shall have the authority to impose any exempt charge. The governing body shall impose an exempt charge by an ordinance specifying the type of exempt charge

as provided in Section 1(j) and the amount or rate of the exempt charge to be imposed, and passed by the governing body. This subdivision shall not apply to charges specified in paragraph (7) of subdivision (j) of Section 1.

(f) No amendment to a Charter which provides for the imposition, extension, or increase of a tax or exempt charge shall be submitted to or approved by the electors, nor shall any such amendment to a Charter hereafter submitted to or approved by the electors become effective for any purpose.

(g) Any tax or exempt charge adopted after January 1, 2022, but prior to the effective date of this act, that was not adopted in compliance with the requirements of this section is void 12 months after the effective date of this act unless the tax or exempt charge is reenacted in compliance with the requirements of this section.

(h)(1) The local government bears the burden of proving by clear and convincing evidence that a levy, charge or exaction is an exempt charge and not a tax. The local government bears the burden of proving by clear and convincing evidence that the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor.

(2) The retention of revenue by, or the payment to, a non-governmental entity of a levy, charge, or exaction of any kind imposed by a local law, shall not be a factor in determining whether the levy, charge, or exaction is a tax or exempt charge.

(3) The characterization of a levy, charge, or exaction of any kind imposed by a local law as being paid in exchange for a benefit, privilege, allowance, authorization, or asset, shall not be factors in determining whether the levy, charge, or exaction is a tax or an exempt charge.

(4) The use of revenue derived from the levy, charge or exaction shall be a factor in determining whether the levy, charge, or exaction is a tax or exempt charge.

Section 7. Section 3 of Article XIII D of the California Constitution is amended, to read:

Sec. 3. Property Taxes, Assessments, Fees and Charges Limited

(a) No tax, assessment, fee, ~~or charge~~, or surcharge, including a surcharge based on the value of property, shall be assessed ~~by any agency~~ upon any parcel of property or upon any person as an incident of property ownership except:

(1) The ad valorem property tax ~~imposed pursuant to~~ described in Section 1(a) of Article XIII and Section 1(a) of Article XIII A, and described and enacted pursuant to the voter approval requirement in Section 1(b) of Article XIII A.

(2) Any special non-ad valorem tax receiving a two-thirds vote of qualified electors pursuant to Section 4 of Article XIII A, or after receiving a two-thirds vote of those authorized to vote in a community facilities district by the Legislature pursuant to statute as it existed on December 31, 2021.

(3) Assessments as provided by this article.

(4) Fees or charges for property related services as provided by this article.

(b) For purposes of this article, fees for the provision of electrical or gas service shall not be deemed charges or fees imposed as an incident of property ownership.

Section 8. Sections 1 and 14 of Article XIII are amended to read:

Sec. 1 Unless otherwise provided by this Constitution or the laws of the United States:

(a) All property is taxable and shall be assessed at the same percentage of fair market value. When a value standard other than fair market value is prescribed by this Constitution or by statute authorized by this Constitution, the same percentage shall be applied to determine the assessed value. The value to which the percentage is applied, whether it be the fair market value or not, shall be known for property tax purposes as the full value.

(b) All property so assessed shall be taxed in proportion to its full value.

(c) All proceeds from the taxation of property shall be apportioned according to law to the districts within the counties.

Sec. 14. All property taxed by state or local government shall be assessed in the county, city, and district in which it is situated. Notwithstanding any other provision of law, such state or local property taxes shall be apportioned according to law to the districts within the counties.

Section 9. General Provisions

A. This Act shall be liberally construed in order to effectuate its purposes.

B. (1) In the event that this initiative measure and another initiative measure or measures relating to state or local requirements for the imposition, adoption, creation, or establishment of taxes, charges, and other revenue measures shall appear on the same statewide election ballot, the other initiative measure or measures shall be deemed to be in conflict with this measure. In the event that this initiative measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other initiative measure or measures shall be null and void.

(2) In furtherance of this provision, the voters hereby declare that this measure conflicts with the provisions of the "Housing Affordability and Tax Cut Act of 2022" and "The Tax Cut and Housing Affordability Act," both of which would impose a new state property tax (called a "surcharge") on certain real property, and where the revenue derived from the tax is provided to the State, rather than retained in the county in which the property is situated and for the use of the county and cities and districts within the county, in direct violation of the provisions of this initiative.

(3) If this initiative measure is approved by the voters, but superseded in whole or in part by any other conflicting initiative measure approved by the voters at the same election, and such conflicting initiative is later held invalid, this measure shall be self-executing and given full force and effect.

C. The provisions of this Act are severable. If any portion, section, subdivision, paragraph, clause, sentence, phrase, word, or application of this Act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this Act. The People of the State of California hereby declare that they would have adopted this Act and each and every portion, section, subdivision, paragraph, clause, sentence, phrase, word, and application not

declared invalid or unconstitutional without regard to whether any portion of this Act or application thereof would be subsequently declared invalid.

D. If this Act is approved by the voters of the State of California and thereafter subjected to a legal challenge alleging a violation of state or federal law, and both the Governor and Attorney General refuse to defend this Act, then the following actions shall be taken:

(1) Notwithstanding anything to the contrary contained in Chapter 6 of Part 2 of Division 3 of Title 2 of the Government Code or any other law, the Attorney General shall appoint independent counsel to faithfully and vigorously defend this Act on behalf of the State of California.

(2) Before appointing or thereafter substituting independent counsel, the Attorney General shall exercise due diligence in determining the qualifications of independent counsel and shall obtain written affirmation from independent counsel that independent counsel will faithfully and vigorously defend this Act. The written affirmation shall be made publicly available upon request.

(3) A continuous appropriation is hereby made from the General Fund to the Controller, without regard to fiscal years, in an amount necessary to cover the costs of retaining independent counsel to faithfully and vigorously defend this Act on behalf of the State of California.

(4) Nothing in this section shall prohibit the proponents of this Act, or a bona fide taxpayers association, from intervening to defend this Act.

Re 176

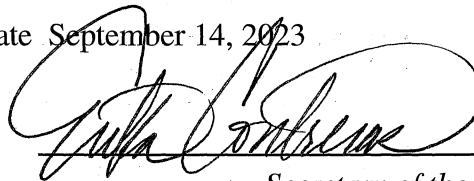
Assembly Constitutional Amendment No. 13

Adopted in Assembly September 14, 2023



Chief Clerk of the Assembly

Adopted in Senate September 14, 2023



Secretary of the Senate

This resolution was received by the Secretary of State this

2nd day of November, 2023, at 10

o'clock a.M.



Deputy Secretary of State

ACA 13

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RESOLUTION CHAPTER _____

Assembly Constitutional Amendment No. 13—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Section 10 of, and adding Section 10.5 to, Article II thereof, and adding Section 7.8 to Article XI thereof, relating to voting.

LEGISLATIVE COUNSEL'S DIGEST

ACA 13, Ward. Voting thresholds.

The California Constitution provides that a proposed constitutional amendment and a statewide initiative measure each take effect only if approved by a majority of the votes cast on the amendment or measure.

This measure would further provide that an initiative measure that includes one or more provisions that would amend the Constitution to increase the voter approval requirement to adopt any state or local measure would be approved by the voters only if the proportion of votes cast in favor of the initiative measure is equal to or greater than the highest voter approval requirement that the initiative measure would impose. The measure would specify that this voter approval requirement would apply to statewide initiative measures that appear on the ballot on or after January 1, 2024.

The California Constitution also permits initiative and referendum powers to be exercised by the voters of each city or county under procedures provided by the Legislature.

This measure would expressly authorize a local governing body to hold an advisory vote concerning any issue of governance for the purpose of allowing voters within the jurisdiction to voice their opinions on the issue. The measure would specify that an advisory question is approved only if a majority of the votes cast on the question are in favor.

This measure would further declare that its provisions are severable and that if any provision is held invalid, the other provisions of the act remain valid, as specified.

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ACA 13

WHEREAS, In an era of special interests and others attempting to manipulate the electoral process, it is important to preserve the fundamental right of California citizens to approve statewide initiative statutes and referenda by a majority vote; and

WHEREAS, Initiative measures proposing to amend the Constitution to increase the vote requirement above a majority vote to pass other state and local measures violate the principle of majority rule; and

WHEREAS, Citizens have a substantial interest in voicing their opinions on issues of local governance and must be allowed to approve local advisory measures by majority vote; and

WHEREAS, The provisions of this measure are not intended to reverse or invalidate provisions of the Constitution in effect before January 1, 2024, including the provisions of Proposition 13 of 1978; and

WHEREAS, The purpose of this measure is to do all of the following:

(a) Retain the majority vote requirement to pass statewide initiative statutes and referenda;

(b) Provide that any proposed initiative measure that would amend the Constitution to increase the voter approval requirement to pass other state or local measures is effective only if the initiative is approved by the highest vote requirement it imposes on other measures;

(c) Constitutionally authorize local governments to submit questions to voters asking for their opinion on issues of governance; now, therefore, be it

Resolved, That this measure shall be known, and may be cited, as the Protect and Retain the Majority Vote Act; and be it further

Resolved by the Assembly, the Senate concurring, That the Legislature of the State of California at its 2023–24 Regular Session, commencing on the fifth day of December 2022, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California that the Constitution of the State be amended as follows:

First—That Section 10 of Article II thereof is amended to read:

Sec. 10. (a) An initiative statute or referendum approved by the electors pursuant to Section 10.5 takes effect on the fifth day after the Secretary¹ of State files the statement of the vote for the election at which the measure is voted on, but the measure may

ACA 13

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provide that it becomes operative after its effective date. If a referendum petition is filed against a part of a statute, the remainder of the statute shall not be delayed from going into effect.

(b) If provisions of two or more measures approved at the same election conflict, the provisions of the measure receiving the highest number of affirmative votes shall prevail.

(c) The Legislature may amend or repeal a referendum statute. The Legislature may amend or repeal an initiative statute by another statute that becomes effective only when approved by the electors unless the initiative statute permits amendment or repeal without the electors' approval.

(d) Before circulation of an initiative or referendum petition for signatures, a copy shall be submitted to the Attorney General who shall prepare a title and summary of the measure as provided by law.

(e) The Legislature shall provide for the manner in which a petition shall be circulated, presented, and certified, and the manner in which a measure shall be submitted to the electors.

Second—That Section 10.5 is added to Article II thereof, to read:

Sec. 10.5. (a) Except as provided in subdivision (b), a statewide initiative statute or referendum is approved if a majority of the votes cast on the measure are in favor.

(b) Notwithstanding Section 4 of Article XVIII or any other provision of the Constitution, an initiative measure that includes one or more provisions that amend the Constitution to increase the voter approval requirement to adopt any state or local measure is approved by the voters only if the proportion of votes cast in favor of the initiative measure is equal to or greater than the highest voter approval requirement that the initiative measure would impose for the adoption of any state or local measure.

(c) This section applies to all statewide initiative measures submitted to the electors on or after January 1, 2024, including measures that appear on the ballot at the same election at which the measure adding this section is approved by the electors.

Third—That Section 7.8 is added to Article XI thereof, to read:

Sec. 7.8. At any election, pursuant to procedures that the Legislature shall provide, a local governing body may hold an advisory vote concerning any issue of governance for the purpose of allowing voters within the jurisdiction to voice their opinions

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ACA 13

on the issue. An advisory question is approved only if a majority of the votes cast on the question are in favor. The results of the advisory vote shall in no manner be controlling on the sponsoring local governing body.

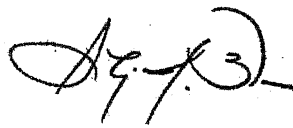
Fourth—The provisions of this measure are severable. If any portion, section, subdivision, paragraph, clause, sentence, phrase, word, or application of this measure is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this measure. The people of the State of California hereby declare that they would have adopted this measure and each and every portion, section, subdivision, paragraph, clause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any portion of this measure or application thereof would be subsequently declared invalid.

FILED
in the office of the Secretary of State
of the State of California

NOV 02 2023

By 
Deputy Secretary of State

Attest:



Secretary of State

Legislation and Communications Committee



Express opposition to Initiative 1935: The Taxpayer Protection and Government Accountability Act and express support for ballot measure ACA 13: Voting thresholds

June 10, 2024

Item 7-9

Proposed Initiative 1935 & Ballot Measure ACA 13

Subject

Express opposition to Initiative 1935: The Taxpayer Protection and Government Accountability Act and express support for ballot measure ACA 13: Voting thresholds; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Purpose

Seek Board direction on proposed Initiative 1935 and ballot measure ACA 13, which are both constitutional amendments dealing with local government revenue measures; scheduled to appear on the November 2024 ballot

Proposed Initiative 1935

Initiative 1935: The Taxpayer Protection and Government Accountability Act

Sponsor

- California Business Roundtable

Summary: Proposes to amend the California Constitution to change the rules for how the State and local governments impose taxes, fees, and charges.

Contingent upon the qualification deadline (June 27) and legal challenge

Initiative 1935: The Taxpayer Protection and Government Accountability Act

Key Provisions

- Applies retroactively to January 1, 2022
- Broadens definition of taxes
- Requires state election for all state taxes, as defined
- Requires legislative action for any state revenue measures
- Requires two-thirds vote for citizen-initiated special local taxes
- Prohibits “advisory measures” on same ballot as general tax measures

Legislation & Communications Committee
**Proposed
Initiative 1935 &
Ballot Measure
ACA 13**

Proposed Initiative 1935

Impacts on Metropolitan & Member Agencies

- Puts at risk any fees, rates and charges adopted since January 1, 2022 by the State or local agencies
- Fees, rates and charges would have to be reinstated consistent with Initiative provisions within 12 months to remain legal
- Requires a local ordinance be passed for all local exempt charges
- Prohibits local agencies from placing advisory measures on the same ballot as general tax measure

Proposed Initiative 1935

Impacts on Metropolitan & Member Agencies (continued)

- Requires legislative approval of any state administrative fees potentially delaying essential functions that require state-issued permits
- Any state tax would require ratification by a statewide majority vote

Proposed Initiative 1935 & Ballot Measure ACA 13

ACA 13: Voting thresholds

Sponsors

- California School Employees Association (CSEA), AFL-CIO
- SEIU California

Summary: Requires a ballot measure, including Initiative 1935, to pass with the same voting threshold requirement it is proposing

ACA 13: Voting thresholds

Key Provisions

- Requires a ballot measure, including Initiative 1935, to pass with the same voting threshold requirement it is proposing
- Allows advisory measures on same ballot as general tax measures

Legislation & Communications Committee
**Proposed
Initiative 1935 &
Ballot Measure
ACA 13**

Benefits to Metropolitan & Member Agencies

- Protects Metropolitan and member agencies by requiring a ballot measure, including Initiative 1935, to pass with the same voting threshold requirement it is proposing
- Allows local agencies to place advisory measures on the same ballot as general tax measures

Supporters & Opposition

Proposed Initiative 1935

Support (partial)

California Business Roundtable (sponsor)
California Chamber of Commerce
Howard Jarvis Taxpayer Association

Opponents (partial)

ACWA
AFSCME California
California Alliance for Jobs
California State Association of Counties
League of California Cities
California Special Districts Association

Ballot measure ACA 13

Support (partial)

SEIU California (co-sponsor)
California School Employees Association,
AFL-CIO (co-sponsor)
ACWA
CMUA
Three Valleys Municipal Water District

Opponents (partial)

California Business Roundtable
California Chamber of Commerce
Howard Jarvis Taxpayer Association

Proposed Initiative 1935 & Ballot Measure ACA 13

Arguments in Support of Initiative 1935 & Opposition to ACA 13

- Californians are overtaxed, and taxes are part of the reason for rising cost of living
- Californians are subject to hidden fees and charges
- Proponents of Initiative 1935 argue it increases voter control over revenue measures and provides increased transparency
- Opponents of ACA 13 oppose removing the two-thirds supermajority vote requirement for initiatives

Proposed Initiative 1935 & Ballot Measure ACA 13

Options

Option #1

- Express opposition to Initiative 1935: The Taxpayer Protection and Government Accountability Act and express support for ballot measure ACA 13: Voting thresholds; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Option #2

- Take no action

Staff Recommendation

Option #1

Legislation & Communications Committee
Proposed
Initiative 1935 &
Ballot Measure
ACA 13





- **Board of Directors**
Ad Hoc Committee on Facilities Naming

6/11/2024 Board Meeting

7-10

Subject

Approve the nomination and naming of the Wildflower Trail at Diamond Valley Lake in honor of Metropolitan Board Vice Chair, Judy Abdo; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan's Facilities Naming Policy Principle establishes approved standard criteria and procedures to submit a naming request for consideration by Metropolitan's Board. The Board has received a nomination by Board Vice Chair, Nancy Sutley and the Facilities Naming Ad Hoc Committee to make a recommendation to name the Wildflower Trail at Diamond Valley Lake in honor of Board Vice Chair, Judy Abdo, in recognition of her legacy of service to Metropolitan and civic organizations within Metropolitan's service area.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve the nomination and naming of the Wildflower Trail at Diamond Valley Lake in honor of Metropolitan Board Vice Chair, Judy Abdo

Fiscal Impact: Minimal costs consisting of the estimated cost to provide signage for the facility. Staff work would be required to update the name of the project/facility on documents and information materials.

Business Analysis: Approval of nomination and naming of the Wildflower Trail at Diamond Valley Lake in honor of Ms. Abdo will demonstrate her substantial, important and positive impact upon Metropolitan as a member of its Board for 28 years and her civic achievements of the highest distinction in a public service role, while maintaining close ties with and providing significant support to Metropolitan.

Option #2

Take no action.

Fiscal Impact: None

Business Analysis: If the nomination and naming are not approved, Metropolitan would forgo the opportunity to acknowledge the positive impact and civic achievements of Ms. Abdo and her significant support to Metropolitan.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 51324, dated September 11, 2018, the Board adopted the proposed Metropolitan Facilities Naming Policy Principle as a Board-Adopted Policy Principle.

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

The Metropolitan Water District of Southern California (Metropolitan) is responsible for its facilities, including construction of new facilities, and operations and maintenance of existing facilities. A Metropolitan facility may be named or renamed after an individual, group of individuals, or an organization. The primary criteria for naming or renaming a Metropolitan facility is to honor an individual, group of individuals, or organization that has or have had a substantial, important, and positive impact upon Metropolitan as a member of its Board or as an employee, and/or demonstrated personal achievements of the highest distinction in a public service role, while maintaining close ties with and providing significant support to Metropolitan.

Judy Abdo Nomination

Judy Abdo has served on the Metropolitan Board of Directors representing the City of Santa Monica for 28 years, making her the longest-serving female board member in Metropolitan's history.

She currently serves as the Vice Chair of the Board for Organizational Integrity and Accountability and is a member of the Executive Committee. She also sits on the Legislation and Communications Committee and Subcommittee on Demand Management and Conservation Programs and Priorities.

Ms. Abdo is a staunch advocate for securing clean, reliable, and sustainable water supplies in Southern California. With unwavering dedication, she has championed causes such as enhanced water conservation and the safeguarding of our precious sources of drinking water. Her passion for conservation was literally put on display when she occasionally donned a cape during committee and board meetings as a crusader for conservation during consideration of key water-saving actions and discussions. Ms. Abdo was also an early board supporter of establishing the "California Friendly®" registered trademark in the early 2000s to identify and highlight the beauty and water-saving attributes of native plants and landscaping-

A Santa Monica council member from 1988 to 1996, Ms. Abdo served two terms as the city's mayor (1990 to 1991 and 1992 to 1994). She is a vice chair of the First 5 LA Commission and co-chairs Santa Monica Forward. She is a member of the Electric Vehicle Subcommittee of the Santa Monica Environmental Task Force and serves on the board of the Ocean Park Association.

Ms. Abdo retired as the director of child development services for the Santa Monica Malibu Unified School District. She was the assistant director of the Norton Family Office and Peter Norton Family Foundation, and she also served four years as council deputy for the City of West Hollywood, and as director of the nonprofit Ocean Park Community Organization. Ms. Abdo was an elementary school teacher for 13 years and the administrator of the Church in Ocean Park.

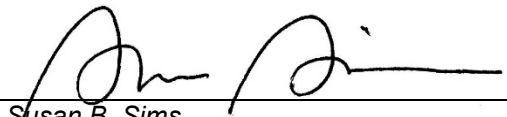
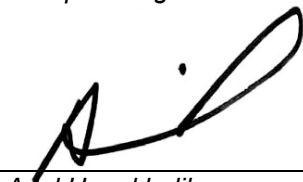
Ms. Abdo was a long-time member of the steering committee of Santa Monicans for Renters' Rights; she served as chair of the Urban Forest Task Force and the Santa Monica Pier Corporation, which she founded.

Ms. Abdo is a member of the Santa Monica Early Education and Childcare Task Force and has been a member of the Lifelong Learning Steering Committee for the Committee for Excellent Public Schools, and the Ocean Park Community Center. She was a founder of Sojourn, a shelter for battered women and children and a former board member of the Neighborhood Support Center and Santa Monica AIDS Project.

Ms. Abdo has served as liaison to Santa Monica's Planning Commission, Environmental Task Force, Airport Commission, Commission on the Status of Women, Commission on Older Americans, Arts Commission and the Recreation and Parks Commission. She has a bachelor's degree in early childhood education from the University of California, Santa Barbara and completed graduate work in human development at Pacific Oaks College.

The Board received a nomination by Board Vice Chair, Nancy Sutley, to name a facility in honor of Vice Chair Abdo in recognition of her legacy of service to Metropolitan and civic organizations within Metropolitan's service area. (**Attachment 1**)

On May 16, 2024, the Ad Hoc Committee on Facilities Naming considered the nomination and recommended to rename the Wildflower Trail at Diamond Valley Lake as the Judy Abdo Wildflower Trail at Diamond Valley Lake (**Attachment 2**). Letters of support for this honor have been submitted by Phil Brock, Mayor of the City of Santa Monica and former LA County Supervisor and Board Chair Sheila Kuehl. (**Attachment 3**)

 _____ Susan B. Sims Group Manager – External Affairs	6/6/2024 _____ Date
 _____ Adel Hagekhalil General Manager	6/6/2024 _____ Date

Attachment 1 – Nomination Submittal

Attachment 2 – Diamond Valley Lake Trail System Map

Attachment 3 – Letters Supporting Nomination



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Metropolitan Facilities Naming Request Form

It is the policy of The Metropolitan Water District of Southern California ("Metropolitan") acting through its Board of Directors to name and rename facilities. The naming and renaming criteria and procedures are available in the **Metropolitan Facilities Naming Policy Principle**. This form shall be used by an individual, groups of individuals or organization proposing names for new Metropolitan facilities or the renaming of existing Metropolitan facilities.

1. Name for consideration: Judy Abdo

- ☐ Board to select appropriate Metropolitan facility
- ☒ Facility proposed for naming or renaming: Diamond Valley Lake Trails System

2. The criteria which the proposed name meets or satisfies: (check all that apply)

- ☒ Substantial, important and positive impact upon Metropolitan as a member of its Board or staff
- ☐ Personal achievements of highest distinction in a public service role, while maintaining close ties with and providing significant support to Metropolitan
- ☐ Names that have historical or regional significance to the facility or location, ordinarily not for living persons
- ☐ Other: _____

3. Provide supporting documentation, as available:

- A memorandum giving the particulars of the naming request that includes the rationale for the naming, referring to relevant criteria;
- Background and information about the individual, group of individuals, or organization for which the facility is to be named or renamed;
- Letters of support for this request;
- Other information that may be relevant to the potential implementation of the request such as historical photographs and articles;
- A list of other facilities named, or being proposed to be named or renamed after the same individual, group of individuals or organizations, including location and date.

You may be contacted by Metropolitan staff for additional information, if needed.

Name of Requestor: Metropolitan Vice-Chair Nancy Sutley

Mailing Address: 700 N. Alameda Street, Los Angeles

Telephone: Contact via Board Executive Officer **Email:** NSutley@mw dh2o.com

Signature: APPROVED BY DIR. SUTLEY 5/13/2024

Please mail this application and supporting documents to: Metropolitan Board of Directors, P.O. 54153, Los Angeles, CA 90054-053 or **ssims@mw dh2o.com**

Metropolitan Water District of Southern California
Facilities Naming Request Form

METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Diamond
Valley Lake

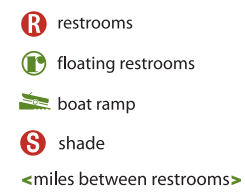
The jewel of California Lakes

trails

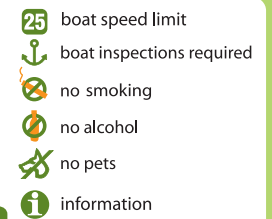
Portions of these trails are within an ecological reserve, which has been established for the protection of sensitive biological resources native to western Riverside County. The trail rules below are provided to ensure the protection of these resources and the enjoyment of all trail users. Please remember that Diamond Valley Lake is a domestic water supply source. Body contact with the water is prohibited. Shoreline fishing is allowed in designated areas only.



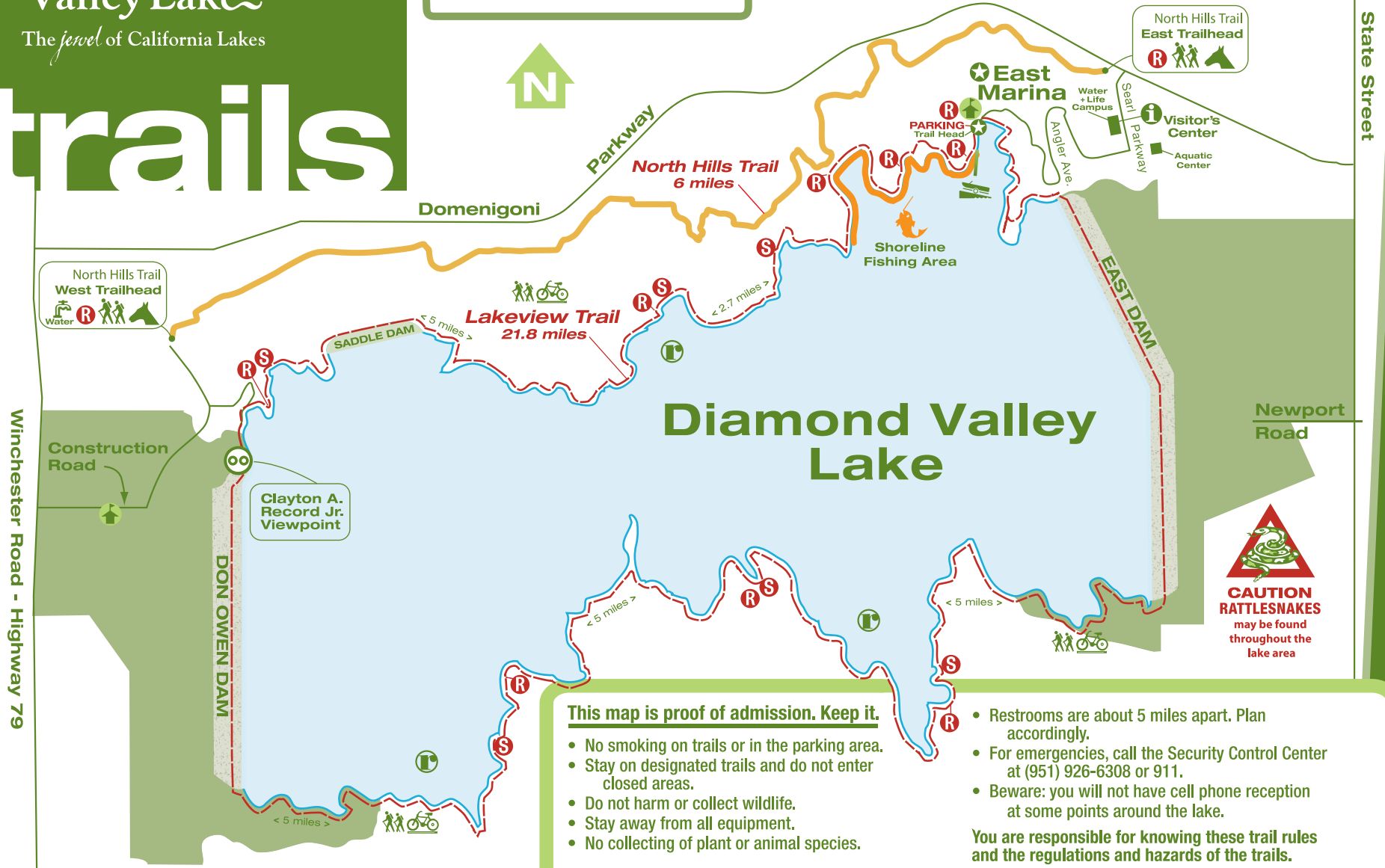
facilities



rules



Legend



This map is proof of admission. Keep it.

- No smoking on trails or in the parking area.
- Stay on designated trails and do not enter closed areas.
- Do not harm or collect wildlife.
- Stay away from all equipment.
- No collecting of plant or animal species.

- Restrooms are about 5 miles apart. Plan accordingly.
- For emergencies, call the Security Control Center at (951) 926-6308 or 911.
- Beware: you will not have cell phone reception at some points around the lake.

You are responsible for knowing these trail rules and the regulations and hazards of the trails.

Effective: July 2, 2005

TRAIL RULES

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

mwdh2o.com

dvlake.com

RECEIPT

Diamond Valley Lake trails

The jewel of California Lakes

First and foremost, Diamond Valley Lake is a lifeline for Southern California in times of drought. The lake holds enough water to meet the area's emergency and drought needs for six months and is an important component in Metropolitan's plan to provide a reliable supply of water to the 18 million people in Southern California who count on us.

Diamond Valley Lake continues to improve its trail system so visitors can hike and ride through the hills surrounding the reservoir. One of the first multi-use trails was developed along the north hills overlooking the San Jacinto Valley. That trail is open for hikers and horses. The newest trail, the Lakeview trail, offers hikers and bicyclists a 21.8-mile trek around the lake, including the three dams, with breathtaking views of the lake and the quarry where the rock used in the dams was mined.



Southwestern Riverside County Multi-Species Reserve

Surrounding the lake you'll find more than 13,500 acres of open space called the Southwestern Riverside County Multi-Species Reserve. With the creation of the reserve, Metropolitan forged California's first agreement for multi-species protection and proved that progress need not come at the expense of the environment. The reserve is home to at least 16 sensitive, endangered or threatened native California plants and animals. Because of the sensitivity of these species, you must stay on the hiking trail. Collection of plants, insects and animals is prohibited.

Notable species on the reserve include: coyotes, bobcats, mule deer, mountain lions, and golden eagles, which roam the breadth of the reserve.



May 29, 2024

Board Executive Secretary
Attn: Rickita Hudson
Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012

Dear Members of the Board,

I am writing to express my support for the nomination to rename the Wildflower Trail at Diamond Valley Lake in honor of Judy Abdo, current Vice Chair and dedicated and influential member of your Board and former Santa Monica Mayor.

Judy Abdo's contributions to the Metropolitan Water District have been substantial. Throughout her tenure on the Board, she has been a fervent advocate for water conservation, native and sustainable landscaping, and the protection of drinking water sources. These causes resonate deeply with the values and experiences the Wildflower Trail and Diamond Valley Lake offers its visitors.

Diamond Valley Lake, a vital drinking water reservoir built and operated by The Metropolitan Water District of Southern California, serves 18 million residents and is a critical lifeline during droughts. Renaming the Wildflower Trail in her honor would be a fitting tribute to her service and commitment.

Judy Abdo's role as Vice Chair has been marked by her dedication to public welfare and environmental stewardship. Her efforts have had a lasting impact on our community, making her an exemplary candidate for this recognition. As Mayor, I have witnessed the positive changes and initiatives Judy has helped implement, benefiting not only our city but also the broader Southern California region. Renaming the Wildflower Trail in her honor would serve as a lasting reminder of her dedication and contributions to environmental conservation and public service.

I wholeheartedly support the nomination submitted by Board Vice Chair Nancy Sutley and encourage the Board of Directors to approve the renaming of the Wildflower Trail to honor Judy Abdo. Her legacy of service and commitment to conservation and sustainability make her a most deserving individual for this recognition.

Thank you for considering this nomination.

Sincerely,

Phil Brock
Mayor

Sheila James Kuehl

3201 Pearl Street, Santa Monica CA 90405

sjkuehl@aol.com

It is with great pleasure that I write in support of the nomination to name the Wildflower Trail in recognition of the longtime and distinguished service of Vice Chair Judy Abdo to the Met. Her contributions, over many years of service on the Metropolitan Water District Board, as well as her tenure as Mayor and Councilmember in the city of Santa Monica, make this honor appropriate.

Over decades, Judy Abdo has advocated for the interests of water users and ratepayers within the Metropolitan System, always using her voice to remind that rules and decisions must be clear, fair and easily understood. In addition, she has championed conservation even earlier than the years in which the notion gained popularity and urgency, given climate change impacts. She has also been a strong champion for the use of native and sustainable landscaping and has strongly supported the protection of the sources of California's water supply.

Each and all of these long-standing areas of work have contributed to an impressive history of commitment and dedication. She is a true, though quiet, hero in so many ways, and I wanted to be counted among those who strongly support this honor.

Respectfully,

Sheila James Kuehl

LA County Supervisor, ret.
California State Senate and Assembly, ret.



June 7, 2024

To: MWD Board of Directors

Re: Naming the Wildflower Trail at Diamond Valley Lake in honor of Board Member Judy Abdo

I've had the privilege to work with Board Member Judy Abdo on water, sustainability and environmental issues for over thirty years. She has served with distinction on the MWD Board for most of that time. In particular, her work on water conservation has been exemplary and has helped MWD and its member agencies save hundreds of thousands of acre feet of water over the years. I was fortunate enough to serve three years as a fellow MWD board member with Judy where we chaired the then newly formed conservation and local water committee (now the One Water Committee). Also, she has been a champion for MWD taking on the climate crisis head on by integrating the latest climate science into MWD management and policy.

I am thrilled to support MWD naming the Wildflower Trail at Diamond Valley Lake in honor of Board Member Abdo. Former Santa Monica Mayor Abdo has been a sustainability leader at MWD and in Santa Monica for over three decades. Santa Monica was the first city in the nation with a comprehensive sustainability plan and it happened under then Mayor Abdo's leadership. She has maintained that strong environmental ethic while serving on the MWD Board. Also, I'd be remiss in not mentioning her leadership on equity issues in the city of Santa Monica, the region, and at MWD.

I strongly urge the MWD Board to bestow the thoughtful and appropriate honor of naming the Wildflower Trail at Diamond Lake in honor of Board Member Abdo.

Sincerely,

Mark Gold, D.Env.
Director of Water Scarcity Solutions
Natural Resources Defense Council



- **Board of Directors**
Engineering, Operations, and Technology Committee

6/11/2024 Board Meeting

8-1

Subject

Approve and appropriate an increase of \$25 million to the Capital Investment Plan for fiscal years 2022/23 and 2023/24 for a new biennium amount of \$625 million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In April 2022, Metropolitan's Board approved the biennial budget at \$600 million for fiscal years (FYs) 2022/23 and 2023/24. In the March 2024 CIP Quarterly report, staff showed that Capital Investment Plan (CIP) expenditures for the current biennium may exceed the \$600 million biennial budget at the close of the biennium. In the first quarter of 2024, Metropolitan commenced urgent rehabilitation activities on the Allen-McColloch Pipeline (AMP) in response to inspections conducted in late 2023. These inspections indicated significant deterioration of the prestressed concrete cylinder pipe (PCCP) over portions of the pipeline. Due to these urgent rehabilitations, it is now expected that the existing CIP budget of \$600 million will be exceeded by approximately \$25 million. Metropolitan's Administrative Code states that the General Manager must request that the Board appropriate additional CIP funding if total expenditures are expected to exceed the appropriated amount. The total CIP expenditures for the current biennium are expected to be approximately \$625 million due to unplanned urgent work on the AMP.

This action approves and appropriates an increase of \$25 million to the CIP for FYs 2022/23 and 2023/24 budget for a new biennium amount of \$625 million.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve and appropriate an increase of \$25 million to the Capital Investment Plan for FYs 2022/23 and 2023/24 budget for a new biennium amount of \$625 million.

Fiscal Impact: This action will increase the CIP appropriation for the FY 2022/23 and FY 2023/24 biennial budget to \$625 million. However, if some of the invoices are not able to be processed before June 30, 2024, some of the \$25 million may be carried over to the FY 2024/25 budget. The additional \$25 million in capital expenditures will be debt-financed, thereby increasing long-term debt service costs by about \$1.4 million per year.

Business Analysis: This option will enable the continued efficient management of the CIP.

Option #2

Do not increase the budget for the Capital Investment Plan for FYs 2022/23 and 2023/24 at this time.

Fiscal Impact: None

Business Analysis: Under this option, staff would delay payment of contractor invoices until the next fiscal year begins in July 2024. This option places Metropolitan at risk of contract litigation and late payment penalties and effectively reduces the amount of new work that can be conducted in the upcoming biennium.

Alternatives Considered

Staff initially sought to identify opportunities to reduce the CIP expenditures and save money by staging resource expenditures, modifying project scopes, or deferring projects. However, since the urgent AMP rehabilitation is occurring near the end of the biennium, there was insufficient time to adjust the overall CIP expenditure plan. The recommended alternative to increase the biennium budget by approximately four percent to cover the sooner-than-expected rehabilitation of a portion of the AMP will protect Metropolitan's assets, enhance delivery reliability to member agencies, and complete rehabilitation of the most distressed PCCP pipe segments on the AMP in a timely manner.

Applicable Policy

Metropolitan Water District Administrative Code Section 2431: Engineering and Operations Committee Duties and Functions Metropolitan Water

District Administrative Code Section 5108: Appropriations Metropolitan Water District

Administrative Code Section 11104: Delegation of Responsibilities

Administrative Code Section 5108: Appropriations

Related Board Action(s)/Future Action(s)

By Minute Item 51353, dated October 9, 2018, the Board appropriated a total of \$290 million for projects identified in the Capital Investment Plan for Fiscal Years (FYs) 2018/19 and 2019/20; authorized the General Manager to initiate or proceed with work on all capital projects identified in the CIP for FYs 2018/19 and 2019/20 subject to any limits on the General Manager's authority and CEQA requirements; and amend the Administrative Code to (a) allow for an appropriation of planned CIP expenditures following the approval of the biennial budget and authorize work on all capital projects identified in the CIP subject to the requirements of CEQA and limits on the General Manager's authority; and (b) delegate responsibility to the General Manager to determine whether a project is exempt from CEQA.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities, personnel-related actions, and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

As part of Metropolitan's budget process, staff develops a recommended two-year budget expenditure plan for the CIP. The budget and expenditure plan for the CIP are reflected in the CIP Appendix and included in Metropolitan's overall two-year budget and associated budget documents. With the approval of the biennial budget, the Board also takes action to appropriate the funds necessary to fund the CIP in the upcoming biennium.

In addition, the Board authorizes the General Manager to initiate or proceed with work on capital projects identified in the CIP Appendix, subject to the requirement of CEQA and the limits of the General Manager's authority. This approach to appropriating funds for the CIP and authorizing the General Manager to conduct work has been in effect since October 2018. Since then, staff has utilized the streamlined approach to efficiently perform work on the CIP, resulting in a higher percentage of planned CIP work being conducted in a biennium compared to the prior authorization practices.

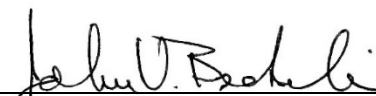
In April 2022, Metropolitan's Board approved and appropriated a \$600 million CIP budget for FYs 2022/23 and 2023/24. The resulting CIP for the biennium included a mix of projects that support Metropolitan's strategic plan and financial targets. Expenditures less than the proposed budget would defer priority rehabilitation work needed to maintain system reliability, increasing the likelihood of unplanned system outages and/or service disruptions. The biennium budget does not take into account unplanned priority projects that are identified during the biennium.

In November 2023, an electromagnetic inspection was conducted on the nine miles of the PCCP section of the AMP. In December 2023, Metropolitan received an inspection report that identified 81 new distressed pipe segments; 44 pipe segments had 20 or more wire breaks, with one pipe segment having 130 wire breaks. Staff evaluated the potential risks due to the prestressing wire breaks and concluded that the distressed PCCP segments need to be rehabilitated as soon as possible.

The AMP rehabilitation activities effectively accelerated Metropolitan's overall planned activities to rehabilitate the PCCP portions of the AMP ahead of the schedule that is currently shown in the current CIP Appendix. The rehabilitation of the AMP is proceeding in two stages. Stage 1 rehabilitates 4,500 feet of PCCP on the AMP. This work is being conducted through the use of change order authority on three existing contracts. In February 2024, the Board approved increasing the change order authority on three contracts (Contracts 2002, 2026, and 2088) in order to complete the urgent work in an expeditious manner. The approved increases in change order authority from the February 2024 actions for the three contracts totaled \$24.5 million. It is anticipated that approximately \$25 million will be spent in the form of construction contract change orders, in-house labor for design and construction management, and consultant support by the end of June 2024. The work will be 85 percent complete by that date. In May 2024, Metropolitan's Board awarded a contract for Stage 2 work, which will rehabilitate 2.4 miles of PCCP from July 2024 to December 2024. The total estimated cost to complete the urgent rehabilitation of the AMP is \$67 million. Due to these urgent rehabilitations, it is now expected that the existing CIP budget of \$600 million will be exceeded by approximately \$25 million.

In the March 2024 CIP Quarterly report, staff showed that CIP expenditures for the biennium could end above budget, although the exact amount was uncertain. Since the AMP expenditures occurred near the end of the biennium, there was insufficient time to adjust the overall CIP expenditure plan. Therefore, staff recommends increasing the CIP budget for the current biennium. Per Metropolitan's Administrative Code Section 5108, (e) "If, during the biennial budget period, the total Capital Investment Plan expenditures are expected to exceed the appropriated amount, the General Manager shall request that the Board appropriate additional funding and submit a report supporting said request."

This action approves and appropriates an increase of \$25 million to the CIP for FYs 2022/23 and 2023/24 budget for a new biennium amount of \$625 million to account for urgent rehabilitation of PCCP on the AMP that was conducted in the first six months of 2024.



John V. Bednarski
Manager/Chief Engineer
Engineering Services

5/20/2024

Date



Adel Hagekhalil
General Manager

5/28/2024

Date

Ref# es12702550



Engineering, Operations, & Technology Committee

Authorize an Increase to the Capital Investment Plan FY 2022/23 and 2023/24

Item 8-1

June 10, 2024

Item 8-1

Authorize an increase to the Capital Investment Plan FYs 2022/23 and 2023/24

Subject

Approve and appropriate an increase of \$25 million to the Capital Investment Plan for fiscal years 2022/23 and 2023/24 for a new biennium amount of \$625 million

Purpose

To execute urgently needed rehabilitation work in full compliance with the Admin Code

Recommendation and Fiscal Impact

Increase the Capital Investment Plan by \$25 million
Fiscal Impact of \$25 M

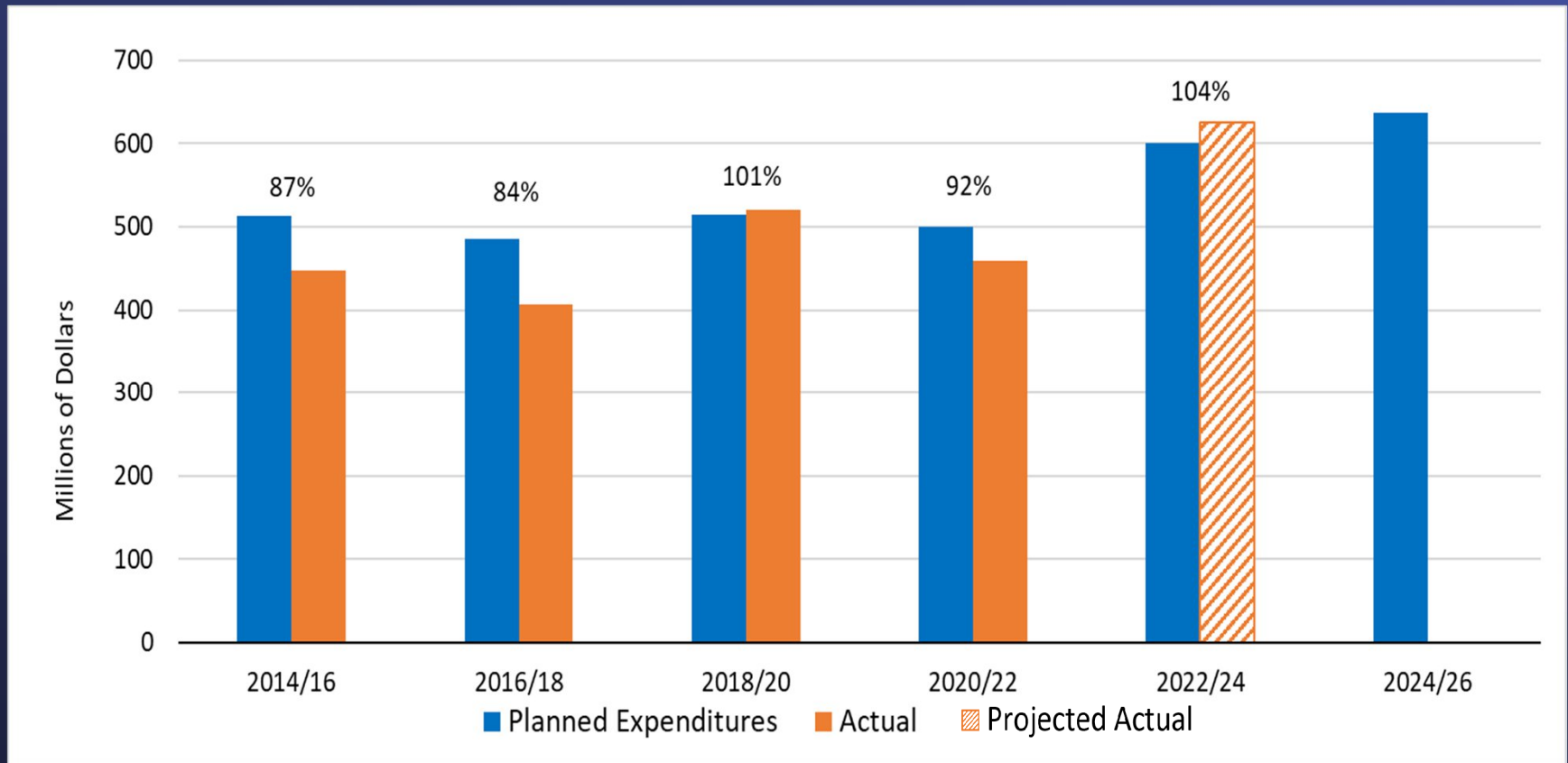
Non-Budgeted

CIP Management

Background

- In 2018, Board revised the CIP funding process
 - Instead of incrementally authorizing & funding each CIP project by phase, Board now fully-funds all projects in CIP at start of two-year budget cycle
 - GM authorized to start or advance projects in the CIP Appendix
 - Staff manages spending within CIP Appropriation
- Revised process has greatly improved CIP expenditure performance

Background: Planned vs Actual CIP Expenditures



CIP Spending Controls

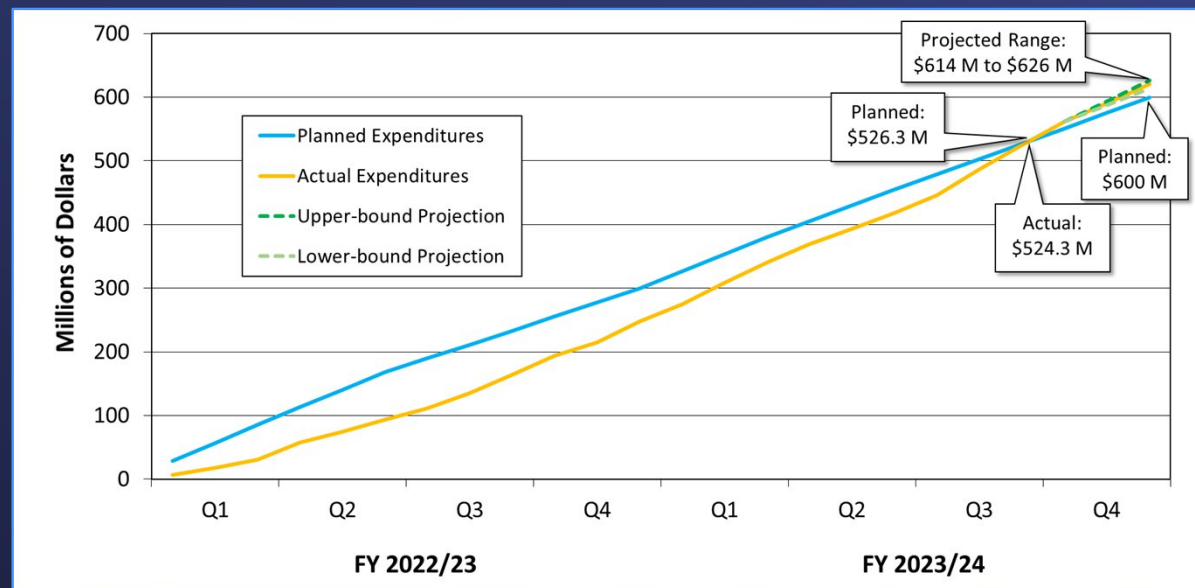
Managing Spending

- Engineering's CIP Office tracks & projects CIP actual spending vs. planned spending
 - In-house labor
 - Consultants
 - Materials/Equipment (District Force Work)
 - Incidentals
 - Construction/Procurement Contracts
 - Currently 64 active construction & procurement contracts valued at \$545 M
 - Highly variable cash flow – controlled largely by contractor/supplier work progress

CIP Spending Controls Fine-tuning

Staff monitors spending projections to meet the two-year CIP budget

- Continuous management & tracking project schedules
 - Adjust timing of contract awards to match spend plan
- However, staff has limited control of expenditures at end of the biennium when unexpected changes occur



Urgent Allen-McColloch Pipeline Project

- Urgent rehabilitation of AMP
 - November 2023: discovered wire breaks
 - January 2024: started District Force work
 - February 2024: Board authorized \$22.5 M increase to existing contracts, started pipe fabrication
 - Stage 1 Urgent Repair work (Jan. to June 2024) estimated at \$31M



Fabricating Liner Pipe



Installing PRV Near OC-88

June 10, 2024

Engineering, Operations, & Technology Committee

Item # 8-1 Slide 7

Urgent Allen-McColloch Pipeline Project

- April/May 2024: Install steel liners, carbon fiber lining



Circumferential Welding of
Steel Pipe

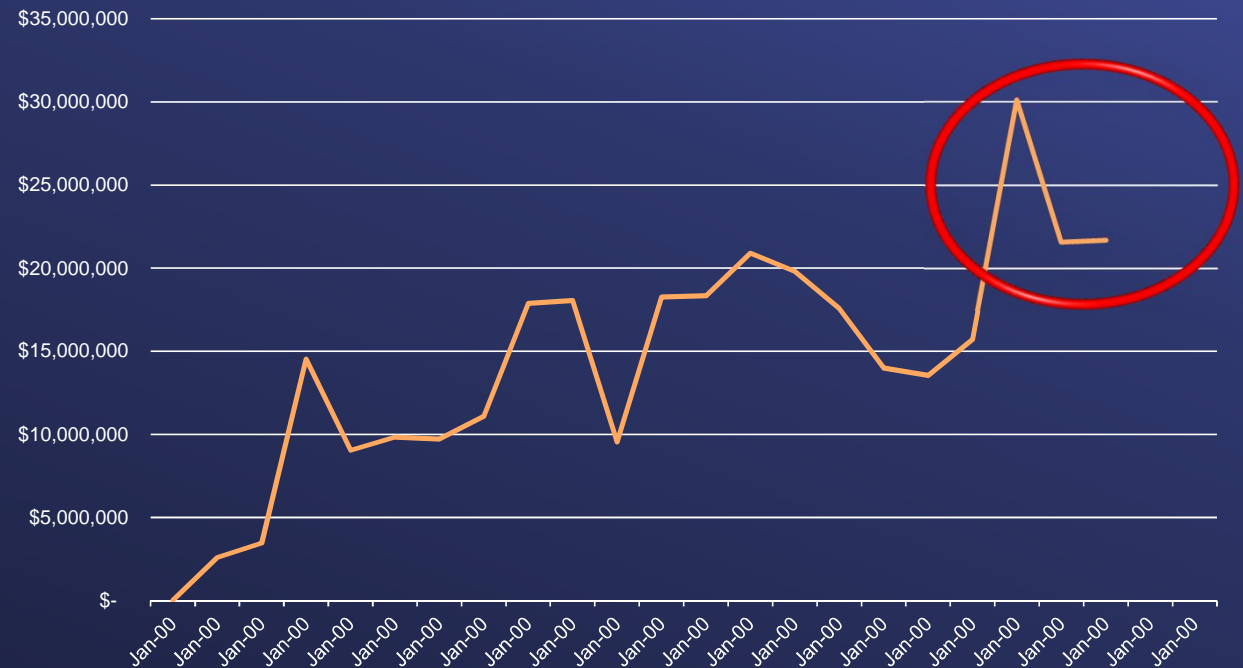


Installation of Closure Pipe

Impact of AMP Expenditures Late in the Biennial Budget Cycle

Monthly Contract Expenditures Across the Current Biennium

- CIP spending is projected to exceed the \$600 M appropriation due to the unexpected late spike in contract work attributed to urgent AMP repairs



Alternatives

Alternatives Considered

- Deferring payments to contractors into July
 - CA Contract Code addresses payments beyond 30 days
 - Would effectively reduce funds available in the next biennium for needed capital projects
- Selected Alternative – Increase CIP appropriation by \$25 M for FYs 2022/23 & 2023/24 to a new total of \$625 M
 - ~4% increase
 - Allows for continued management of CIP
 - Coordinated with Finance

Board Options

- Option #1
 - Approve and appropriate an increase of \$25 million to the Capital Investment Plan for FYs 2022/23 and 2023/24 budget for a new biennium amount of \$625 million.
- Option #2
 - Do not increase the budget for the Capital Investment Plan for FYs 2022/23 and 2023/24 at this time.

Staff Recommendation

- Option #1





- **Board of Directors**
One Water and Stewardship Committee

6/11/2024 Board Meeting

8-2

Subject

By a two-thirds vote, authorize two payments of up to \$993,600 for support of the Colorado River Board, Six Agency Committee, and Colorado River Joint Powers Authority for fiscal year 2024/2025 and \$1,023,408 for fiscal year 2025/2026; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff is requesting authorization for the General Manager to make two annual payments for Metropolitan's continued participation in activities of the Colorado River Board (CRB) and Six Agency Committee (SAC) for fiscal years (FY) 2024/2025 and 2025/2026. California established the CRB in 1937 to protect the interests and rights of the state of California with respect to the water and power resources of the Colorado River system. The SAC, comprised of Metropolitan and five other members of the CRB, makes annual cost-sharing payments to the CRB to fund its operations, studies, and special projects. Typically, those six agencies also fund the Colorado River Joint Powers Authority (Authority), which advances California's interests in Colorado River water and power through educational and informational campaigns. Staff is requesting funding for FY 2024/2025 and FY 2025/2026.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

By a two-thirds vote, authorize two payments of up to \$993,600 for support of the CRB, SAC, and Authority for FY 2024/2025 and \$1,023,408 for FY 2025/2026.

Fiscal Impact: Expend funds of up to \$993,600 from the FY 2024/2025 budget and \$1,023,408 from the FY 2025/2026 budget. The adopted budget contains \$961,000 for this line item in FY 2024/2025 and \$990,000 for this line item in FY 2025/2026. The remaining \$32,600 for FY 2024/2025 and \$33,408 for FY 2025/2026 will be managed within the Water Resource Management Group's overall budget.

Business Analysis: Provides continued representation for Metropolitan and California in Colorado River matters by the CRB, SAC, and Authority at present levels.

Option #2

Do not authorize payment of up to \$993,600 for support of the CRB, SAC, and Authority for FY 2024/2025 and \$1,023,408 for FY 2025/2026.

Fiscal Impact: Savings of up to \$2,017,008 over two years

Business Analysis: Will not provide continued representation for Metropolitan and California interests in Colorado River matters by the CRB, SAC, and Authority at present levels.

Alternatives Considered

None

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 11102: Payment of Dues

Metropolitan Water District Administrative Code Section 11103: Participation in Projects or Programs Serving District Purposes

Metropolitan Water District Act Section 126: Dissemination of Information (subject to a two-thirds vote requirement)

By Minute Item 40277, dated June 15, 1993, the Board authorized amending the May 13, 1947, agreement to provide for appointment of alternate representatives on the Colorado River Association Six Agency Committee.

By Minute Item 46291, dated July 12, 2005, the Board authorized agreement to create the Colorado River Joint Powers Authority.

By Minute Item 46310, dated July 12, 2005, the Board approved the new funding arrangement for the Colorado River Board based on the proposed cost-sharing percentage.

By Minute Item 50166, dated June 9, 2015, the Board approved executing the Six Agency Committee agreement's amendment to extend the cost-sharing formula through June 30, 2020.

By Minute Item 52019, dated June 9, 2020, the Board approved executing the Six Agency Committee agreement's amendment to extend the cost-sharing formula through June 30, 2025.

Related Board Action(s)/Future Action(s)

Unanticipated increases in the CRB annual budget have occurred in the past and could happen in the future due to unforeseen circumstances or expenditures. If the CRB budget for FY 2025/2026 increases above that which is authorized in this action, staff will return to the Board for additional authorization of the adjusted amount of funds for FY 2025/2026.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

BackgroundThe Colorado River Board and Six Agency Committee

The CRB provides the official representation for California before the United States and the other Colorado River Basin States. The CRB engages in activities that protect the interests and rights of the state of California, and its agencies and citizens, in the water and power resources of the Colorado River system. Six California agencies entirely fund the CRB through the SAC; no State funding occurs. Each agency has a seat on the CRB, which also

includes two public members appointed by the Governor and representatives of the California Department of Water Resources and the California Department of Fish and Wildlife.

Every five years the SAC negotiates a cost-sharing arrangement among the agencies. The most recent cost-sharing arrangement was negotiated in 2020 and will occur again in 2025. In the current agreement, urban agencies pay half of the total costs, and agricultural agencies pay the other half. Metropolitan contributes 32 percent of the total costs; the remaining urban agencies share is paid by the San Diego County Water Authority (10 percent) and the city of Los Angeles (8 percent). **Attachment 1** shows the cost-sharing percentages among the six agencies.

The six agencies jointly provide funds to support CRB functions, technical studies, special projects, and computer modeling. In FY 2023/2024, the CRB and the SAC played key roles in:

- Coordinating California agencies' response to the Draft SEIS to modify the 2007 Interim Guidelines.
- Coordinating with California agencies to develop consensus policy positions to guide California representatives in the renegotiations of the 2007 Interim Operating Guidelines.
- Contributing funds to the Basin States' efforts in winter season weather modification projects in Colorado, Utah, and Wyoming.
- Participating in the ongoing implementation of the Glen Canyon Dam Adaptive Management Program and the Lower Colorado River Multi-Species Conservation Program.

In FY 2024/2025 and FY 2025/2026, the CRB and SAC anticipate continuing participation in the programs described above, plus the following key activities:

- Continue Washington, D.C. representation with Natural Resource Results to track legislation of interest, advocate for necessary funding or legislation, and arrange Congressional briefings and visits for California stakeholders.
- Continue to support the CRB's participation in ongoing activities associated with the binational implementation of Minute No. 323 and the new Minute No. 330 and associated binational workgroups.
- Continue to support the CRB's participation in and cost-share funding of the Colorado River Basin Salinity Control Program.
- Continue to support the CRB's participation in the Colorado River Climate and Hydrology Workgroup, which includes planning for the next Climate and Hydrology Symposium and ongoing development of proposed climate and hydrology research projects.

The total funding request for the CRB and SAC is \$3,025,000 for FY 2024/2025 and is estimated to be \$3,115,750 for FY 2025/2026 based on a three-percent-assumed increase. Metropolitan's proportionate shares of the FY 2024/2025 and FY 2025/2026 funding requests are \$968,000 and \$997,040 respectively. The increase in the CRB and SAC budgets can be attributed primarily to modeling and legislative support for ongoing negotiations of the 2007 Interim Guidelines. An additional increase to the budget is due to normal office and labor cost increases.

Colorado River Joint Powers Authority

The six agencies also fund the Authority, which advances California's interests in the Colorado River Basin by conducting educational and informational campaigns for the CRB and others. The total funding request for the Authority for FY 2024/2025 is \$80,000, and Metropolitan's proportionate share is \$25,600. The total funding request for the Authority for FY 2025/2026 is estimated to be \$82,400 based on a three-percent assumed increase. Metropolitan's proportionate share of the FY 2025/2026 funding is estimated to be \$26,368.

In FY 2023/2024, the Authority:

- Provided modeling and legislative support for the renegotiation of the 2007 Interim Guidelines.
- Continued the collection of oral histories.
- Provided a 2024 inspection of the Lower Colorado River Basin for California stakeholders.

In FY 2024/2025 and FY 2025/2026, the Authority anticipates the following key activities:

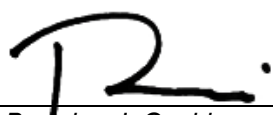
- Contract with a public relations firm to develop an outreach plan to support California's interests on the Colorado River.
- Continue the collection of oral histories and ensure appropriate archival accessibility.
- Host meetings of California stakeholders and other Basin States as needed to discuss new operational guidelines for the Colorado River Basin.
- Provide a 3-4 day tour in the Basin (locations and themes TBD) for California stakeholders.

The following table compares the FY 2023/2024 funding request with the FY 2024/2025 and FY 2025/2026 requests:

Fund	FY 2023/24	FY 2024/25	FY 2025/26 (est.)
Colorado River Board/Six Agency Committee	\$932,800	\$968,000	\$997,040
Colorado River Joint Powers Authority	\$0	\$25,600	\$26,368
Total	\$932,800	\$993,600	\$1,023,408

Metropolitan's FY 2024/2025 budget includes \$961,000 for the CRB and SAC. Because the total requested amount of \$993,600 for the CRB, SAC, and Authority is greater than budgeted, the remaining \$32,600 will be managed within the Water Resource Management Group's overall budget.

Metropolitan's FY 2025/2026 budget includes \$990,000 for the CRB and SAC. Because the total estimated request for FY 2025/2026 is greater than budgeted, the remaining \$33,408 will be managed within the Water Resource Management Group's overall budget.



Brandon J. Goshi
Interim Manager,
Water Resource Management

5/31/2024

Date



Adel Hagekhalil
General Manager

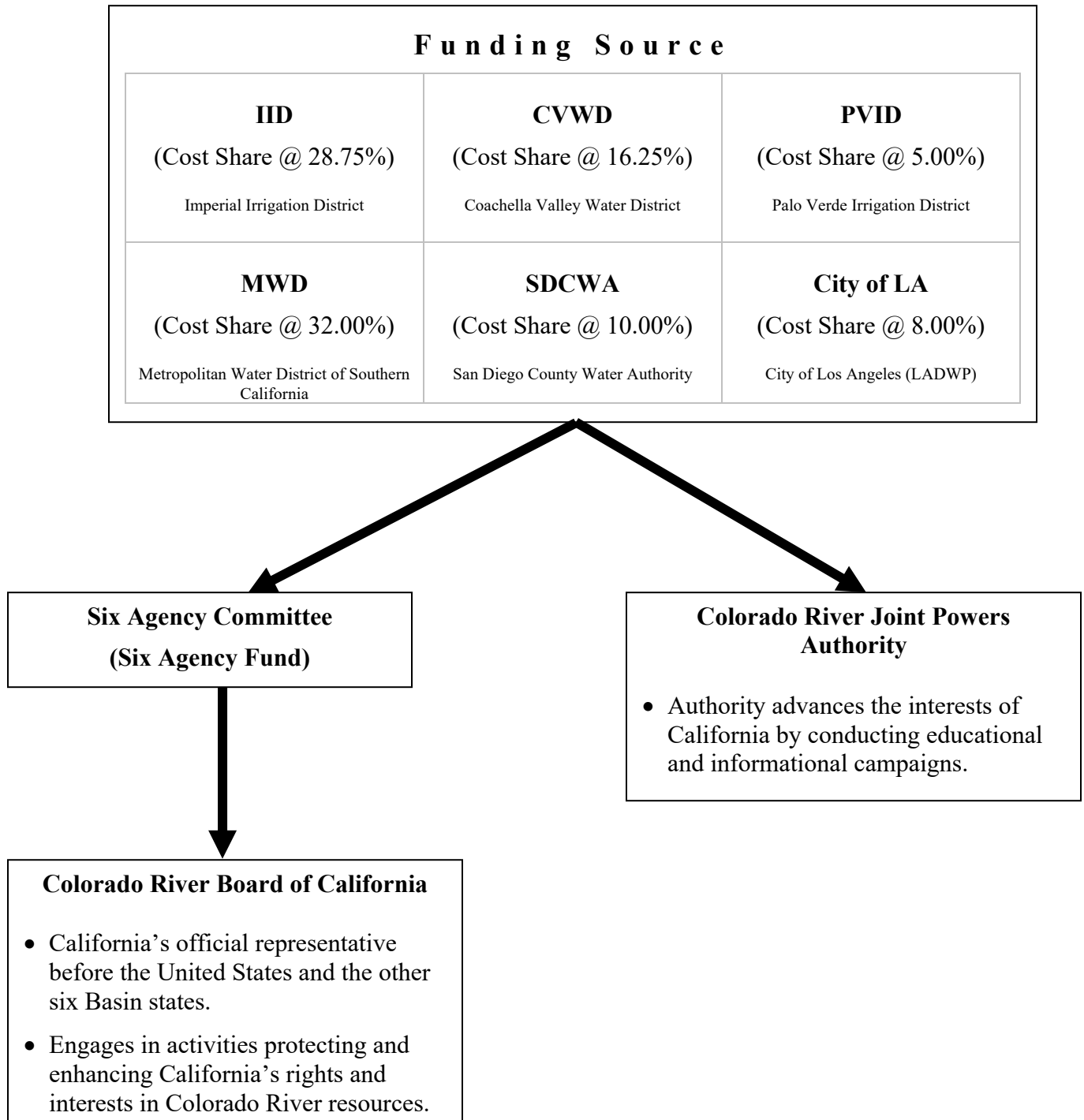
6/3/2024

Date

Attachment 1 – Cost-Sharing Summary

Ref# wrm12693499

Cost-Sharing Summary





One Water and Stewardship Committee

Authorize two payments of up to \$993,600 for FY 24/25 and \$1,023,408 for FY 25/26 for support of the Colorado River Board, Six Agency Committee, and Colorado River Authority

Item 8-2

June 10, 2024

Item 8-2

Authorize
two payments for
support of the
Colorado River
Board, Six Agency
Committee, and
Colorado River
Authority

Subject

By a two-thirds vote, authorize two payments of up to \$993,600 for support of the Colorado River Board, Six Agency Committee, and Colorado River Joint Powers Authority for fiscal year 2024/2025 and \$1,023,408 for fiscal year 2025/2026

Purpose

To provide the General Manager with the authority to make the annual payments in each of the next two fiscal years that are required of Metropolitan as a funding agency for the Colorado River Board of California

Recommendation and Fiscal Impact

By a two-thirds vote, authorize the General Manager to make the payments. The authorization requested is budgeted and included in the approved budgets for FY 24/25 and FY25/26

Background Information

Colorado River Board of California



Summary of Responsibilities

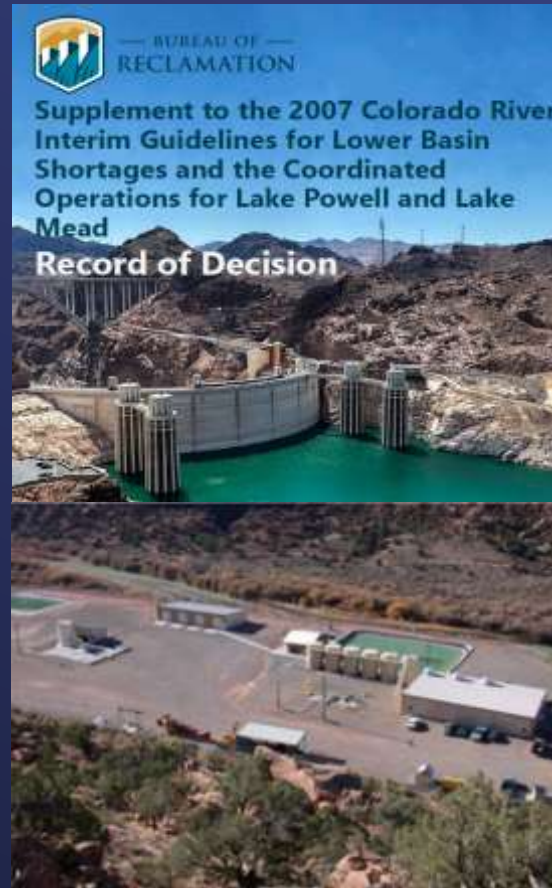
- California's official representative to the Basin States and United States
- Protects California's rights
- Provides unified voice

Background Information

Colorado River Board of California



Activities in FY 2023-24



- Supported development of the Post-2026 Operational Guidelines, including the California agencies' response to the Draft Supplemental Environmental Impact Statement (SEIS)
- Participated in the implementation of the Glen Canyon Dam Adaptive Management Program
- Supported the Colorado River Basin Salinity Control Program

Background Information

Colorado River Board of California



Ongoing Activities

- Coordinate with California agencies to develop consensus policy positions for renegotiation of the Interim Guidelines
- Support and implement the Lower Colorado River Multi-Species Conservation Program
- Participate in Bi-National Work Groups under Minutes 323 and 330



Background Information

Colorado River Board of California

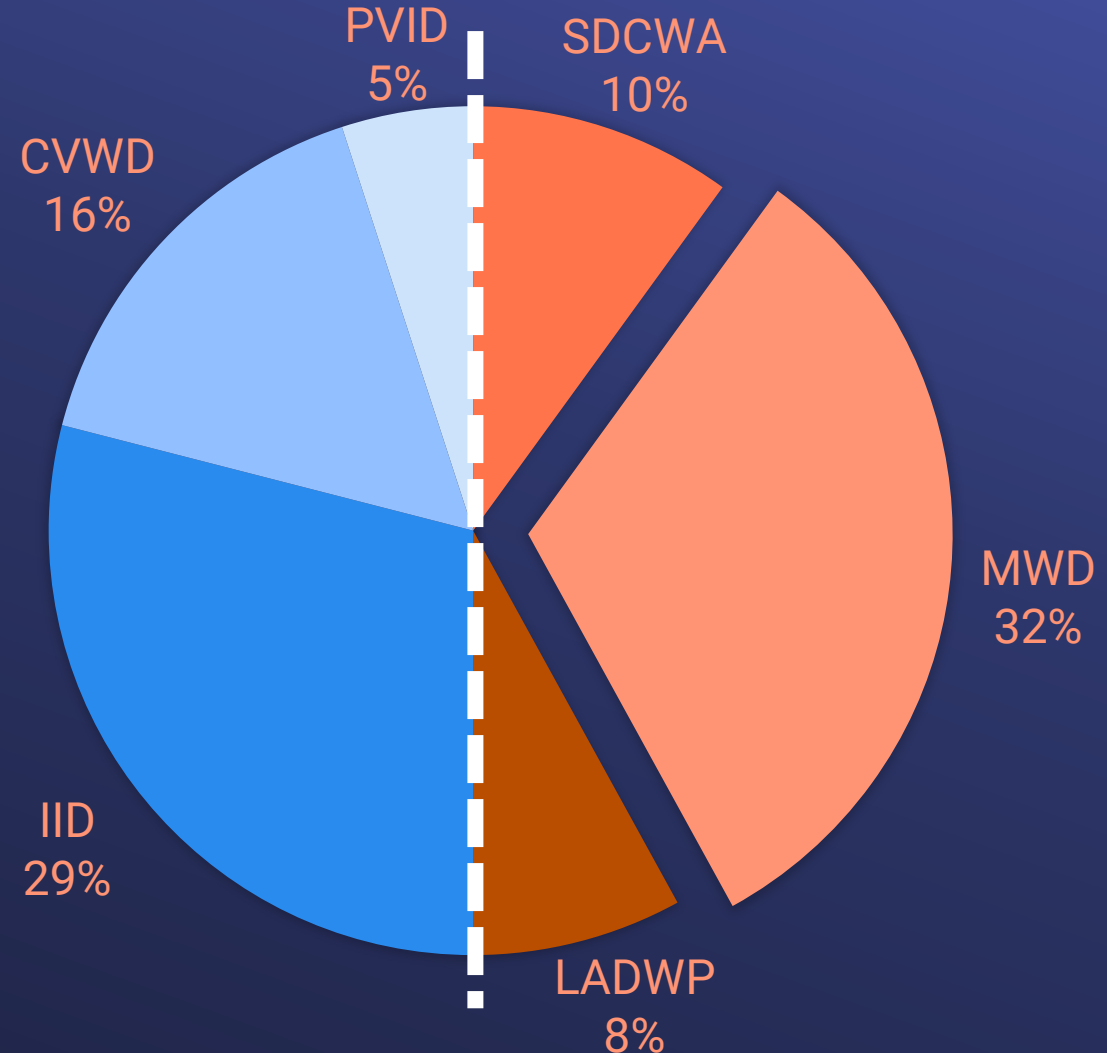


Six Funding Agencies

- Coachella Valley Water District (CVWD)
- Imperial Irrigation District (IID)
- Los Angeles Department of Water & Power (LADWP)
- Metropolitan Water District of Southern California (MWD)
- Palo Verde Irrigation District (PVID)
- San Diego County Water Authority (SDCWA)

Cost-Sharing Agreement Among Six Agency Members

Totals: \$3,105,000 (FY 24/25); \$3,198,150 (FY 25/26)

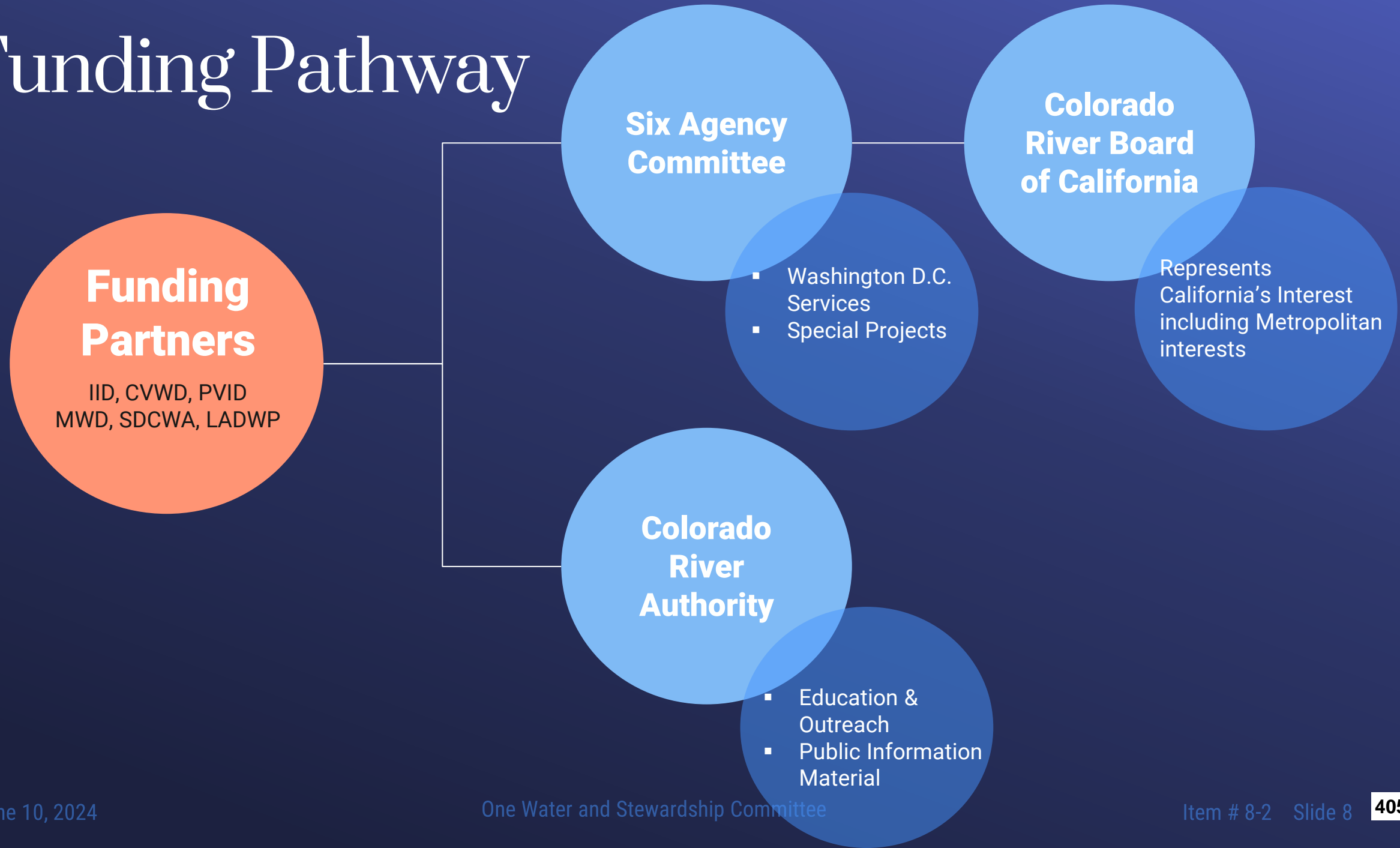


Background Information

Colorado River Board of California



Funding Pathway



FY 2024-25 Request

- Approval to pay fees of \$993,600
- Colorado River Board will consider approval of final FY 2024-25 budget on June 12, 2024

FY 2025-26 Request

- Approval to pay fees of \$1,023,408
- Colorado River Board will consider approval of final FY 2025-26 budget in June 2025

Options

Staff Recommendation

- Option #1

By a two-thirds vote, authorize two payments of up to \$993,600 for support of the CRB, SAC, and Authority for FY 2024/2025 and \$1,023,408 for FY 2025/2026.

- Option #2

Do not authorize payment of up to \$993,600 for support of the CRB, SAC, and Authority for FY 2024/2025 and \$1,023,408 for FY 2025/2026.





- **Board of Directors**
Legislation and Communications Committee

6/11/2024 Board Meeting

8-3

Subject

Authorize entering into a three-year contract with We Are RALLY, LLC for media placement services related to drought awareness and water conservation not to exceed \$10.5 million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

As Southern California faces increasingly variable weather and climate whiplash, staff proposes to continue paid advertising and outreach efforts that build upon a strong water conservation ethic within the region. In November 2023, staff initiated a request for proposals seeking multimedia and multilingual advertising services for a three-year agreement not to exceed \$10.5 million, resulting in 16 qualified candidate agencies. Staff conducted a competitive consultant selection process. Following the interview and analysis of three finalist agencies, staff recommends the Board authorize the General Manager to enter into a three-year agreement with We Are RALLY, LLC (RALLY) for multimedia advertising placement consulting services not to exceed \$10.5 million.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to enter into a three-year agreement with We Are RALLY, LLC for media placement and advertising consulting services not to exceed \$10.5 million.

Fiscal Impact: Funds not to exceed \$3.5 million per year are contingent on FY 2024/25 and 2025/26 board-approved biennial budget. Contract capacity for FY 2026/27 is \$3.5 million if needed, but expenditures will not exceed the funding provided in the future board-approved biennial budget.

Business Analysis: Sustained water conservation and climate change communication will help the region improve its water supply reliability, increase awareness of regional and local rebate programs, and highlight the value of a Southern California water-saving lifestyle. Media placements, strategic advice and research would focus on public messaging consistent with Metropolitan's strategic objectives to effectively market the region's conservation goals.

Option #2

Do not authorize the General Manager to enter into a three-year agreement with We Are RALLY, LLC.

Fiscal Impact: It is clear that Southern California's imported water supplies face unprecedented challenges due to increasingly extreme and variable weather exacerbated by climate change. Without paid conservation messaging, Metropolitan would miss opportunities to promote water efficiency programs that support the state's Making Conservation a California Way of Life legislation, which plays a critical role in managing available storage supplies.

Business Analysis: A summer campaign will launch during hotter, drier weather when conservation is more top-of-mind. Staff would seek direction from the Board on whether to re-bid for media placement services.

Re-bidding services would take two to four months and would delay a strong media campaign beyond summer months when demands peak.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District's Administrative Code Section 4210: Water Conservation. It shall be the policy of Metropolitan to undertake and support water conservation programs. To that end, Metropolitan may develop and implement such programs and enter into agreements with member public agencies and other organizations to make more efficient use of water resources through water conservation programs so long as such agreements serve a beneficial purpose of Metropolitan.

Related Board Action(s)/Future Action(s)

None

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4).)

CEQA determination for Option #2:

None required

Details and Background

Background

With Southern California experiencing extreme and dynamic weather conditions, Metropolitan continues to expand its outreach to promote water conservation and rebates. Metropolitan is completing the third year of its current \$10.5 million three-year agreement with media agency GP Generate, LLC, which successfully leveraged Metropolitan's investment with highly visible multimedia advertising buys and generated an estimated 2 billion media impressions. This included cost-efficient multilingual media buys across various television, outdoor, digital and radio platforms. External Affairs staff designed assets and scripted messaging unique to non-English speaking communities. Using in-house capacity provided cost efficiency by absorbing all creative design costs and allowing the full \$3.5 million budget to be directed toward media buys, saving an estimated \$6 million over three years. The in-house capabilities also allowed staff to shift messaging quickly in response to evolving drought and supply conditions, which became paramount as the region experienced more unpredictable weather patterns beginning in the winter of 2022.

Media buy strategies reflected nuanced messaging approaches while prioritizing hard-to-reach audiences and underrepresented communities throughout Southern California. Creative assets were developed and made available in seven different languages. Staff coordinated with the agency to place the outdoor advertisements in communities where the languages were predominantly spoken, reaching millions of residents. The campaigns also successfully engaged with hundreds of thousands of new and diverse online audiences through social media influencer partnerships and mobile gaming advertising. A multilingual television commercial produced entirely in-house by External Affairs staff captured the intricacies of climate change's impacts on regional hydrologic conditions and served as a reminder to conserve rain or shine.

In total, the awareness-based campaigns garnered nearly 2 billion impressions and 1 million visits to [bewaterwise.com](https://www.bewaterwise.com). The final campaign phase focused on digital and social media platforms ended in May 2024.

Recent polling led by External Affairs and Probolsky Research shows a strong public commitment to water efficiency and that conservation remains paramount for Southern Californians amid a changing climate. The survey found that a majority of residents are committed to doing more to conserve water as the region grapples with the intensifying impacts of climate change and growing water reliability concerns. With a hotter, drier future forecasted, communicating about water conservation remains an essential public service and operational necessity. The flexibility afforded by staff’s in-house capacities will allow Metropolitan to be flexible in messaging and maximize media buying strategies as water supply conditions continue to evolve. In preparation for future public outreach campaign buys, staff initiated a request for proposals seeking multimedia and multilingual advertising services for a new three-year agreement not to exceed \$10.5 million.

Water Conservation Advertising Budget

Funding for media placement services under this proposed agreement will come from current and future conservation program budgets since the advertising supports and helps facilitate the demand management program goals and objectives. Anticipated media platforms will include, but are not limited to television, radio, outdoor, print, Google search, and strategic advice, including research services. Funding not to exceed \$3.5 million for FY 2024/25 and FY 2025/26 will come from the Board-approved budget, and contract capacity will provide for expenditures not to exceed \$3.5 million for FY 2026/27, if needed and approved by the Board in the next biennium. Actual expenditures for conservation outreach in FY 2024/25 and FY 2025/26 would not exceed the Board’s approved biennial budget and will be determined, in part, based on water supply conditions and board direction. A portion of this funding will also be used for strategic input and research related to campaign performance and reaching diverse audiences and underrepresented communities. Staff will continue to carefully manage budget resources and report to the Board on conservation expenditures.

This funding will purchase media to promote Metropolitan’s water use efficiency goals and drive traffic to Metropolitan’s bewaterwise.com® website, Metropolitan’s primary online water-saving portal where consumers can find water-saving tips, education resources, member agency programs and access to Metropolitan’s conservation rebates. Research activities include focus groups, surveys, polling, and pre-and post-campaign assessments to determine quantifiable measures of success. Staff will also expand partnership opportunities with other agencies and negotiate for added value to maximize the reach of advertising and outreach.

FISCAL YEAR	CONTRACT CAPACITY Media planning and placement, strategic input, research
FY 24/25 July 1, 2024 – June 30, 2025	Up to \$3.5 million
FY 25/26 July 1, 2025 – June 30, 2026	Up to \$3.5 million
FY 26/27 July 1, 2026 – June 30, 2027	Up to \$3.5 million
	\$10.5 million

Evaluation Process

Sixteen firms responded to RFP-EA-436884. The proposals were evaluated by a five-member internal selection committee consisting of External Affairs and Water Resource Management. The evaluation criteria included qualifications and staffing; record of past performance, technical approach and methodology; draft media plans; environmental sensitivity; planned outreach to underrepresented communities and audiences; and small business representation. The three firms that received the highest cumulative scores were invited to interview on March 14, 2024. RALLY received the highest cumulative score from the selection committee in the review and interview processes. Based on the comprehensive review, the committee recommends RALLY be awarded the contract.

Introduction to We Are RALLY

RALLY is a Los Angeles-based issue-driven communications firm established in 2013 with offices in San Francisco, Seattle and New York City. With 75 percent women and a predominantly diverse staff, RALLY is also committed to working through a lens of diversity, equity and inclusion that influences the types of tactics and creative approaches they employ. The firm has served over 500 clients to date, from large foundations to small community-based organizations and public agencies, all seeking to raise awareness and drive action around important social challenges.

As part of this proposal, RALLY has partnered with three Small Business Enterprise agencies –Wonnacott Strategies, Lunia Blue Graphics and Probolsky Research – to enhance and leverage the media buying capacities for the Metropolitan. Wonnacott Strategies has more than a decade of experience in California’s water industry. Since 2018, Wonnacott has worked with Metropolitan’s External Affairs Group on in-house paid social media campaigns, and in 2021, Wonnacott provided Metropolitan with media buying services for a \$1 million conservation campaign as drought conditions intensified throughout the region. Wonnacott also served as program manager for the state’s multi-million dollar Save Our Water campaign from 2014-2018, which involved close coordination with the Association of California Water Agencies and the California Department of Water Resources. Lunia Blue is a full-service creative agency that served as the lead creative and media buying team for the Save Our Water campaign from 2016-2018. The Lunia team has cultivated strong partnerships within outdoor, radio, television, print, and digital advertising sources across California and specializes in hyper-targeted media buying strategies. Probolsky Research is a woman and Latina-owned firm specializing in multilingual market and opinion research with more than 400 surveys and 60 focus groups conducted for California water agency clients. The Probolsky team has extensive research experience in water, water policy, conservation, advertising, and behavioral change campaigns and has served as strategic advisors to hundreds of local, county, and statewide government agencies.

RALLY’s submission also provides an extremely cost-conscious approach with unparalleled access to essential inventory in Southern California’s in-demand and highly saturated media market through a direct partnership with iHeartMedia’s extensive radio, outdoor and digital network. This includes a first-of-its-kind Black Information News Network and an iHeartLatino division dedicated entirely to the diverse communities they serve. This caliber of access to in-language and culturally relevant media inventory will help Metropolitan reach historically underserved communities where they are. Cost-consciousness is further demonstrated through the agency’s tiered commission structure for this agreement, which is below the industry standard of 15 percent.

External Affairs staff proposes to work with RALLY to negotiate for cost-effective, high-value multicultural paid campaign buys supported by in-house creative design and development. RALLY, along with its agency partners, will provide significant value-added benefits for Metropolitan given its access to the extensive iHeartMedia network and experience in the regional marketplace. The campaigns will continue to be executed in multiple languages with outreach to community-based organizations, collaboration with member agencies on customized campaign-related resources and materials, and high-visibility outreach activities throughout the region. Staff will regularly update the Board on campaign creative activities and media buys and will provide performance reports.

Next Steps

With board authorization, staff will finalize the agreement with We Are RALLY, LLC and begin preparing Metropolitan's summer 2024 campaign media plan.



Sue Sims
External Affairs Group Manager
6/6/2024
Date



Adel Hagekhalil
General Manager
6/6/2024
Date

Ref# 12699233

Legislation & Communications Committee



Authorize entering into a three-year contract with We Are RALLY, LLC for media placement services

Item 8-3
June 10, 2024

Authorize
entering into
a three-year
contract
with We Are
RALLY, LLC
for media
placement
services

Subject

Approval to enter into a three-year agreement with
We Are RALLY, LLC

Purpose

To provide Metropolitan with multimedia placement
and consulting services

Background & Context

Request for proposals

- In November 2023, staff initiated a request for proposals to enter into a three-year multimedia placement services agreement not to exceed \$3.5 million annually.
- Recent polling shows a strong commitment to water efficiency and that conservation remains paramount for Southern Californians amid climate change.
- Surveys also found that residents want to know what businesses and government are doing for the region.

Scope of Work

Outlined in the request for
proposals

Purpose: Remain cost-conscious and nimble while prioritizing diverse and underrepresented audiences.

- Develop research-based media strategies
- Purchase cost-effective media buys
- Secure added value opportunities
- Conduct surveys and focus groups
- No creative design or development

Multimedia Placement Services

Budget

Board-approved & future

FISCAL YEAR	CONTRACT CAPACITY Media planning, placement, strategic input, research
FY 2024/25	Up to \$3.5 million*
FY 2025/26	Up to \$3.5 million*
FY 2026/27	Up to \$3.5 million
TOTAL	<u>Up to \$10.5 million</u> *Board-approved

Multimedia Placement Services

Evaluation Criteria

Outlined in the request for
proposals

Firm
Qualifications

Record of Past
Performance

Key Personnel
& Staff

Technical
Approach &
Methodology

Business
Outreach
Program

Multimedia Placement Services

Recommended Agency

The logo for RALLY, featuring the word "RALLY" in bold, black, sans-serif capital letters centered within a solid yellow rectangular background.

RALLY

We Are RALLY

Subcontractors: Wonnacott Strategies, Lunia Blue, Probolsky Research

- Proven record of past performance
- Past public and water agency experience
- Guaranteed added value opportunities
- Small business and minority-owned subcontractors

Multimedia Placement Services

Diverse Media Plan

Multimedia & multilingual



Television
Outdoor
Streaming audio
Experiential
Strategic advice

Radio
Print & digital media
Community-based
outreach
Search engine (Google)
Research

Next Steps

- Board approval to enter into three-year agreement
- Finalize agreement with RALLY
- Prepare media plan and strategy
- Launch new campaign media buys

Options

Option 1:

- Authorize the General Manager to enter into a three-year agreement with RALLY for media placement and advertising consulting services not to exceed \$10.5 million.

Option 2:

- Do not authorize the General Manager to enter into a three-year agreement with RALLY.

Staff Recommendation

- Option I





Finance and Asset Management Committee

Renewable Energy Proposal – Palo Verde Mesa Property

Item 8-5

June 11, 2024

Overview of Lease

Subject

- Authorize an option agreement with The AES Corporation, LLC, for a long-term lease of up to 6,742 acres of land in the Palo Verde Valley, California

Purpose

- For carbon-free energy production and storage purposes to increase revenues or reduce energy costs and be in alignment with Metropolitan's 2022 Climate Action Plan

Today's Board Action

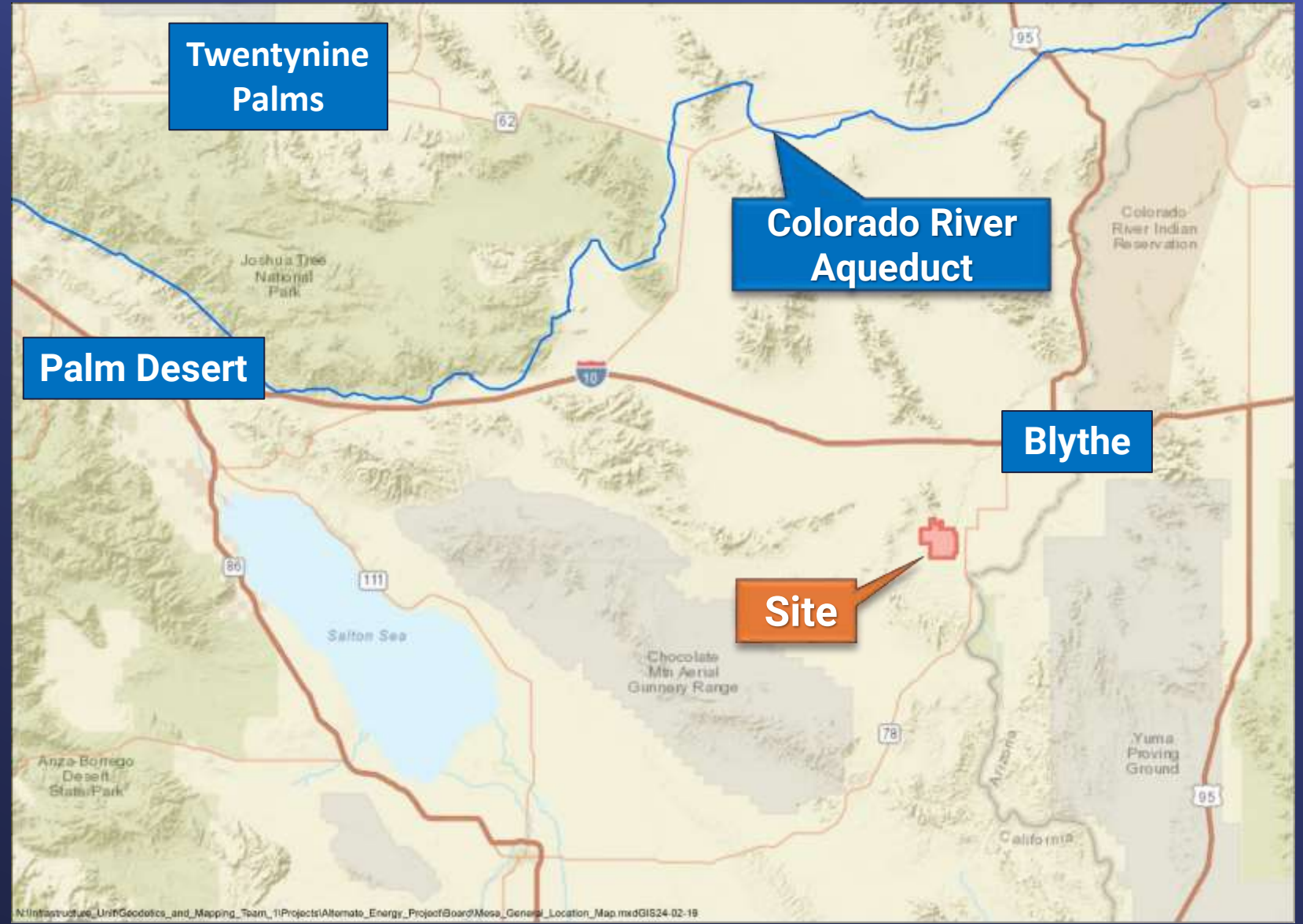
Agenda

- Open Session
 - Site Maps
- Closed Session
 - Address Questions raised in May closed session
 - Price and Terms of Option Agreement

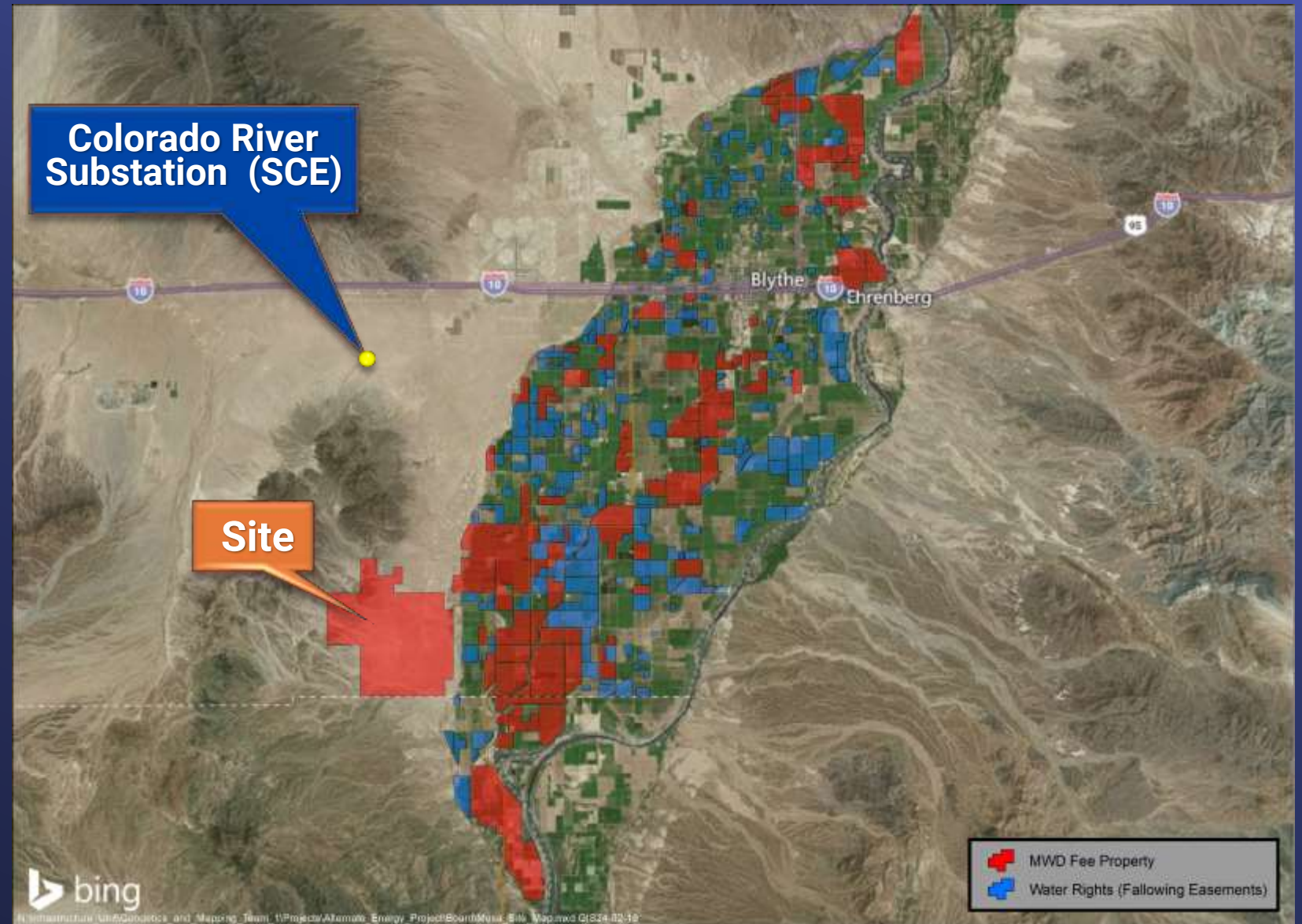
Service Area & CRA Map - PVID



General Location Map



Site Map



Board Actions

Today's Action

- Have the board review and approve the key terms of the option agreement in closed session after receiving updates on the negotiations and authorize execution by the General Manager.

Future Action

- In a future Board meeting, review the adequacy of the CEQA documents for the permitted project on the optioned lands.





Water Resource Management Group

• Report on Conservation Program

Summary

This report provides a summary of conservation activity and expenditures for April 2024.

Purpose

Informational

Detailed Report

Conservation Expenditures – FY2022/23 & FY2023/24 ⁽¹⁾

	Paid ⁽²⁾	Committed ⁽³⁾
Regional Devices	\$13.5 M	\$3.7 M
Member Agency Administered	\$10.7 M	\$4.0 M
Turf Replacement	\$44.1 M	\$19.6 M
Advertising	\$9.4 M	\$1.1 M
Other	\$4.1 M	\$1.6 M
TOTAL	\$81.8 M	\$30.0 M

(1) The Conservation Program biennial expenditure authorization is \$86 million.

(2) Paid as of 7/1/2022 - 4/30/2024. Financial reporting on cash basis.

(3) Committed dollars as of May 10, 2024

Summary of Expenditures in April 2024: \$2,723,861 ⁽¹⁾

Lifetime Water Savings to be achieved by all rebates in April 2024: 6,241 AF

FY2022/23-FY2023/24: 124,750 AF lifetime water savings



Turf Replacement Rebates:

April: 879,629 ft² replaced

FY2022/23-FY2023/24: 20,705,629 ft² replaced



Clothes Washers:

April: 882 units rebated

FY2022/23-FY2023/24: 21,316 units rebated



Smart Controllers:

April: 1,340 units rebated

FY2022/23-FY2023/24: 19,063 units rebated



Toilets:

April: 2,154 units rebated

FY2022/23-FY2023/24: 42,381 units rebated



Rain Barrels and Cisterns:

April: 129 units rebated

FY2022/23-FY2023/24: 4,396 units rebated



Sprinkler Nozzles:

April: 3,390 units rebated

FY2022/23-FY2023/24: 44,298 units rebated

(1) Expenditures may include advertising and Water Savings Incentive Program activity in addition to the incentives highlighted above.