

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 1

September 14, 2021

12:00 PM

Tuesday, September 14, 2021
Meeting Schedule

09:00 a.m. - L&C
10:30 a.m. - RP&AM
12:00 p.m. - BOD
12:30 p.m. - FNA

Agendas, live streaming, meeting schedules, and other board materials are available here: <https://mwdh2o.legistar.com/Calendar.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=a1RTQWh6V3h3ckFhNmduUWpKR1c2Zz09>

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

1. Call to Order

- 1.1 Invocation: Carmen Bermudez-Bracy, Principal Administrative Analyst, Business Outreach, External Affairs Group
- 1.2 Pledge of Allegiance: Director Smith, San Diego County Water Authority

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 expense

[21-432](#)

Attachments: [09142021 BOD 5A Report.pdf](#)

- B. Chairwoman of the Board Monthly Activity Report [21-475](#)
Attachments: [09142021 BOD 5B Report](#)
- C. General Manager's summary of activities [21-433](#)
Attachments: [09142021 BOD 5C Report](#)
- D. General Counsel's summary of activities [21-434](#)
Attachments: [09142021 BOD 5D Report - Revised](#)
- E. General Auditor's summary of activities [21-435](#)
Attachments: [09142021 BOD 5E Report.pdf](#)
- F. Ethics Officer's summary of activities [21-436](#)
Attachments: [09142021 BOD 5F Report](#)
- G. Presentation of 5-year Service Pin to Director Gloria Cordero, representing the city of Long Beach [21-437](#)

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

6. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the Adjourned Meeting for August 17, 2021 (Copies have been submitted to each Director) Any additions, corrections, or omissions [21-424](#)
Attachments: [Adj. BOD Aug 17 Approved Minutes](#)
- B. Approve Committee Assignments

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

7. CONSENT CALENDAR ITEMS - ACTION

- 7-1** Authorize an increase of \$185,000 to an agreement with Rincon Consultants, Inc. for a new not-to-exceed amount of \$1 million for services related to the preparation of a Climate Action Plan and CEQA documentation; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EO) **21-405**
- Attachments:** [09142021 EO 7-1 B-L.pdf](#)
[09142021 EO 7-1 Presentation.pdf](#)
- 7-2** Award an \$11,604,521 contract to Ameresco, Inc. for construction of battery energy storage systems at the Joseph Jensen and Robert A. Skinner Water Treatment Plants; and authorize increase of \$550,000 to an agreement with Stantec Inc. for engineering services for a new not-to-exceed total of \$1,450,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EO) **21-406**
- Attachments:** [09142021 EO 7-2 B-L.pdf](#)
[09142021 EO 7-2 Presentation.pdf](#)
- 7-3** Authorize an agreement with HDR Engineering, Inc., in an amount not to exceed \$635,000 for engineering design services to upgrade the 2.4 kV power line that serves the Black Metal Mountain communications site; the General Manager has determined that this proposed action is exempt or otherwise not subject to CEQA (EO) **21-407**
- Attachments:** [09142021 EO 7-3 B-L.pdf](#)
[09142021 EO 7-3 Presentation.pdf](#)
- 7-4** Express support for the 2021 California Resilience Challenge; and approve a financial sponsorship of \$200,000 to continue as a Resilience Leader and Steering Committee member; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA (WPS) **21-468**
- Attachments:** [09142021 WPS 7-4 B-L.pdf](#)
[09142021 WPS 7-4 Presentation .pdf](#)

- 7-5** Declare two parcels, totaling 1.25 acres, along the Val Verde Tunnels, in the unincorporated Mead Valley community within the County of Riverside, California, as surplus land and not necessary for Metropolitan's use and authorize staff to dispose of the properties; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA (RPAM) **[21-409](#)**

Attachments: [09142021 RPAM 7-5 B-L.pdf](#)
[09142021 RPAM 7-5 Presentation.pdf](#)

- 7-6** Authorize the General Manager to acquire up to 702 gross acres (up to 665 water toll acres) of property located in Riverside County in the Palo Verde Valley from Cox Family Farms, LLC, subject to a leased occupancy reservation; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **[21-411](#)**

[Conference with real property negotiators; property identified as Riverside County Assessor's Parcel Nos. 821-140-002 (a portion of); 821-140-007; 830-110-001 (a portion of); 830-110-002; 830-120-009; 836-031-007; 836-031-008; 863-120-005; 863-170-003; 863-170-009; 863-180-001 (a portion of); 863-180-002; 879-130-010; 879-130-011; agency negotiators: Jennifer G. Ryan and Seyou Oh; negotiating parties: Cox Family Farms, LLC and Coxco, LLC; under negotiation: price and terms; to be heard in closed session pursuant to Gov. Code Section 54956.8] (RPAM)

Attachments: [09142021 RPAM 7-6 Presentation.pdf](#)

- 7-7** Authorize an increase in the maximum amount payable under contract with Ryan & Associates for legal services related to general real estate and leasing law issues by \$100,000 to a maximum amount payable of \$200,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (LC) **[21-463](#)**

Attachments: [09142021 LC 7-7 B-L.pdf](#)

- 7-8** Report on existing litigation OHL USA, Inc. v. The Metropolitan Water District of Southern California, Los Angeles Superior Court Case No. 19STCV27689; and authorize increase of maximum amount payable under contract with Theodora Oringer PC for legal services by \$200,000 to an amount not to exceed \$1,100,000 (Approp. 154170); the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with legal counsel - existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)] (LC) **[21-415](#)**
- 7-9** Update and authorize the settlement of: (1) Imperial Irrigation District v. The Metropolitan Water District of Southern California, et al., Los Angeles Superior Court Case No. 19STCV01376 and California Court of Appeal Case No. B311674; and (2) Imperial Irrigation District v. The Metropolitan Water District of Southern California, Los Angeles Superior Court Case No. 0STCV46404; the General Manager has determined 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)] [Letter Added 9/8/2021] (LC) **21-465**

8. OTHER BOARD ITEMS - ACTION

None

9. BOARD INFORMATION ITEMS

- 9-1** Update on Conservation Program **[21-416](#)**
Attachments: [09142021 9-1 Report.pdf](#)
- 9-2** Information on a potential seasonal land fallowing pilot program with the Quechan Indian Tribe of the Fort Yuma Indian Reservation and farmers within the Quechan Indian Unit for 2022-2023 (WPS) **[21-417](#)**
Attachments: [09142021 WPS 9-2 B-L.pdf](#)
[09132021 WPS 9-2 Presentation.pdf](#)
- 9-3** Considerations for purchasing land which uses higher-priority Colorado River water supplies (WPS) **[21-418](#)**
Attachments: [09142021 WPS 9-3 B-L](#)
[09142021 WPS 9-3 Presentation.pdf](#)

- 9-4** Report on Rate Refinement Workgroup's Review of Demand Management Cost Recovery Alternatives (FI) [21-419](#)

Attachments: [09142021 FI 9-4 B-L.pdf](#)
[09142021 FI 9-4 Presentation.pdf](#)

- 9-5** Mid-cycle Biennial Budget Review (FI) [21-420](#)

Attachments: [09142021 FI 9-5 BL.pdf](#)
[09142021 FI 9-5 Presentation.pdf](#)

- 9-6** Update on fall and winter water conservation advertising and outreach campaign to be paid from board-approved conservation budget (CL) [21-470](#)

Attachments: [09142021 CL 9-6 B-L.pdf](#)
[09132021 CL 9-6 Presentation.pdf](#)

10. FOLLOW-UP ITEMS

None

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

NOTE:

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

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. (E&O, BF&I). Committee agendas may be obtained from the Executive Secretary.

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 Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

September 14, 2021 Board Meeting

Item 5A



Metropolitan Water District of Southern California Summary of Events

Attended by Directors at Metropolitan's Expense in August 2021

Date(s)	Location	Meeting Hosted by:	Participating Director(s)
August 13	Ontario, CA	Building Industry Association – Southern California Water Conference	Russell Lefevre
July 22	Monterey, CA	California Special Districts Association – 2021 Annual Conference	David DeJesus



● Chairwoman of the Board Monthly Activity Report – August 2021

Summary

This report highlights activities of the Chairwoman of the Board during the month of August 2021 on matters relating to The Metropolitan Water District of Southern California's business.

Monthly Activities

August 4

- Participated via teleconference with Metropolitan's Employee Resource Groups, Metropolitan's Bargaining Units, General Manager Hagekhalil, General Counsel Scully, Ethics Officer Salinas, and Metropolitan's Executive Management at Metropolitan's Diversity, Equity, and Inclusion Council meeting
- Participated via teleconference with Director Murray, Jr., General Manager Hagekhalil, and Ethics Officer Salinas to discuss the Shaw Law Group report
- Participated via teleconference with General Counsel Scully regarding matters of the Board

August 6

- Participated via teleconference with Assistant General Manager Kasaine regarding matters of the Board

August 9

- Participated via teleconference with Assistant General Manager Upadhyay regarding matters of the Board

August 11

- Participated via teleconference in West Basin Municipal Water District's MWD Caucus meeting
- Participated via teleconference with General Counsel Scully regarding matters of the Board

August 13

- Participated via teleconference in an introduction meeting with UK Department for International Trade, Juliana Naluwoza, Vice Consul, Head of Energy, Environment, & Infrastructure
- Participated via teleconference with General Counsel Scully regarding matters of the Board
- Participated via teleconference with San Diego County Water Authority Delegation Directors Hogan, Goldberg, and Smith to discuss matters of the Board

August 16

- Participated via teleconference with General Manager Hagekhalil regarding matters of the Board

August 17

- Participated via teleconference with General Counsel Scully regarding matters of the Board

August 24

- Participated via teleconference with General Counsel Scully regarding matters of the Board

August 25

- Participated via teleconference with General Manager Hagekhalil regarding matters of the Board

August 26

- Participated via teleconference in the California African American Water Education Foundation monthly board meeting

August 30

- Participated via teleconference with Vice Chairs Repenning, Kurtz, and De Jesus to discuss priorities of the Board
- Participated via teleconference with General Manager Hagekhalil regarding matters of the Board

August 31

- Participated via teleconference with General Counsel Scully regarding matters of the Board
- Participated via teleconference with General Manager Hagekhalil regarding matters of the Board



The GENERAL MANAGER Monthly Report

**Activities for the Month of
August 2021**

This report identifies the actions and activities taking place during the month that support the objectives of the General Manager's Fiscal Year 2020/21 Strategic Priorities and the Core Business of the GM's work groups.



Alfonso R. Ramirez, Team Manager and Jan L. Vu, Engineer
February 2020 Pre-COVID-19

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ADMINISTRATIVE SERVICES SECTION/CAO

CORE BUSINESS: Business Processes Advance value-added business process improvements to increase effectiveness and efficiency while striving for innovation, flexibility, and integration with technology.

Accomplishments

- Administrative Services takes great pride in the variety of support services it provides to Metropolitan. The table below represents a sample of the Section's efforts to complete support services in Fiscal Year of 2020-21.

Administrative Services Section Activity January 1, 2021 through June 30, 2021		
Task	Transaction Type	Number
Mailroom	Postage	13,550
	UPS/FedEx (Incoming/Outgoing)	798
Business Resource Center	Facility Related Requests Recieved:	602
	Furniture, Moves, Lighting	1422
	Operator Facilitated Calls	
Rideshare	Transit Reimbursements	62
	Average Electric Vehicle Participants	83
ECM	Network files migrated	1,961,548
Procurement	Purchasing Documents Executed (Standard P.O., Blanket, Master, Informal Quotes, Requests for Bids & Sole Source)	1526
Professional Servicesq	Professional Services Agreements Executed (RFP, RfQ, Gov Agency, Sole Sorce & Small Purchase)	52
Warehouse	Materials Transactions, Incoming & Outgoing	28,734
Reprographics	Imaging Services Jobs	Total Jobs: 191
	100% Average on-time completion	Total Impressions:437,476

- Administrative Services Mailroom staff partnered with Information Technology to prepare approximately 930 Federal Express shipping labels to quickly send Yubi keys to employees within Water System Operations.

The YubiKey is a hardware authentication device that adds another level of security when accessing Metropolitan's computers, networks and online services. This was a challenging, multi-departmental, fast-paced project that was successfully executed with precision teamwork.

- Document Services Imaging Services staff participated in an insightful visit to Canon Business Enterprise in Irvine, CA. The team was introduced to the latest innovative Canon line-up, from walk-up copiers to production printers as potential replacements to Metropolitan's current equipment. The Imaging Services team was able to print and see different types of equipment and learn about the trends in the printing industry.

BAY-DELTA INITIATIVES

GM STRATEGIC PRIORITY #1: Resiliency

Objective # 1 Pursue the development of adaptive management decision processes, governance, and funding mechanisms that would provide effective and stable means of meeting State Water Project (SWP) regulatory requirements.

Staff continued to participate in the collaborative groups called for in the 2019 Biological Opinions (BiOp) for the State Water Project (SWP) and Central Valley Project (CVP) and in the 2020 Incidental Take Permit (ITP) for Long-Term Operation of the SWP, to address science needs and inform management and operation of the water projects. In August, staff continued work with state and federal agencies to develop a Juvenile Production Estimate (JPE) for Spring-run Chinook salmon as a condition as required by the ITP. The group finalized the problem statement: “What is the best way to estimate juvenile production of spring-run chinook that supports different management needs (primarily measuring and managing take of spring-run) and permit requirements?” Current efforts are focused on developing objectives and performance metrics by having focused discussions of priorities for the group (e.g. costs, minimizing impacts to water project operation, and minimizing loss of fish when operating monitoring equipment) and specific metrics that can be used consistently to estimate and report the anticipated consequences of different monitoring alternatives to develop a JPE.

Staff also worked with state and federal agencies on development of a monitoring program for steelhead as a condition of the 2019 BiOp on Long-Term Operation of the CVP and SWP. The monitoring plan would encompass steelhead populations within the San Joaquin Basin and/or the San Joaquin River downstream of the confluence of the Stanislaus River, including steelhead and rainbow trout on non-project San Joaquin tributaries. The group is drafting an outline for the monitoring plan, discussing the spatial and temporal scope the plan will cover, and identifying required management actions that need to be monitored.

GENERAL MANAGER'S STRATEGIC PRIORITY #2: Sustainability

Objective # 1 Pursue completion of the planning and permitting process for the single tunnel Delta Conveyance Project (DCP).

Delta Conveyance

The California Department of Water Resources (DWR) is continuing to develop an Environmental Impact Report (EIR) under the California Environmental Quality Act.

DWR conducted the second of four technical webinars to inform the public and interested stakeholders about the current progress related to preparation of the Draft EIR. The second webinar was presented on August 3, 2021, and focused on fishery resources. The presentation included an overview and environmental setting, the fish species evaluated, migration patterns, fish life cycles, and methods being used for evaluating potential impacts. Upcoming webinars on climate change and environmental justice will continue to feature presentations from technical staff about the approaches, methodologies, and assumptions to be used in conducting impact analyses in the Draft EIR. All webinars are recorded and are available on DWR's website ([Informational Webinars \(ca.gov\)](https://www.water.ca.gov/informational-webinars)). Information about impact findings and specific mitigation measures is not available at this time but will be included in future outreach efforts following publication of the public Draft EIR.

BAY-DELTA INITIATIVES *continued*

Joint Powers Authorities

No Delta Conveyance Design and Construction Authority (DCA) meeting or affiliated DCA Stakeholder Engagement Committee meeting was conducted in August.

The Delta Conveyance Finance Authority met on August 19 and approved the investment policy for fiscal year 2021/22.

Objective # 3 Engage in planning and permitting activities for the Sites Reservoir.

In their August meetings, the Sites Project Authority Board (Authority Board) and the Sites Reservoir Committee (Reservoir Committee) accepted the Financial Auditor's Report, which found no significant or reportable findings. The anticipated August release of the Amended Draft EIR/Supplemental Draft Environmental Impact Statement is expected to be behind schedule because of additional review of the Aquatic Biological Resources chapter by the Reclamation and the California Department of Fish & Wildlife (CDFW). These efforts are expected to be completed in the coming weeks.

Objective # 4 Develop and execute land use strategies for the Delta Islands that are consistent with board policies.

Staff continued efforts to develop studies to assist in preserving Delta smelt and evaluating existing ponds on Metropolitan's Delta Island properties to assess the suitability of the ponds for Delta smelt research. Development of studies on Metropolitan's Delta Islands has received positive technical feedback from state and federal agencies involved in the Supplementation of Delta smelt. Board approval was directed to implement surveys to determine the suitability of conducting those studies on the Metropolitan Delta Islands. Staff also participated in a tour of Bouldin Island with Reclamation staff to discuss potential collaboration regarding Delta smelt supplementation, waterfowl, and salmon habitat.

GENERAL MANAGER'S STRATEGIC PRIORITY #3: Innovation

Objective # 1 Provide leadership through advancing scientific knowledge that promotes opportunities for the improvement of SWP supply reliability through the improvement and protection of estuarine processes, native species, and Delta ecosystem health.

A recent publication in the *San Francisco Estuary and Watershed Science* journal, titled "Use of the SmeltCam as an Efficient Fish-Sampling Alternative within the San Francisco Estuary," reported on a study funded by Metropolitan and other partners to evaluate the efficiency of a new fish-sampling device. The SmeltCam is an imaging apparatus developed as a potential sampling alternative to long-term trawling gear surveys within the San Francisco Estuary, to reduce handling stress on sensitive species like the Delta smelt. Researchers with the U.S. Geological Survey tested the efficiency of the SmeltCam by conducting trawls for Northern Anchovy as a surrogate for Delta smelt. They found that the SmeltCam had greater retention than traditional trawls and that turbidity did not affect the SmeltCam's retention efficiency.

Staff co-authored a paper with UC Davis researchers titled "Toxic Meals for Seabirds and Seals: Monitoring Mercury in the San Francisco Bay" in the *Frontiers for Young Minds* journal <https://kids.frontiersin.org/articles/10.3389/frym.2021.611288>. The article targets elementary- to high school-level readers and explores the risks of mercury to aquatic life in the San Francisco Estuary as well as to humans. Staff from External Affairs also contributed graphics for the article.

Staff also continued participating in the Collaborative Science and Adaptive Management Program (CSAMP), including participation on the Collaborative Adaptive Management Team (CAMT). At the August 17 meeting, CAMT discussions included a progress update on the Delta smelt Structured Decision-Making project, which included discussion of the

BAY-DELTA INITIATIVES *continued*

pre-feasibility analysis of potential Delta smelt management actions and identification of actions to carry forward to the next step to evaluate estimated effects of the actions. CAMT also received a progress report on the CDFW Fish Monitoring Survey Re-Design project. This project includes the evaluation of five long-term CDFW pelagic fish monitoring studies conducted in the Bay-Delta. The objective of the project is to improve utility and efficiency and reduce redundancy of the monitoring surveys. The Design Team conducting the evaluation integrated the datasets for the five monitoring studies and is in the process of analyzing catch efficiency, survey designs, and regional abundance calculations. The Design Team also developed three pilot study options to evaluate and modified sampling approaches for the 2021/22 Fall Midwater Trawl Survey. Staff is reviewing the Design Team progress report and coordinating with other water agencies to develop comments.

CORE BUSINESS RELIABILITY

Objective # 1 Provide analysis of key regulations and legislation that may influence SWP supply reliability, Bay Delta water quality and environmental health.

The U.S. Fish and Wildlife Service (USFWS) is currently conducting a Species Status Assessment (SSA) for the San Francisco Bay-Delta Distinct Population Segment of the longfin smelt, which will help inform their decision-making process under the Endangered Species Act. To support the SSA, USFWS held a workshop on August 27 to focus on new emerging longfin smelt science, address areas of scientific uncertainty, and foster expert elicitation that will help the USFWS and California Department of Fish and Wildlife complete the SSA with the most current scientific data and information. Staff participated in the workshop and provided input on Metropolitan's longfin smelt research that can be integrated into the SSA.

CHIEF FINANCIAL OFFICER

CFO STRATEGIC PRIORITY: Maintain Strong Financial Position.

Provide timely and discerning financial analyses, planning, and management to ensure that forecasted revenues are sufficient to meet planned expenses and provide a prudent level of reserves consistent with Board policy.

Objective #2 Manage risk to protect Metropolitan's assets against exposure to loss.

The Risk Management Unit completed 37 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits, and spills.

Risk Management completed 42 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events, and film permits.

CORE PRIORITY: Business Continuity

Facilitate district-wide planning and training to prepare employees and managers to effectively carry out critical roles and recover mission essential functions thus ensuring continuity of operations and resiliency in the event of a disaster.

Objective #1 Manage the Business Continuity Management Program in accordance with Operating Policy A-06.

- Continued working with the District on updates and approvals to Business Continuity Plans.
- Participated in the COVID-19 task force bi-weekly meetings, planning for return to work.
- Continued planning and design for Business Continuity exercises, using a cyber-attack scenario.
- Coordinated a business user test of critical applications in the new Disaster Recovery data center, scheduled to take place in September.

CORE BUSINESS: Financial Management

Manage Metropolitan's finances in an ethical and transparent manner and provide consistent, clear, and timely financial reporting. Update Metropolitan's capital financing plans and work with rating agencies and investors to communicate Metropolitan's financial needs, strategies, and capabilities thus ensuring Metropolitan has cost effective access to capital markets and the ability to finance ongoing future needs. In addition, actively manage Metropolitan's short-term investment portfolio to meet ongoing liquidity needs and changing economic environments.

Objective #1 Record and report the financial activities of Metropolitan in a timely, accurate, and transparent manner to the Board, executive management, member agencies, and the financial community.

- Water Transactions for July 2021 totaled 170.5 thousand acre-feet (TAF), which was 17.6 TAF higher than the budget of 152.9 TAF. This translates to \$155.7 million in revenues, which were \$12.5 million higher than the budget of \$143.2 million.
- In July 2021, Accounts Payable processed approximately 3,400 vendor invoices for payment and took advantage of about \$14,300 in discounts.

Objective #4 Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities, ensure cost-effective access to capital markets, and maintain long-term bond ratings of AA or better.

- On July 8, 2021, Metropolitan issued 98.41 million of Water Revenue Refunding Bonds, 2021 Series B, at a true interest cost of 0.85%. Projected debt service savings for this refunding were \$23.4 million. Proceeds refunded \$92.2 million of outstanding senior lien bonds, prepaid \$35.6 million of a Short-Term Credit Facility with the Royal Bank of Canada, and funded costs of issuance.

CHIEF FINANCIAL OFFICER *continued*

Objective #5 Prudently manage the investment of Metropolitan's funds in accordance with policy guidelines and liquidity considerations.

- As of July 31, 2021, Metropolitan's investment portfolio balance was \$1,255.2 million; for the month of July 2021, Metropolitan's portfolio managers executed 20 trades.
- During the month of July 2021, Treasury staff processed 1,073 disbursements by check, 26 disbursements by Automated Clearing House (ACH), and 116 disbursements by wire transfer. Treasury staff also processed 68 receipts by check, 31 receipts by ACH, and 55 receipts by incoming wires and bank transfers.

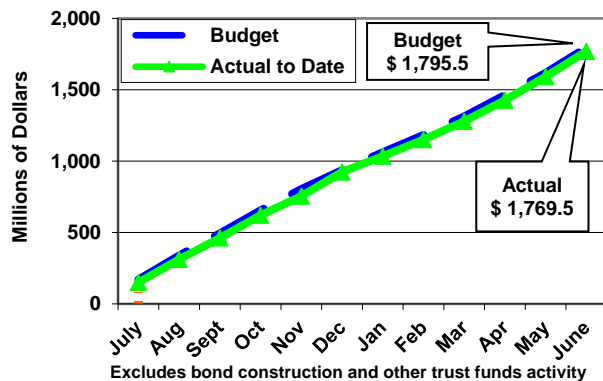
Financial Summary - Charts & Graphics

Receipts	Expenditures
O&M Expenditures	Construction Costs
Cash and Investments	Summary of Financial Statistics

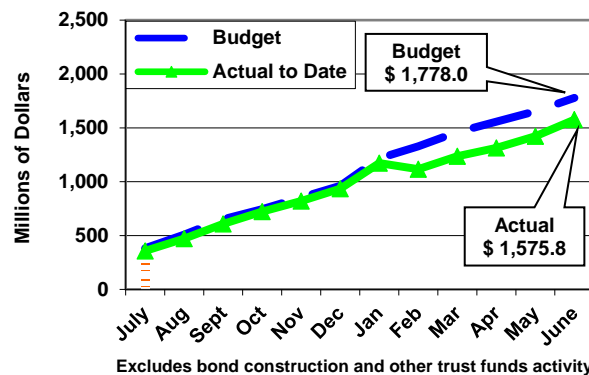
CHIEF FINANCIAL OFFICER *continued*

The actual balances reflected in the graphs below are preliminary until completion of the fiscal year 2021 financial audit in October 2021.

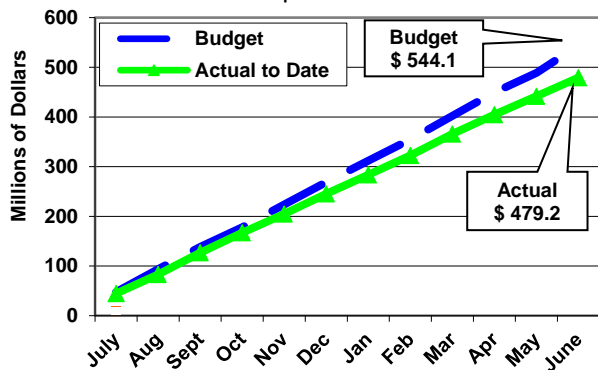
Revenues are \$26.0M under budget at year end primarily due to \$39.8M lower water revenues due to 26 TAF lower than budgeted water transactions and \$8.2M lower interest income, offset by \$20.9M higher tax revenue and \$6.0M higher other revenues.



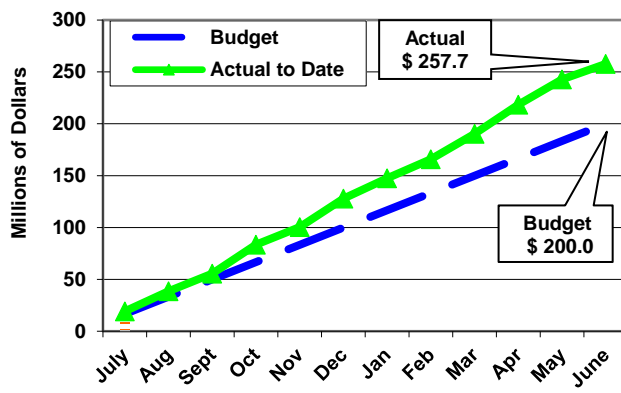
Expenses are \$202.2M under budget primarily due to \$94.0M lower State Water Contract costs, \$64.9M lower O&M costs (see O&M expenses table below), \$13.8M lower RRWPP costs, \$13.7M lower demand management costs, \$11.6M lower debt service costs, \$2.5M lower Supply Program costs and \$1.7M lower CRA power costs.



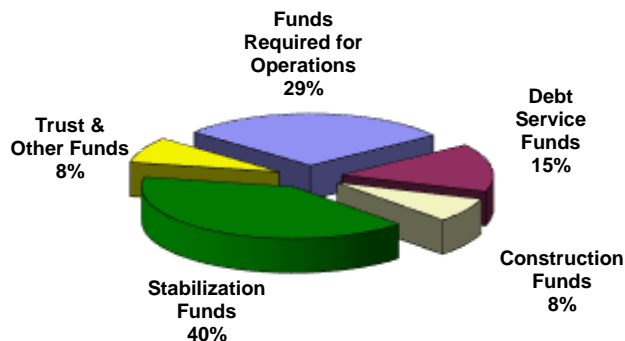
O&M expenses are \$64.9M under budget primarily due to lower than budgeted treated water transactions which resulted in lower variable treatment costs. In addition, professional services and other O&M costs are lower than budget primarily due to timing and the Sep-2020 Board approved cost containment measures to address the financial impacts of COVID-19.



Capital Program expenses are \$57.7M over budget as projects no longer experienced delays due to COVID-19 and additional work were completed during shut-down schedules.



Cash and Investments at Fair Value \$1,481.9 million



Summary Financial Statistics

	Target	Year-End Projected
Fixed Charge Coverage	≥ 1.20 x	2.22
Revenue Bond Coverage	> 2.00 x	2.02
Revenue Bond Debt / Equity Ratio	< 100.0%	55.5%

Senior Lien Revenue Bond Credit Ratings

	Target	Current
- Moody's Investors Service	Aa2	Aa1
- Fitch Ratings	AA	AA+
- Standard & Poor's	AA	AAA

ENGINEERING SERVICES

GM STRATEGIC PRIORITY #1: Enhance Infrastructure Safety, Security, and Resiliency

Objective #1: Manage and execute Board-authorized projects within the Capital Investment Plan (CIP) to ensure the reliable delivery of water to Metropolitan's member agencies.

Distribution System Reliability Program

This program maintains reliable water deliveries through specific repair and rehabilitation projects on Metropolitan's pipelines, reservoirs, and control structures. Recent activities include the following:

- **Lake Mathews Disaster Recovery Facility Upgrades**—This project makes structural upgrades to the building's roof and interior walls to resist seismic events; upgrades fire suppression system; constructs a new stormwater drainage line and retaining wall to ensure the stability of the nearby slope; and installs a building access system to permit the local firefighting agency to enter the facility. The contractor has completed the structural improvements to the building and will begin excavating for the retaining wall. Construction is 60 percent complete and is scheduled to be complete by October 2021.
- **West Valley Feeder No.1 Improvements Stage 3**—As the last stage of improvements along West Valley Feeder 1, this project adds new valve vaults at five locations along the pipeline alignment; replaces existing deteriorated valves; modifies air release/vacuum valve installations; and constructs an access road to the new vaults described above. Preliminary design was completed in August 2021. Final Design is scheduled to be completed by April 2022.
- **Orange & Riverside/San Diego County Operating Regions Valve Replacement**—This project replaces approximately 120 valves in the Orange, Riverside, and San Diego County distribution system areas, including high-pressure butterfly valves, combination air release vacuum valves, swing check valves, plug valves, air release valves, and globe valves. The first phase of valve installation by Metropolitan forces is planned to begin in Fall 2021.
- **Electrical Upgrades at 290 Structures in OC**—This project replaces deteriorated electrical components at 290 structures within the Orange County operating region. The electrical components need to be replaced to maintain safe working conditions and prevent the potential loss of flow and control data. Preliminary investigation is 50 percent complete and is scheduled to be complete by June 2022.

Prestressed Concrete Cylinder Pipe (PCCP) Reliability Program

This program was established to enhance the reliability of Metropolitan's water distribution system and to reduce the risk of costly emergency repairs of PCCP. The priority pipelines included in the program are the Second Lower Feeder, Sepulveda Feeder, Calabasas Feeder, Rialto Pipeline, and the Allen-McColloch Pipeline. A total of 100 miles of PCCP pipelines will eventually be relined with new steel pipe liners under this 20-year program. Recent activities include the following:

ENGINEERING SERVICES *continued*

- **Second Lower Feeder PCCP Rehabilitation**—This project rehabilitates the remaining 28 miles of PCCP segments within the Second Lower Feeder and will enhance delivery reliability to member agencies. Long-term rehabilitation of this pipeline is being staged over a period of eight to ten years, with multiple construction and procurement contracts. Final design of Reach 3, the westernmost portion of Second Lower Feeder, spanning approximately 4.7 miles through the cities of Lomita, Torrance, Los Angeles, and Rolling Hills Estates, is 97 percent complete and is scheduled to be completed by December 2021. Study efforts continue for Reach 9, an approximately 0.8-mile-long portion of the Second Lower Feeder in western Long Beach that crosses the Los Angeles River.
- **Second Lower Feeder Isolation Valve Procurement**—This fabrication contract provides 13 conical plug valves for the Second Lower Feeder PCCP rehabilitation. These valves, which range in diameter from 48 inches to 54 inches, provide primary isolation for maintenance activities, inspections, and repairs required to maintain reliable water deliveries within Metropolitan's distribution system. Fabrication of the first three 48-inch conical plug valves is 100 percent complete. Two valves were delivered for storage at La Verne on June 28 and 29, 2021. The final inspection of the third valve was completed on July 15, 2021, and the delivery date to Lake Matthews was updated from October 2021 to September 24, 2021. Fabrication of the first two 54-inch conical plug valves is 95 percent complete and are scheduled to be delivered in January 2022. Fabrication of five 54-inch conical plug valves is 25 percent complete and are scheduled to be delivered in October 2022.
- **Sepulveda Feeder PCCP Rehabilitation**—This project rehabilitates the remaining 35 miles of PCCP segments within the Sepulveda Feeder and will enhance delivery reliability to member agencies. Long-term rehabilitation of the Sepulveda Feeder will be staged over multiple years with multiple construction and procurement contracts. Final design of Reach 1 and Reach 2 will occur concurrently and are scheduled to be complete by February 2023. Reach 1 final design has started. A March 2022 Sepulveda Feeder inspection will determine the order of work on these two reaches. Preliminary design to rehabilitate the remaining reaches of the feeder continues.

Colorado River Aqueduct (CRA) Reliability Program

This program maintains the reliability of Metropolitan's CRA conveyance system. Recent activities include the following:

- **CRA Radial Gates Replacement**—This project replaces eight deteriorated radial gates along the aqueduct in two stages. The radial gates are used to dewater the aqueduct on an as-needed basis. Construction of Stage 1 to replace a radial gate at Eagle Mountain Pumping Plant is complete. Stage 2 work includes replacement of seven radial gates at seven facilities along the CRA. The contractor is completing the punch list contract work, including installation of new transformer containment pads at the Hinds pump plant. Construction of Stage 2 is 99.5 percent complete and scheduled to be complete by September 2021.
- **Gene Wash Reservoir Discharge Structure Rehabilitation**—This project replaces the existing deteriorated discharge valve and refurbishes the valve house and discharge structure at the base of the Gene Wash Reservoir dam. The contractor has completed installation of the temporary underwater device. The reservoir is now isolated from the discharge structure, the discharge tunnel has been dewatered, and the contractor is performing rehabilitation work. Construction is 58 percent complete and is scheduled to be complete by October 2021.
- **CRA Domestic Water Treatment System**—This project replaces the membrane filtration system and associated water treatment equipment at the five Colorado River Aqueduct pumping plants. Procurement of water treatment equipment is complete with expected deliveries in May 2022. Design of the installation contract is 98 percent complete and is scheduled to be completed by November 2021.



Gene Wash Reservoir Discharge Structure Rehabilitation—Draining the sluiceway to seat the isolation device

Treatment Plant Reliability Program

This program was initiated to maintain reliability and improve the operating efficiency of Metropolitan's water treatment plants through specific improvement projects. Recent activities include the following:

Weymouth Plant

- **Weymouth Chlorination System Upgrades**—This project expands the existing chlorine building to house additional chlorination feed equipment and instrumentation at the Weymouth plant. The chlorination system at the Weymouth plant is a critical component of the plant's disinfection process. The contractor is currently working on installing conduit and electrical panels in the existing maintenance shop, wire terminations, start-up activities, dry testing/commissioning of new chlorine system, and punch list items. Staff is performing field testing of the chlorine leak detection system and preparing for the 21-day wet chlorine system testing in mid-August 2021. Construction is 96 percent complete and is scheduled to be complete by November 2021.
- **Weymouth Water Quality Instrumentation Improvements**—This project will improve monitoring and rapid response to changing water quality conditions at the Weymouth plant. The contractor is currently performing MCC electrical, pump, and other equipment testing, punch list items, and termination of electrical equipment inside and outside of the building. Construction is 98 percent complete and is scheduled to be complete by September 2021.

Diemer Plant

- **West Basin and Filter Building Rehabilitation**—This project rehabilitates the west flocculation/sedimentation basins and filter building at the Diemer plant, including replacement of treatment basin equipment and filter valves, abatement of hazardous materials, and seismic strengthening of the filter building. Reliable operation of the flocculation, sedimentation, and filtration processes is essential for a surface water treatment plant to comply with its operating permit and produce water that meets federal and state drinking water regulations. The contractor has completed all work at the west basins and filters. Construction is substantially complete and final functional testing activities are scheduled to be complete this month.
- **Diemer Water Sampling System Improvements**—This project upgrades the existing Diemer water sampling system, comprising 13 sample locations, and will improve the accuracy and timeliness of collected data. At each location, the sample pump, piping, and field analyzers will be upgraded by Metropolitan staff. All materials and equipment have been procured for this project, and Metropolitan staff continues installation and commissioning activities for water quality field analyzers. Construction is 95 percent complete and is scheduled to be complete by November 2021.

ENGINEERING SERVICES *continued*

Jensen Plant

- **Jensen Electrical Upgrades, Stage 2**—This three-stage project upgrades the electrical system with dual power feeds to key process equipment to comply with current codes and industry practice and improves plant reliability and enhances worker safety. Stage 1 work is complete. Stage 2 improvements will upgrade Unit Power Controllers 7 and 9 and their associated motor control centers (MCCs) to support critical process equipment. The contractor completed commissioning of three new MCCs and continues to work on start-up and testing of the new irrigation system. Construction is 87 percent complete and is scheduled to be complete by August 2022.



Weymouth Water Quality Instrumentation Improvements—Pump start-up and testing

System Reliability Program

The System Reliability Program consists of projects to improve or modify facilities located throughout Metropolitan's service area in order to use new processes and/or technologies and improve facility safety and overall reliability. Recent activities include the following:

- **Headquarters Building Improvements**—This project provides seismic upgrades and other needed improvements to the Metropolitan Headquarters Building. Construction related to the original contract scope is substantially complete, pending exterior façade cleaning. The contractor continues to work on approved change order scope items such as the electrical work for the power door assist devices and UVC air disinfection system. Staff is working with the contractor to complete the change order work while the building remains lightly occupied. The anticipated completion date of this contract is in the first quarter of 2022.
- **Board and Committee Room Upgrades**—This project upgrades and enhances the reliability of the audio/visual (A/V) systems in the boardroom, three committee rooms and the rotunda at the Metropolitan Headquarters Building. Engineering Services, IT, and Facilities Management are working collaboratively on this technology replacement project. Installation of the A/V equipment has been included as a board-approved change order to the original Headquarters Building Improvement contract, described in the previous paragraph. The contractor has completed A/V equipment installation, commissioning, and user acceptance activities in the committee rooms and the boardroom. Construction is substantially complete, and all systems are fully operational, pending redundant network installations scheduled to be complete by December 2021.

ENGINEERING SERVICES *continued*

- **Headquarters Physical Security Upgrades**—This project implements comprehensive security upgrades for the Metropolitan’s Headquarters Building. These upgrades are consistent with federally recommended best practices for government buildings. This work has been prioritized and staged to minimize rework and impacts on day-to-day operations within the building. Stage 1 work enhances security related to perimeter windows and doors. Stage 2 improvements will provide security system upgrades inside the building with a focus on the main entry rotunda area, board room, executive dining lounge, and security control room. Stage 3 improvements will provide security system upgrades around the perimeter of the building. Construction of Stage 1 improvements is complete. Construction of Stage 2 improvements is 50 percent complete and is scheduled to be complete by January 2022. The contractor has completed electrical wiring for the security equipment, card reader, and camera installation, and is scheduled to begin cutover to the new security system. Stage 3 improvements are currently in the design phase and are scheduled to be complete by October 2021.
- **Headquarters Building Fire Alarm and Smoke Control System Upgrades**—This project upgrades the Metropolitan Headquarters Building fire life safety systems, which includes replacement of the fire detection and alarm system and HVAC system improvements for smoke control. The fire alarm and smoke control systems in the Metropolitan Headquarters Building provide detection, notification, and control of building functions so that occupants and visitors can safely exit in the event of a fire. The contractor is continuing installations of the electrical closet, fire alarm riser, the Emergency Radio Responder System, and replacement of wallpaper with paint in the elevator lobbies. Construction is 21 percent complete and is planned to be complete by February 2023.



Headquarters Building Improvements—New emergency phone on parking level P-1

ENVIRONMENTAL PLANNING SECTION/CAO

GM STRATEGIC PRIORITY #1: Resiliency

Objective #1 Provide planning, California Environmental Quality Act (CEQA)/National Environmental Policy Act (NEPA), and regulatory permitting support for programs and projects that focus on infrastructure reliability and redundancy.

Colorado River Aqueduct (CRA) Projects

- Received draft Streambed Alteration Agreement (SAA) from California Department of Fish and Wildlife (CDFW) and final Waste Discharge Requirements (WDR) permit from Regional Water Quality Control Board (RWQCB) for the CRA Conduit Structural Protection Project.
- Executed professional services agreement for environmental planning support and preparation of the Program Initial Study/Mitigated Negative Declaration (IS/MND) for the District Housing and Property Improvements Program.

Foothill Feeder

- Coordinated with the Mountains Recreation and Conservation Authority regarding the Implementation Plan and agency approvals for permit mitigation at the Stickleback River Ranch conservation site.

Prestressed Concrete Cylinder Pipe (PCCP) Reliability Program

- Completed 60 percent design review for the Valve Storage Building at Lake Mathews.
- Submitted Revegetation Plan to CDFW, U.S. Fish and Wildlife, Nature Reserve of Orange County and other stakeholders for the PCCP Allen McColloch Pipeline Urgent Relining.

Weymouth Basins 5-8 Rehabilitation

- Reviewed draft Addendum No. 1 to the 2015 Weymouth Environmental Impact Report (EIR) for minor modifications to the Weymouth Basins 5-8 Project.

Objective #2 Emphasize employee development and recruitment, knowledge capture, cross-training, management/leadership training, and succession planning.

Webinars attended by staff:

- California Association of Environmental Professionals (AEP) Annual Conference
- Power Operations and Planning Part 1: Metropolitan's "New Normal" in the CAISO Marketplace Best Practices for Linear Construction Migratory Bird Act Compliance Confirmation

GM STRATEGIC PRIORITY #2: Sustainability

Objective #2 Provide planning, CEQA/NEPA, and regulatory permitting support for projects and activities that address the challenges of sustainability, including aging infrastructure, contaminants of concern, and affordability of water supplies.

Delta Conveyance Project

- Reviewed and commented on Administrative Draft EIR sections.

Regional Recycled Water Program (RRWP)

- Evaluated submittals to the Request for Proposal (RFP) for Environmental Planning Support Services.
- Attended community briefings to support public outreach.

ENVIRONMENTAL PLANNING SECTION/CAO *continued*

Objective #3 Continue to actively manage Metropolitan's more than 30,000 acres of conservation lands through cooperative relationships with public agencies and non-governmental conservation organizations to promote sustainability of reserve resources.

Lake Mathews Multiple Species Reserve

- Conducted Stephens' kangaroo rat (SKR) monitoring in the northern section of the reserve; results indicated higher species populations in areas subject to more intensive habitat management activities.
- Continued mapping invasive vegetation (i.e., tree tobacco and castor bean) and entered data/areas to be treated into a geodatabase for future reference and planning purposes.

Southwestern Riverside County Multi-Species Reserve

- Conducted weed abatement activities in SKR habitat areas and fire management activities at various locations.
- Coordinated with San Diego Zoo biologists on SKR research.
- Conducted vegetation and habitat maintenance at the Tualota Creek restoration site.

Objective #4 Develop a Climate Action Plan (CAP) and prepare CEQA documentation to be used to offset greenhouse (GHG) emissions from future construction projects. Identify new and continuing conservation efforts for the purpose of reducing future GHG reductions, as well as highlighting Metropolitan's effort to achieve those reductions, and develop a tracking methodology to ensure Metropolitan is meeting its goal.

- Planned outreach and peer review effort.
- In coordination with Administrative Services and WSO Safety and Regulatory Services sections, drafted the Zero and Near-Zero Emissions Fleet Infrastructure Capital Improvement Program RFP.

GM STRATEGIC PRIORITY #3 Innovation

Objective #1 Pursue programmatic CEQA and regulatory permitting efforts for operations and maintenance activities throughout Metropolitan's service area to streamline clearances for capital projects and O&M activities.

Desert Programmatic Permitting

- Met with ESG staff to discuss potential programmatic permitting for the desert region through the CRA Erosion Protection Project.

Surface Mining and Reclamation Act (SMARA) Compliance

- Reviewed Administrative Draft IS/MND.

Objective #3 Partner and collaborate with regulatory and resources agencies, as well as other public agencies and external organizations, to build relationships and expedite/streamline environmental authorizations and clearances for Metropolitan projects.

- Continued participation in a series of meetings to develop the Joint Powers Authority agreement for the Upper Santa Ana River Habitat Conservation Plan (HCP).
- Continued working with CDFW management to execute a new agreement for dedicated staff resources to expedite execution of SAAs for Metropolitan projects.
- Requested assistance from Bureau of Land Management to remove and relocate burros from CRA facilities.

ENVIRONMENTAL PLANNING SECTION/CAO *continued*

CORE BUSINESS: Regulatory Compliance

Objective #1 Provide timely and professional environmental planning services and CEQA and regulatory permitting support to ESG, WSO, WRM, External Affairs, and Real Property groups.

Engineering Services

- Provided support to ESG Technical Control Team on the Project Design Deliverables Checklist.
- Provided design phase support for:
 - Black Metal Mountain 2.4 kV Electrical Rehab
 - CRA 69kV and 230kV Transformers Replacement
 - CRA Delivery Line Rehabilitation
 - CRA Erosion Protection
 - CRA Mile 12 Flow Monitoring Station Upgrades
 - CRA Overhead Cranes
 - CRA Pump Plant 2.3 kV and 480V Rehab
 - Copper Basin Access Road and Discharge Valve Repair
 - Foothill Hydroelectric Power Plant Seismic
 - Garvey Reservoir Rehabilitation Project
 - Gene Wash Discharge Valve Rehabilitation
 - Jensen Ozone Power Supply Units Replacement
 - Lake Perris Seepage
 - Lake Mathews Electrical Upgrades and New Pressure Control Structure
 - Perris Valley Pipeline
 - San Gabriel Tower Seismic Upgrades
 - Santa Monica Feeder Cathodic Protection
 - Sepulveda-East Valley Feeder Interconnection
 - Service Connection P-05
 - Service Connection Sepulveda Feeder WB-23A
 - Video Room Renovation at Union Station
 - Western San Bernardino Right-of-Way Infrastructure Protection Program
 - Weymouth Administration Building Seismic Upgrades
 - Weymouth Basin 5-8 Rehabilitation
- Provided construction phase support for:
 - CRA 6.9kV Cable Replacement
 - CRA Overhead Cranes Replacement
 - CRA Discharge Line Isolation and Couplings Repair Projects
 - Gene Wash Reservoir Discharge Valve Replacement
 - Garvey Reservoir Permanent Drainage and Erosion Control Project

Water System Operations

- Provided CEQA analysis and environmental planning support for the following WSO projects:
 - Cajalco Creek Dam and Detention Basin—Lake Mathews Annual Routine Maintenance
 - CRA Fan Hill and Thousand Palms Access Road Erosion Repairs (see photo)
 - CRA MM 128.16 Sodium Hypochlorite Injection Site Tanker Pad Construction (see photo)
 - Diemer Treatment Plant Erosion Repair (adjacent to Gardenia Reservoir)
 - Etiwanda Feeder Long-Term Maintenance
 - Fan Hill Erosion Repairs
 - Iron Mountain Wind Break and Erosion Control
 - Lake Mathews Seepage Line Maintenance
 - Lower Feeder Asphalt Repairs
 - Rialto Feeder Long-Term Maintenance
 - Palos Verdes Reservoir Dewatering
 - Santiago Lateral Patrol Road Maintenance
 - Sepulveda PCS Slope Clearance Lower Area
 - Upper Feeder Clearing Under 15 Freeway
 - Upper Feeder Leak Repair
 - Conducted routine environmental monitoring for maintenance activities in the desert region
 - Conducted biological resources assessment and monitoring for the dewatering of Inland Feeder (IF) for Department of Water Resources-led IF valve replacement



Environmental Planning provided surveys and monitoring in support of repairs resulting from storm damage and erosion on the access road to Fan Hill and Thousand Palms siphons along the CRA.



First desert tortoise observation by Metropolitan this year on August 3, 2021, at CRA MM 128. As a result of the drought, tortoises are emerging from their burrows later in the season than normal.

External Affairs

- Provided staff to participate in an Association of California Water Agencies (ACWA) working group regarding the petition to list steelhead trout under California Endangered Species Act and its impacts on Metropolitan operations.

External Reviews

- Reviewed 17 notices for external projects and prepared comment letters for those that may affect Metropolitan facilities and/or operations.
- Provided review and coordinated responses for the following two Federal Register notices that may affect Metropolitan facilities and/or operations:
 - Economic Analysis for Proposed Regulations Governing the Take of Migratory Birds
 - Endangered and Threatened Wildlife and Plants; Foreign Species That Are Candidates for Listing as Endangered or Threatened

Legislative Support

- Clarified language in Metropolitan-sponsored AB 442 to ensure SMARA cost containment.
- Monitored status of pending state and federal legislation; provided legislative analysis for state bills AB 223, AB 1183, and AB 442, and federal bills H.R. 972 and H.R. 803.

Real Property Support

- Provided CEQA analysis and determinations in support of five real property agreements.

EXTERNAL AFFAIRS

EXTERNAL AFFAIRS PRIORITY: Advance Initiatives to Educate and Inform the Public, Elected Officials and Stakeholders on Water Supply Conditions and Important Water Management Decisions.

External Affairs will develop and maintain relationships with the public, legislative leaders, government officials, non-governmental organizations, and other stakeholders, and implement effective and diverse communication and outreach strategies on the value of water, current water supply conditions, innovative strategies to address current and future challenges, and the importance of Metropolitan actions and leadership to promote stewardship, planning and investments to benefit the region.

Objective #1 Recognizing there is a new normal that is directly impacting California water conditions driven, in part, by more volatile supply conditions due to climate change, and informing key stakeholders, news media, businesses and the public on the need for sustained conservation actions, support for new water supply projects and continued investment in imported water systems to maintain water supply reliability and protect the environment.

Media and public response to drought conditions continued at a high level in response to the emergency declaration by Gov. Newsom, shortage announcement for the Colorado River system, and Metropolitan's response to current water supply conditions. Interviews included:

- KTLA-TV's Gene Kang and KNX-AM 1070 reporter Donald Morrison interviewed GM Hagekhalil regarding Colorado River shortage declaration and impacts on Southern California.
- Al Arabiya News Channel interviewed GM Hagekhalil on drought conditions.
- Live interview with NBC4-TV and GM Hagekhalil on Water Supply Alert.
- Arizona Daily Star reporter Tony Davis and Desert Sun reporter Janet Wilson spoke with Colorado River Resources Manager Hasencamp regarding Colorado River issues and ongoing state/tribal negotiations.
- Spanish language coverage included separate interviews with Univision reporter Gabriela Teissier for "Al Punto California," CNN en Espanol's Liliana Escalante, KMEX34's Julio César Ortiz, and Telemundo reporters Maria Paula Ochoa and Erika Flores.
- San Diego Union Tribune NewsFix podcast with AGM/COO Upadhyay on Water Supply Alert.

A press conference announcing Metropolitan's declaration of a Water Supply Alert was attended by more than a dozen news organizations including the Los Angeles Times, KNBC-TV Channel 4, KABC-TV Channel 7, KCBS-TV Channel 2/KCAL-TV Channel 9, KTLA-TV Channel 5, Fox11 News, Telemundo, La Opinion, and KNX-AM and KFI-AM. The press conference, which featured GM Hagekhalil, AGM/COO Upadhyay, Colorado River Resources Manager Hasencamp, and WRM Water Efficiency Manager McDonnell, was streamed live on Facebook with supporting posts on social media platforms. (August 17)



Press Conference and Media Coverage on Water Supply Alert Announcement, Drought Conditions

EXTERNAL AFFAIRS *continued*

Chairwoman Gray authored an opinion piece, “15% Solution, Use Water More Wisely” that ran in the Long Beach community Gazette newspapers. (August 9)

GM Hagekhalil participated in a panel discussion for the Sacramento Press Club event, “California’s Forever Drought,” with Secretary of the California Department of Food and Agriculture Ross, Westlands Water District General Manager Birmingham, and State Water Contractors General Manager Pierre. (August 25)

Metropolitan launched its new conservation advertising and outreach campaign on social and digital media, out of home (billboards and transit), radio, and print. The campaign features new creative assets in English, Spanish, and Chinese languages with placements throughout Southern California. Messaging was informed by input from member agencies and research, including a poll conducted in the service area.



Sample of new water conservation assets for summer advertising campaign

EXTERNAL AFFAIRS *continued*

CORE BUSINESS: Legislative, Communications, Community Relations, Public and Business Outreach

Engage the public, labor, business community, agriculture, government leaders, non-governmental organizations and other stakeholders in California's water issues, communicating Metropolitan's interests and Board-adopted policies through federal and state legislative strategies, multimedia and multi-cultural communications, and educational and other outreach programs. Inform the public about Metropolitan projects, facilities, operations and initiatives to gather input and support, foster competitive and diverse business opportunities, and facilitate innovation and technology sharing.

Objective #1 LEGISLATIVE SERVICES - Develop and implement local, state and federal legislative and regulatory strategies consistent with Board-adopted policies. Promote interaction between Metropolitan leadership and various stakeholders, including elected officials, to facilitate support for and garner greater understanding of water policy issues.

Federal

Metropolitan staff continues to advocate for a new Bureau of Reclamation program to fund large-scale water recycling projects. The Senate bipartisan infrastructure bill, H.R. 3864: The Infrastructure Investment and Jobs Act, provides \$450 million over the next five years for this new program. Additionally, \$550 million for Reclamation's Title XVI water recycling program brings the total water recycling investment to \$1 billion. The bill passed the Senate on August 10 and now awaits a vote in the House of Representatives.

State

Metropolitan organized a coalition of water agencies, business, labor, and environmental groups to send a letter to the Governor and legislative leadership requesting \$1.3 billion over the next three years for water use efficiency rebates and investment in climate resilient water infrastructure. The letter emphasized that, while Southern California is not part of the drought emergency, thanks to sound investments in storage and water use efficiency, the region can do more to conserve with equitable access to state drought relief funding.

As the first year of the two-year session closes, most bills are now awaiting passage by the entire Senate or Assembly. Metropolitan's sponsored bill, AB 442 (Mayes, I-Rancho Mirage) passed out of Senate Appropriations and is on the Senate Floor awaiting a final vote. Other priority bills SB 626 (Dodd, D-Napa): Department of Water Resources: procurement methods is on the Assembly Floor. SB 559 (Hurtado, D-Fresno): Department of Water Resources: conveyance systems: Canal Conveyance Capacity Restoration Fund is scheduled to be heard in Assembly Appropriations. The legislation to amend the Brown Act, AB 361 (Rivas, D-Hollister), which would allow the continuation of virtual meetings during a state-declared emergency, is on the Senate Floor.

Local

GM Hagekhalil was the featured speaker at a MWDOC Board workshop where he shared his vision of One Water and his views on regional reliability and resilience. (August 4)

Metropolitan sponsored the Building Industry Association's annual Southern California Water Conference. AGM/COO Upadhyay was an invited panelist and discussed water supply conditions, water recycling, conservation, and innovation. (August 13)

GM Hagekhalil spoke at a breakfast hosted by the Upper District for the San Gabriel Valley water community. More than 50 city, business, mutual, wholesale, and Metropolitan member agency representatives were introduced to the GM, who shared his thoughts on challenges and possible solutions to supply concerns faced by Valley purveyors. (August 18)

Directors Luna, Quinn, and Repenning attended the Los Angeles Business Council's Sustainability Summit event. The event recognized the Los Angeles Department of Water and Power's LA100 study, which provides a roadmap to zero emissions by 2035. (August 18)

EXTERNAL AFFAIRS *continued*

Resource Planning Team Manager Polyzos presented Metropolitan's drought preparedness to the Los Angeles County Business Federation (BizFed) Water Committee. (August 25)

Metropolitan staff participated in or attended webinars and events throughout the service area with chambers of commerce, business associations, councils of governments, and public affairs networks including:

- South Bay Association of Chambers of Commerce Board and Government Affairs Committee (August 3)
- Manhattan Beach Chamber of Commerce Legislative Affairs Committee (August 3)
- Southern California Contractors Association Legislative Committee (August 3)
- Westside Councils of Chambers of Commerce (August 4)
- Glendale Chamber of Commerce Business Advocacy/Legislative Review Committee (August 5)
- Oxnard Leadership Steering Committee (August 5)
- LAX Coastal Chamber of Commerce Public Policy Committee (August 5)
- Los Angeles County Business Federation Advocacy Committee (August 5)
- Santa Monica Chamber of Commerce Government Affairs Committee (August 5)
- Glendora Chamber Legislative Action & Economic Development Committee (August 5)
- Regional Chamber of Commerce—San Gabriel Valley, Government Affairs Committee (August 9)
- SGVCOG Water Committee & Water Technical Advisory Committee (August 10)
- Los Angeles Area Chamber of Commerce Government & Fiscal Affairs Committee (August 10)
- Palos Verdes Peninsula Chamber of Commerce Legislative Affairs Committee (August 10)
- Association of Water Agencies of Ventura County Water Symposium Steering Committee (August 10)
- VICA Environment, Energy, Municipal and Utility Committee (August 11)
- Construction Managers Association of America, Southern California Chapter Meeting (August 11)
- South Orange County Economic Coalition (August 11)
- Los Angeles Area Chamber of Commerce Pancakes & Politics with Los Angeles City Council President Martinez (August 12)
- Los Angeles Business Council Energy & Environment Committee (August 12)
- Central City Association Executive Member meeting with Los Angeles County Supervisor Mitchell (August 12)
- Beverly Hills Chamber of Commerce Government Affairs Committee (August 12)
- Upland Chamber of Commerce, Legislative Advocacy Committee (August 12)
- Long Beach Chamber of Commerce Government Affairs Committee (August 12)
- Building Industry Association of Southern California Annual Water Conference (August 13)
- Los Angeles Area Chamber of Commerce ACCESS Sacramento with State Treasurer Ma (August 16)
- El Segundo Chamber of Commerce Government and Military Affairs Committee (August 16)
- United Chamber of Commerce of the San Fernando Valley Governmental Affairs Committee (August 16)
- Southern California Water Coalition Task Force (August 16)
- Orange County Taxpayers Association Meeting (August 17)
- Association of Water Agencies of Ventura County Water Issues Committee (August 17)
- Valley Industry and Commerce Association Sacramento Advocacy Day (August 17)
- Ventura County California Women for Agricultural (August 17)
- BIZFED—Leadership Roundtable with Senator Allen (D-Santa Monica) (August 18)
- Valley Industry and Commerce Association Governmental Affairs Committee (August 18)
- Coalition of Labor, Agriculture, and Water Committee (August 18)
- Association of California Cities Orange County Energy, Environment, and Water Committee (August 18)
- SGVCOG Energy, Environment, and Natural Resources Committee (August 18)
- San Gabriel Valley Legislative Coalition of Chambers (August 18)

EXTERNAL AFFAIRS *continued*

- San Gabriel Valley Council of Governments Board (August 19)
- Anaheim Chamber of Commerce Government Affairs Council (August 19)
- United Chambers of Commerce of the San Fernando Valley Board (August 23)
- West Ventura County Business Alliance Board (August 24)
- Redondo Beach Chamber of Commerce Government Affairs Committee (August 24)
- Gateway Chambers Alliance Board (August 24)
- San Gabriel Valley Public Affairs Network (August 24)
- San Gabriel Valley Economic Partnership Legislative Committee (August 25)
- Construction Industry Coalition on Water Quality Committee (August 25)
- City of Torrance Water Commission (August 25)
- Simi Valley Chamber of Commerce Legislative Affairs Committee (August 25)
- Valley Industry and Commerce Association Board (August 25)
- Huntington Beach Chamber of Commerce Government Affairs Committee (August 25)
- Association of Orange County Legislative Affairs Committee (August 26)
- Harbor Association of Industry and Commerce Government Affairs Committee (August 26)
- BIZFED Leadership Roundtable with Representative Lieu (D-Los Angeles) (August 26)
- Los Angeles Area Chamber of Commerce ACCESS Los Angeles (August 26)
- West Ventura County Business Alliance Board (August 26)
- Los Angeles Area Chamber of Commerce Economic Briefing (August 26)
- South Orange County Economic Coalition (August 27)

Objective #2 MEDIA AND COMMUNICATIONS - Communicate Metropolitan's policy priorities, actions and initiatives through various means to raise public awareness, enhance Metropolitan's visibility and cultivate support for Metropolitan priorities. Update and develop new communications tools, materials and platforms to ensure Metropolitan information reaches diverse audiences throughout its service area in a cost-effective, timely, relevant manner that reflects current communications trends.

Website

The completely redesigned mwdh2o.com website was launched, featuring a modern, clean look that offers a mobile-friendly, user-centered approach with enhanced engagement tools, interactive tours, multiple language capabilities, and full ADA compliance.



English and Spanish language home pages. Site is also available in 14 other languages

EXTERNAL AFFAIRS *continued*

- Received more than 32,000 views on mwdh2o.com, with careers pages among the most popular.
- Generated more than 26,000 views on bewaterwise.com, with the turf replacement and California Friendly and native plant profiles the most visited pages.

Interviews

In addition to the media interviews directly related to the Colorado River shortage declaration and Board's water supply alert action, the following interviews also occurred:

- Coordinated background interview with freelance writer Annie Osburn of Grassroots Research and WRM Imported Supply Manager Safely on proposed Cadiz project.
- Set up interview with Governing magazine reporter Carl Smith regarding Regional Recycled Water Program and the role water recycling will play in meeting regional water demands in the future.
- Coordinated background meetings/interviews with Los Angeles Times reporter Julia Wick and GM Hagekhalil, Colorado River Resources Manager Hasencamp, Bay-Delta Initiatives' Arakawa, WRM Resource Planning Manager Polyzos, and Water System Operations' Treatment Manager Collins to provide general background information on California water issues.
- Arranged interview with Las Vegas Review-Journal reporter Blake Apgar and Colorado River Resources Manager Hasencamp regarding system conservation agreement between Lower Basin partners and Palo Verde Irrigation District.
- Coordinated interview with New York Times California Today reporter Jill Cowan and GM Hagekhalil on current water supply conditions, Metropolitan actions to promote drought resiliency and conservation, and other general background information.
- Live interview on GoodDay LA with WRM Water Efficiency Manager McDonnell on water conservation tips and Metropolitan rebates.
- Scheduled interview with UCLA Blueprint magazine and WRM Group Manager Coffey on RRWP, coastal desalination, and water supply conditions.

Press Releases

- Issued press release on release of Shaw Law Group's independent report on allegations of workplace harassment, discrimination, and retaliation at Metropolitan.
- Released statement from GM Hagekhalil on Colorado River shortage declaration.
- Issued press release on board's declaration of Water Supply Alert.
- Issued joint press with Reclamation, CAP, and Southern Nevada on Palo Verde system conservation agreement.

Social Media

- Featured a link to the ABC7-TV story on Diamond Valley Lake's emergency storage capacity on Facebook that reached more than 60,000 viewers with 5,000 reactions, comments and shares.
- Two employee-specific posts on LinkedIn performed well. A post welcoming GM Hagekhalil received more than 17,000 impressions and a post congratulating Water System Operations manager Collins for her AWWA position received more than 8,000 impressions.

EXTERNAL AFFAIRS *continued*



Social media post congratulating Metropolitan's Heather Collins on her election to Vice President for the AWWA Board of Directors

- Introduced three new characters for our *We're California Friendly Plants* tips series—Jelly Bean Lemon Monkeyflower, Santa Ana Cardinal and White Sage. Posts reached 50,000 users on Facebook and Instagram.



**Metropolitan's newest social media stars:
Jelly Bean Lemon Monkeyflower, White Sage, and Santa Ana Cardinal**

Objective #3 PUBLIC OUTREACH AND MEMBER SERVICES - Conduct public outreach to increase awareness and input on Metropolitan projects and initiatives and ensure impacted communities are aware of Metropolitan construction and maintenance activities. Enhance public awareness of Metropolitan's systems and facilities and the role they play in regional supply reliability while protecting environmental resources. Serve as liaison to Metropolitan's member agencies and facilitate their engagement with Metropolitan.

Member Agency Support

Met with the member agency managers to discuss water supply conditions, Colorado River issues, the Water Supply Alert action and messaging, and the proposed Delta Smelt Augmentation Study. (August 6)

Met with member agency education coordinators to discuss new K-12 curriculum offerings and the education strategic plan. At a meeting with member agency public information officers, staff shared recent polling results on drought awareness and attitudes, and new conservation messaging.

Regional Recycled Water Program

- Hosted WaterReuse California Communications Collaborative Group statewide virtual meeting (August 4)
- Met with management and staff of local cities to provide an update on the Regional Recycled Water Program: Carson (August 3), Irwindale (August 3), South Gate (August 9), Paramount (August 10), Downey (August 12)

EXTERNAL AFFAIRS *continued*

- Provided public virtual tours of the Regional Recycled Water Center in English and Spanish (August 24-25)



Spanish social media post on RRWP tours

Construction Outreach

- Met with the city of La Verne staff to discuss upcoming projects at the Weymouth Treatment Plant. (August 5)
- Notified residents near the Palos Verdes Reservoir of upcoming dewatering activities. (August 13)
- Met with Los Angeles County Metropolitan Transportation Authority to discuss upcoming projects affecting the Metropolitan Headquarters Building. (August 17)

Objective #4 EDUCATION AND COMMUNITY RELATIONS - Facilitate public engagement in and understanding of water resource issues through community relations activities and education projects. Build awareness of and appreciation among Southern California for the value of clean, reliable water supplies and the importance of good water stewardship.

Metropolitan staff virtually interacted with 200 teachers, students, and parents and continued to provide online tours, water-focused scouting programs, and customized Zoom class presentations.

MWDOC and the Water Energy Education Alliance (WEEA) offered two teacher workshops on water career technical education. WEEA sponsors include the Los Angeles Department of Water and Power (LADWP), Moulton Niguel Water District, Water Replenishment District, Western Municipal Water District and MWDOC.

Staff hosted virtual presentations for the Long Beach middle and high school internship program.

More than 200 pieces of student artwork were received from member and retail agencies and will be included in the 2022 Water Is Life calendar.

Staff partnered with Southern California Edison and Strategic Energy Innovations on a virtual training for 38 high school teachers on the important role of watersheds. The training included hands-on lessons and ArcGIS mapping. (August 5)

As part of its research for a new education strategic plan, member agency education coordinators were surveyed to identify best practices for online learning, education technology and outdoor education. Survey results indicated strong collaboration opportunities on curriculum development, videos, education technology, contests and teacher workshops.

EXTERNAL AFFAIRS *continued*

A virtual open house was held for Metropolitan employees on the district's water education programs and curriculum supplements. (August 26)

Objective #5 BUSINESS OUTREACH AND INNOVATION - Facilitate opportunities for small businesses to work with Metropolitan. Help position Metropolitan as a leader in water innovation.

Metropolitan supported small businesses and entrepreneurs throughout the region with online participation and, in some cases, sponsorship of the following programs, online conferences, webinars, and events:

- San Diego Procurement Technical Assistance Center “How to do Business” virtual workshop (August 5)
- Los Angeles Sustainability Executive Roundtable “Sustainability on Skid Row” (August 5)
- California Management Association of America conference (August 11)
- Greater Los Angeles African American Chamber of Commerce (August 12)
- Los Angeles Area Chamber of Commerce OneLA meeting (August 12)

Facilitated a peer-to-peer workshop among Metropolitan staff, EBMUD, and a UC Berkeley professor on a proposed Smart Innovation Center that would develop and test emerging technologies for infrastructure projects. (August 25)

Participated in a Sustain So Cal Water Solutions event that focused on recent technology pilots and trials. (August 26)

HUMAN RESOURCES

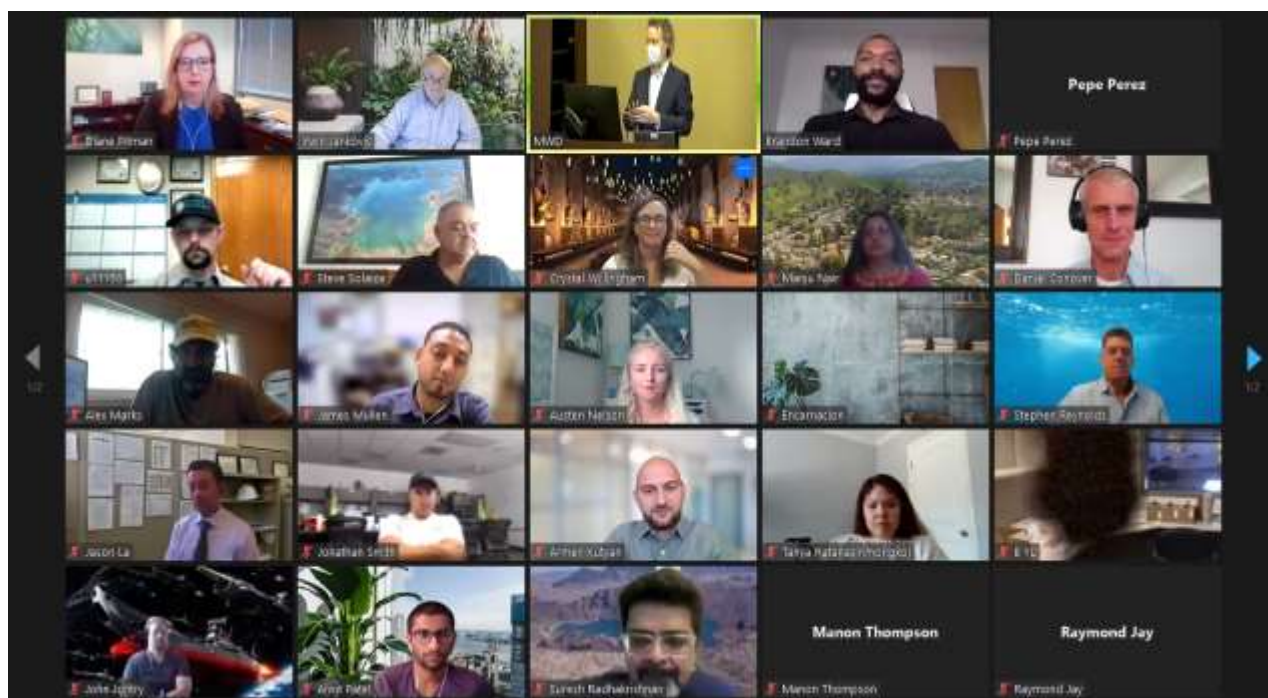
GM STRATEGIC PRIORITY #1: RESILIENCY

Objective #1 Partner with Metropolitan leadership to support learning, development, and adaptive workforce planning initiatives.

The Organizational Development and Training Unit graduated its first virtual cohort of the Metropolitan Leadership Academy for 31 employees interested in moving into a management role. The class participants each presented a final project of what they learned during the program and put into practice on the job (from improved communication and listening skills to increased innovative thinking and enhanced self-awareness). General Manager, Adel Hagekhalil, helped to start off the proceedings and Deven Upadhyay (Chief Operating Officer) and Diane Pitman (HR Group Manager) were also on hand to speak about the program's legacy and impact.

This month, 549 Metropolitan employees attended other online classes including Project Management Fundamentals, Contract Administration, Diversity & Inclusion, and Preventing Workplace Harassment.

LinkedIn Learning, Metropolitan's online, e-learning content platform, was used for 36 classes, including topics on Communicating with Diplomacy and Tact, Strategic Thinking, Improving Your Memory, Speaking Confidently, and Working with Difficult People.



Metropolitan Leadership Academy Graduation—August 25, 2021

HUMAN RESOURCES *continued*



Emotional Intelligence & Communication

- Emotional Intelligence is recognizing and understanding the emotions of yourself AND others
- Colors (Communication Styles)
 - Brown – Direct, brief, blunt, impatient,
 - Green – Data driven, time to think & analyze, likes things in writing
 - Red – Creative, humorous, story-based examples, energetic
 - Blue – Emotional demeanor, personal connection, abundance of “feeling” words
- Recognizing the Color (communication styles) of others
- Start with the “why”

Metropolitan Leadership Academy Graduation—August 25, 2021



Metropolitan Management Academy Graduate, Jamie Decker, receiving Program Completion Certificate in-person from Organizational Development and Training Manager Eric Bachmann.

HUMAN RESOURCES *continued*

Objective #2 Seek diverse, high-quality talent, and establish partnerships to discover additional outreach opportunities that aid in staffing positions.

Recruitment successfully filled eight positions for the month of August. We received six new staffing requisitions resulting in 109 positions currently in recruitment. Recruitment uses a process that allows virtual interviewing using Zoom.

In August, meetings of the Diversity, Equity, and Inclusion (DEI) Council continued. A presentation on the Small Business Administration Program was presented. The DEI consultants, Keen Independent Consulting, discussed the next steps in partnering with the subcommittees and developing a Metropolitan survey.

Staff participated in a Student Leadership Workshop virtual outreach event hosted by University of California, Riverside and Cal Poly Pomona. Event participants were diverse students in STEM field campus organizations and provided them engagement opportunities with employers.

GM STRATEGIC PRIORITY #2: SUSTAINABILITY

Objective #1 Implement employee retention and engagement programs to ensure Metropolitan's investment in employees is supported.

Human Resources continued to monitor the CalOSHA regulations to determine whether any protocols or policies need to be revised and, if so, to communicate to management, employees, and the bargaining units. Converting Metropolitan headquarters and other teleworking employees to a hybrid work environment was initially scheduled for October 1, 2021, but has now been delayed to January 3, 2022, because of safety concerns arising from the on-going COVID-19 pandemic.

Staff completed the transition of the new-hire on-boarding process to a new online process to ensure that employees are prepared to be effective from the first day of employment and are continually supported by management and Human Resources throughout their first year of employment. Subsequent improvement will continue as additional user-friendly features will be added when the new Fluid update to the MyHR system is implemented.

Objective #2 Ensure Metropolitan managers have foundational knowledge, on-going support to effectively manage employees, and the tools to prepare for a changing workforce.

Human Resources staff continued to provide one-on-one coaching and mediation services for managers and employees in the developmental areas of conflict resolution, interview preparation, stress management, and working with hybrid teams.

Since the onset of the COVID-19 pandemic, the Human Resources Group Manager has organized a bi-weekly check-in meeting with all Group Managers focused on sharing the latest information on employee illness or potential exposure, issues raised by the bargaining units, and strategies for working through the complexities of the "stay at home" and masking orders. Staff are also continuing work on "tool kits" for managers and employees to facilitate the eventual return of employees to their regular work locations.

GM STRATEGIC PRIORITY #3: INNOVATION

Objective #1 Continue to upgrade HR's technological capabilities and continue to seek out improved technologies to better serve HR's customers.

HRIS is working on the Fluid User Interface project for MyHR that will improve user experience and provide users with simpler navigation and additional functionalities. The system is being tested for implementation in September.

HUMAN RESOURCES *continued*

HR CORE BUSINESS: Provide Excellent Human Resources Services

Human Resources provides a wide range of services and support from pre-hire to post retirement care. HR policies, procedures, and practices will be reviewed and revised as appropriate. HR will continually improve service and better utilize technologies.

Objective #1 Administer all HR services with efficiency and a focus on customer service excellence, consistency, and flexibility.

Staff coordinated with the Payroll team to respond to CalPERS' audit to ensure compliance with converting unused sick leave to additional service credit upon retirement. Staff continued work with our internal Audit Group and KPMG on the annual pension data audit to ensure compliance with GASB government accounting requirements.

Staff prepared implementation of the new CalPERS medical rates and PPO plan structure effective January 1, 2022.

HR staff collaborated with External Affairs to create a new Open Enrollment Welcome video and a MyHR tutorial for the upcoming PeopleSoft Fluid user-interface and also developed the 2022 Benefits Guide that will be mailed to all employees in mid-September.

Benefits staff worked with Empower Retirement to implement core fund line-up changes approved by the Deferred Compensation Advisory Committee, which included two Environmental/Social/Governance (ESG) funds with a focus on sustainability.

HR staff continued to administer the emergency COVID-19 supplemental paid sick leave (SPSL), which is scheduled to expire on September 30, 2021.

HR CORE BUSINESS: Comply with Employment Laws and Regulations

Ensure all policies, programs, and practices comply with ever-changing laws and regulations. Compliance with applicable laws and policies requires monitoring and analyzing changing requirements, determining impact on Metropolitan management and staff, and implementing any changes necessary to maintain compliance. In addition, these changes must be clearly communicated to all customers as necessary, with any needed training provided, as appropriate.

Objective #1 Effectively administer all Human Resources policies, programs, and practices in compliance with applicable federal and state laws and Metropolitan's Administrative Code, Operating Policies, and Memorandum of Understanding.

In August, 14 new workers' compensation claims were received, and 10 were resolved. Five employees remain off work because of an industrial injury or illness. This reflects Metropolitan's effort to accommodate injured workers while enabling them to be productive and remain on the job.

- Coordinated medical surveillance exams at four facilities. (LaVerne, Mills, Lake Mathews, and Skinner) which included respirator exams, Department of Motor Vehicle exams, and hearing tests.
- Coordinated one return-to-duty drug test
- Arranged seven medical evaluations (DMV, medical surveillance)
- Addressed four accommodation issues

HUMAN RESOURCES *continued*

HR Metrics	June 2021	August 2021	Prior Month July 2021
Headcount			
Regular Employees	1,806	1,792	1,811
Temporary Employees	30	34	32
Interns	3	4	5
Recurrents	20	20	20
Annuitants	16	16	16

	August 2021	July 2021
Number of Recruitments in Progress (Includes Temps and Intern positions)	109	111
Number of New Staffing Requisitions	6	33
	August 2021	July 2021
Number of Job Audit Requests in Progress	12	11
Number of Completed/Closed Job Audits	0	2
Number of New Job Audit Requests	1	1

Transactions Current Month and Fiscal YTD (includes current month)			
<u>External Hires</u>	<u>FY 20/21 Totals</u>	<u>August 2021</u>	<u>FISCAL YTD</u>
Regular Employees	74	4	10
Temporary Employees	30	4	8
Interns	3	0	2
Internal Promotions	60	7	10
Management Requested Promotions	149	13	23
Retirements/Separations (regular employees)	78	23	24
Employee Requested Transfers	20	1	1

INFORMATION TECHNOLOGY

GM STRATEGIC PRIORITY #1: RESILIENCY

OBJECTIVE #1 Strengthen Metropolitan’s cybersecurity capabilities by deploying new and emerging technologies, and implementing enhanced security countermeasures

Continued to implement Cybersecurity projects and initiatives to improve Metropolitan’s security posture and to collaborate with stakeholders to further enhance network security capabilities for Metropolitan’s computing environments.

- Promoted cybersecurity governance, risk, and compliance to enhance capabilities and mitigate increasing cybersecurity threats to Metropolitan’s business systems and networks.
- Continued to enhance network access control providing another layer of security where the identity of the device itself is validated before it can obtain access to Metropolitan resources and infrastructure.
- Continued deployment of two-factor authentication, other security tools, and methods to safeguard the computing environment and assets.
- Monitored IT network and remote connectivity to ensure secure and reliable service for employees’ teleworking.
- Performed ongoing software patching and security enhancements to ensure system performance and protection against evolving cyber threats.

OBJECTIVE #2 Manage Information Technology Projects within the Capital Investment Plan to ensure reliability of Information Technology (IT) Systems and Infrastructure.

- Continued to execute IT capital projects in support of Metropolitan’s strategic priorities by replacing end-of-life infrastructure, upgrading applications, and delivering innovative solutions to ensure reliability and resilience of IT systems. Selected project activities include:
 - **Budget System Replacement**—Upgrade Metropolitan’s budgeting system to support the capital and O&M budget processes and board deliverables. IT continued to support the CFO Office with final preparations as budget coordinators begin using the new system for the upcoming biennial budget development.
 - **Maximo Upgrade Project**—The project team worked in collaboration with key stakeholders on the upgrade of Metropolitan’s enterprise-wide maintenance management software application (Maximo) for planning, scheduling, and reporting of required maintenance of equipment deployed throughout the treatment plants, and the conveyance and distribution system. With the recent completion of testing, the upgraded system is in the final phase of deployment and is currently being migrated to the production environment.



Maximo Login Screen

INFORMATION TECHNOLOGY *continued*

OBJECTIVE #3 Modernize Operational Technology and Control System Upgrades as part of the Capital Investment Plan.

- Automated Meter Reading (AMR) Upgrade—The AMR project will address equipment obsolescence as the current communication equipment used in the system is approaching end-of-life. Staff continued with the definition phase of this project by evaluating design alternatives and technologies, including pilot testing of four radio frequency technologies for the AMR project.
 - Continued to partner with WSO resources on installation of field equipment for testing at designated test sites at installation of endpoints (radio modems).
 - Performed pilot testing and assessment to determine the effectiveness of design alternatives among four radio frequency technologies at the designated test sites.

OBJECTIVE #4 Improve Metropolitan's IT Disaster Recovery and Response Capability.

- Continued to conduct disaster preparedness planning and future recovery exercises as part of validating Metropolitan's recovery capabilities in the event of a disaster. In addition, continuous improvements based on prior exercises and on-going enhancements have been implemented.

OBJECTIVE #5 Provide leadership, planning, and solutions in support of Metropolitan's Strategic Priorities.

- Metropolitan's data center modernization project provides enhanced operational uptime of data center processing to meet current and future capacity and reliability needs. The secondary data center site relocation was recently completed and is strategic to ensuring recovery capabilities are in place before moving the primary site.
- Primary Site—The team continues to work on the procurement and development phase while refining a comprehensive plan that must address logistical challenges associated with migrating hardware, software, data, communication networks, and ancillary systems. The work is highly complex and must be done while current systems and resources continue to support Metropolitan's day-to-day business operations.



Datacenter at undisclosed location

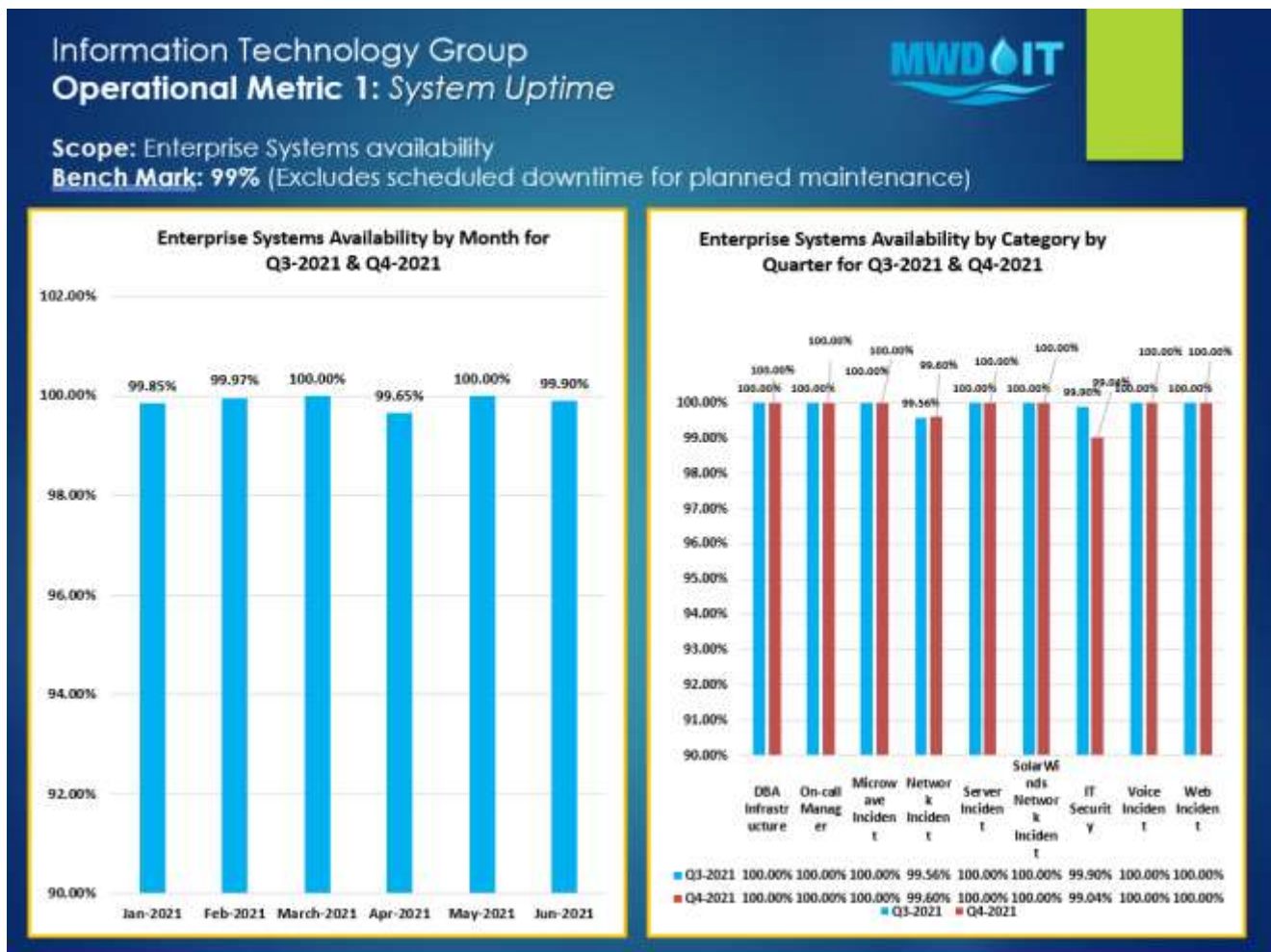
INFORMATION TECHNOLOGY *continued*

OBJECTIVE #6 Deploy solutions to improve operations, promote collaboration, and provide business value.

- Continue to implement the Enterprise Content Management (ECM) project that assists Metropolitan's regulatory compliance requirements to manage both paper and electronic records. ECM will provide the framework for collaborative, automated workflow of document-centric processes.
- Current efforts include work on the following:
 - Optimizing existing digital data (Cleanup of Network Storage Drives)
 - Preparing design documents for the new ECM (Taxonomy, File Plans, Thesaurus)

OBJECTIVE #7 Enhance workforce productivity by simplifying access to business information and deploy technologies to support our customers in making business decisions.

- The scope of the IT Service Management (ITSM) project is to deploy a new service desk software to centralize and modernize service management within the Information Technology Group. The service desk tool provides a self-service portal for work requests and improves operational reporting capabilities. This project has been substantially completed, as ITSM is currently in use by the IT Service Desk Team to manage service ticket requests generated by users across the enterprise.
- By leveraging ITSM, on-going process improvements and key IT operational performance metrics are provided to executive management on a quarterly basis.



IT Operational Metric

INFORMATION TECHNOLOGY *continued*

GM STRATEGIC PRIORITY #2: SUSTAINABILITY

OBJECTIVE #1 Provide IT services in support of the Headquarters Improvements Program.

- IT resources continued to provide support and services for the Headquarters Improvements Program related to physical security enhancements as well as integrating security requirements with IT systems and infrastructure.

GM STRATEGIC PRIORITY #3: INNOVATION

OBJECTIVE #1 Strengthen Metropolitan's cyber security capabilities by deploying new and emerging technologies and implementing enhanced security countermeasures.

- Continued key initiatives as cybersecurity remains a high priority and is a key part of the Information Technology Strategic Roadmap. During this period, IT staff conducted ongoing countermeasures to protect Metropolitan against cybersecurity threats by partnering with professionals at the federal, state, and local levels whose mission is to protect critical infrastructure. Current activities may include, but are not limited to cybersecurity assessments, remediation, incident response, forensics, penetration testing, and risk and threat management.
- Elements of the Security Operations Center (SOC) project are underway to implement new countermeasures to protect Metropolitan's computing infrastructure. For example, a new security Information and Event Monitoring system for the SOC will allow Metropolitan to efficiently detect and respond to attacks using automated tools that collect and correlate events for incident detection and response. Project details and updates are made to the Board quarterly and in closed session.

OBJECTIVE #2 Manage Information Technology Projects within the Capital Investment Plan to ensure sustainability of IT Systems and Infrastructure.

- The Board Room Upgrade Project replaced audio, visual (AV) and information technology-related equipment in the main Board Room (US.01.405), Committee Rooms (US.01.102, US.02.145, US.02.456), and the AV Control Room (US.01.407) in Metropolitan's Headquarters building at Union Station.
- In August, the project team conducted final user acceptance testing and trained key personnel and support staff on the new system. The technology upgrades have been completed and are ready to support upcoming board and committee meetings.



Main Board Room

INFORMATION TECHNOLOGY *continued*

OBJECTIVE #4 Provide Leadership, planning, and solutions in support of Metropolitan's Strategic Priorities.

- Continued to promote IT governance through the IT Executive Council and Operation Technology Governance Committee to ensure alignment with Metropolitan's strategic priorities. Participated in the Communities of Practice (COPs) for business leaders providing a forum to discuss key technology issues, challenges and solutions as part of strategic planning.

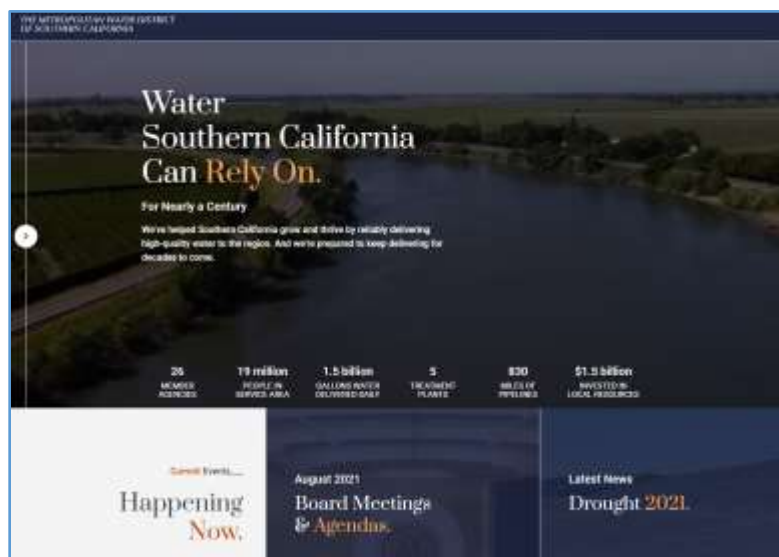
OBJECTIVE #5 Deploy innovative solutions to improve operations, promote collaboration, and provide business value.

- Continued the use of unmanned aerial vehicles to support Metropolitan's key business objectives including infrastructure and property inspection, environmental land monitoring, and videos for educational and promotional events.



Recent Assessment Conducted at Hemet Wetlands

- Supported the External Affairs Group with the launch of Metropolitan's new redesigned website. In addition to a modern and clean look, the new site provides for secured access by internal and external users.



Mwdh2o.com Website

INFORMATION TECHNOLOGY *continued*

OBJECTIVE #6 Enhance workforce productivity by simplifying access to business information and deploy technologies to support our customers in business decisions.

- Continued to support and enhance the Survey 123 Mobile Application developed by the IT-GIS Team. This mobile application is used by ESG staff to collect field data in a structured format. Benefits of this mobile application include an easy-to-use electronic form, capturing of geospatial information, provision for direct upload to a data storage, including unlimited pictures associated with field information collected. The organization and integration of data, pictures, and relationship with geospatial information enhances workforce productivity by simplifying access to a vast amount of field data collected.
- Laboratory Information Management System (LIMS) Reconfiguration Project—IT staff continued to partner with Water Quality on modifying LIMS to ensure adherence to new (TNI) regulatory compliance and standards. This project requires significant systems configuration and software development and will be done in close collaboration between IT and WQ resources. LIMS is used by Water Quality staff in scheduling and tracking of water samples, managing departmental workflow and workload, validating and storing analytical results, and providing reports of analytical batches.



Water Quality Testing

REAL PROPERTY

GM STRATEGIC PRIORITY #1: Resiliency

Objective #1 Provide right-of-way planning, valuation, and real property acquisition support services for the protection and reliability of existing infrastructure.

A Common Use Agreement for public easement and right-of-way was obtained from the city of Redondo Beach to ensure continued compatible uses of public agency facilities in the public street right-of-way; and the full reimbursement of Metropolitan costs for a facility relocation.

Metropolitan was granted a non-exclusive easement for construction, maintenance, operation, inspection, repair, and reconstruction of a water main vault and appurtenant facilities in 1953 by a private owner. This Common Use Agreement for public easement and right-of-way will formalize Metropolitan's prior rights, establish terms for reimbursement for a facility relocation, provide Metropolitan with rights to the new equipment location, and ensure its continued protection and operation of existing facilities.

Objective #2 Foster staff training and development.

International Right of Way Association-sponsored course: Legal Aspects of Easements. This course provides an overview of the theory, terminology, concepts of easements and increases understanding of relevant legal aspects in right-of-way, applicable to Metropolitan real estate-related projects.

CORE BUSINESS: Real Property Acquisition, Management and Revenue Enhancement

Objective #2 Provide valuation, land management, and real property disposition support services for the maximum return or use of Metropolitan-owned land and facilities.

A private entity was issued an entry permit to perform identification of subsurface utilities at Metropolitan headquarters property over a two-day period. The entry permit will help facilitate the future construction of a transit project for the Metropolitan Transit Authority (MTA) within the adjacent MTA right of way.

The Gilman Springs surplus property in the city of Moreno Valley, totaling ±133 acres, was purchased by a private entity. The property was originally acquired in 1996 and used as a tunnel portal site and construction laydown area for the Inland Feeder Pipeline Project. Metropolitan reserved necessary permanent easements over portions of the sold property for operational purposes.

Objective #3 Efficiently maintain and operate assets not related to the treatment and distribution of water.

The Metropolitan Board of Directors authorized a ten-year concession agreement with Urban Park Concessionaires that will enable private capital investment and the continued operation of the Diamond Valley Lake (DVL) Marina.

The DVL Marina concessionaire added five new premium bass boats to their rental boat fleet this month. The addition of these new boats is a part of the concessionaire's efforts to keep DVL a highly ranked bass fishing destination (see photos).

REAL PROPERTY *continued*



The DVL Visitor Center staff collaborated with Eastern Municipal Water District (EMWD) contractors to perform the required annual cross-connection testing for recycled water used for irrigation. EMWD performs site inspections and testing of all recycled water use sites. Staff coordinated with the EMWD contractor, the Western Science Center, and WHOO's landscape contractor to make sure all testing was completed before the start of the new school year.

Deep cleaning and installation of furniture for Metropolitan headquarters' committee rooms and executive dining room was completed. These upgrades were done in conjunction with the Metropolitan headquarters' A/V upgrade project (see photos).



REAL PROPERTY *continued*

Objective #4 District Housing Maintenance and Management.

The Desert Housing Maintenance team completed 35 work orders and included 21 tenant service requests and pre-occupancy repair work required for two Metropolitan houses.

Real Property will develop a transition plan to assume maintenance responsibility for the recreation facilities within the next six months. Responsibilities will include facility use management, maintenance, and repair services.

Real Property Management met with residents at Iron Mountain to discuss temporary relocation options for the gym located at the Iron Village until the Desert Housing Improvement Program delivers the community recreation center which will house the gym. The current facility has exceeded its useful life. Staff will research the proposed options for management review and approval.

GM STRATEGIC PRIORITY #1: Resiliency

Objective #1 Develop and Refine Security's Strategic Plan

Select members of Metropolitan's Security Management Unit (SMU) recently attended Countering Active Terror Cells in the Homeland (C.A.T.C.H.) training provided by InfraGard Los Angeles. The training, which focused on potential domestic and foreign terrorism threats to the Southern California region, was restricted to pre-screened attendees and included a current threat briefing by the National Counterterrorism Center (NCTC) regional representative for Los Angeles.

High-interest events, including World Cup Soccer, the 2028 Olympics, and Superbowl LVI will be held in Los Angeles within the next decade. Cooperation between law enforcement and the private sector plays a vital role in supporting the economic resilience and key interdependencies between critical infrastructure sectors. As potential national, regional, and local security threats emerge, the SMU continues to work closely with law enforcement partners to reposition resources, protect assets, and prioritize strategic plans to mitigate risks.



InfraGard Los Angeles training attended by SMU selected staff

Objective #2 Improve Security and Emergency Response

Metropolitan security staff collaborated closely with various public agencies and organizations to curtail illegal encroachment. They also conducted a joint utility corridor cleanup of illegal dumping at 90th Street and Juniper in South Los Angeles.

Participants included:

- Los Angeles Department of Water and Power (LADWP) Uniformed Security Services
- Los Angeles County Sheriff's Homeless Outreach Services Team (HOST)
- Los Angeles County Sheriff's Department
- Los Angeles City Street Services
- Los Angeles County Public Works
- HAZMAT cleanup vendors

LADWP Security issued warnings to trespassers living in the right-of-way property and posted 48-hour notices to vacate. HOST members provided unsheltered persons on the site with services and relocation assistance.

SECURITY/CAO *continued*

Metropolitan Special Agent Alvaro Castellon was instrumental in quickly addressing community concerns, collaborating with multiple public agencies and working with Water System Operations and Real Property to ensure emergency access to substructures in the easement. These actions will eliminate potential work safety hazards to Metropolitan's field personnel in their daily maintenance activities.

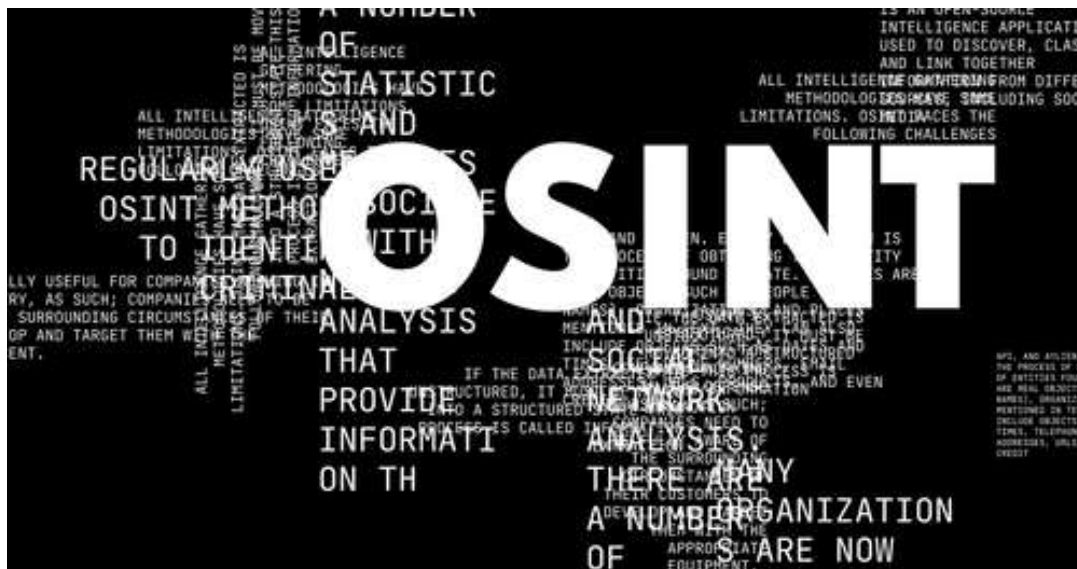


Public agencies collaborated to curtail illegal encroachment at 90th Street and Juniper in South Los Angeles

Objective #2 Improve Security and Emergency Response

Members of the SMU staff completed a multi-level program of Open Source Intelligence (OSINT). OSINT refers to intelligence produced from publicly available information that is collected, exploited, and disseminated in a timely manner to an appropriate audience for the purpose of addressing security issues pertaining to the infrastructure.

By analyzing OSINT, the SMU can identify patterns and trends related to security concerns and mitigate those proactively. A dedicated analyst, regularly combing through overtly available information, provides Metropolitan with autonomous, current, and independent capability to anticipate, prepare, and mitigate security issues and enhance emergency response.



OSINT analysis enhances Metropolitan's security response

WATER RESOURCE MANAGEMENT

GM STRATEGIC PRIORITY #1: Resiliency

Objective #6 Ensure access to sufficient water supplies to operate a full Colorado River Aqueduct in times of drought.

In August 2021, Metropolitan and Bard Water District (Bard) successfully completed the second year of the Bard Land Management and Seasonal Fallowing Program (Program). Participating farmers fallowed approximately 2,937 irrigable acres for a three-month period. Metropolitan performed four inspection trips and verified the fallowing of all but two participating fields. By providing the annual incentive of \$459.30 per acre, Metropolitan increased its Colorado River water supplies by approximately 6,490 acre-feet.



Two fallowed fields enrolled in the 2021 Fallowing Season for the Bard Land Management and Seasonal Fallowing Program, including a lock on one of the field's gates (left). By locking the fields' gates, farmers participating in the program cannot divert water from the Colorado River during the fallowing season.

The Palo Verde Irrigation District (PVID)/MWD Fallowing Program, starting August 1, 2021, entered its 17th contract year. This contract year, the landowners are fallowing 25 percent of their enrolled acres. In addition to the 25 percent fallowing, and in response to the U.S. Bureau of Reclamation's (USBR) first-time-ever, Colorado River shortage condition, Metropolitan entered into a system conservation agreement with USBR, Central Arizona Conservation Water District, and Southern Nevada Water Authority to fallow additional acres under the PVID/MWD Fallowing Program. Under the new agreement, landowners voluntarily fallow additional acres up to 75 percent of their enrolled lands and are paid at the current rate for fallowing. The water saved from the additional voluntary fallowing will become conserved system water for Lake Mead to protect lake level.

In August, Metropolitan staff participated in multiple Colorado Basin States and Lower Basin States meetings at locations throughout the basin. The meeting included discussion on both short-term and long-term planning in the Colorado River basins. Short-term planning discussion focused on the 2021 USBR August 24-month modeling study, which triggered the first-ever shortage on the Colorado River for 2022 and strategies for addressing the low levels of Lake Powell and Lake Mead. Long-term planning issues discussed include revisions to Colorado River Simulation System (CRSS), USBR's long-term Colorado River Basin model, and a proposed sensitivity analysis to help

WATER RESOURCE MANAGEMENT *continued*

stakeholders understand how the system responds to measures that could be part of upcoming negotiations to replace the current reservoir operating rules—the 2007 Interim Guidelines—which expire in 2025.

Objective #8 Implement Local Resources Program

The agreement for a new Local Resource Program (LRP) project, the Las Flores Recycled Water Expansion Project, is expected to be executed by the end of August 2021. The project is anticipated to begin delivering recycled water to the community of Las Flores in Orange County in early 2022.

In August, Metropolitan staff presented at the Inland Empire WaterReuse Chapter to provide an overview and status update of the Local Resource Program, On-Site Retrofit Program, and Stormwater for Direct Use Pilot Program. Continued outreach on these Metropolitan programs help staff develop and implement new projects.

GM STRATEGIC PRIORITY #2: Sustainability

Objective #3 Monitor development of climate science and incorporate updated information into Integrated Water Resources Planning approach.

Staff continued to engage with expert consultants in the field of climate change. The Integrated Water Resources Planning (IRP) climate expert panel held its sixth meeting on August 19, to review how their input had been incorporated into the IRP's modeling and analyses and to discuss climate-related indicators appropriate for data tracking and continued analysis as part of Metropolitan's adaptive management planning.

Objective #8 Implement Regional Conservation Program.

Staff presented “When in Drought: Lessons Learned” at an Environmental Protection Agency (EPA) WaterSense Webinar to 197 participants across the country. Metropolitan's External Affairs Group was a partner on this webinar, which discussed programmatic and marketing changes that Metropolitan implemented after the last drought. This is an important topic to discuss, given the ongoing drought and dry hydrologic condition outlooks.

The Water Efficiency Team staff attended and presented at multiple meetings this month to discuss the current drought conditions and provide information on Metropolitan's conservation programs. Staff led a California Water Efficiency Partnership (CalWEP) Program Committee meeting, which discussed drought conditions, landscape program changes, and leak detection. Staff also presented to Central Basin Municipal Water District purveyors, providing updates on drought conditions, conservation program offerings, leak detection, and projects for disadvantaged communities. These outreach activities are essential in implementing Metropolitan's regional conservation program and response to the Water Supply Alert declared in August.

OBJECTIVE #9 Ensure cost-effective State Water Project supplies

Staff executed the turnout agreement with the California Department of Water Resources (DWR) for the connection between DWR's Devil Canyon facility and Metropolitan's Inland Feeder. This agreement identifies responsibilities for both parties regarding the turnout.

Staff participated in DWR's briefing on the completed seismic remediation of Perris Dam embankment. DWR provided this briefing for Metropolitan, Desert Water Agency and Coachella Valley Water District to give a close-out view of the project including construction issues, summary of claims, resolutions, cost impacts, and lessons learned.

WATER RESOURCE MANAGEMENT *continued*



Seismic Remediation of Perris Dam Embankment – photo credit: DWR

GM STRATEGIC PRIORITY #3: Innovation

Objective #2 Collaborate with member agencies, water agencies and associations, and provide leadership for policy development, advocacy, outreach and education.

Staff led a collaborative effort with the member agencies to develop an approach to show the region's support of the July 8 executive order by Governor Gavin Newsom urging all Californians to voluntarily reduce water use in response to extreme drought conditions. As a result, on August 17, the MWD Board adopted a Water Supply Alert Resolution amplifying the Governor's message and calling for consumers and businesses to voluntarily reduce their water use and help preserve the region's storage reserves. The resolution declared Metropolitan's continued commitment to coordinate with member agencies, cities, counties, and other entities in the service area for a unified outreach message and to re-double conservation efforts to help consumers to save water.

On August 23, Metropolitan served as an invited stakeholder in the third interactive online workshop of Western Municipal Water District's Drought Task Force. Drought Task Force members provide input for the development of Western Municipal Water District's Urban Water Management Plan and federal Drought Contingency Plan. Workshop topics on August 23 focused on small group stakeholder discussion of appropriate regional drought response stages and actions vis-à-vis the USBR's standard Drought Monitoring Framework.

Objective #3 Implement Future Supply Actions Funding Program.

Staff served as part of an expert panel discussion for a Future Supply Actions Funding Program (FSA Program) webinar sharing the results of the "Phase II White Paper: Tapping into Available Capacity in Existing Infrastructure to Create Water Supply and Water Quality Solutions". Las Virgenes Municipal Water District led the study, which featured co-funding from Metropolitan under the FSA Program and additional funding from other stakeholders. Over 350 attended the webinar hosted by the Southern California Water Coalition.

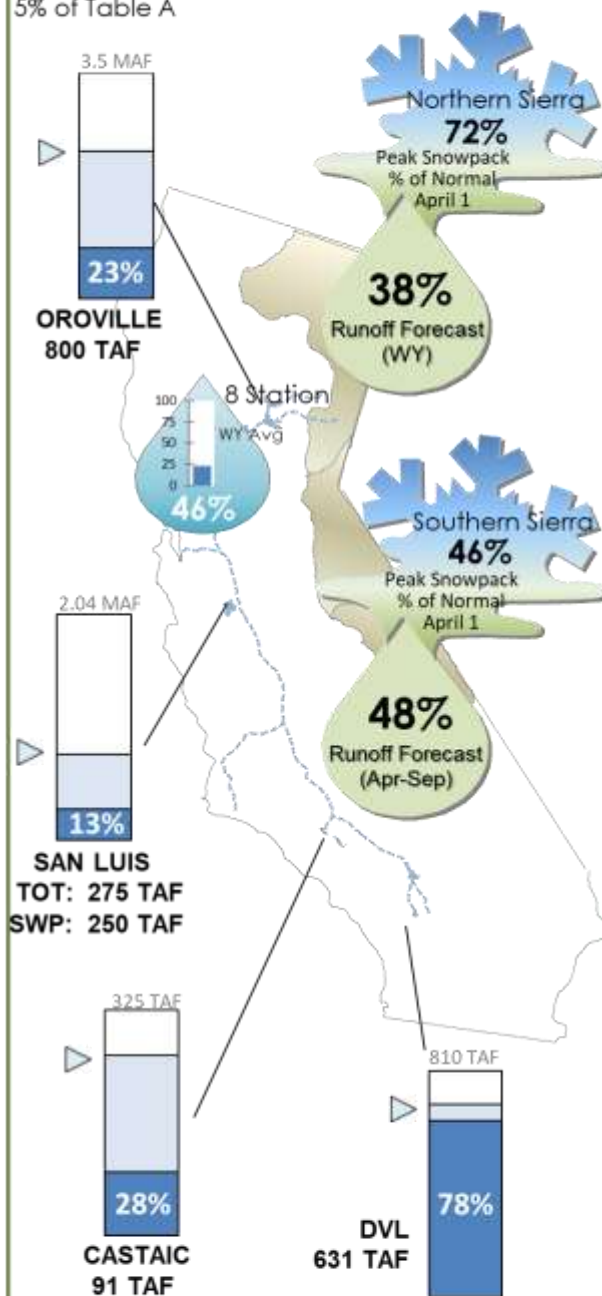
WATER RESOURCE MANAGEMENT *continued*

The next FSA Program webinar in the series is scheduled for September 15th at 10:30 a.m. The webinar will share the results of an FSA Program co-funded study of using innovative approaches for meeting reservoir augmentation regulations for potable reuse. The San Diego County Water Authority and its study partner, Padre Dam Municipal Water District, led the study.

WATER RESOURCE MANAGEMENT *continued*

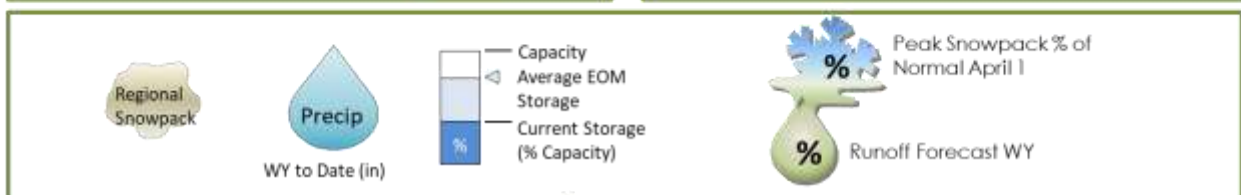
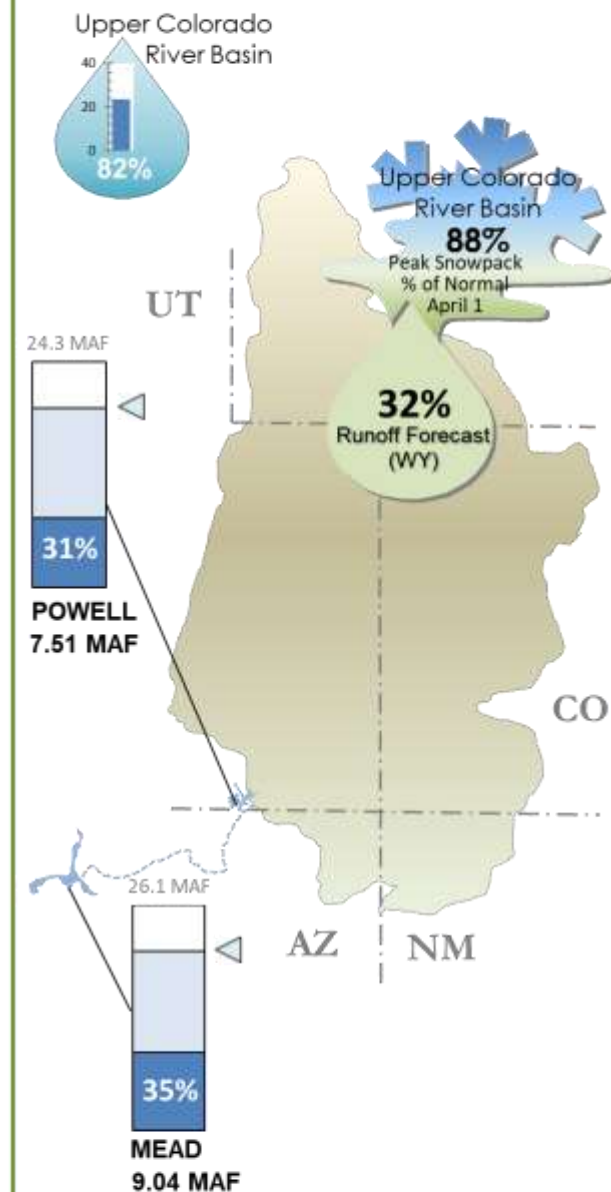
2021 SWP Allocation

95,575 AF
5% of Table A



2021 Colorado River

1,075,000 AF
Projected CRA Diversions



As of August 31, 2021

WATER SYSTEM OPERATIONS

GM STRATEGIC PRIORITY #1: Resiliency

Objective #1 Provide Reliable Water Deliveries.

Metropolitan delivered approximately 169,200 acre-feet (AF) of water to member agencies in August. Deliveries averaged approximately 5,458 AF per day, which was 39 AF per day lower than in July. Treated water deliveries increased by 6,815 AF from July, with a total of 94,057 AF, or 56 percent of total deliveries for the month. The Colorado River Aqueduct (CRA) transitioned from an eight-pump to a seven-pump flow on August 5 to optimize operations and available resources. A total of 99,729 AF was pumped on the CRA for the month. State Water Project (SWP) imports averaged 1,455 AF per day, totaling about 45,117 AF for the month, which accounted for about 27 percent of Metropolitan's deliveries. The target SWP blend remained at zero percent for the Weymouth, Diemer, and Skinner plants.

On August 26, staff held an annual shutdown meeting to review the upcoming shutdowns for the 2021/22 shutdown season. Topics included a description of each shutdown along with safety, public outreach, real property, environmental, dewatering, and water quality requirements and procedures. Staff from across the organization participated in this virtual meeting that helps to ensure continued reliability of Metropolitan's water system. Staff from DWR also participated and presented on major SWP shutdowns that affect Metropolitan. The annual shutdown schedule will be published and provided to the member agencies in September.

Objective #2 Ensure Water Quality Compliance, Worker Safety, and Environmental Protection.

Metropolitan complied with all water quality regulations and primary drinking water standards during July 2021.

Staff participated in the second part of sensory training to assess flavor and aroma profiles of Metropolitan's water. This Flavor Profile Analysis program is an essential service and critical to meeting the needs of the public to ensure that the water served is pleasant to taste and smell.

Staff created a new safety poster link on the Intramet to facilitate obtaining approved safety posters for placement at Metropolitan facilities. The link to the safety poster is located under the Operational Safety and Regulatory Services webpage header. There are two sets of posters that can be ordered; one set is available from Imaging Services and the other from www.SafetyPoster.com.



Examples of safety posters approved for posting at Metropolitan worksites

WATER SYSTEM OPERATIONS *continued*

Areas throughout Metropolitan facilities are dedicated for storage, handling, and on-site movement of chlorine and other hazardous materials that fall under Process Safety Management (PSM) plans for site and employee safety, and to comply with jurisdictional regulations. These sites are delineated with signage as well as painted barrier markings. As part of Metropolitan's coatings maintenance program, these markings are refreshed to ensure visibility by staff and occasional visitors to the sites. This month, staff restored faded PSM markings within key process areas at the Skinner plant.



Staff preparing to recoat delineation markings for the chlorine process



Recoated PSM lines for the chlorine process area at the Skinner plant

WATER SYSTEM OPERATIONS *continued*

Objective #3 Actively Engage in Capital Project Planning and Execution.

Staff began rehabilitation of the tailrace portion of the Sepulveda Canyon Hydroelectric Power Plant (HEP). This minor capital project will restore the coatings and protect the tailrace and components from damage and corrosion. The high velocity water that turns the HEP's Pelton wheel can damage unprotected metals. Periodic rehabilitation prolongs the life of the surfaces exposed to the high velocity water.



Scaffolding and ventilation containment setup for sandblasting and repairs in the tailrace chamber at the Sepulveda Canyon HEP



Needle valve before coating at the Sepulveda Canyon HEP

WATER SYSTEM OPERATIONS *continued*



Needle valve after coating at the Sepulveda Canyon HEP

Staff installed 20 new signal cables in support of the Chlorine Expansion Project at the Weymouth plant. This required staff to work weekends to avoid conflict with the contractors and operational activities. The work was necessary to install 20 new chlorine leak analyzers, which will enable the contractor to safely and systematically disconnect the existing leak detection equipment and begin testing and commissioning the new chlorine process equipment and systems. Staff core drilled through concrete walls and routed approximately 15,000 feet of signal cables from the various analyzer locations to the new leak detection terminal cabinet.



Staff verifying dimensions and locations (left) and preparing for initial core drill (right) at the Weymouth plant

WATER SYSTEM OPERATIONS *continued*



Staff core drilling at the Weymouth plant

Objective #4 Optimize Maintenance.

Staff installed new conduit, wiring, and lighting fixtures outside of the 6.9kV switch house at the Eagle Mountain pumping plant. The original system components degraded over many years of service and had become unusable, requiring an overhaul of the circuit.



New switch house lighting at Eagle Mountain pumping plant

WATER SYSTEM OPERATIONS *continued*

The CRA continued eight-pump flow through July and transitioned to a seven-pump flow in early August. Flowing at these high capacities requires close monitoring of the 242-mile aqueduct. Staff monitor canal and reservoir levels using gauging stations and flow meters placed at strategic locations throughout the system. Staff also spot chlorinate at locations to maintain the aqueduct's capacity and dechlorinate further downstream when needed to comply with environmental requirements. Running the CRA at these high flows takes significant coordination between operations and engineering staff and has helped to ensure Metropolitan's reliable water deliveries during this record dry year in California.



Water level along the CRA during high flows



Staff monitoring CRA operations

WATER SYSTEM OPERATIONS *continued*

In addition to inspecting and maintaining the CRA's 230kV power transmission lines, staff also assists with communications and information technology work. Staff worked at the Las Vegas Junction site to align a microwave antenna that is critical for reliable communications in the Desert region.



Staff aligning a microwave antenna at the Las Vegas Junction site

Staff installed a new 15-ton air conditioning unit at the Eagle Mountain pumping plant. As part of the installation, new conduit, wire, and refrigerant lines were installed. Air conditioning is critical in the Desert areas where ambient temperatures regularly exceed 115 degrees Fahrenheit during the summer months.



Air conditioner installed at Eagle Mountain pumping plant

WATER SYSTEM OPERATIONS *continued*

Staff performed preventative maintenance at the Diamond Valley Lake forebay; removing the dried solids from the floor of the concrete forebay and hauling it offsite for disposal.



Staff using heavy equipment to remove material from the Diamond Valley Lake forebay

The La Verne Shops manufactured new 20-foot long shafts, bronze lift and capture nuts for the refurbishment of two large flow control sleeve valves at the Red Mountain Pressure Control Structure. These components will be installed during a future shutdown to provide continued reliability on San Diego Pipeline No. 5.



Machining of stainless-steel shafts for Red Mountain PCS at the La Verne Shops

WATER SYSTEM OPERATIONS *continued*



Manufactured lift and capture nuts for Red Mountain PCS

To maintain reliable deliveries to the western portion of the distribution system, staff performed system improvements at Greg Avenue pump station. Staff pulled a potentiometer cable from the remote terminal unit (RTU) to two pump control valves and re-wired the pump control valves onto the uninterruptible power system (UPS). This work will allow operators at the Eagle Rock Control Center to monitor the position of the control valves remotely. If power is lost to Greg Avenue and the control valve needs to be closed, operators will be able to see the valve operation in real-time. The Greg Avenue pumps provide CRA water into the western portions of Metropolitan's service area to reduce the use of State Project water during low allocation years.



Control valve (left) and new potentiometer cable (right) at the Greg Avenue pump station

WATER SYSTEM OPERATIONS *continued*

A day of monsoonal weather brought thunder and lightning to the Winchester area, including a lightning strike that damaged an electrical pole and equipment that supplies power from the solar farm to the Skinner plant. Metropolitan's specialized staff performed the necessary repairs, which included replacing the equipment on the pole and testing the equipment for functionality. The solar farm was placed back online, producing green power less than a week after the lightning strike.



Staff repairing the solar farm electrical pole at the Skinner plant

Staff repaired the open loop cooling water pump for the ozone system at the Diemer plant. This pump carries cooling water to reduce the temperature of the ozone generators. The open loop cooling water pump started to show pump capacity reduction and required a complete rebuild. Staff disassembled the pump and repaired the impeller, shaft, and wear rings. This work also provided practical training for apprentices on how to properly use a milling machine.



Dismantled pump case (left) and staff checking pump shaft tolerances (right) at the Diemer plant

WATER SYSTEM OPERATIONS *continued*

During routine patrols of the East Orange County Feeder No. 2, staff discovered a pinhole leak at Santiago Creek Pressure Control Structure (PCS) just downstream of a large conical plug valve. Staff mechanically cleaned the leak location with a wire wheel and hand tools to facilitate ultrasonic inspection. Staff completed the repair by fabricating and welding a patch plate around the circumference of the pipe and coating it to prevent corrosion. Staff performed the repair without disruption to distribution system operations.



Pinhole leak at Santiago PCS on the East Orange County Feeder No. 2



Staff welding a patch plate on the pipe at the Santiago Pressure Control Structure

WATER SYSTEM OPERATIONS *continued*



Welded patch plate at Santiago Creek PCS

Staff performed coating maintenance to a pump well structure on the Allen-McColloch Pipeline. Pump wells are used during shutdowns to dewater pipelines. Staff sandblasted the valve and removed coal tar coating, and then recoated the valve with epoxy.



Sandblasted (left) and newly coated pump well valve (right) on the Allen-McColloch Pipeline

Objective #5 Manage the Power System.

The California Independent System Operator (CAISO) announced the cancellation of the PRR-1280 stakeholder process, which was a proposed revision to the CAISO Business Process Manual (BPM) that would have significantly affected how Metropolitan meets its Resource Adequacy (RA) obligations. Metropolitan personnel participated in a virtual stakeholder meeting hosted by CAISO stakeholder affairs on August 9, discussing the CAISO's cancellation. CAISO staff indicated that there would be future changes to CAISO's RA program. Metropolitan power planning and legal staff will continue to engage with CAISO to ensure that Metropolitan's interests are protected.

Staff, in cooperation with Arizona Electric Power Co-Op (AEPCO), implemented a new and streamlined process for receiving, verifying, and remitting payment for weekly CAISO invoices. These weekly invoices are for the net energy

WATER SYSTEM OPERATIONS *continued*

cost for Metropolitan's CRA operations (total pumping load energy cost minus Hoover and Parker net generation revenues). The invoices are sent from CAISO to AEPSCO as Metropolitan's scheduling coordinator and are typically several million dollars each week. Previously these invoices were covered by a monthly pre-payment from Metropolitan to AEPSCO. The new approach, which became effective in August 2021, processes each invoice within one business week, eliminating the need for a large monthly pre-payment.

Objective #6 Improve Emergency Preparedness and Response.

During July and August, staff continued to participate in regional emergency management planning and training to ensure Metropolitan's state of readiness. On July 22, staff attended the quarterly Mutual Aid Regional Advisory Committee (MARAC) meeting hosted by the California Office of Emergency Services (Cal OES). On August 5, staff attended the Orange County Emergency Management Organization (OCEMA) regular meeting.

From August 9–12, staff participated in Emergency Action Planning virtual training presented by Cal OES. This regular outreach is essential to Metropolitan's emergency preparedness, especially during the continuing pandemic.

Objective #7 Optimize Water Treatment and Distribution.

The State Project water (SPW) target blend entering the Weymouth and Diemer plants, and Lake Skinner was zero percent in August 2021.

Flow-weighted running annual averages for total dissolved solids from July 2020 through June 2021 for Metropolitan's treatment plants capable of receiving a blend of SPW and CRA water were 570, 570, and 561 mg/L for the Weymouth, Diemer, and Skinner plants, respectively.

The Mills plant expedites the drying of removed solids from the treatment process using six concrete-lined basins. The plant facilitates the drying of solids by using a Brown Bear tractor. This piece of heavy-duty equipment provides an economical mechanical solution for solids drying, which requires that the material be aerated, mixed, and composted. The Brown Bear has been used successfully in recent years and requires 10–30 hours of operation per week for effective material drying. Drying the treatment plant residual solids is essential to reducing the cost of hauling it offsite for disposal.



Brown Bear moving wet solids in to windrows to aid in drying at the Mills plant

WATER SYSTEM OPERATIONS *continued*



Brown Bear agitating wet solids at the Mills plant

Increased aeration in water introduced to the Diemer plant caused material build up on the sedimentation basins and deposited displaced filter media at the reclamation plant. Air entrainment mitigation techniques were performed at both locations. Staff partially dewatered a sedimentation basin to allow the material layer to be sprayed down and broken up using a pump. Staff then removed the deposited filter media using an auger system that offloaded the media into a dump truck. Operating within certain high-flow ranges at the treatment plants can create unique challenges that staff adapt to while continuing to ensure safe and reliable deliveries.



Staff removing material layer from a sedimentation basin (left) and dumping coal from the reclamation plant (right) at the Diemer plant

Staff upgraded the dry polymer mix train controls to use a human machine interface (HMI) at each control panel at the Skinner plant. The system batch mixes a dry polymer into a liquid form that is then used as a coagulant aid in the treatment process. The HMI replaced the obsolete and failing annunciator system. The new system allows for increased access to data, greatly improving operability and troubleshooting.

WATER SYSTEM OPERATIONS *continued*



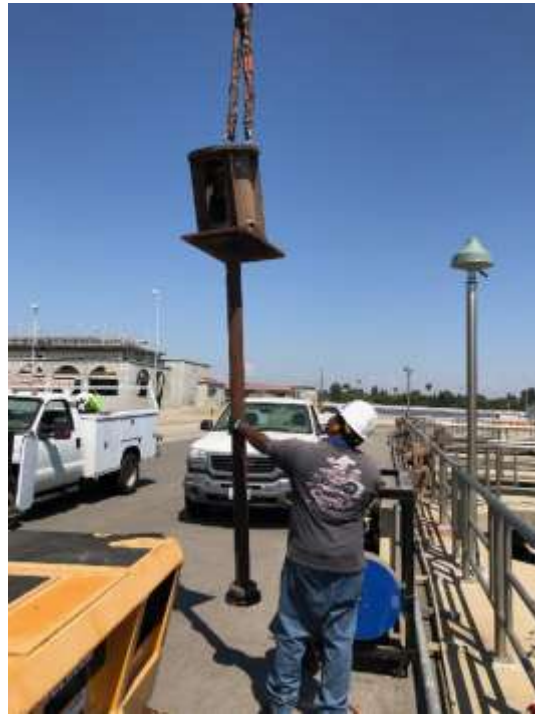
Staff installing the HMI display panel for the dry polymer mixer at the Skinner plant



New HMI display panel installed for the dry polymer mixer at the Skinner plant

Staff replaced a failed drain valve coupling on a filter at the Weymouth plant. The valve is opened during the filter backwash process allowing backwash water to flow into the washwater sump, where it is then pumped to the reclamation plant and will eventually be returned to the plant influent for further treatment.

WATER SYSTEM OPERATIONS *continued*



Inoperable valve coupling (left) and staff removing the valve coupling (right) at the Weymouth plant

Objective #8 Manage Water Reserves.

Water reserves continued to be managed according to Water Surplus and Drought Management (WSDM) principles, operational objectives, and the current 5-percent SWP allocation. Deliveries of SWP supply were minimized to preserve SWP Carryover and Flexible Storage. Releases from Diamond Valley Lake (DVL) through PC-1 to connections on the Lakeview Pipeline, as well as the DVL to Mills plant operation, continued in August to conserve SWP use in that area. Returns from the Semitropic and Kern Delta SWP Banking Programs also continued in August. Staff continued with Greg Avenue pump operations to minimize SWP usage by about 3,300 AF per month. In addition, staff continued coordination with member agencies shifting their deliveries from SWP connections to Colorado River connections, when possible. Along with these actions being taken to respond to drought conditions, Metropolitan's record-high storage levels at the end of 2020 provide significant water supply reliability in 2021.

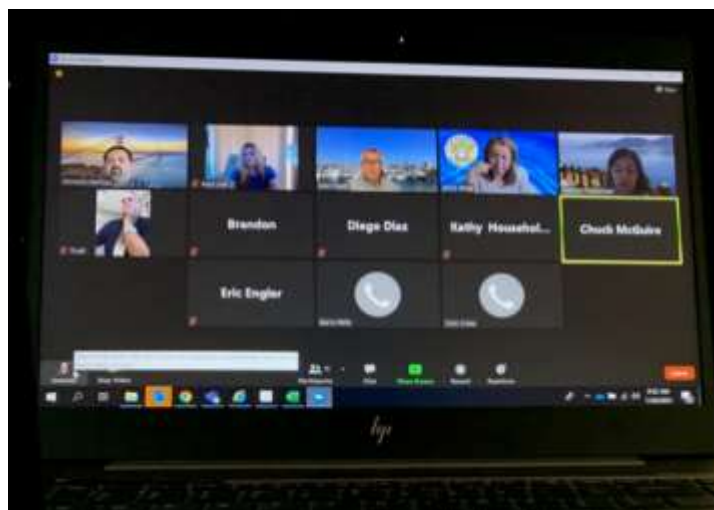
Objective #10 Manage Vacancies.

WSO filled four vacant positions in July 2021.

Objective #11 Prepare Employees for New Opportunities.

The Water System Operations Apprenticeship Programs develop and train personnel to become qualified mechanics and electricians responsible for maintaining Metropolitan's water treatment and distribution systems. Staff facilitated the quarterly Joint Apprenticeship and Training Committee (JATC) meeting, which was conducted virtually. The JATC is a collaborative effort between labor and management to provide oversight of the Apprenticeship Program; adopt governing rules, regulations, policies, and procedures; ensure compliance with the program's standards; and determine apprentice progress, advancement, and completion. The committee consists of five members from AFSCME Local 1902 and five members from Water System Operations management.

WATER SYSTEM OPERATIONS *continued*



Quarterly meeting of the JATC conducted virtually

GM STRATEGIC PRIORITY #2: Sustainability

Objective #1 Prepare for Future Legislation and Regulation.

On July 30, the California Office of Environmental Health Hazard Assessment (OEHHA) published proposed Public Health Goals (PHGs) for perfluorooctanoic acid (PFOA) and perfluorooctane sulfonic acid (PFOS) at 0.007 and 1 parts per trillion (ppt), respectively. The Division of Drinking Water (DDW) will then evaluate these PHGs when establishing maximum contaminant levels (MCLs) for PFOA and PFOS in 2023. On August 3, staff participated in a workshop organized by the Association of California Water Agencies to discuss the proposed PHGs. Staff will continue to monitor all PFAS regulatory activity.

On July 30, the U.S. Environmental Protection Agency (EPA) and U.S. Department of the Army (the Agencies) announced plans for a two-step rulemaking process to revise the definition of “waters of the United States” (WOTUS). The definition of WOTUS delineates the jurisdiction of the Clean Water Act. The Agencies will first publish a “foundational rule” that reverts to the pre-2015 definition of WOTUS, with updates consistent with relevant Supreme Court decisions. A second rulemaking process will then build upon the foundational rule to establish an updated and “durable” definition of WOTUS. Staff are submitting comments reaffirming Metropolitan’s long held positions that water infrastructure should be exempt from WOTUS and source water protections should be maintained. Comments are due to EPA by September 3.

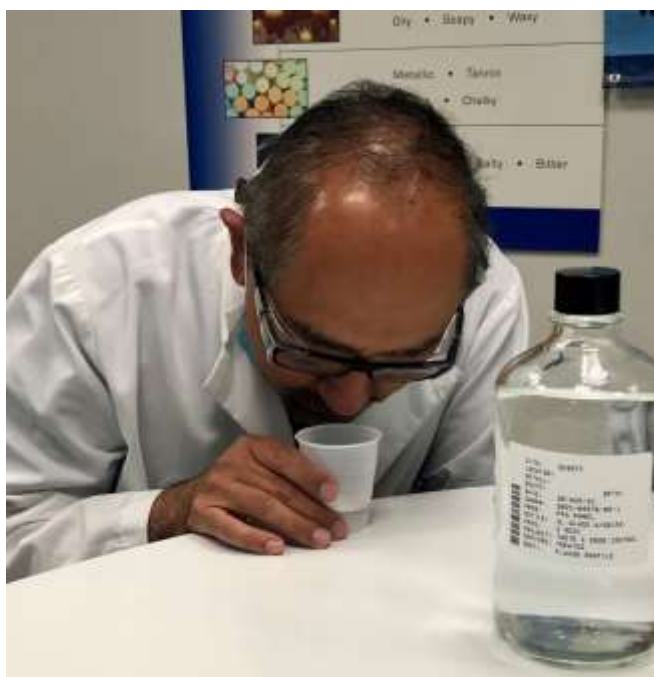
On July 30, Governor Newsom announced that effective August 15 through October 31, on any day for which CAISO issues a Grid Warning or Emergency notice, the use of both stationary and portable emergency generators will be deemed “emergency use.” Thus, from two hours before the beginning of a CAISO Grid Warning or Emergency, emergency generators can be operated without restraint to help with grid reliability. Staff will still need to track and report the total number of hours and emergency generator is operated. The governor also directed the Department of Finance to develop a \$2 per kWh incentive program for large energy users to reduce demand during an extreme heat event. Staff are evaluating when and how Metropolitan can take advantage of this incentive. Last, the proclamation suspends state environmental laws for installing new emergency generators or battery storage, if certain conditions are met. Staff will continue to monitor any further updates regarding emergency power.

On August 10, staff participated in the USEPA’s stakeholder meeting to inform potential revisions to the Microbial and Disinfection Byproducts regulations. The meeting addressed potential non-regulatory approaches for addressing public health risks related to drinking water. Staff also participated in the California DDW survey on hexavalent chromium analysis to help advise on upcoming regulations pertaining to a new method detection limit and MCL.

WATER SYSTEM OPERATIONS *continued*

Objective #2 Examine and Mitigate Adverse Water Quality Outcomes

In mid-August, some Metropolitan member agencies reported consumer complaints of unpleasant odors in their water. Staff investigated the issue, which was found to be a result of low oxygen water deep in Lake Mathews, creating sulfides that resulted in a sulfurous odor in water at the Weymouth and Diemer plants. This is a natural phenomenon in lakes that occurs at times during warmer weather. To resolve the aesthetic issue, staff resumed ozone operations at the Weymouth and Diemer plants, as ozone is very effective at treating odorous compounds (chlorine was being used to support maintenance work at the Lake Mathews outlet tower). Staff rescheduled the maintenance work, which allowed use of the primary outlet tower with greater tier flexibility to withdraw higher quality water from the lake. Throughout the event, staff ran daily Flavor Profile Analysis samples and kept the member agencies apprised until the aesthetic issue was fully resolved.



Staff conducting Flavor Profile Analysis of water sample to resolve odor event

Objective #3 Support the Regional Recycled Water Program

During August, staff continued the third phase of challenge testing at the Regional Recycled Water Advanced Purification Center demonstration facility to assess system performance with intentionally damaged fibers. All 40 previously cut fibers in the membrane bioreactor (MBR) were sealed to restore MBR integrity, and 40 new fibers were cut to minimize experimental variables in this challenge test. Microbial sampling resumed, and staff prepared for the final set of reverse osmosis (RO) concentrate sampling performed by the Los Angeles County Sanitation Districts (LACSD). LACSD will continue testing through September to evaluate for compliance with regulatory requirements under the proposed ocean discharge of RO concentrate.

Staff submitted the Secondary MBR Testing and Monitoring Plan to DDW and the Los Angeles and Santa Ana Regional Water Quality Control Boards for approval of the next phase of testing, anticipated to begin in early 2022. Testing of a secondary MBR configuration may offer operational and cost efficiencies for a full-scale facility. Staff also responded to regulator comments on an update to the tertiary MBR testing and monitoring plan, which was submitted to DDW in April.

WATER SYSTEM OPERATIONS *continued*



Staff signal the crane operator for MBR cassette removal from the tank at the demonstration facility



Staff seal cut fibers in the MBR to restore membrane integrity before challenge testing

WATER SYSTEM OPERATIONS *continued*



Staff cut and inspect fibers from the MBR to restart a challenge test at the demonstration facility

WATER SYSTEM OPERATIONS *continued*



Secondary effluent samples are concentrated onto a 1-micron filter for pathogen analysis at the demonstration facility

Three new staff were successfully onboarded at the Regional Recycled Water Advanced Purification Center. This included a student intern along with two mechanical staff from the Jensen and Mills plants that are participating in a rotation program to gain experience on the advanced treatment processes at the demonstration facility.

Objective #5 Manage Power Resources and Energy Use in a Sustainable Manner.

Metropolitan's hydroelectric plants generated an average of about 4 megawatts, or just over 3,060 megawatt-hours and more than \$165,510 in revenue, for the month of July 2021. Metropolitan's solar facilities, totaling 5.4 megawatts of capacity, generated approximately 1,220 megawatt-hours in July 2021.

GM STRATEGIC PRIORITY #3: Innovation

Objective #1 Develop New Solutions to Enhance Operational and Business Processes.

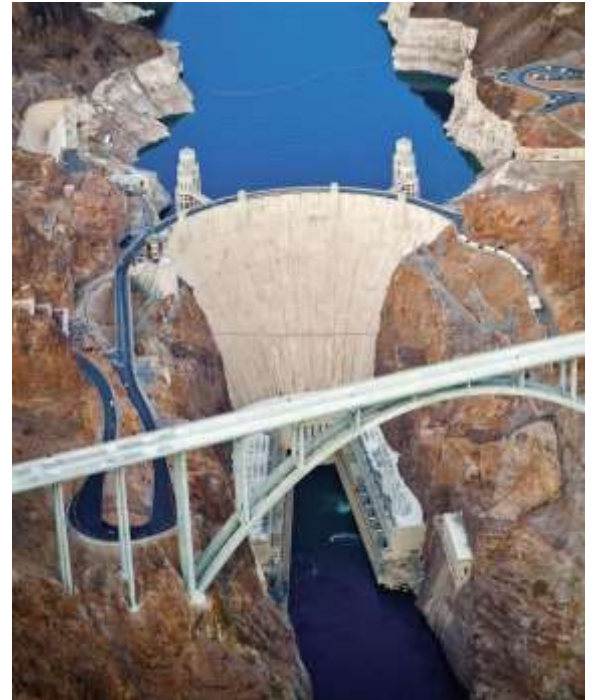
Staff is evaluating potential grant opportunities for Zero Emission (ZE) vehicles, including a \$2 million California Energy Commission (CEC) grant for development and demonstration of a Heavy-Duty Fuel Cell Vehicle that operates in "challenging conditions." This opportunity would be beneficial, as the cost share would be covered by the Original Equipment Manufacturer (OEM) and Metropolitan would participate as an operator to conduct the real-world demonstration of a hydrogen fuel cell truck. If Metropolitan can partner with an OEM, the deadline to submit an application for this grant is October 15, 2021.

WATER SYSTEM OPERATIONS *continued*

Monthly Update as of:

8/31/2020

<u>Reservoir</u>	<u>Current Storage</u>	<u>Percent of Capacity</u>
<i>Colorado River Basin</i>		
Lake Powell	7,527,000	31%
Lake Mead	9,041,000	35%
<i>DWR</i>		
Lake Oroville	801,036	23%
Shasta Lake	1,230,515	27%
San Luis Total	278,984	14%
San Luis CDWR	252,814	24%
Castaic Lake	90,130	28%
Silverwood Lake	67,706	90%
Lake Perris	111,993	85%
<i>MWD</i>		
DVL	631,066	78%
Lake Mathews	137,946	76%
Lake Skinner	37,020	84%



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.

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Metropolitan Cases

Systems Integrated, LLC v. Metropolitan **(Los Angeles Superior Court)**

Systems Integrated, LLC (SI) filed a complaint against Metropolitan on May 14, 2021 containing four causes of action—breach of a software license agreement, infringement of common law copyright, misappropriation of trade secrets, and preliminary and permanent injunctive relief.

The lawsuit stems from services provided by SI with respect to Metropolitan's Supervisory Control and Data Acquisition (SCADA) system and Metropolitan's ongoing competitive solicitation process for the upgrade of that system. On

May 16, SI filed an ex parte application for a temporary restraining order, which the court denied on May 19, following a hearing. The court found that SI had "no reasonable prospect of success without expert testimony" and that SI had failed to provide sufficient evidence to justify a trade secret claim. On August 23, Metropolitan filed a demurrer to all causes of action in SI's complaint, arguing that (1) SI has failed to state facts giving rise to a breach of contract claim or trade secret claim, (2) SI's copyright and trade secrets claims are preempted under state and federal law, and (3) SI's injunctive relief claim is not a separate cause of action under California law. The hearing on the demurrer will be held on February 9, 2022.

Matters Received by the Legal Department

<u>Category</u>	<u>Received</u>	<u>Description</u>												
Government Code Claims	2	Claims relating to: (1) tree falling and damaging Claimant's vehicle; and (2) MWD vehicle hitting Claimant's vehicle that was parked												
Requests Pursuant to the Public Records Act	13	<table><tr><th><u>Requestor</u></th><th><u>Documents Requested</u></th></tr><tr><td>22nd Century Technologies</td><td>Proposal and contract documents relating to Skilled/Technical Temp Labor Staffing</td></tr><tr><td>Brayton & Purcell</td><td>Insurance certificates and documents identifying insurance coverage related to work done by Bovee & Crail Construction Co. at the Skinner Filtration Plant and Auld Valley Control Structure</td></tr><tr><td>California Regional Water Quality Control Board, Los Angeles Region</td><td>Documents relating to January 1975 board letter on easement involving FFP & Sons, Ltd., residual partnership of Frank F. Pellissier & Sons, Inc., grantor</td></tr><tr><td>CCS Global Tech</td><td>Proposal and contract documents for Enterprise Data Analytics</td></tr><tr><td>Center for Contract Compliance (4 requests)</td><td>Contract documents relating to (1) Lake Mathews Reservoir Disaster Recovery Facility Upgrades, (2) Perris Valley Pipeline Interstate 215 Tunnels, (3) Diamond Valley Lake Floating Wave Attenuator Repair, and (4) Skinner Survey Building Roof Replacement</td></tr></table>	<u>Requestor</u>	<u>Documents Requested</u>	22nd Century Technologies	Proposal and contract documents relating to Skilled/Technical Temp Labor Staffing	Brayton & Purcell	Insurance certificates and documents identifying insurance coverage related to work done by Bovee & Crail Construction Co. at the Skinner Filtration Plant and Auld Valley Control Structure	California Regional Water Quality Control Board, Los Angeles Region	Documents relating to January 1975 board letter on easement involving FFP & Sons, Ltd., residual partnership of Frank F. Pellissier & Sons, Inc., grantor	CCS Global Tech	Proposal and contract documents for Enterprise Data Analytics	Center for Contract Compliance (4 requests)	Contract documents relating to (1) Lake Mathews Reservoir Disaster Recovery Facility Upgrades, (2) Perris Valley Pipeline Interstate 215 Tunnels, (3) Diamond Valley Lake Floating Wave Attenuator Repair, and (4) Skinner Survey Building Roof Replacement
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22nd Century Technologies	Proposal and contract documents relating to Skilled/Technical Temp Labor Staffing													
Brayton & Purcell	Insurance certificates and documents identifying insurance coverage related to work done by Bovee & Crail Construction Co. at the Skinner Filtration Plant and Auld Valley Control Structure													
California Regional Water Quality Control Board, Los Angeles Region	Documents relating to January 1975 board letter on easement involving FFP & Sons, Ltd., residual partnership of Frank F. Pellissier & Sons, Inc., grantor													
CCS Global Tech	Proposal and contract documents for Enterprise Data Analytics													
Center for Contract Compliance (4 requests)	Contract documents relating to (1) Lake Mathews Reservoir Disaster Recovery Facility Upgrades, (2) Perris Valley Pipeline Interstate 215 Tunnels, (3) Diamond Valley Lake Floating Wave Attenuator Repair, and (4) Skinner Survey Building Roof Replacement													



<u>Requestor</u>	<u>Documents Requested</u>
Deltek	Contract and bid results for Design Services for District Housing and Property Improvement Program
Envirospectives	Number of communities that receive MWD reuse assistance, amount of recycled water produced
ESA	Winning proposal for Reserve Management: Southwestern Riverside County Multi-Species Reserve
Los Angeles Times	Data on annual payments through the PVID rotational fallowing program to individual landowners and data on acreage fallowed
Transparent California	MWD Compensation Report for 2020

Matters Concluded and/or Terminated

<u>Approval</u>	<u>Case Name</u>
Board-approved settlement 9/14/2021	<i>Imperial Irrigation District v. The Metropolitan Water District of Southern California, et al.</i> , Los Angeles Superior Court Case No. 19STCP01376 and California Court of Appeal Case No. B311674
Board-approved settlement 9/14/2021	<i>Imperial Irrigation District v. The Metropolitan Water District of Southern California</i> , Los Angeles Superior Court Case No. 0STCV46404

PLEASE NOTE

- ADDITIONS ONLY IN THE FOLLOWING TABLES WILL BE SHOWN IN RED.
- ANY CHANGE IN CONTRACT AMOUNTS WILL BE SHOWN IN REDLINE FORM (I.E., ADDITIONS, REVISIONS, DELETIONS).



Bay-Delta and SWP Litigation	
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 Earl)</p>	<ul style="list-style-type: none"> • Validation Action <ul style="list-style-type: none"> • Metropolitan, Mojave Water Agency, Coachella Valley Water District, and Santa Clarita Valley Water Agency have filed answers in support • Kern County Water Agency, Tulare Lake Basin Water Storage District, Oak Flat Water District, County of Kings, Kern Member Units & Dudley Ridge Water District, and City of Yuba City filed answers in opposition • North Coast Rivers Alliance et al., Howard Jarvis Taxpayers Association, Sierra Club et al., County of Sacramento & Sacramento County Water Agency, CWIN et al., Clarksburg Fire Protection District, Delta Legacy Communities, Inc, and South Delta Water Agency & Central Delta Water Agency have filed answers in opposition • Case ordered consolidated with the DCP Revenue Bond CEQA Case for pre-trial and trial purposes and assigned to Judge Earl for all purposes • Sierra Club, DWR, North Coast Rivers Alliance and Public Agencies' motions for summary judgment on CEQA affirmative defenses to be heard Dec. 17, 2021 • CEQA Case <ul style="list-style-type: none"> • Sierra Club, Center for Biological Diversity, Planning and Conservation League, Restore the Delta, and Friends of Stone Lakes National Wildlife Refuge filed a standalone CEQA lawsuit challenging DWR's adoption of the bond resolutions • Alleges DWR violated CEQA by adopting bond resolutions before certifying a Final EIR for the Delta Conveyance Project • Cases ordered consolidated for pre-trial and trial purposes • Sierra Club motion for summary judgment on CEQA cause of action hearing on Dec. 17, 2021



<p>SWP-CVP 2019 BiOp Cases</p> <p><i>Pacific Coast Fed'n of Fishermen's Ass'ns, et al. v. Raimondo, et al. (PCFFA)</i></p> <p><i>Calif. Natural Resources Agency, et al. v. Raimondo, et al. (CNRA)</i></p> <p>Federal District Court, Eastern Dist. of California, Fresno Division (Judge Drozd)</p>	<ul style="list-style-type: none"> • SWC intervened in both <i>PCFFA</i> and <i>CNRA</i> cases • Briefing on federal defendants' motion to dismiss CNRA's California ESA claim is complete; no hearing date set and may be decided on the papers • Federal defendants circulated administrative records for each of the BiOps • December 18, 2020 PCFFA and CNRA filed motions to complete the administrative records or to consider extra-record evidence in the alternative with a hearing date of March 2, 2021 • <u>Federal defendants reinitiated consultation on Oct 1, 2021 and requested a further two-week stay until Oct. 15</u>
<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. (CESA/CEQA/Breach of Contract)</i></p> <p><i>State Water Contractors & Kern County Water Agency v. Calif. Dept. of Fish & Wildlife, et al. (CESA/CEQA)</i></p> <p><i>Tehama-Colusa Canal Auth., et al. v. Calif. Dept. of Water Resources (CEQA)</i></p> <p><i>San Bernardino Valley Municipal Water Dist. v. Calif. Dept. of Water Resources, et al. (CEQA/CESA/ Breach of Contract/Takings)</i></p> <p><i>Sierra Club, et al. v. Calif. Dept. of Water Resources (CEQA/Delta Reform Act/Public Trust)</i></p> <p><i>North Coast Rivers Alliance, et al. v. Calif. Dept. of Water Resources (CEQA/Delta Reform Act/Public Trust)</i></p> <p><i>Central Delta Water Agency, et. al. v. Calif. Dept. of Water Resources (CEQA/Delta Reform Act/Public Trust/ Delta Protection Acts/Area of Origin)</i></p> <p><i>San Francisco Baykeeper, et al. v. Calif. Dept. of Water Resources, et al. (CEQA/CESA)</i></p>	<ul style="list-style-type: none"> • All 8 cases ordered coordinated in Sacramento County Superior Court • Stay on discovery issued until coordination trial judge orders otherwise • All four Fresno cases transferred to Sacramento to be heard with the four other coordinated cases • SWC and Metropolitan have submitted Public Records Act requests seeking administrative record materials and other relevant information • Answers filed in the three cases filed by State Water Contractors, including Metropolitan's • Draft administrative records <u>produced on</u> Sept. 16, 2021 • Certified administrative records due early March 2022



<p>CDWR Environmental Impact Cases Sacramento Superior Ct. Case No. JCCP 4942, 3d DCA Case No. C091771 (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>	<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 • Parties have appealed attorneys' fees and costs rulings • Reply briefs due Oct. 15, 2021
<p>COA Addendum/ No-Harm Agreement</p> <p><i>North Coast Rivers Alliance v. DWR</i> Sacramento County Superior Ct. (Judge Gevercer)</p>	<ul style="list-style-type: none"> • Plaintiffs allege violations of CEQA, Delta Reform Act & public trust doctrine • USBR Statement of Non-Waiver of Sovereign Immunity filed September 2019 • Westlands Water District and North Delta Water Agency granted leave to intervene • Metropolitan & SWC monitoring • Deadline to prepare administrative record extended to Sept. 17<u>Nov. 16</u>, 2021
<p>Delta Plan Amendments and Program EIR 4 Consolidated Cases Sacramento County Superior Ct. (Judge Gevercer)</p> <p><i>North Coast Rivers Alliance, et al. v. Delta Stewardship Council</i> (lead case)</p> <p><i>Central Delta Water Agency, et al. v. Delta Stewardship Council</i></p> <p><i>Friends of the River, et al. v. Delta Stewardship Council</i></p> <p><i>California Water Impact Network, et al. v. Delta Stewardship Council</i></p> <p>Delta Stewardship Council Cases 3 Remaining Cases (CEQA claims challenging original 2013 Delta Plan EIR) (Judge Chang)</p> <p><i>North Coast Rivers Alliance, et al. v. Delta Stewardship Council</i></p> <p><i>Central Delta Water Agency, et al. v. Delta Stewardship Council</i></p> <p><i>California Water Impact Network, et al. v. Delta Stewardship Council</i></p>	<ul style="list-style-type: none"> • Cases challenge, among other things, the Delta Plan Updates recommending dual conveyance as the best means to update the SWP Delta conveyance infrastructure to further the coequal goals • Allegations relating to "Delta pool" water rights theory and public trust doctrine raise concerns for SWP and CVP water supplies • Cases consolidated for pre-trial and trial under <i>North Coast Rivers Alliance v. Delta Stewardship Council</i> • SWC granted leave to intervene • Metropolitan supports SWC • 2013 and 2018 cases to be heard separately due to peremptory challenge • SWC and several individual members, including Metropolitan, SLDMWA and Westlands have dismissed their remaining 2013 CEQA claims but remain intervenor-defendants in the three remaining <i>Delta Stewardship Council Cases</i> <p>2013 Cases</p> <ul style="list-style-type: none"> • Hearing on merits of CEQA claims in the three remaining 2013 cases re-set for Nov. 5, 2021 <p>2018 Cases</p>



	<ul style="list-style-type: none"> July 15, 2021 - Opening Briefs Oct. 13, 2021 - Opposition Briefs Nov. 22, 2021 - Reply Briefs Dec. 10, 2021 - Case Management Conference to set hearing on the merits
<p>SWP Contract Extension Validation Action Sacramento County Superior Ct. (Judge Culhane)</p> <p><i>DWR v. All Persons Interested in the Matter, etc.</i></p>	<ul style="list-style-type: none"> DWR seeks a judgment that the Contract Extension amendments to the State Water Contracts are lawful Metropolitan and 7 other SWCs filed answers in support of validity to become parties Four answers filed in opposition denying validity on multiple grounds raised in affirmative defenses Case deemed related to the two CEQA cases below and assigned to Judge Culhane DWR certified the administrative record for the validation action on May 3, 2021 Parties stipulated to a revised briefing schedule in all three related cases (validation and CEQA): Opening Briefs Sept. 17, 2021 Opposition Briefs Nov. 15, 2021 Reply Briefs Dec. 17, 2021 Jan. 5, 2022 Hearing on the merits with CEQA cases, below
<p>SWP Contract Extension CEQA Cases Sacramento County Superior Ct. (Judge Culhane)</p> <p><i>North Coast Rivers Alliance, et al. v. DWR</i> <i>Planning & Conservation League, et al. v. DWR</i></p>	<ul style="list-style-type: none"> Petitions for writ of mandate alleging CEQA and Delta Reform Act violations filed on January 8 & 10, 2019 Deemed related to DWR's Contract Extension Validation Action and assigned to Judge Culhane Administrative Record completed DWR filed its answers on September 28, 2020 Metropolitan, Kern County Water Agency and Coachella Valley Water District have intervened and filed answers in the two CEQA cases Briefing and hearing on the merits same as for the SWP Contract Extension Validation Action, above



Delta Conveyance Project Soil Exploration Case <i>Central Delta Water Agency, et al. v. DWR</i> Sacramento County Superior Ct. (Judge Chang)	<ul style="list-style-type: none">• Filed August 10, 2020• Plaintiffs Central Delta Water Agency, South Delta Water Agency and Local Agencies of the North Delta• One cause of action alleging that DWR's adoption of an Initial Study/Mitigated Negative Declaration (IS/MND) for soil explorations needed for the Delta Conveyance Project violates CEQA• March 24, 2021 Second Amended Petition filed to add allegation that DWR's addendum re changes in locations and depths of certain borings violates CEQA• Deadline to prepare the administrative record extended to Sept <u>Nov.</u> 8, 2021
Water Management Tools Contract Amendment <i>California Water Impact Network et al. v. DWR</i> Sacramento County Superior Ct. (Judge Earl) <i>North Coast Rivers Alliance, et al. v. DWR</i> Sacramento County Super. Ct. (Judge Earl)	<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, Public Trust Doctrine and seeking declaratory relief• Deadline to prepare the administrative record extended to Sept. 27, 2021 in <i>CWIN v. DWR</i> case and Oct. 1, 2021 in <i>NCRA v. DWR</i> case• <i>CWIN</i> case reassigned to Judge Earl so both cases will be heard together• Trial set for Jan. 14, 2022



San Diego County Water Authority v. Metropolitan, et al.		
Cases	Date	Status
2010, 2012	Aug. 13-14, 2020	Final judgment and writ issued. Transmitted to the Board on August 17.
	Aug. 28, Sept. 1	SDCWA and Metropolitan filed memoranda of costs.
	Sept. 11	Metropolitan filed notice of appeal of judgment and writ.
	Sept. 14, 16	Metropolitan filed motion to strike SDCWA's costs memorandum, and SDCWA filed motion to strike or tax Metropolitan's costs memorandum.
	Jan. 13, 2021	Court issued order finding SDCWA is the prevailing party on the Exchange Agreement, entitled to attorneys' fees and costs under the contract.
	Feb. 4	Metropolitan filed opening appellate brief regarding final judgment and writ.
	Feb. 10	Court issued order awarding SDCWA statutory costs, granting SDCWA's and denying Metropolitan's related motions.
	Feb. 16	Per SDCWA's request, Metropolitan paid contract damages in 2010-2012 cases judgment and interest. Metropolitan made same payment in Feb. 2019, which SDCWA rejected.
	Feb. 25	Metropolitan filed notice of appeal of Jan. 13 (prevailing party on Exchange Agreement) and Feb. 10 (statutory costs) orders.
	May 7	SDCWA filed responding appellate brief regarding final judgment and writ.
	June 28	Metropolitan filed reply appellate brief regarding final judgment and writ.
	Aug. 5	Metropolitan filed opening appellate brief regarding prevailing party on the Exchange Agreement and statutory costs.
	Sept. 15	Appellate oral argument on Metropolitan's appeal regarding final judgment and writ.
	<u>Sept. 21</u>	<u>Court of Appeal issued opinion on Metropolitan's appeal regarding final judgment and writ, holding: (1) the court's 2017 decision invalidating allocation of Water Stewardship Rate costs to transportation in the Exchange Agreement price and wheeling rate applied not only to 2011-2014, but also 2015 forward; (2) no relief is required to cure the judgment's omission of the court's 2017 decision that allocation of State Water Project costs to transportation is lawful; and (3) the writ is proper and applies to 2015 forward.</u>



Cases	Date	Status
2014, 2016	Aug. 28, 2020	SDCWA served first amended (2014) and second amended (2016) petitions/complaints.
	Sept. 28	Metropolitan filed demurrers and motions to strike portions of the amended petitions/complaints.
	Sept. 28-29	Member agencies City of Torrance, Eastern Municipal Water District, Foothill Municipal Water District, Las Virgenes Municipal Water District, Three Valleys Municipal Water District, Municipal Water District of Orange County, West Basin Municipal Water District, and Western Municipal Water District filed joinders to the demurrers and motions to strike.
2014, 2016 (cont.)	Feb. 16, 2021	Court issued order denying Metropolitan's demurrers and motions to strike, allowing SDCWA to retain contested allegations in amended petitions/complaints.
	March 22	Metropolitan filed answers to the amended petitions/complaints and cross-complaints against SDCWA for declaratory relief and reformation, in the 2014, 2016 cases.
	March 22-23	Member agencies City of Torrance, Eastern Municipal Water District, Foothill Municipal Water District, Las Virgenes Municipal Water District, Three Valleys Municipal Water District, Municipal Water District of Orange County, West Basin Municipal Water District, and Western Municipal Water District filed answers to the amended petitions/complaints in the 2014, 2016 cases.
	April 23	SDCWA filed answers to Metropolitan's cross-complaints.
	<u>Sept. 30</u>	<u>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.</u>
2017	July 23, 2020	Dismissal without prejudice entered.
2018	July 28	Parties filed a stipulation and application to designate the case complex and related to the 2010-2017 cases, and to assign the case to Judge Massullo's court.
	Nov. 13	Court ordered case complex and assigned to Judge Massullo's court.
	April 21	SDCWA filed second amended petition/complaint.
	May 25	Metropolitan filed motion to strike portions of the second amended petition/complaint.



Cases	Date	Status
	May 25-26	Member agencies City of Torrance, Eastern Municipal Water District, Foothill Municipal Water District, Las Virgenes Municipal Water District, Three Valleys Municipal Water District, Municipal Water District of Orange County, West Basin Municipal Water District, and Western Municipal Water District filed joinders to the motion to strike.
	July 14	Hearing on Metropolitan's motion to strike portions of the second amended petition/complaint.
	July 19	Court issued order denying Metropolitan's motion to strike portions of the second amended petition/complaint.
	July 29	Metropolitan filed answer to the second amended petition/complaint and cross-complaint against SDCWA for declaratory relief and reformation.
	July 29	Member agencies City of Torrance, Eastern Municipal Water District, Foothill Municipal Water District, Las Virgenes Municipal Water District, Three Valleys Municipal Water District, Municipal Water District of Orange County, West Basin Municipal Water District, and Western Municipal Water District filed answers to the second amended petition/complaint.
	Aug. 31	SDCWA filed answer to Metropolitan's cross-complaint.
2014, 2016, 2018	June 11	Metropolitan lodged administrative records.
	June 11, 21	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.
	<u>Jan. 12, 2022</u>	Next Case Management Conference. <u>(Sept. 17 Conference postponed.)</u>
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.



Cases	Date	Status
	May 13-14	Metropolitan filed motions to quash and for protective order regarding deposition of non-party witness.
	June 3	Hearing on 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
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	\$1,214,517
	MWD v. Collins	185892	06/20	\$60,000
	MWD Drone and Airspace Issues	193452	08/20	\$50,000
	Equal Employee Opportunity Commission Charge	200462	03/21	\$20,000
	Public Employment Relations Board Charge No. LA-CE-1441-M	200467	03/21	\$30,000
	Representation re the Shaw Law Group's Investigations	200485	05/20/21	\$50,000
	DFEH Charge (DFEH Number 202102-12621316)	201882	07/01/21	\$25,000
	AFSCME Local 1902 in Grievance No. 1906G020 (CSU Meal Period)	201883	07/12/21	\$30,000
	<u>AFSCME Local 1902 v. MWD, PERB Case No. LA-CE-1438-M</u>	<u>201889</u>	<u>09/15/21</u>	<u>\$20,000</u>
Best, Best & Krieger	Navajo Nation v. U.S. Department of the Interior, et al.	54332	05/03	\$185,000
	Iron Mountain SMARA (Surface Mining and Reclamation Act)	158043	07/17	\$250,000
	Bay-Delta Conservation Plan/Delta Conveyance Project (with SWCs)	170697	08/17	\$500,000
	Environmental Compliance Issues	185888	05/20	\$50,000
Blooston, Mordkofsky, Dickens, Duffy & Prendergast, LLP	FCC and Communications Matters	110227	11/10	\$100,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Buchalter, a Professional Corp.	Union Pacific Industry Track Agreement	193464	12/07/20	\$50,000
Burke, Williams & Sorensen, LLP	Real Property - General	180192	01/19	\$100,000
	Labor and Employment Matters	180207	04/19	\$50,000
	General Real Estate Matters	180209	08/19	\$100,000
Law Office of Alexis S.M. Chiu*	Bond Counsel	174595	07/18	N/A
	Bond Counsel	200468	07/21	N/A
Cislo & Thomas LLP	Intellectual Property	170703	08/17	\$75,000
Curls Bartling P.C.*	Bond Counsel	174596	07/18	N/A
	Bond Counsel	200470	07/21	N/A
Duane Morris LLP	SWRCB Curtailment Process	138005	09/14	\$615,422
Duncan, Weinberg, Genzer & Pembroke PC	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
Haden Law Office	Real Property Matters re Agricultural Land	180194	01/19	\$50,000
Hanson Bridgett LLP	SDCWA v. MWD	124103	03/12	\$1,100,000
	Finance Advice	158024	12/16	\$100,000
	Deferred Compensation/HR	170706	10/17	\$ 400,000
	Food and Water Watch v. MWD	174612	09/18	\$200,000
	Tax Issues	180200	04/19	\$50,000
Hawkins Delafield & Wood LLP*	Bond Counsel	193469	07/21	N/A



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Horvitz & Levy	SDCWA v. MWD	124100	02/12	\$900,000
	General Appellate Advice	146616	12/15	\$100,000
	Food and Water Watch v. MWD Appeal	185862	09/19	\$60,000
Hunt Ortmann Palfy Nieves Darling & Mah, Inc.	Construction Contracts/COVID-19 Emergency	185883	03/20	\$40,000
Internet Law Center	HR Matter	174603	05/18	\$60,000
	Cybersecurity and Privacy Advice and Representation	200478	04/13/21	\$100,000
	Systems Integrated, LLC v. MWD	201875	05/17/21	\$40,000
Amira Jackmon, Attorney at Law*	Bond Counsel	200464	07/21	N/A
Jackson Lewis P.C.	Employment: Department of Labor Office of Contract Compliance (OFCCP)	137992	02/14	\$45,000
Jones Hall, A Professional Law Corporation*	Bond Counsel	200465	07/21	N/A
Kegel, Tobin & Truce	Workers' Compensation	180206	06/19	\$100,000
Lesnick Prince & Pappas LLP	Topock/PG&E's Bankruptcy	185859	10/19	\$30,000
Lieber Cassidy Whitmore	Labor and Employment	158032	02/17	\$201,444
	EEO Investigations	180193	01/19	\$100,000
	FLSA Audit	180199	02/19	\$50,000
LiMandri & Jonna LLP	Bacon Island Subrogation	200457	03/21	\$50,000
Manatt, Phelps & Phillips	In Re Tronox Incorporated	103827	08/09	\$540,000
	SDCWA v. MWD rate litigation	146627	06/16	\$2,900,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Meyers Nave Riback Silver & Wilson	OCWD v. Northrop Corporation	118445	07/11	\$2,300,000
	IID v. MWD	185900	08/20	\$ 410,000
	IID v. MWD (Contract Litigation)	193472	02/21	\$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	\$300,000
Norton Rose Fulbright US LLP*	Bond Counsel	200466	07/21	N/A
Olson Remcho LLP	Government Law	131968	07/14	\$200,000
	Ethics Office	170714	01/18	\$350,000
Quinn Emanuel Urquhart & Sullivan	Appellate	174598	04/18	\$100,000
Ryan & Associates	Leasing Issues	43714	06/01	\$100,000 <u>\$200,000</u>
Seyfarth Shaw LLP	HR Litigation	185863	12/19	\$250,000
Stradling Yocca Carlson & Rauth*	Bond Counsel	174599	07/18	N/A
	Bond Counsel	200471	07/21	N/A
Theodora Oringher PC	OHL USA, Inc. v. MWD	185854	09/19	\$900,000 <u>\$1,100,000</u>
	Construction Contracts - General Conditions Update	185896	07/20	\$50,000
Thomas Law Group	MWD v. DWR, CDFW, CDNR – Incidental Take Permit (ITP) CESA/CEQA/Contract Litigation	185891	05/20	\$250,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Thompson Coburn LLP	FERC Representation re Colorado River Aqueduct Electrical Transmission System	122465	12/11	\$100,000
	NERC Energy Reliability Standards	193451	08/20	\$25,000
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
Western Water and Energy	California Independent System Operator Related Matters	193463	11/20/20	\$100,000

*Expenditures paid by Bond Proceeds/Finance

LEGAL DEPARTMENT EXPENDITURES BY SOURCE
FISCAL YEAR 20-21

Legal Budget		\$	992,818.03
<i>Firm Name</i>			
900352	Andrade Gonzalez LLP		93,063.75
	Atkinson, Andelson, Loya Ruud & Romo		124,463.90
	Best Best & Krieger		19,732.50
	Buchalter, a Professional Corporation		22,405.00
	Burke, Williams & Sorensen, LLP		20,333.65
	Cislo & Thomas LLP		8,666.04
	Haden Law Office		925.00
	Hanson Bridgett LLP		141,785.00
	Horvitz & Levy, LLP		16,938.29
	Internet Law Center		15,297.39
	Lesnick Prince & Pappas LLP		1,086.75
	Liebert, Cassidy & Whitmore		8,619.00
	LiMandri & Jonna LLP		9,164.77
	Miller Barondess, LLP		14,795.00
	Meyers Nave, a Professional Corporation		228,111.84
	Olson Remcho LLP		34,112.80
	Stradling Yocca Carlson & Rauth		5,760.00
	Theodora Oringher PC		2,208.60
	Thomas Law Group		136,391.25
	Thompson Coburn LLP		15,863.50
	Van Dermeyden Maddux Law Corporation		22,824.00
	Van Ness Feldman, LLP		2,900.00
	Western Energy and Water		47,370.00

Capital Projects		\$	409,976.52
<i>Firm Name</i>			
104645	Musick, Peeler & Garrett LLP		30,759.20
103391	Theodora Oringher PC		379,217.32

Bay-Delta		\$	28,538.81
<i>Firm Name</i>			
601285	Best Best & Krieger LLP		11,736.95
	Burke, Williams & Sorensen, LLP		7,508.00
	Duane Morris LLP		904.36
	Horvitz & Levy, LLP		8,389.50

LEGAL DEPARTMENT EXPENDITURES BY SOURCE
FISCAL YEAR 20-21

SIR		\$ 1,008,191.13
	<i>Firm Name</i>	
900250	Hanson Bridgett LLP	11,454.00
	Horvitz & Levy, LLP	237,088.39
	Liebert, Cassidy & Whitmore	24,540.04
	Manatt, Phelps & Phillips, LLP	568,033.59
	Miller Barondess, LLP	13,128.15
	Swartz, Steinsapir, Dohrmann & Sommers, LLI	5,800.00
	Seyfarth Shaw LLP	148,146.96
		\$ 2,439,524.49

LEGAL DEPARTMENT EXPENDITURES BY SOURCE
FISCAL YEAR 21-22 (thru 09/14/21)

Legal Budget		\$	102,382.36
	<i>Firm Name</i>		
900352	Andrade Gonzalez LLP		2,260.50
	Atkinson, Andelson, Loya Ruud & Romo		43,345.95
	Best Best & Krieger		9,839.00
	Buchalter, a Professional Corporation		172.00
	Burke, Williams & Sorensen, LLP		4,612.50
	Hanson Bridgett LLP		7,590.81
	Internet Law Center		910.00
	Liebert, Cassidy & Whitmore		2,396.60
	Meyers Nave, a Professional Corporation		5,999.00
	Thomas Law Group		490.00
	Thompson Coburn LLP		2,726.00
	Western Energy and Water		22,040.00
Capital Projects		\$	70,304.35
	<i>Firm Name</i>		
104645	Musick, Peeler & Garrett LLP		23,029.60
103391	Theodora Oringher PC		47,274.75
Bay-Delta		\$	3,167.88
	<i>Firm Name</i>		
601285	Best Best & Krieger LLP		430.38
	Burke, Williams & Sorensen, LLP		2,737.50
SIR		\$	169,711.26
	<i>Firm Name</i>		
900250	Hanson Bridgett LLP		1,162.00
	Horvitz & Levy, LLP		26,054.87
	Internet Law Center		14,310.72
	Manatt, Phelps & Phillips, LLP		116,183.67
	Swartz, Steinsapir, Dohrmann & Sommers, LLI		12,000.00
		\$	345,565.85

**OUTSIDE COUNSEL CONTRACT AMENDMENTS
FISCAL YEAR 20-21**

Firm Name	Matter Name	Agmt #	Amend #	Eff Date	Increase Amt	Contract Amt
Andrade Gonzalez LLP	ITP CESA/CEQA/Contract Litigation	185894	1	06/10/21	\$ 150,000	\$ 250,000
Burke, Williams & Sorensen, LLP	General Real Estate Matters	180209	1	08/15/20	\$ 50,000	\$ 100,000
Cislo & Thomas LLP	Intellectual Property	170703	2	10/07/20	\$ 25,000	\$ 75,000
Hanson Bridgett LLP	Deferred Compensation/HR	170706	3	03/09/21	\$ 100,000	\$ 400,000
Horvitz & Levy, LLP	SDCWA v. MWD	124100	5	02/09/21	\$ 300,000	\$ 900,000
Liebert Cassidy Whitmore	EEO Investigation	180205	1	02/18/21	\$ 20,000	\$ 70,000
Meyers Nave, a Professional Corporation	IID v. MWD	185900	1	02/09/21	\$ 100,000	\$ 200,000
Meyers Nave, a Professional Corporation	IID v. MWD	185900	2	05/11/21	\$ 210,000	\$ 410,000
Thomas Law Group	ITP CESA/CEQA/Contract Litigation	185891	1	10/13/20	\$ 150,000	\$ 250,000

FY 20-21 TOTAL \$ 1,105,000



Internal Audit Report for August 2021

Summary

One report was issued during the month:

Conservation Credits Program Audit Report

Discussion Section

This report highlights the significant activities of the Internal Audit Department during August 2021. In addition to presenting background information and the opinion expressed in the audit report, a discussion of findings noted during the examination is also provided.

Conservation Credits Program

The Audit Department has completed a review of the accounting and administrative controls over the Conservation Credits Program as of December 31, 2020.

Scope

Our review evaluated the accounting and administrative controls over the Conservation Credits Program (CCP.) The CCP provides incentives to customers who replace grass lawns with “California Friendly” gardens, install water-saving devices, and take other measures to save water. Our review included activities that occurred between January 1, 2019, and December 31, 2020. Specifically, we reviewed controls over application submission, approval, processing, incentive payments, and the contract with the Electric & Gas Industries Association (EGIA), which administers the CCP on Metropolitan’s behalf.

Background

Conservation and water-use efficiency play an essential role in Metropolitan’s Integrated Water Resource Plan (IRP). CCP financial incentives and rebates include Regional and Member Agency Turf Removal Programs, Regional and Commercial Devices Programs, the Public Agency Landscape Program, Member Agency Administered Program, and Regional Pilot Program.

On April 10, 2018, the Board approved an annual budget of \$43 million for the CCP. Subsequently, on December 11, 2018, they approved an additional \$3 million for the 18-month Regional Pilot Program, resulting in a total budget of \$89 million for Fiscal Years 2018/19 and 2019/20. Moreover, the biennial budget for Fiscal Years 2020/21 and 2021/22 was \$86 million.

Our review spanned across parts of these two biennial periods, from January 2019 thru December 2020. CCP expenditures for this interval totaled \$41.7 million.

Opinion

In our opinion, the accounting and administrative procedures governing the CCP include those practices usually necessary to provide for a generally satisfactory internal control structure. The degree of compliance provided effective control between January 1, 2019, and December 31, 2020.

Comments and Recommendations

NON-COMPLIANCE WITH TERMS AND CONDITIONS

Compliance with contractual requirements is necessary to ensure accurate accounting records, proper supporting detail, and adequate control over the administration of agreements. Furthermore, compliance with agreement terms and conditions confirms that parties fully discharge their duties and obligations and exercise their rights associated with the contracts. In addition, procedures should ensure that invoices are reviewed for accuracy before payment, and that management reporting is timely and accurate.

Metropolitan's contract with EGIA requires them to verify customer data input, review customer landscape plans for consistency with Metropolitan guidelines, and, when appropriate, confirm completed projects for rebate eligibility.

During the period under review, EGIA processed 6,030 Turf Removal Rebates, which includes 2,520 paid rebates. We tested a sample of 56 paid rebates and found the following exceptions:

- One applicant did not appear to have installed the required number of drought-resistant plants. The EGIA Program Manager stated that this was an error in processing.
- Two applicants did not remove sufficient square footage to justify the payment they received; neither had been selected for sample post-inspection.

EGIA stated that all three cases resulted from processing errors.

During the period under review, EGIA processed 79,430 Device Rebates, which includes 56,782 paid rebates. We tested a sample of 57 paid rebates and found one application on which the applicant's name did not match the water bill submitted. EGIA stated that the exception resulted from a processing error.

Failure to comply with the terms and conditions of the EGIA contract could result in incorrect payments to applicants or EGIA. In addition, improper payments could result in inaccurate Board and management reporting.

We recommend that WRM address the noted discrepancies. We also recommend that management remind staff and EGIA personnel of the importance of compliance with the terms

and conditions of the contract and conduct a periodic review of applications to ensure compliance.

DUPLICATE BILLING

MWD should review EGIA invoices for completeness, accuracy, and compliance with contractual terms and conditions. Such reviews should include procedures to prevent duplicate payments.

We searched for duplicate payments in all CCP applications processed and paid during 2020. We found one \$85 duplicate payment; EGIA agreed to refund it.

EGIA includes multiple rebates associated with the same rebate number on the same invoice. We recommend that WRM establish procedures for the Water Efficiency Team (WET) to perform periodic searches for duplicate payments. Duplication search queries of EGIA data downloads, commonly included in database software, could be used for this purpose.



Ethics Office Monthly Report

August 2021

INDEPENDENT REVIEW OF EEO RELATED CONCERNS

Continued overseeing the board-directed independent review of EEO-related matters with outside firm Shaw Law Group (SLG) and four EEO investigations. Managed presentation of SLG recommendations to the OP&T Committee meeting on August 16, 2021.

COMPLIANCE

Assisted Board members and employees with Assuming Office and Leaving Office Form 700 filings. Assistance included notifications of deadlines and troubleshooting the electronic filing system.

Monitored the status of past due Assuming Office and Leaving Office Form 700 filings; obtained compliance from six former employees, issued past-due notices to four other former employees, and referred one former employee to the FPPC for non-filing of a Leaving Office Form 700.

ADVICE

Addressed 12 advice matters involving: conflicts of interest, financial disclosure, political activities, contracting integrity, and other ethics-related topics.

Collaborated with General Counsel staff on developing a director recusal procedures matrix to assist both offices and Board staff on Board recusal and disclosure requirements.

Reviewed and analyzed multiple conflict

of interest disclosure forms submitted by respondents as part of Request for Proposals submissions to help prevent conflicts of interest and ensure integrity in Metropolitan contracts.

INVESTIGATIONS

Received complaints alleging that: 1) managers failed to follow safety protocols during a shutdown project; 2) a manager is operating a private business using district time and resources; 3) a manager retaliated against an employee for refusing to deviate from proper work procedures; and, 4) a manager retaliated against an employee for reporting a potential EEO violation.

ADVICE AND INVESTIGATIVE DATA

Advice Matters	12
Compliance Assistance	15
Complaints Received	4
Investigations Opened	0
Pending Investigations	3

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
August 17, 2021

52458 The Board of Directors of The Metropolitan Water District of Southern California met in Regular Session on Tuesday, August 17, 2021.

Vice Chair Kurtz called the Teleconference Meeting to order at 12:13 p.m.

52459 The Meeting was opened with an invocation by Jeany Wong, Sr. Engineer, Engineering Services Group.

52460 The Pledge of Allegiance to the Flag was given by Director Repenning.

Vice Chair Kurtz addressed the Board providing brief remarks.

52461 Board Secretary Abdo administered the roll call. Those responding present were: Directors Abdo, Apodaca, Atwater, Blois, Butkiewicz, Camacho, De Jesus, Dennstedt, Dick, Erdman, Faessel, Fellow, Goldberg, Hawkins, Hogan, Jung, Kurtz, Lefevre, Luna, McCoy, Morris, Murray, Ortega, Peterson, Phan, Pressman, Quinn, Ramos, Record, Repenning, Smith, Tamaribuchi, and Williams.

Director Ackerman responded after roll call.

Director Petersen entered the meeting after roll call.

Those not responding were: Chairwoman Gray, and Directors Cordero, and Kassakhian.

Board Secretary Abdo declared a quorum present.

52462 Vice Chair Kurtz introduced Tanya Trujillo, Assistant Secretary for Water and Science for the US Department of the Interior. Ms. Trujillo spoke regarding current water issues.

The following participants asked questions or made comments:

Directors/Participants	Comments/Questions
1. Peterson	Asked a question
2. Tanya Trujillo	Responded to Director Peterson
3. Erdman	Asked a question
4. Tanya Trujillo	Responded to Director Erdman

Director Ackerman entered the meeting.

52463 Vice Chair Kurtz invited members of the public to address the Board on matters within the Board's jurisdiction.

Name	Affiliation	Item
1. Caty Wagner	Sierra Club	Proposed Voluntary Agreements.
2. Conner Everts	So. Cal. Watershed Alliance/Desal Response Group	Climate Change and Proposed Voluntary Agreements.
3. Doug Obegi	Natural Resources Defense Council	Proposed Voluntary Agreements
4. John Mendoza	City of Pomona	Shaw Report and Proposed Voluntary Agreements.

Vice Chair Kurtz addressed the following: Other Matters and Reports.

52464 Vice Chair Kurtz asked if there were any changes to the report of events attended by Directors at Metropolitan's expense during the month of July as previously posted and distributed to the Board.

No amendments were made.

52465 Vice Chair Kurtz referred to Chairwoman Gray's monthly report, which was previously posted and distributed to the Board.

52466 Regarding matters relating to Metropolitan's operations and activities, General Manager Hagekhalil announced the following:

1. Continuing meeting with Member Agencies to discuss current issues and establishing relationships.
2. Continuing efforts to visit field facilities to meet with staff and discuss priority issues. As well as, continuing to meet with federal and state officials.

Additional information on the General Manager's activities may be found in his written monthly report.

52467 General Counsel Scully had nothing to add to her report.

52468 General Auditor Riss provided an update on recent "Billing for Reimbursable Projects" audit.

52469 Ethics Officer Salinas had nothing to add to his report.

52470 Report on List of Certified Assessed Valuations for Fiscal Year 2021/22 and tabulation of assessed valuations, percentage participation, and vote entitlement of member agencies as of August 17, 2021. No questions or comments were made.

Vice Chair Kurtz addressed the Consent Calendar Other Items for August 2021.

52471 Approval of the Minutes of the meeting for July 13, 2021. Vice Chair Kurtz asked Directors if there were any comments or discussion on the approval of the Minutes of the Meeting for July 13, 2021 (Agenda Item 6A). No requests were made.

52472 Authorize preparation of commendatory resolution for Jeff Kightlinger for his service and leadership during his term as general manager of The Metropolitan Water District of Southern California (Agenda Item 6B). No comments were made.

52473 Approval of Committee Assignments (Agenda Item 6C). Vice Chair Kurtz announced there were no new committee assignments at this time.

Vice Chair Kurtz called on the Committee Chairs to give a report of the Consent Calendar Items for Action as discussed at their Committees.

Director Smith stated that Item 7-3 involves authorizing an agreement that includes a subcontract with Black & Veatch. He currently owns Black & Veatch stock and for this reason, is recusing himself from all participation in this matter.

52474 Adopt the Resolution Levying Ad Valorem Property Taxes for the Fiscal Year Commencing July 1, 2021 and ending June 30, 2022 for the Purposes of The Metropolitan Water District of Southern California maintaining the tax rate at .0035 percent of assessed valuation, the same rate levied in FY 2020/21; and direct staff to transmit that resolution to the county auditors for the levy and collection of the ad valorem property tax, as set forth in Agenda Item 7-1 board letter.

Director Record stated that a letter dated August 15, 2021 regarding Agenda Item 7-1 was received from the San Diego Directors Butkiewicz, Goldberg, Hogan, and Smith and that it be added to the record. The letter was received on August 15, 2021 at 8:40 p.m.

52475 Award a \$492,440 procurement contract to Royal Industrial Solutions for the ozone control system equipment for the Mills plant; and authorize an agreement with Suez Treatment Solutions, Inc. for a not-to-exceed total of \$430,000 for specialized technical support of the upgrade, as set forth in Agenda Item 7-2 board letter.

52476 Authorize an agreement with CDM Smith Inc., in an amount not to exceed \$2.75 million for support of engineering and technical studies at the advanced water treatment demonstration facility, as set forth in Agenda Item 7-3 board letter.

52477 Approve Metropolitan's annual membership in the U.S. Water Alliance and authorize payment of dues for \$18,500, and approve Metropolitan's annual membership in Water Education for Latino Leaders and authorize payment of dues for \$25,000, as set forth in Agenda Item 7-4 board letter.

52478 Adopt the proposed Water Supply Alert Resolution, as set forth in Agenda Item 7-5 board letter.

52479 Authorize the General Manager to enter into an agreement with USGS for up to \$357,000 for water quality and biological monitoring and assessments on Metropolitan's Delta properties, as set forth in Agenda Item 7-6 board letter.

52480 Authorize a ten-year agreement with Urban Park to maintain, operate and invest in the marina recreation facility at Diamond Valley Lake, as set forth in Agenda Item 7-7 board letter.

Agenda Items 7-8 and 7-9 were deferred.

52481 Vice Chair Kurtz called for a vote to approve the Consent Calendar Items 6A, 6B, and 7-1, 7-2, 7-3* through 7-7 **(M.I. No. 52471 through 52480.)**

Director Dick moved, seconded by Director Peterson that the Board approve the Consent Calendar Agenda Items 6A, 6B, and 7-1, 7-2, 7-3* through 7-7.

The following is a record of the vote:

Record of Vote on Consent Item(s): 6A, 6B, 7-1, 7-2, 7-3* through 7-7									
Member Agency	Total Votes	Director	Present	Yes	Yes Vote	No	No Vote	Abstain	Abstain Vote
Anaheim	5277	Faessel	x	x	5277				
Beverly Hills	4056	Pressman	x	x	4056				
Burbank	2666	Ramos	x	x	2666				
Calleguas Municipal Water District	11552	Blois	x	x	11552				
Central Basin Municipal Water District	17051	Apodaca	x	x	8526				
		Hawkins	x	x	8526				
			Subtotal:		17051				
Compton	553	McCoy	x	x	553				
Eastern Municipal Water District	9492	Record	x	x	9492				
Foothill Municipal Water District	2131	Atwater	x	x	2131				
Fullerton	2255	Jung	x						
Glendale	3622	Kassakhian							
Inland Empire Utilities Agency	13433	Camacho	x	x	13433				
Las Virgenes	2741	Peterson	x	x	2741				
Long Beach	5772	Cordero							
Los Angeles	70689	Murray	x	x	17672				
		Petersen							
		Quinn	x	x	17672				
		Luna	x	x	17672				
		Repenning	x	x	17672				
			Subtotal:		70689				
Municipal Water Dist. of Orange Coun	57264	Ackerman	x	x	14316				
		Tamaribuchi	x	x	14316				
		Dick	x	x	14316				
		Erdman	x	x	14316				
			Subtotal:		57264				
Pasadena	3522	Kurtz	x	x	3522				
San Diego County Water Authority	58302	Butkiewicz	x	x	14576				
		Goldberg	x	x	14576				
		Hogan	x	x	14576				
		Smith	x	x	14576				
			Subtotal:		58302				
San Fernando	224	Ortega	x	x	224				
San Marino	730	Morris	x	x	730				
Santa Ana	3035	Phan	x	x	3035				
Santa Monica	4352	Abdo	x	x	4352				
Three Valleys Municipal Water District	7753	De Jesus	x	x	7753				
Torrance	3237	Lefevre	x	x	3237				
Upper San Gabriel Valley Mun. Wat. D	11942	Fellow	x	x	11942				
West Basin Municipal Water District	23608	Williams	x	x	23608				
		Gray							
			Subtotal:		23608				
Western Municipal Water District	12466	Dennstedt	x	x	12466				
Total	337725				326076				
Present and not voting	2255								
Absent	9394								

Director Jung did not vote.

The motion to approve the Consent Calendar Items 6A, 6B, 7-1, 7-2, 7-3* through 7-7 passed by a vote of 326,076 ayes; 0 noes; 0 abstain; 2,255 not voting; and 9,394 absent.

***Note: Individual vote tally for Item 7-3**

Director Smith recused himself from voting. The motion to approve the Consent Calendar Item 7-3 passed by a vote of 326,076 ayes; 0 noes; 0 abstain; 2,255 not voting; and 9,394 absent.

Vice Chair Kurtz called on Director Murray to address Agenda Item 8-1.

52482 Organization, Personnel and Technology Committee Chair Murray moved, seconded by Director Ortega, that the Board approve the following modified motion of having the Equal Employment Officer report to the General Manager and having the Equal Employment Officer and General Manager develop a Shaw Report implementation program and budget for review and approval by the Organization Personnel and Technology (OP&T) Committee and Board and report monthly to the OP&T Committee on implementation progress; and authorize an increase in the maximum amount payable to the Shaw Law Group by \$25,000, to a maximum payable of \$575,000 (Agenda Item 8-1).

Director Petersen entered the meeting.

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	5277	Faessel	x	x	5277				
Beverly Hills	4056	Pressman	x	x	4056				
Burbank	2666	Ramos	x	x	2666				
Calleguas Municipal Water District	11552	Blois	x	x	11552				
Central Basin Municipal Water District	17051	Apodaca	x	x	8526				
		Hawkins	x	x	8526				
			Subtotal:		17051				
Compton	553	McCoy	x	x	553				
Eastern Municipal Water District	9492	Record	x	x	9492				
Foothill Municipal Water District	2131	Atwater	x	x	2131				
Fullerton	2255	Jung	x						
Glendale	3622	Kassakhian							
Inland Empire Utilities Agency	13433	Camacho	x	x	13433				
Las Virgenes	2741	Peterson	x	x	2741				
Long Beach	5772	Cordero							
Los Angeles	70689	Murray	x	x	14138				
		Petersen	x	x	14138				
		Quinn	x	x	14138				
		Luna	x	x	14138				
		Repenning	x	x	14138				
			Subtotal:		70689				
Municipal Water Dist. of Orange County	57264	Ackerman	x	x	14316				
		Tamaribuchi	x	x	14316				
		Dick	x	x	14316				
		Erdman	x	x	14316				
			Subtotal:		57264				
Pasadena	3522	Kurtz	x	x	3522				
San Diego County Water Authority	58302	Butkiewicz	x	x	14576				
		Goldberg	x	x	14576				
		Hogan	x	x	14576				
		Smith	x	x	14576				
			Subtotal:		58302				
San Fernando	224	Ortega	x	x	224				
San Marino	730	Morris	x	x	730				
Santa Ana	3035	Phan	x	x	3035				
Santa Monica	4352	Abdo	x	x	4352				
Three Valleys Municipal Water District	7753	De Jesus	x	x	7753				
Torrance	3237	Lefevre	x	x	3237				
Upper San Gabriel Valley Mun. Wat.	11942	Fellow	x	x	11942				
West Basin Municipal Water District	23608	Williams	x	x	23608				
		Gray							
			Subtotal:		23608				
Western Municipal Water District	12466	Dennstedt	x	x	12466				
Total	337725				326076				
Present and not voting	2255								
Absent	9394								

Director Jung did not vote.

The motion to approve Agenda Item 8-1, the motion to approve Item 8-1 passed by a vote of 326,076 ayes; 0 noes; 0 abstain; 2,255 not voting; and 9,394 absent.

52483 Board Vice Chair Kurtz asked if there were questions or need for discussion for Board Information Item 9-1. No requests were made.

Vice Chair Kurtz addressed Other Matters Agenda Items 10-1 and 10-2 for August 2021.

52484 Board Vice Chair Kurtz called on Assistant General Manager Upadhyay to introduce Agenda Item 10-1 in open session. Item 10-1 is an information item regarding an Update On Proposed Voluntary Agreements For Delta Operations 21-401 and on CDWR Water Operations Cases, Sacramento County Superior Court, Case No. JCCP 5117, which includes the following eight cases: The Metropolitan Water Dist. of S. Cal., et al. v. Calif. Dept. of Fish & Wildlife, et al., Fresno County Superior Ct. Case No. 20CECG01347; State Water Contractors, et al. v. Calif. Dept. of Fish & Wildlife, et al., Fresno County Superior Ct. Case No. 20CECG1302; San Bernardino Valley Municipal Water Dist. v. Calif. Dept. of Water Resources, et al., Fresno County Superior Ct. Case No. 20CECG01556; Tehama-Colusa Canal Auth., et al. v. Calif. Dept. of Water Resources, Fresno County Superior Ct. Case No. 20CECG01303; Sierra Club, et al. v. Calif. Dept. of Water Resources, San Francisco County Superior Ct. Case No. CPF-20-517120; North Coast Rivers Alliance, et al. v. Calif. Dept. of Water Resources, San Francisco County Superior Ct. Case No. CPF-20-517078; Central Delta Water Agency, et al. v. Calif. Dept. of Water Resources, Sacramento County Superior Ct. Case No. 34-2020-80003368; and San Francisco Baykeeper et al. v. Calif. Dept. of Water Resources, et al., Alameda County Superior Ct. Case No. RG20063682; and report on Pacific Coast Federation of Fishermens Assns., et al. v. Ross, et al., Federal District Court for the Eastern District of California, Case No. 1:20-CV-00431-DAD-SAB and Calif. Natural Resources Agency, et al. v. Ross, et al., Federal District Court for the Eastern District of California, Case No. 1:20-CV-00426-DAD-SKO. Conference with legal counsel - existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1).]

Bay-Delta Manager Arakawa presented an update on the Voluntary Agreements to the Board.

Director Phan recused herself from any deliberation or anything related to Agenda Item 10-1 because a number of entities involved are represented by her employer Rutan and Tucker.

The following participants asked questions or made comments:

Directors/Staff	Comments/Questions
1. Lefevre	Asked a question
2. Bay-Delta Manager Arakawa	Responded to Director Lefevre
3. Repenning	Asked a question
4. General Counsel Scully	Responded to Director Repenning
5. Bay-Delta Manager Arakawa	Responded to Director Repenning
6. Repenning	Commented
7. Quinn	Commented
8. Bay-Delta Manager Arakawa	Responded to Director Quinn

9. General Manager Hagekhalil Commented

Board Vice Chair Kurtz called the meeting into Closed Session for the closed session portion of Agenda Item 10-1 Update on Voluntary Agreements, and Agenda Item 10-2 regarding Discussion of Department Head Evaluation Process Guidelines and Department Head Evaluation Presentations. Public employee's performance evaluations; General Counsel, General Auditor, and Ethics Officer, to be heard in closed session pursuant to Gov. Code Section 54957.

The meeting returned from Closed Session.

52485 Vice Chair Kurtz stated that regarding 10-1 the Board, during Closed Session, provided direction to staff regarding this matter.

52486 Vice Chair Kurtz stated the Board did not discuss Item 10-2, during Closed Session and deferred this item to September Board meeting.

52487 Vice Chair Kurtz asked if there were any follow-up items. No requests were made.

52488 Vice Chair Kurtz asked if there were any future agenda items. No requests were made.

52489 There being no objection, at 2:40 p.m., Vice Chair Kurtz adjourned the Meeting.


GLORIA D. GRAY
CHAIRWOMAN


JUDY ABDO
SECRETARY



- Board of Directors
Engineering and Operations Committee

9/14/2021 Board Meeting

7-1

Subject

Authorize an increase of \$185,000 to an agreement with Rincon Consultants, Inc. for a new not-to-exceed amount of \$1 million for services related to the preparation of a Climate Action Plan and CEQA documentation; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In October 2018, Metropolitan's Board of Directors awarded an agreement to Rincon Consultants, Inc. for the preparation of a Climate Action Plan (CAP) and associated California Environmental Quality Act (CEQA) documentation. Staff has provided periodic updates to the Board as various milestones were reached, including oral reports on the results of a comprehensive emissions inventory and forecast of future emissions based on data from the 2015 Urban Water Management Plan (UWMP) forecasts, a recommended emissions quantification and tracking protocol, and recommended near-term and long-term emissions targets. Staff has drafted the CAP and Program Environmental Impact Report (PEIR); however, preparation of these documents has taken longer than initially expected. New forecast numbers from the 2020 UWMP adopted earlier this year, and more recent emissions data are now available. In addition, due to an increase in public interest in Metropolitan's draft CAP, additional public outreach to non-governmental organizations (NGOs) and peer review is recommended. This letter requests authorization to increase the agreement with Rincon Consultants, Inc. to an amount not to exceed \$1 million to update the draft CAP and PEIR with current forecast and emissions data and to support additional public outreach and engagement efforts.

Details

Background

In October 2018, Metropolitan's Board of Directors authorized the development of a CAP. The CAP would streamline CEQA greenhouse gas (GHG) analysis and substantially reduce costs to Metropolitan from project-by-project GHG mitigation through a comprehensive programmatic document that identifies energy and GHG reduction actions from past, current, and future conservation programs and other activities to offset GHG emissions from future projects, such as the proposed Regional Recycled Water Program. Under CEQA, a qualified CAP must include:

- An emissions inventory (Completed).
- A forecast of future emissions (Completed).
- A GHG reduction target (Completed).
- Actions to reduce or eliminate an agency's GHG emissions (Completed).
- Adoption of the CAP in a public process (Future action).

In addition, a CEQA document that analyzes the impacts of CAP implementation must be prepared and certified by the Board along with the adoption of the CAP.

The CAP and PEIR have been drafted; however, since the initial preparation, additional emissions data have been certified and reported to the Climate Registry, and the 2020 UWMP was adopted by the Board, which changes the forecast for future emissions in the CAP. Staff recommends updating the CAP with the new emissions numbers and forecast data to ensure the document that is released for public review as part of the CEQA review process contains the most recent information available.

In addition, Metropolitan has received several recent inquiries about the CAP from interested parties and stakeholders. During the public review period for the Notice of Preparation (NOP) of the draft PEIR, a public workshop was held to solicit comments to be addressed in the draft document, as required by CEQA. Few parties attended the online meeting, and only a few comments were received during the NOP comment period. Due to the recent interest, staff recommends a workshop for NGOs to introduce the CAP, ensure stakeholder engagement, and receive feedback before the plan is released for public review as part of the CEQA process. In addition, a peer review of the draft CAP by sustainability officers from a select group of local agencies within Metropolitan's service area is also recommended prior to public review to ensure a robust review process. Feedback from the peer review and workshop will be incorporated, as appropriate, into draft documents prior to release for CEQA public review. Following the public review, staff will respond to comments, finalize the documents, and present both to the Board for review and approval.

Staff is requesting an increase of \$185,000 to the existing Rincon Consultants, Inc. agreement to update the draft CAP with current forecast and emissions data, support the workshop and peer review, and incorporate revisions to the draft CAP and PEIR resulting from the additional outreach prior to public release of these documents.

Amendment to an Agreement for Environmental Support (Rincon Consultants, Inc.)

In October 2018, the Board authorized a new agreement with Rincon Consultants, Inc. for environmental support to develop the CAP and associated CEQA document. Rincon Consultants, Inc. has completed the majority of the scope of work identified under the agreement, including development of a CAP and supporting CEQA document, which includes a baseline inventory of current GHG emissions, quantification of planned project emissions, identification and evaluation of GHG reduction measures, a business-as-usual emissions forecast, and an implementation and monitoring strategy. Additional services required of the consultant at this time include support for: (1) additional outreach to the public, including a workshop and peer review, and incorporation of feedback; and (2) an update of the draft CAP and PEIR with current emissions and forecast data. These activities were not anticipated under the original scope of work.

This action authorizes an increase of \$185,000 to an existing agreement with Rincon Consultants, Inc. for a new not-to-exceed total of \$1 million for environmental services associated with additional public outreach and incorporation of current data into the CAP and CEQA document. For this agreement, Metropolitan established a Small Business Enterprise participation level of 25 percent; Rincon Consultants, Inc. has agreed to meet this level of participation. The subconsultants for this agreement are Ascent Environmental, Inc., Katz & Associates, Inc., and Carollo Engineers, Inc.

Alternatives Considered

In developing the recommended approach, staff considered the use of in-house resources instead of amending the consultant agreement. This work is highly specialized, however, and Metropolitan has insufficient in-house technical staff to complete the scope of work. In addition, staff would have to shift current workloads, potentially resulting in delays to other critical projects. The use of in-house staff would be inefficient when compared to the use of the consultant team, as in-house staff would need to familiarize themselves with the project and outstanding issues. For these reasons, staff recommends amending the current agreement so that the consultant can perform the activities associated with the revised scope.

Conclusion

This action ensures that Metropolitan's CAP incorporates the most recent data before it is released to the public for review and comment and that additional stakeholder engagement occurs to ensure the preparation and adoption of a comprehensive CAP that outlines a path for Metropolitan to reduce its GHG emissions and reinforce its commitment as a leader in climate action planning and the protection of local, statewide, and worldwide resources from the effects of climate change.

Next Steps

Staff will concurrently hold a workshop to encourage public participation in the public review process and distribute the draft CAP for peer review. Following the workshop and peer review, staff will update the draft CAP and PEIR to incorporate workshop and peer review feedback, as appropriate, as well as recent forecast and

emissions data. After public review of the draft CAP and PEIR, staff will prepare responses to all comments received and make any changes to the draft CAP and/or draft CEQA document, as necessary. Staff will return to the Board to adopt the CAP and certify the PEIR.

Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 51350, dated October 9, 2018, the Board awarded an \$815,000 agreement to Rincon Consultants, Inc. for specialized environmental support to develop the CAP and associated CEQA document.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action involves fiscal decisions that will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In addition, the proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines) and other government fiscal activities, which do not involve any commitment to any specific project, or which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). Finally, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize an increase of \$185,000 to an agreement with Rincon Consultants, Inc. for a new not-to-exceed amount of \$1 million for services related to the preparation of a Climate Action Plan and CEQA documentation.

Fiscal Impact: Expenditure of \$185,000 in operations and maintenance funds, which is a budgeted expenditure in the current biennial budget period.

Business Analysis: Approval will allow staff to host a workshop to further engage the public, conduct peer review, update the draft CAP and CEQA document with current data and feedback received, and release both documents for public review, which will allow Metropolitan to leverage existing and planned water, energy, and other conservation measures to help offset GHG impacts from future capital projects and mitigate the effect of GHG-related climate change.

Option #2


Do not authorize an increase in the maximum amount payable under this agreement with Rincon Consultants, Inc.

Fiscal Impact: None

Business Analysis: Metropolitan would release the draft CAP and CEQA document with outdated numbers and without stakeholder engagement, which could increase the likelihood of legal challenge, jeopardize the adoption of the CAP, and forego an opportunity to leverage existing and planned water, energy, and other conservation measures to help offset GHG impacts from future capital projects.

Staff Recommendation

Option #1


Shane O. Chapman
Chief Administrative Officer

8/24/2021

Date


Adel Hagekahlil
General Manager

9/1/2021

Date

Ref# cao12680521



Authorize an Increase to Climate Action Plan Professional Services Agreement

Engineering and Operations Committee

Item 7-1

September 13, 2021

Current Action

- Authorize an increase of \$185,000 to an agreement with Rincon Consultants, Inc. for a new not-to-exceed amount of \$1 million for services related to the preparation of a Climate Action Plan and CEQA documentation



Background

- Metropolitan's Board awarded an agreement to Rincon Consultants, Inc. to prepare a Climate Action Plan (CAP) and associated CEQA documentation
- New data from the recently adopted Urban Water Management Plan (UWMP) and more recent greenhouse gas (GHG) emissions data are now available
- Outreach to non-governmental organizations (NGOs) and peer review is recommended

Additional Consultant Scope of Work

- Update emissions forecast with 2020 UWMP projections and current GHG emissions data
- Support planned public outreach prior to release of the draft CAP for public review
- Incorporate comments from public outreach and peer review
- Revise CAP and CEQA documents to comply with the Americans with Disabilities Act (ADA)

Rincon Consultants, Inc. Agreement Amendment

- Selected under RFQ 1143
- Additional scope of work
 - Update forecast and GHG emissions data
 - Support public outreach
 - Incorporate comments
 - ADA compliance
- SBE participation level – 15%
- Amendment amount – \$185,000
- NTE amount – \$1,000,000

Project Schedule

Activity	2021	2022
Update CAP, conduct outreach and public review		
Prepare final CAP and CEQA document		
Adopt CAP and certify CEQA document		



Board Options

- Option #1

- Authorize an increase of \$185,000 to an agreement with Rincon Consultants, Inc. for a new not-to-exceed amount of \$1 million for services related to the preparation of a Climate Action Plan and CEQA documentation.

- Option #2

- Do not authorize an increase in the maximum amount payable under this agreement with Rincon Consultants, Inc.

Staff Recommendation

- Option #1





- Board of Directors
Engineering & Operations Committee

9/14/2021 Board Meeting

7-2

Subject

Award an \$11,604,521 contract to Ameresco, Inc. for construction of battery energy storage systems at the Joseph Jensen and Robert A. Skinner Water Treatment Plants; and authorize increase of \$550,000 to an agreement with Stantec Inc. for engineering services for a new not-to-exceed total of \$1,450,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The planned storage system (BESS) facilities at the Jensen and Skinner plants will enhance the efficiency of Metropolitan's long-term power use, provide a hedge against projected electricity price increases, and improve the resiliency of the electric supply at these facilities. Moving forward with the construction of BESS facilities, at this time, is necessary to ensure Metropolitan receives the California Public Utilities Commission's enhanced incentives for microgrid-capable BESS. The incentive agreement stipulates specific project completion timelines. Metropolitan submitted applications to the incentive program in May 2020. The applications have been accepted, and a total of \$6 million has been conditionally reserved for the two projects. Award of the construction contract at this time will allow this project to be completed within the prescribed incentive timelines.

Details

Background

In 2010, Metropolitan's Board adopted Energy Management Policies intended to contain energy costs and reduce exposure to price volatility through the implementation of cost-effective alternative energy projects. The policy objectives directly related to battery energy storage development include:

- Contain costs and reduce exposure to energy price volatility.
- Increase operational reliability by providing system redundancy.
- Provide a revenue stream to offset energy costs.
- Move Metropolitan toward energy independence.

Prior to the adoption of the Energy Management Policies, Metropolitan implemented a 540-kilowatt solar facility at the Center for Water Education at Diamond Valley Lake in 2006 and a one-megawatt solar facility at the Skinner Water Treatment Plant in 2009. Guided by the Board-adopted Energy Management Policies, Metropolitan added three megawatts of solar generation at the Weymouth plant in 2016 and one megawatt of solar generation at the Jensen plant in 2018.

In 2020, Metropolitan completed the Energy Sustainability Plan effort to identify new projects and initiatives within the Energy Management Policies' framework. The Energy Sustainability Plan combined an analysis of Metropolitan's electricity charges and a holistic multi-criteria decision analysis framework, in which potential projects were vetted against a range of future scenarios based upon historical water and power demands and time-of-use tariff updates. Through this effort, BESS facilities at the Jensen, Skinner, and Weymouth plants and at OC-88 Pumping Plant were recommended for near-term implementation. The projects will provide electricity cost savings and improve operational flexibility and resiliency at these critical facilities.

Self-Generation Incentive Program Available for Jensen, Skinner, Weymouth, and OC-88

The Self-Generation Incentive Program (SGIP) is a California Public Utilities Commission (CPUC) program that provides enhanced rebates for installing battery energy storage systems at critical facilities serving low-income/disadvantaged communities, or that are located within a CPUC-designated high fire threat district.

In May 2020, Metropolitan submitted four applications to the SGIP for a combined total of \$10.3 million in incentives for the Jensen, Skinner, Weymouth, and OC-88 facilities. In August 2020, Metropolitan received conditional reservation letters for \$3 million in incentives for the Jensen BESS project, \$3 million in incentives for the Skinner BESS project, and \$1.75 million in incentives for the OC-88 BESS project applications. The Weymouth BESS project application was placed on the waitlist. The SGIP incentive will be paid to Metropolitan in phases: 50 percent at project completion, with the remaining 50 percent paid equally over five years upon annual proof of 5 kgCO₂/kWh reduction in greenhouse gas emissions.

In October 2020, the Board amended the biennial Capital Investment Plan (CIP) for Fiscal Years 2020/21 and 2021/22 to include BESS facilities at the Jensen, Skinner, and Weymouth plants, and at OC-88 Pumping Plant. Preliminary design was completed in January 2021 for BESS facilities at these four locations. Significant cost increases to meet new requirements from the Orange County Fire Authority for the OC-88 project were identified in preliminary design. These cost increases negated the potential financial benefits of the project as originally described in the October 2020 board action. Metropolitan subsequently withdrew its application with SGIP for a BESS facility at OC-88, cancelled the project, and received reimbursement of the \$87,546 application fee.

In May 2021, Metropolitan received confirmation for \$2.125 million in incentives for the Weymouth BESS application. Final design for the Weymouth BESS project was started in June 2021, and staff plans to return to the Board to award a construction contract for Weymouth BESS facilities in February 2022.

In accordance with the April 2020 action on the biennial CIP budget for Fiscal Years 2020/21 and 2021/22 and the October 2020 board action to include this project in the CIP plan, the General Manager will authorize staff to proceed with construction of BESS facilities at the Jensen and Skinner plants, pending board award of the construction contract described below. Based on the current CIP expenditure forecast, funds for the work to be performed pursuant to this action during the current biennium are available within the CIP Appropriation for Fiscal Years 2020/21 and 2021/22 (Appropriation No. 15521). Funds required for work to be performed pursuant to the subject contract after Fiscal Year 2021/22 will be budgeted within the Capital Investment Plan Appropriation for Fiscal Years 2022/23 and 2023/24. This project has been reviewed in accordance with Metropolitan's CIP prioritization criteria and was approved by Metropolitan's CIP evaluation team to be included in the Cost Efficiency and Productivity Program.

Jensen and Skinner Battery Energy Storage Systems - Construction

The scope of work for the construction contract includes: (1) site grading and paving; (2) furnishing and installation of BESS equipment, unit substation, conduits, and cables to the power substation and appurtenant electrical equipment; (3) construction of equipment pads; (4) furnishing, installing, and programming of monitoring and control systems with microgrid capability; and (5) access road improvements at the Skinner site to meet requirements from the Riverside Fire Department. Metropolitan force construction includes installation of a 300-foot-long electrical duct bank at the Skinner plant, cyber security protection systems, and network infrastructure; control and protection modifications to the electrical switchgear at the Jensen plant; and supervisory control and data acquisition programming. Also, for each site, a contract for fiber optic cable installation will be awarded under the General Manager's administrative code authority to award contracts under \$250,000 or less.

A total of \$16.4 million has been budgeted for this work. Besides the amount of the contract, other allocated funds include: \$1,278,000 for construction management and inspection; \$125,000 for Metropolitan force activities as described above; \$614,000 for Metropolitan staff to review contractor's design package and submittals and to support testing and commissioning of the BESS system; \$550,000 for construction support by Stantec as described below; \$709,000 for contract administration, environmental monitoring, incentive program administration, utilities interconnection agreement applications, and project management; \$460,000 for fiber optic

cable installations at the Jensen and Skinner plants; \$258,000 for communication equipment, materials, and fees; and \$801,479 for remaining budget.

Award of Construction Contract (Ameresco, Inc.)

Specifications No. 1998 to furnish and construct BESS facilities at the Jensen and Skinner plants was advertised for bids on June 1, 2021. As shown in **Attachment 2**, three bids were received and opened on July 29, 2021. Two bidders did not submit materials at the time of bid in compliance with the requirements outlined in the bid documents. These two bids were deemed to be non-responsive. The bid from Ameresco, Inc., in the amount of \$11,604,521, complies with the requirements of the specifications. The engineer's estimate was \$7,650,000. Staff investigated the difference between the engineer's estimate and the low bid. The key differences are attributed to increased costs for specialized battery and electrical equipment such as transformers, programmable logic controllers, and switchgear; the high volume of construction currently underway in the region, which limited subcontractor bids; and the greater than expected contractor staffing level required to complete construction at two sites within the term of the SGIP milestones. Metropolitan established a Small Business Enterprise (SBE) participation level of at least 5 percent of the bid amount. Ameresco, Inc. has committed to meet this level of participation. The subcontractors for this contract are listed in **Attachment 3**.

This action awards a \$11,604,521 contract to Ameresco, Inc. to construct BESS facilities on the grounds of the Jensen and Skinner plants. The total cost of construction for this project is \$12,447,521, which includes the amount of the contract (\$11,604,521), fiber optic cable installation (\$460,000), material and supplies (\$258,000), and Metropolitan force activities (\$125,000). Engineering Services' goal for inspection of projects with construction greater than \$3 million is 9 to 12 percent. For this project, the anticipated cost of inspection is approximately 10.3 percent of the total construction cost.

Alternatives Considered

In light of the higher bid than expected bids, staff considered cancelling the project. However, even with the higher bid, the net present value of the project ranged from \$2.6 million to \$3.5 million in energy cost savings over 10 years. The payback period for the project now ranges from five to six years, compared to a three-year payback under the original assumptions. In addition, the recently completed Energy Sustainability Plan identified additional project benefits that include reducing Metropolitan's greenhouse gas emissions (GHG) and supporting the Climate Action Plan's proposed GHG reduction target, increasing operational flexibility and resiliency at critical facilities, and contributing to regional power resilience in southern California by reducing demands on the grid during critical peak periods.

Staff also considered several alternatives in order to meet the SGIP construction completion milestone. Initially, staff sought to include all work for the BESS project in a single contract. However, critical construction activities were reviewed, and risks identified that could impact the construction schedule. Work was then identified that can be performed by Metropolitan forces to minimize delay risks and avoid multiple plant shutdowns. Metropolitan forces will install a new electrical duct bank at the Skinner plant in advance of the contract so that the contractor can expeditiously connect the BESS to the plant electrical system. At the Jensen plant, control and protection modifications to the electrical switchgear will also be performed by Metropolitan forces in advance of the construction contract. This approach will take advantage of a planned plant shutdown for the Jensen Electrical Upgrade project.

Staff also considered issuing separate contracts for each of the BESS sites, instead of combining the two sites into one contract. With the current approach to project implementation, Metropolitan will benefit from economies of scale on the cost of the BESS equipment. In addition, by having the same BESS design and manufacturer for both Skinner and Jensen plants, the operation and maintenance of the BESS will be more efficient due to standardized spare parts requirements and staff training.

Technical Support During Construction (Stantec Inc.) – Amendment to Agreement

Stantec Inc. performed final design of the BESS facilities at the Jensen and Skinner sites. Stantec was prequalified via Request for Qualifications No. 1215 and was selected to provide engineering services for the BESS facilities based on their specialized expertise. As the engineer of record, Stantec is recommended to provide technical support during construction. This support includes review of the contractor-supplied systems

and equipment, review of shop drawing submittals, and responding to requests for information from the contractor; advising staff on technical issues that may arise, and preparing record drawings. The estimated cost for Stantec to provide these services is \$550,000. For this agreement, Metropolitan has established an SBE participation level of 5 percent. Stantec has agreed to meet this level of participation. The planned subconsultants for this agreement are Project Line Technical Services, Inc. and Integrated Engineering Management.

This action authorizes an increase of \$550,000 to the existing agreement with Stantec Inc., for a new not-to-exceed total of \$1,450,000, to provide technical support during construction of the BESS facilities.

Summary

This action awards a \$11,604,521 contract to Ameresco, Inc. to construct BESS facilities at the Jensen and Skinner plants. This action also authorizes an amendment to an existing agreement with Stantec Inc. to provide technical consulting services during construction. See **Attachment 1** for the Allocation of Funds, **Attachment 2** for the Abstract of Bids, **Attachment 3** for the listing of Subcontractors for Low Bidder, and **Attachment 4** for the Location Map.

Project Milestones

December 2022 - Completion of construction and commissioning of BESS facilities at the Jensen and Skinner plants

January 2023 - Filing of incentive claim with the SGIP

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 51963, dated April 14, 2020, the Board appropriated a total of \$500 million for projects identified in the Capital Investment Plan for Fiscal Years 2020/21 and 2021/22.

By Minute Item 52140, dated October 13, 2020, the Board amended the current CIP to include the implementation of BESS at four Metropolitan facilities; and authorized an agreement with Stantec Inc. in an amount not-to-exceed \$900,000.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action consists of modifying existing public facilities with negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. In addition, the proposed action includes the construction and location of limited numbers of new, small facilities or structures; installations 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 including water, main, sewage, electrical, gas, and other utility extensions, including street improvements, of reasonable length to serve such construction. The numbers of structures described in this section are the maximum allowable on any legal parcel. In addition, the proposed action includes 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. Accordingly, the proposed action qualifies under Class 1, Class 3, and Class 4 Categorical Exemptions (Sections 15301, 15303, and 15304 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

- a. Award \$11,604,521 contract to Ameresco, Inc. to construct Battery Energy Storage System Facilities at the Jensen and Skinner plants; and
- b. Authorize increase of \$550,000 to agreement with Stantec Inc., for a new not-to-exceed total of \$1,450,000, to provide technical support.

Fiscal Impact: Expenditure of \$16.4 million in capital funds. Approximately \$6 million will be incurred in the current biennium and have been previously authorized.

Business Analysis: This option will enable Metropolitan to reduce retail electricity expenditures and increase treatment plant resiliency to power supply outages. Metropolitan will receive \$6.0 million in incentives from the SGIP to offset project expenditures. This includes \$3.0 million at the completion of construction in December 2022 and an additional \$3.0 million over a three to five-year period thereafter. Based on the projected electric utility rate increases, the net present value of this option ranges from \$2.6 million to \$3.5 million over ten years, and the payback period is from five to six years.

Option #2

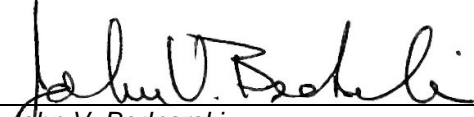
Do not proceed with the project at this time.

Fiscal Impact: None

Business Analysis: Metropolitan will forego an opportunity to receive \$6.0 million in incentives from the SGIP, reduce operating costs, and improve resiliency at critical facilities.

Staff Recommendation

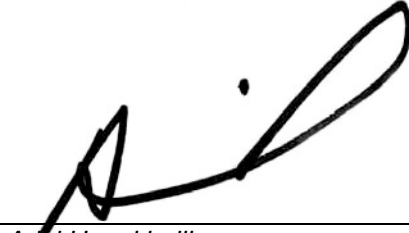
Option #1



John V. Bednarski
Manager/Chief Engineer
Engineering Services

8/12/2021

Date



Adel Hagekhalil
General Manager

9/1/2021

Date

Attachment 1 – Allocation of Funds

Attachment 2 – Abstract of Bids

Attachment 3 – Subcontractors for Low Bidder

Attachment 4 – Location Map

Allocation of Funds for BESS at the Jensen and Skinner plants

	Current Board Action (Sep. 2021)
Labor	
Studies & Investigations	\$ -
Final Design	-
Owner Costs (Program mgmt., contract admin., envir. monitoring)	709,000
Submittals Review & Record Drwgs.	614,000
Construction Inspection & Support	1,278,000
Metropolitan Force Construction	125,000
Materials & Supplies	120,000
Incidental Expenses	108,000
Professional/Technical Services	-
Stantec Inc.	550,000
Environmental Monitoring	30,000
Equipment Use	-
Contracts	-
Ameresco, Inc.	11,604,521
Fiber Optic Cable Installers	460,000
Remaining Budget	801,479
Total	\$ 16,400,000

The total amount expended to date for the installation of battery energy storage systems at the Jensen and Skinner plants is approximately \$1.6 million. The total estimated cost to complete the Jensen and Skinner Battery Energy Storage Systems, including the amount appropriated to date, and funds allocated for the work described in this action, is \$18.6 million.

The Metropolitan Water District of Southern California

Abstract of Bids Received on July 13, 2021 at 2:00 P.M.

Specifications No. 1998

**Joseph P. Jensen and Robert A. Skinner Water Treatment Plants
Battery Energy Storage Systems**

The work consists of furnishing and constructing a 1 MW/4,000 MWh Battery Energy Storage System at each location. It includes equipment pad, monitoring and control systems with microgrid capability, unit substation, conduits and cables to the power substation, security system, and site grading and paving. The contract also includes testing and commissioning the system.

Engineer's estimate: \$7,650,000

Bidder and Location	Total	SBE Amount	SBE %	Met SBE¹
Ameresco, Inc Ontario, CA	\$11,604,521	\$1,925,000	16.5%	Yes
SunPower Corporation Systems Anheim, CA ²	\$7,902,058	-	-	-
Siemens Industry, Inc. Cypress, CA ²	\$11,058,340	-	-	-

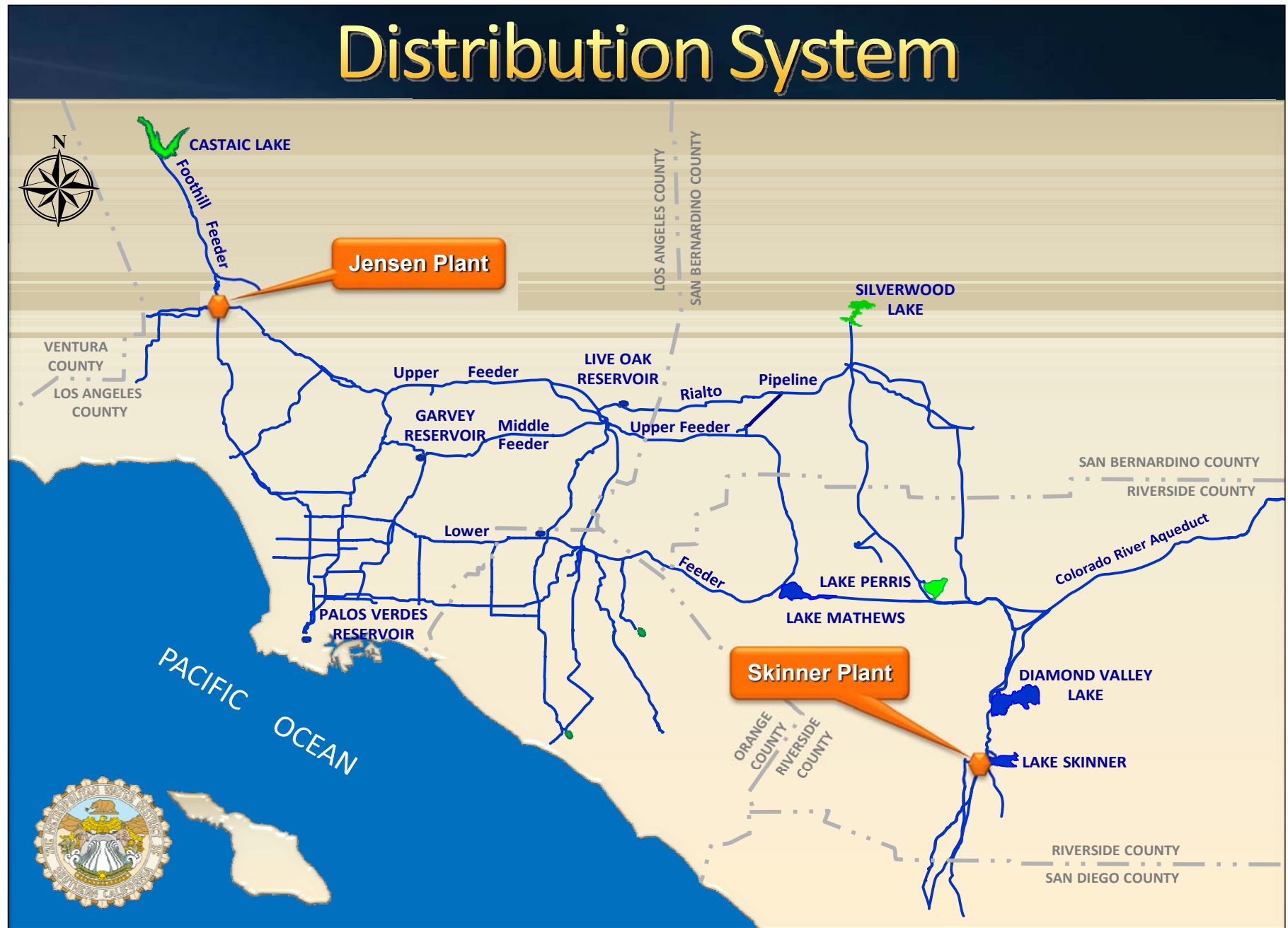
¹ SBE (Small Business Enterprise) participation level established at 5 percent for this contract bid.

² Bid was determined to be non-responsive.

The Metropolitan Water District of Southern California**Subcontractors for Low Bidder****Specifications No. 1998****Joseph P. Jensen and Robert A. Skinner Battery Energy Storage Systems**

Low bidder: Ameresco, Inc.

Subcontractor and Location
MB Herzod Electric, Inc., Paramount, CA
Teichert Energy & Utilities Group, Inc., San Diego, CA





Award Construction Contract for Battery Energy Storage Systems at the Jensen and Skinner Plants

Engineering & Operations Committee

Item 7-2

September 13, 2021

Current Action

- Award \$11,604,521 contract to Ameresco, Inc. for construction of battery energy storage systems at the Joseph Jensen and Robert A. Skinner Water Treatment Plants
- Authorize an amendment to an agreement with Stantec Inc. for a new not-to-exceed amount of \$1,450,000 for engineering support during construction

Distribution System



Project Location – Jensen Plant

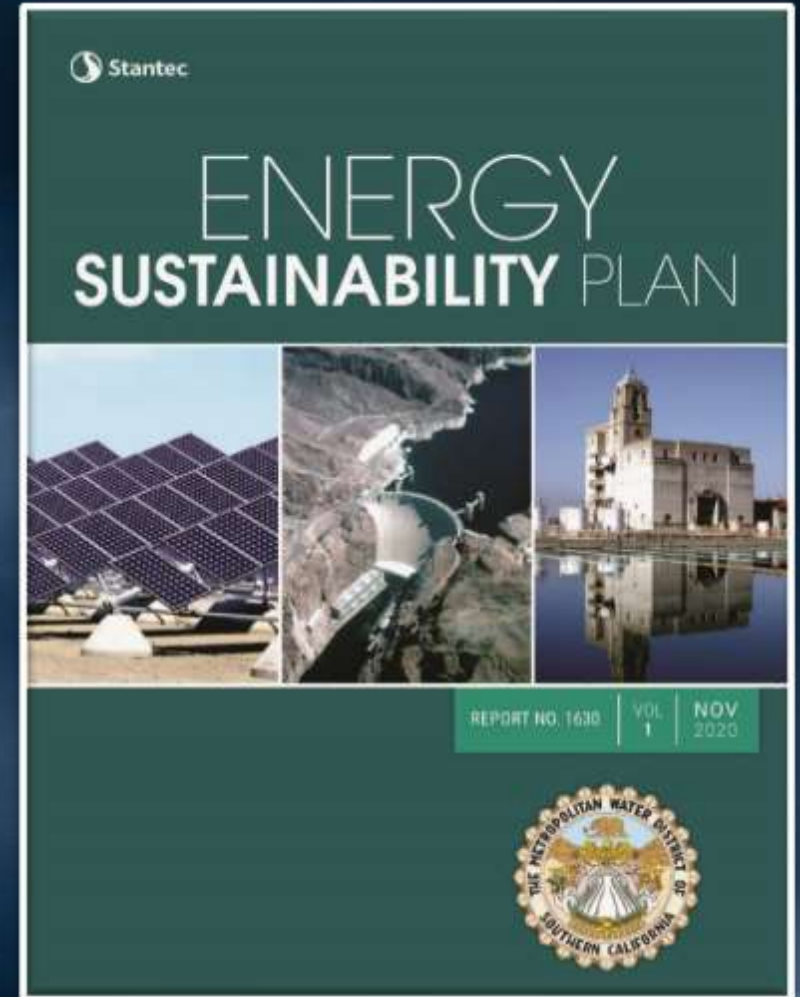


Project Location – Skinner Plant



Background

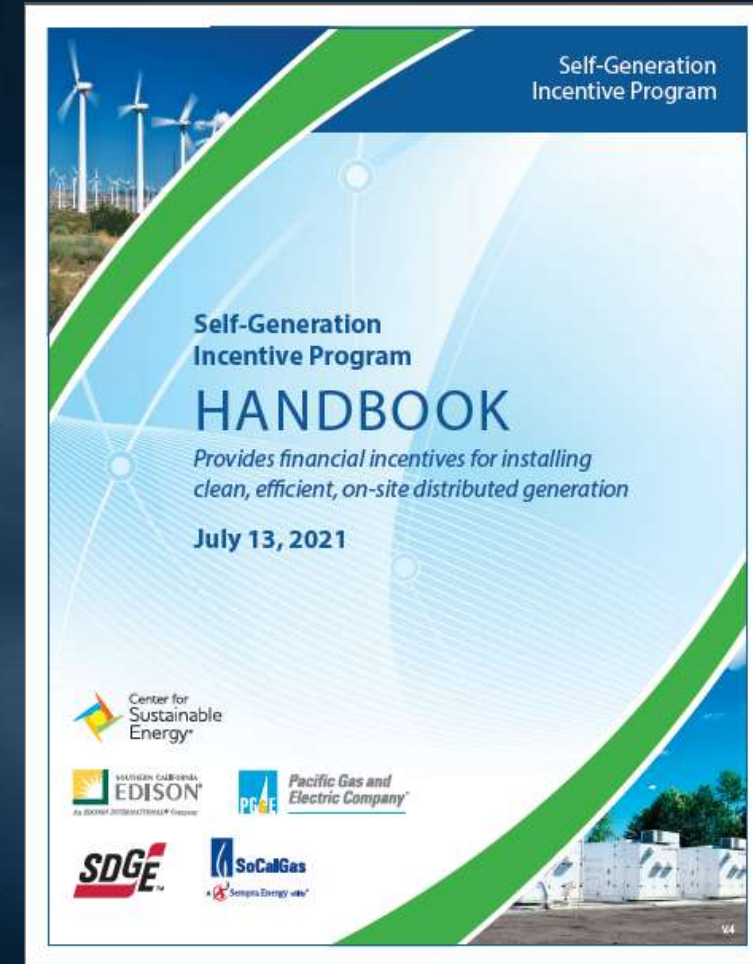
- Energy Sustainability Plan (2020)
 - Analysis of electricity needs & energy supply risk
 - Holistic multi-criteria assessment
- Technology
 - Battery paired with solar facilities on site
 - Storing excess solar energy for later use
 - Peak load reduction
 - Energy arbitrage: charge when power is cheap & discharge when power is expensive
 - Micro-grid configuration
- Key benefits of BESS to Metropolitan
 - Reduce energy cost and GHG emission
 - Increase operational flexibility and resiliency



Background

Self-Generation Incentive Program (SGIP)

- 4 applications submitted in May 2020
 - Jensen, Skinner & OC-88 confirmed in August 2020
 - Weymouth confirmed in May 2021
- Current project status
 - OC-88 cancelled
 - Higher cost to meet new requirement of OCFD
 - Skinner and Jensen advertised in June 2021
 - Weymouth construction contract award is planned in Spring 2022



Contractor Scope

- Site grading and paving
- Construction of equipment pads
- Furnish & install
 - battery energy storage system and appurtenant equipment
 - monitoring & control systems with microgrid capability
- Improve access road at Skinner site to meet Riverside Fire Dept. requirements
- Perform testing and commissioning per SGIP and electrical utilities requirements

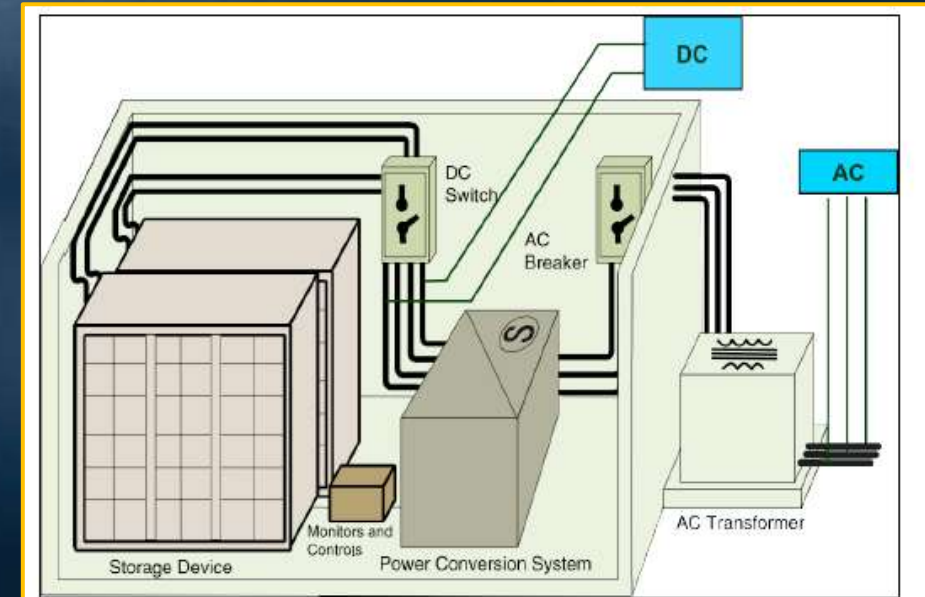


Figure 1. Schematic of a Battery Energy Storage System
(Source: Sandia National Laboratories)

Bid Results

Specifications No. 1998

Bids Received	July 29, 2021
No. of Bidders*	3
Low responsive bidder	Ameresco, Inc.
Low Bid	\$11,604,521
Engineer's Estimate	\$7,650,000
SBE Participation**	16.5%

* 2 bids deemed non-responsive

** SBE (Small Business Enterprise) participation set at 5%

Alternatives Considered

- Reject all bids and do not proceed with the project
- Continue project as originally planned
 - Selected Option
 - Economic viability of project re-evaluated
 - Anticipated SGIP incentive: \$6M
 - Net cost savings: \$2.6M to \$3.5M over 10 years
 - Payback: 5 to 6 years
 - Other benefits identified in the Energy Sustainability Plan

Alternatives Considered

- Contractor completes all required construction work
 - Challenge to meet SGIP Milestones
 - Need for separate plant shutdown
- Metropolitan performs critical work in advance
 - Selected option
 - Installation of electrical duct bank at Skinner
 - Control and protection modification of electrical switchgear at Jensen
 - Increase flexibility to coordinate and schedule work
 - Take advantage of already planned shutdowns

Metropolitan Scope

- Metropolitan Force Construction
 - Installation of electrical duct bank at Skinner
 - Control and protection modification of electrical switchgear at Jensen
 - Installation of network infrastructure for cyber security protection
- Construction Support Activities
 - Construction management and inspection
 - Environmental monitoring, contract administration & PM
 - Testing, Start-up & Commissioning

Stantec Inc.

Agreement Amendment

- Selected under RFQ 1215
- Additional scope of work
 - Engineering and technical support during construction
 - Submittals review & record drawings
 - Support for testing & commissioning
- SBE participation level – 5%
- Amendment amount – \$550,000
- NTE amount – \$1,450,000

Allocation of Budgeted Funds

Contracts

Ameresco, Inc.	\$11,604,521
Fiber optic cable installers	460,000

Metropolitan Labor

Construction inspection	1,278,000
Metropolitan Force construction	353,000
Submittals review, testing & commissioning	614,000
Contract adm., SGIP & Intercon. agrmts, & PM	709,000

Professional Services

Stantec Inc.	550,000
Environmental monitoring service	30,000

<u>Remaining Budget</u>	801,479
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Total: \$16,400,000

Total construction cost: \$12.4 million

Project Schedule



Construction



Testing/Commissioning



Board Action



Completion

Board Options

- Option #1

- Award \$11,604,521 contract to Ameresco, Inc. to construct Battery Energy Storage System Facilities at the Jensen and Skinner plants; and
- Authorize increase of \$550,000 to agreement with Stantec Inc., for a new not-to-exceed total of \$1,450,000, to provide technical support.

- Option #2

- Do not proceed with the project at this time.

Staff Recommendation

- Option #1





- Board of Directors
Engineering and Operations Committee

9/14/2021 Board Meeting

7-3

Subject

Authorize an agreement with HDR Engineering, Inc., in an amount not to exceed \$635,000 for engineering design services to upgrade the 2.4 kV power line that serves the Black Metal Mountain communications site; the General Manager has determined that this proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The Black Metal Mountain communications site is situated on top of a mountain and provides clear line-of-site connectivity to other Colorado River Aqueduct (CRA) communications sites. Given its prime location, the communications site also houses communications equipment from several other agencies which lease space from Metropolitan. The Black Metal Mountain communications site's power demand has increased over time, and an upgrade of both the 2.4 kV power line cables and supporting poles are recommended in order to maintain reliable communications service at the Black Metal Mountain site. This action authorizes an agreement for engineering design services to upgrade the 2.4 kV power line that serves the Black Metal Mountain communications site.

Details

Background

The CRA is a 242-mile-long conveyance system that transports water from the Colorado River to Lake Mathews. It consists of five pumping plants; 124 miles of tunnels, siphons, and reservoirs; 63 miles of canals; and 55 miles of conduits. The aqueduct was constructed in the late 1930s and was placed into service in 1941.

The Black Metal Mountain communications site is located on a prominent peak between the Gene and Intake pumping plants. The site serves as a critical link in the microwave communications system for Metropolitan's desert facilities. The site houses Metropolitan's wide-area communications equipment, as well as communications equipment for various government agencies such as the San Bernardino County Sheriff's Department, the California Highway Patrol, Cal Trans, and the San Bernardino County Fire Department.

The power usage at the Black Metal Mountain communications site has increased over the years, and today the peak power demand at the site has grown larger than the existing one-mile-long power line can support. During the summer months, air conditioners run constantly to keep the enclosed electronic equipment from overheating. During the hottest desert conditions, the circuit breakers trip on a regular basis, and these events interrupt communications operations at the site. The existing power line conductors to the site will be replaced with higher capacity 2.4kV conductors to ensure that the required electrical supplies can be provided to the communications equipment under all weather conditions.

In addition to the conductor upgrades, the poles that support the existing electrical power line are deteriorated due to age and weathering in the harsh desert environment. Some poles are currently held in place by multiple guy wires, leaving them vulnerable to collapse, while pole cross arms and extensions require frequent repairs. The new poles will be fabricated of galvanized steel and will be approximately 40 feet in height. Metal poles are recommended for this project due to the new high voltage distribution lines that will be supported. This recommendation contrasts to the wooden poles that are primarily used for lighter weight, lower voltage communications lines, such as fiber-optic lines.

Metropolitan staff has completed the study phase for this project and recommends that the project advance into preliminary design. This action authorizes a new agreement for engineering services to conduct preliminary design for replacement of the 2.4 kV power distribution line.

In accordance with the April 2020 action on the biennial budget for Fiscal Years 2020/21 and 2021/22, the General Manager will authorize staff to proceed with the actions described herein, pending board authorization of the design services agreement described below. Based on the current Capital Investment Plan (CIP) expenditure forecast, funds for the work to be performed pursuant to this action during the current biennium are available within the Capital Investment Plan Appropriation for Fiscal Years 2020/21 and 2021/22 (Appropriation No. 15517). This project has been reviewed in accordance with Metropolitan's CIP prioritization criteria and was approved by Metropolitan's CIP Evaluation Team to be included in the CRA Reliability Program.

Black Metal Mountain 2.4 kV Electrical Power Upgrade – Preliminary Design

Planned upgrades to the existing power line include new power poles, larger electrical conductors, and improvements to the maintenance road. The new power line will be approximately one mile long. Alternatives will also be investigated during preliminary design to improve site access to enhance efficiency and safety related to construction and long-term maintenance activities. Improvements to the existing access road may include reducing road slopes, improving drainage, paving parts of the roadway to improve traction, installing guardrails, and stabilizing adjacent slopes.

Planned preliminary design phase activities include: development of design criteria; conducting site surveys and geotechnical investigations including geologic mapping and geophysical testing for assessing constructability of excavation and earthwork; preparation of environmental documentation including performing technical studies to address issues such as air quality, biological resources, cultural resources, and noise, and initiation of permits, as needed; preparation of a preliminary design report including electrical system load calculations, selection of electrical equipment, development of interconnections to existing systems, identification of needed outages; and planning and coordination with the facility's other users. The preliminary design phase activities will be conducted with a hybrid effort of consultants and Metropolitan staff as described below. Metropolitan staff will perform overall project management and consultant oversight.

A total of \$1.7 million is required for this work. Allocated funds include \$635,000 for preliminary design by HDR Engineering, Inc. (HDR), as described below, and a total of \$515,000 for value engineering, environmental documentation, and geotechnical investigation activities, as described above. Each of these activities will be performed by specialty firms under separate contracts planned to be executed under the General Manager's Administrative Code authority to award contracts of \$250,000 or less. Allocated funds for Metropolitan staff activities include \$188,000 for technical oversight and review of consultant's work; \$295,000 for surveying, right-of-way assessments, project management, and project controls; and \$67,000 for remaining budget.

The total cost of the project to replace and upgrade the existing 2.4 kV power line system to the Black Metal Mountain communications site will be re-evaluated during preliminary design. Currently, the future construction contract is estimated to range from \$7 million to \$8 million. **Attachment 1** provides the allocation of the required funds.

Engineering Services (HDR Engineering, Inc.) – New Agreement

HDR is recommended to provide engineering services for preliminary design of the Black Metal Mountain 2.4 kV electrical power line upgrade. HDR was prequalified through a competitive process via Request for Proposals No. 1252. They were selected based on the firm's expertise in high-voltage electrical systems, technical approach, and methodology.

The planned activities for HDR in the preliminary design of the Black Metal Mountain 2.4 kV electrical power upgrade include: power line and access road alignment and site assessment; electrical load calculations; preparation of preliminary designs for the power line installation and access road improvements; development of design criteria, and preliminary construction cost estimates.

This action authorizes an agreement with HDR for a not-to-exceed amount of \$635,000 to provide engineering design services to upgrade the Black Metal Mountain 2.4 kV electrical power line. For this agreement, Metropolitan has established a Small Business Enterprise (SBE) participation level of 25 percent. HDR has

agreed to meet this level of participation. The sole subconsultant planned for this agreement is TJC and Associates, Inc.

Alternatives Considered

At the outset of this project, staff also considered removing some of the electrical loads from the site so that the existing electrical supply capacities would be sufficient for Metropolitan's communication equipment. This alternative would potentially include terminating leases with California Highway Patrol or others. This approach is not recommended as it runs counter to the collaborative nature of radio communications sites, which are often uniquely situated. Historically, under this collaborative approach, agencies with strategic sites have leased space to other agencies seeking line-of-sight communications capabilities. Often these types of leases are essential to ensure public safety communication. Additionally, this alternative does not address the deteriorating condition of the electrical system poles, which need to be replaced. Staff will take into account the cost of the recommended upgrades when the current leases are renewed, and new leases are negotiated.

Summary

This action authorizes an agreement with HDR Engineering, Inc. for a not-to-exceed amount of \$635,000 to provide engineering services to upgrade the 2.4 kV power line to the Black Metal Mountain communications site.

This project has been evaluated and recommended by Metropolitan's CIP Evaluation Team, and funds are available within the fiscal year 2020/21 capital expenditure plan. See **Attachment 1** for the Allocation of Funds and **Attachment 2** for the Location Map.

Project Milestone

October 2022 – Complete preliminary design

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 51963, dated April 14, 2020 the Board appropriated a total of \$500 million for projects identified in the Capital Investment Plan for Fiscal Years 2020/21 and 2021/22.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. Accordingly, the proposed action qualifies as a Class 6 Categorical Exemption (Section 15306 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize an agreement with HDR Engineering, Inc. in an amount not to exceed \$635,000 for engineering services to replace the 2.4 kV power line to Black Metal Mountain communications site.

Fiscal Impact: \$1.7 million in capital funds for preliminary design. Approximately \$1 million in capital funds will be incurred in the current biennium and has been previously authorized. The remaining funds from this action and future construction costs will be accounted for and appropriated under the next biennial budget.

Business Analysis: This option will enhance the reliability of Black Metal Mountain communications site by replacing key elements of its electric power systems.

Option #2


Do not proceed with the project at this time, and staff will continue to monitor the operational status of the 2.4 kV power line.

Fiscal Impact: None


Business Analysis: This option would defer the replacement of the 2.4 kV power line, which would forego an opportunity to reduce the risk of unplanned outages of the Black Metal Mountain communications site.

Staff Recommendation

Option # 1



John V. Bednarski
Manager/Chief Engineer
Engineering Services
8/12/2021
Date



Adel Hagekhalil
General Manager
9/1/2021
Date

Attachment 1 – Allocation of Budgeted Funds

Attachment 2 – Location Map

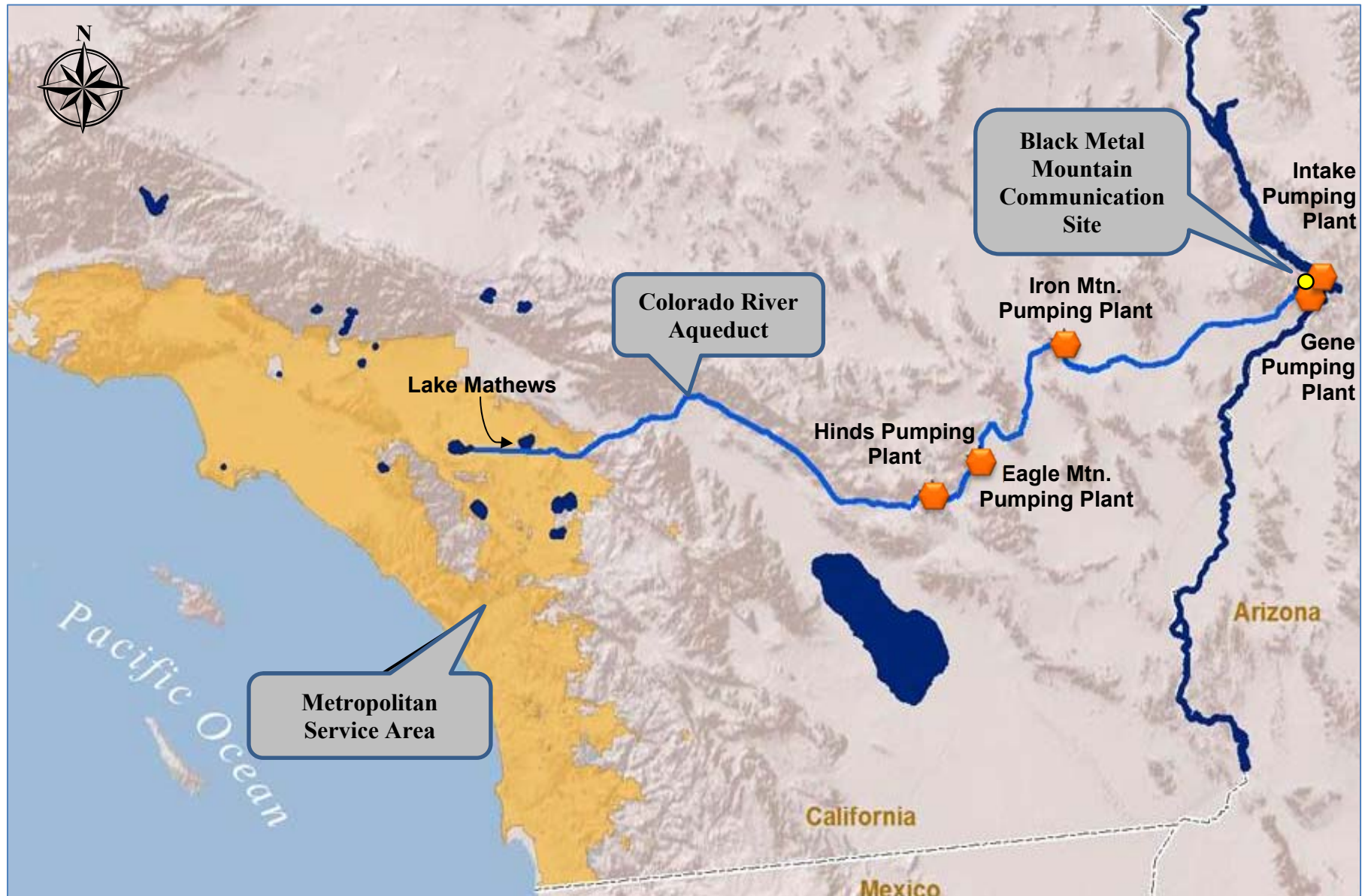
Ref# es09142021

Allocation of Funds for Black Metal Mountain 2.4 kV Electrical Power Upgrade

	Current Board Action (Sept. 2021)
Labor	
Studies & Investigations	\$ 188,000
Final Design	-
Owner Costs (Program mgmt., envir. monitoring)	288,000
Submittals Review & Record Drwgs.	-
Construction Inspection & Support	-
Metropolitan Force Construction	-
Materials & Supplies	-
Incidental Expenses	7,000
Professional/Technical Services	-
HDR Engineering, Inc.	635,000
VE Consultant	45,000
Specialized Environmental Services (Aspen Enviromental)	240,000
Specialized Geotechnical Services (Kleinfelder)	230,000
Right-of-Way	-
Equipment Use	-
Contracts	-
Remaining Budget	67,000
Total	\$ 1,700,000

The total amount expended to date for the Black Metal Mountain 2.4 kV Electrical Power Upgrade is approximately \$249,000. The total estimated cost to complete this project, including the amount appropriated to date, funds allocated for the work described in this action, and future final design and construction costs, is anticipated to range from \$11.5 million to \$12.5 million.

Location Map





Black Metal Mountain 2.4 kV Electrical Power Upgrade

Engineering and Operations Committee

Item 7-3

September 13, 2021

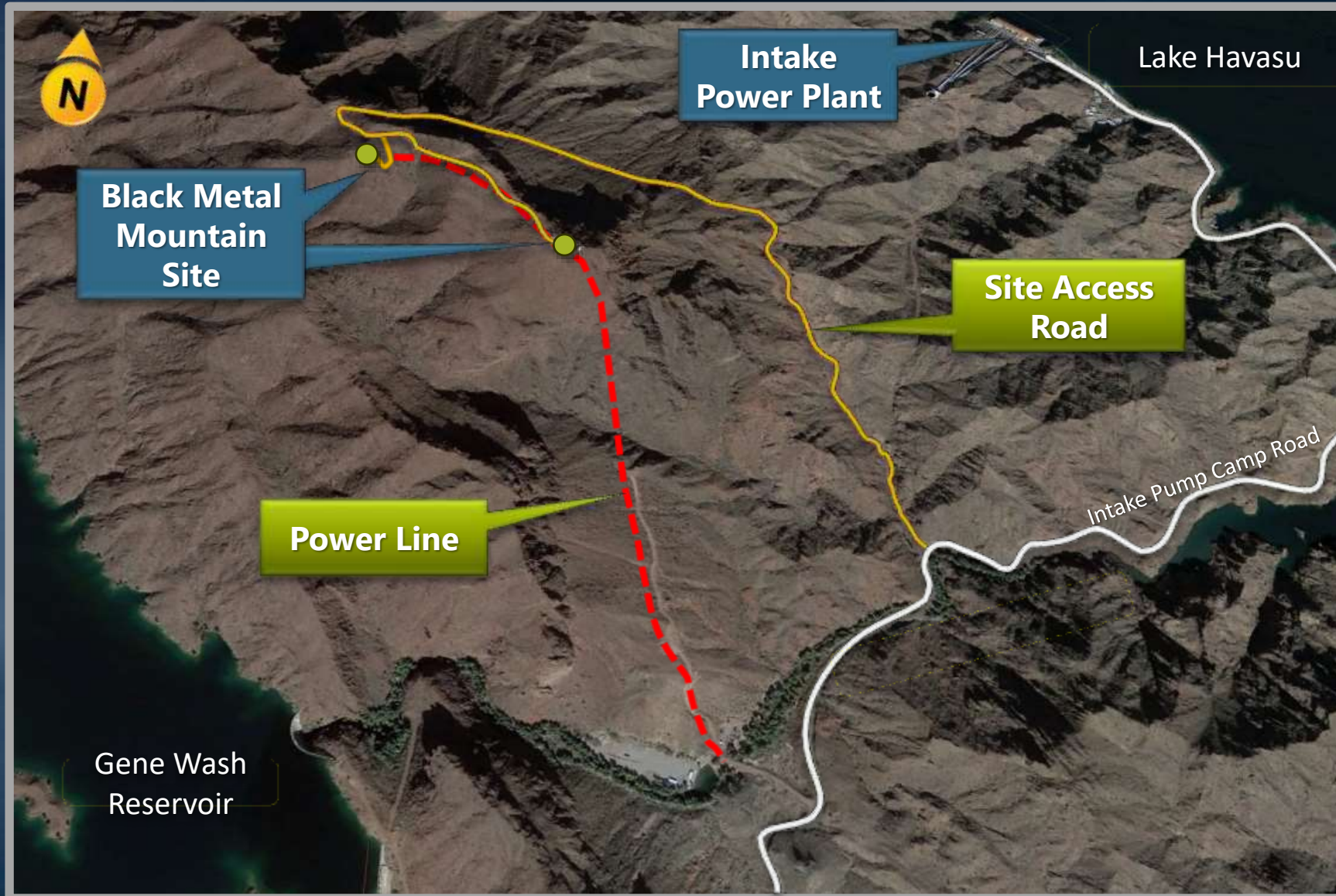
Current Action

- Authorize an agreement with HDR Engineering, Inc. in an amount not to exceed \$635,000 for engineering services to replace the 2.4 kV power line to Black Metal Mountain communications site

Location Map



Location Map



Background

- Installed in 1970s
- Critical link for Metropolitan's desert facilities
- Site leased to other government agencies
 - San Bernardino County Sheriff's and Fire Departments
 - California Highway Patrol
 - Caltrans
 - Federal Aviation Administration



Communication Site Equipment

Background

- Power usage has increased over the years
 - Peak power demand exceeds rated capacity
 - Circuit breakers trip on a regular basis during the hottest desert conditions
- Wood poles are deteriorating due to weathering
 - Pole extensions & support require frequent repairs
- Steep & unpaved access road



Overloaded Power Pole

Alternatives Considered

- Remove some electrical loads from the site
 - Requires termination of existing leases
 - Runs counter to collaborative nature of radio communications sites
 - Does not address rehabilitation of deteriorating poles
- Selected option
 - Upgrade the power distribution
 - Install higher capacity 2.4 kV power line conductors
 - Replace deteriorating poles
 - Install steel poles suitable for high voltage environment
 - Address site access issues

Planned Work

- Install one-mile-long power line
 - New steel poles
 - New larger electrical conductors
- Improve site access & power line maintenance roads
 - Reduce/stabilize road slopes
 - Improve drainage
 - Pave parts of roadway for traction
 - Install guardrails



Light Duty Steel Pole

HDR Engineering, Inc.

New Agreement

- Competitively selected under RFQ 1215
- Scope of work
 - Site assessment & design criteria development
 - Electrical load calculations
 - Preparation of preliminary design
 - Preliminary construction cost estimates
- SBE participation level: 25%
- NTE amount: \$635,000

Metropolitan Scope

- Conduct field investigations
 - Geotechnical analysis
 - Site surveys and mapping
- Prepare environmental documentations & permitting as needed
- Assess temporary rights-of-way needs
- Identify outages & coordinate with other users
- Provide technical oversight & review consultant work
- Project controls & project management

Allocation of Funds

Professional Services

HDR Engineering, Inc.	\$ 635,000
-----------------------	------------

VE consultant	45,000
---------------	--------

Environmental services	240,000
------------------------	---------

Geotechnical services	230,000
-----------------------	---------

Metropolitan Labor

Preliminary design support	188,000
----------------------------	---------

Project management & permitting	288,000
---------------------------------	---------






Materials and Incidentals	7,000
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<u>Remaining Budget</u>	67,000
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Total:	\$1,700,000
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Project Schedule



-  Preliminary Design
-  Construction
-  Board Action
-  Final Design
-  Completion

Board Options

- Option #1

- Authorize an agreement with HDR Engineering, Inc. in an amount not to exceed \$635,000 for engineering services to replace the 2.4 kV power line to Black Metal Mountain communications site.

- Option #2

- Do not proceed with the project at this time, and staff will continue to monitor the operational status of the 2.4 kV power line.

Staff Recommendation

- Option #1





- Board of Directors
Water Planning and Stewardship Committee

9/14/2021 Board Meeting

7-4

Subject

Express support for the 2021 California Resilience Challenge and approve a financial sponsorship of \$200,000 to continue as a Resilience Leader and Steering Committee member; the General Manager has determined that this action is exempt or otherwise not subject to CEQA

Executive Summary

The California Resilience Challenge (Challenge) builds resilience against increasing climate change threats through state-wide collaboration. Metropolitan helped launch the Challenge in 2019 with a \$200,000 sponsorship. The sponsorship co-funded 12 climate resiliency projects and gave Metropolitan a position on the Challenge's Steering Committee. Metropolitan has another opportunity to support the Challenge with a second \$200,000 sponsorship this year. The sponsorship would co-fund a second round of projects targeting underrepresented communities. Sponsorship would also renew Metropolitan's position on the Steering Committee.

Timing and Urgency

Staff requests approval now to enable Metropolitan to co-fund the Challenge's current Request for Proposals (RFP) for new projects and to participate in the project selection process scheduled to start this month.

Details

Background

Climate change is intensifying California's already volatile climate to greater extremes—with increasingly severe droughts, floods, heat waves, and wildfires. The extremes witnessed over just the past few years show California is experiencing climate change in real time. Many under-resourced communities in California do not have the technical, managerial, or financial resources to adapt. While California leads the country in climate change mitigation, it lacks consistent funding for climate change adaptation.

The Bay Area Council Foundation founded the Challenge with a diverse group of stakeholders in 2019 to address climate adaptation funding gaps. The Challenge aims to accelerate adaptation by funding projects to serve as case studies for other communities. Metropolitan's \$200,000 sponsorship helped launch the organization, co-funded 12 projects in 2020, and gave Metropolitan a leadership position with a seat on the Challenge's Steering Committee. **Attachment 1** lists the Challenge sponsors along with descriptions of the 2020 climate resiliency projects.

The Challenge initiated a second RFP for climate resiliency projects in 2021 (2021 RFP) and requested Metropolitan's participation. Projects funded under the 2021 RFP are required to benefit underrepresented communities while also addressing one or more of the following climate change risks:

- Drought
- Flood
- Fire
- Extreme heat

The 2021 RFP was open to public agencies, non-governmental / community-based organizations, and tribal entities. Project awards will range from \$100,000 up to a maximum of \$200,000, with close to \$2 million expected to be awarded. The RFP opened for project proposals on July 12, 2021. It closes on September 13, 2021. The Challenge plans to announce the winning projects in December 2021. **Attachment 2** summarizes the Challenge's 2021 RFP.

Staff seeks Board authorization to sponsor the Challenge with a \$200,000 contribution. If approved, the sponsorship would co-fund the 2021 RFP and renew Metropolitan's position on the Steering Committee. As a Steering Committee member, Metropolitan would participate in the project selection process. Metropolitan's sponsorship would include speaking opportunities at Challenge events along with visibility on communication materials.

If approved, the sponsorship would maintain Metropolitan's role as a leader in climate resiliency. Metropolitan co-founded the Water Utility Climate Alliance, an organization of 12 of the largest water utilities in the nation collaborating on climate change adaptation challenges. As an innovator in planning under uncertainty, Metropolitan has been considering climate change in its Integrated Resources Plan (IRP) since the early 2000s. The 2020 IRP confronts climate change resiliency directly. Participation in the Challenge gives Metropolitan a seat at the table with other climate resiliency leaders, creating opportunities for staff to collaborate with peer organizations.

Projects funded by the Challenge benefit Southern California by serving as road maps for communities contending with similar challenges. By strengthening individual communities, these projects increase the overall climate resiliency of California's interconnected water and power infrastructure.

Policy

Metropolitan Water District Administrative Code Section 11103: Participation in Projects or Programs Serving District Purposes

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 51624, dated June 11, 2019, the Board authorized the General Manager to commit \$200,000 to the California Resilience Challenge and serve on the Steering Committee.

By Minute Item 44813, dated March 12, 2002, the Board adopted the proposed policy principles regarding global climate change and water resources.

By Minute Item 50358, dated January 12, 2016, the Board adopted the 2015 Integrated Water Resources Plan Update, as set forth in Agenda Item 8-3 board letter.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves 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. (Section 15378(b)(4) of the State of CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize the General Manager to sponsor the California Resiliency Challenge with a \$200,000 contribution and renew Metropolitan's seat on the Steering Committee.

Fiscal Impact: \$200,000. This item is not budgeted. Expenditures will be managed within the Water Resource Management O&M budget to accommodate this item.

Business Analysis: Allows Metropolitan to continue participating in the California Resiliency Challenge by co-funding climate adaptation projects. It also renews Metropolitan's seat on the Steering Committee. Participation in the Challenge enhances Metropolitan's status as a leader in climate resiliency planning while creating opportunities to collaborate with peer organizations.

Option #2

Take no action.

Fiscal Impact: None

Business Analysis: Metropolitan would miss an opportunity to co-fund beneficial climate resiliency projects while reducing its role as a national leader in water utility climate change adaptation.


Staff Recommendation

Option #1



Brad Coffey
Manager, Water Resource Management

9/7/2021
Date



Adel Hagekhalil
General Manager

9/8/2021
Date

Attachment 1 – Challenge Sponsors and 2020 Funded Projects

Attachment 2 – California Resilience Challenge – 2021 Request for Proposals and Timeline

Ref# wrm12682074

Challenge Sponsors and 2020 Funded Projects

Table 1. Climate Resiliency Challenge Sponsors

Sponsoring Entity	Sector	2019 Sponsor	2021 Sponsor
Alaska Airlines	Private Company	✓	
CSA Insurance Group – Automobile Association of America	Private Company		✓
JP Morgan Chase and Co.	Private Company	✓	✓
Kaiser Permanente	Private Company		✓
Metropolitan Water District of Southern California	Utility	✓	TBD
Pacific Gas and Electric	Utility	✓	✓
Resources Legacy Fund	Foundation	✓	✓
S.D. Bechtel, Jr. Foundation	Foundation	✓	
San Francisco Public Utilities Commission	Utility	✓	
Santa Clara Valley Water District	Utility	✓	✓
Southern California Edison	Utility	✓	✓
Wareham Development	Private Company		✓

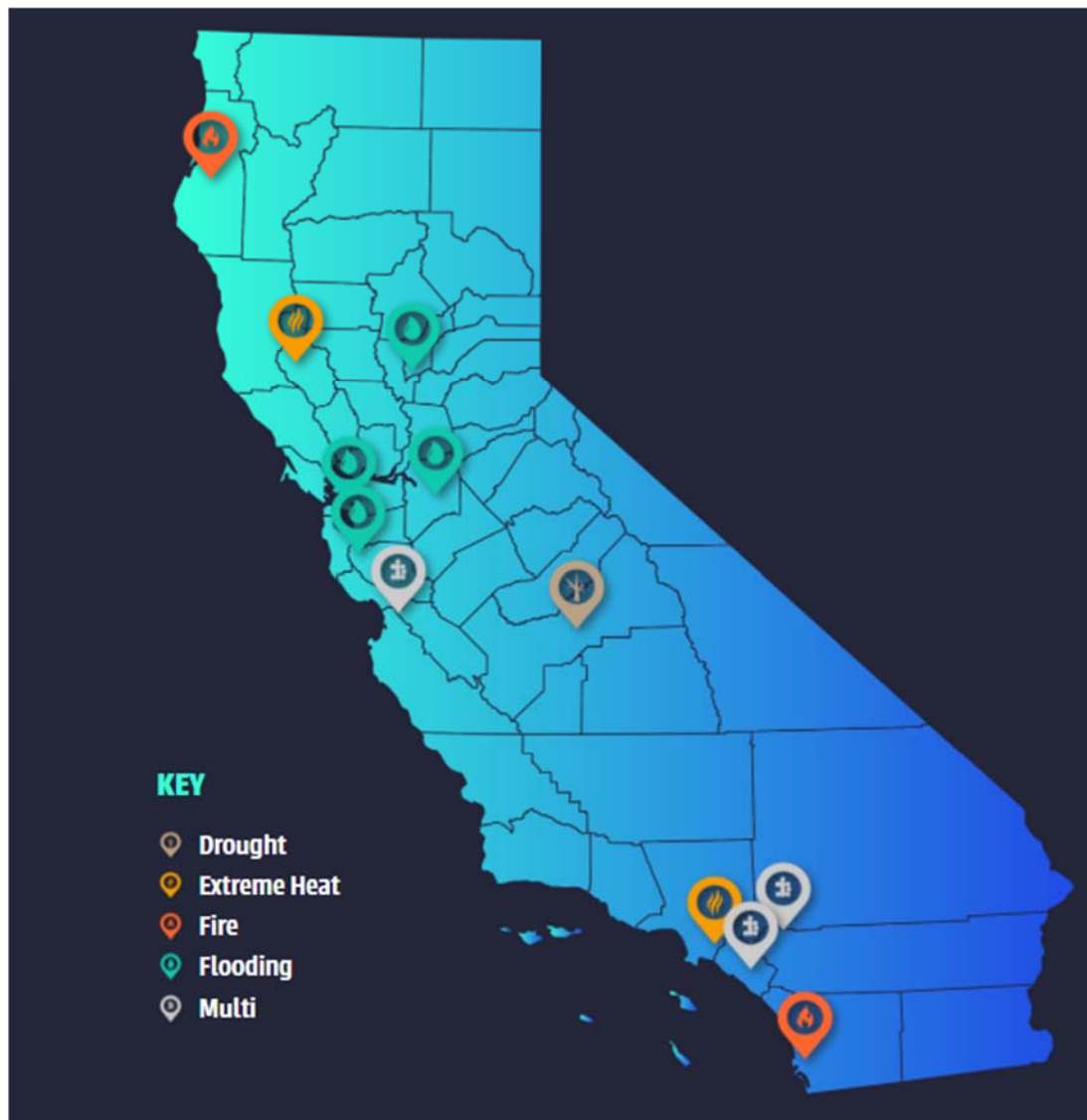
Table 2: 2020 Project Descriptions

Lead Entity	Project Description	Risk
Gateway Cities Council of Governments	In partnership with Tree People and Loyola Marymount University, Gateway Cities COG proposes to develop local Tree Canopy Assessments and Community Prioritization Reports for four municipalities in Southeast Los Angeles, in order to mitigate and reduce extreme heat.	Extreme Heat
Santa Ana Regional Transportation Center	The Santa Ana Regional Transportation Center (SARTC) is a major transportation hub for Orange County – but the facility is currently at risk of service disruption and damage during extreme climate events, including flooding and power outages due to extreme heat events. With support from the California Resilience Challenge, SARTC is conducting a microgrid feasibility study that could enable this critical facility to continue serving the community even during the most extreme climate events.	Multi-Benefit Extreme Heat Flooding
Western Riverside Council of Governments	Western Riverside Council of Governments WRCOG, in collaboration with its 19 member jurisdictions, will develop a comprehensive sub-regional Energy Resiliency Plan aimed at improving Western Riverside County’s resilience to Public Safety Power Shutoffs, power shortages and emergencies. The Plan will identify specific projects and strategies to develop independent energy sources in each jurisdiction, including back-up generators, energy storage, and development of local power microgrids.	Multi-Benefit Heat Fire
Fighting Fire with Incentives in San Diego	As climate change increases wildfire risks across California, individual homeowners can reduce community wildfire risk by creating defensible spaces and hardening their properties to make them less flammable. With support from the California Resilience Challenge, the San Diego County Office of Emergency Services is partnering with United Policyholders and local firefighters to develop a pilot mitigation certificate program to incentivize homeowners to implement fire-reduction strategies.	Fire
Resilient Groundwater in California’s Agricultural Heartland	With help from the California Resilience Challenge, the South Fork Kings Groundwater Sustainability Agency is conducting a feasibility study on an aquifer storage and recovery project to improve water-supply resilience in the face of climate change. The study	Drought

	includes a landowner survey on water use, workshops with disadvantaged communities, and pilot testing of aquifer storage and recovery techniques.	
Extreme Flooding in the Lower San Joaquin River Basin	Climate change projections predict a drastic increase in flood risk for the Lower San Joaquin River and Delta South Basin in the coming years due to rising sea levels and an increase in flows coming down the San Joaquin River. In partnership with the California Resilience Challenge, the San Joaquin Area Flood Control Agency is engaging with State, regional, and local stakeholders to develop alternatives for a coordinated basin-wide solution that addresses this increase in flood risk while also looking to achieve multiple other benefits, including improving habitat through ecosystem restoration, improving groundwater sustainability, and enhancing public recreation.	Flooding
Repairing the Gold Rush's Tarnished Legacy	Local communities in the Yuba River watershed are still grappling with the toxic legacy of the California Gold Rush, including degraded forests, meadows, and water quality. The California Resilience Challenge is helping the Yuba Water Agency quantify the economic impact of mine remediation and other restoration activities that will allow the Agency to develop long-term funding mechanisms for restoration work to increase local resilience to wildfires and drought while improving ecosystems and public health.	Multi-Benefit
Keeping Groundwater at Bay	Communities along the San Francisco Bay shoreline are preparing for rising sea levels along their respective waterfronts. However, rising sea levels also threaten to cause flooding from below by lifting groundwater tables. The California Resilience Challenge is partnering with Aquatic Science Center to support research that will help Bay Area communities better understand and plan for the effect of sea level rise on groundwater tables and critical infrastructure.	Flooding
Transforming Schools into Resilience Centers	San Mateo County is one of California's most flood-prone coastal regions. With assistance from the California Resilience Challenge, the City/County Association of Governments of San Mateo County is working with the San Carlos School District to develop plans to transform several campuses into	Flooding

	community resilience assets by using onsite stormwater capture to reduce runoff, augment local water supplies, and reduce local heat islands through increased vegetation.	
Greening the City of Watsonville	The City of Watsonville is located along the flood prone Pajaro River in the Pajaro River Watershed. With assistance from the California Resilience Challenge, Watsonville is developing a plan to integrate green infrastructure across the city's existing plans and to identify a pipeline of implementation projects that will improve flood protection along the Pajaro River, increase local water supply resilience, sequester carbon, and improve public health and well-being.	Multi-Benefit Flood Drought Heat
Resilient Communities at Clear Lake	Clear Lake has supported indigenous peoples for centuries. However, Clear Lake is experiencing significant fish die-offs and toxic algal blooms due to increased water temperatures. The California Resilience Challenge is helping the Big Valley Band of Pomo Indians expand water quality monitoring to improve public health and the recreational economy of the Clear Lake region.	Heat
High-Tech Forest Resilience	California's forests and woodlands store carbon and provide habitat to an extraordinary diversity of plants and wildlife. However, a century of fire suppression and the ongoing climate emergency have placed these forests at risk. The California Resilience Challenge is helping the Humboldt County Resource Conservation District use advanced LIDAR geospatial technology to create forest carbon inventories to improve wildfire resilience and maximize carbon sequestration.	Fire

Figure 1. Map of 2020 Climate Resiliency Projects



Climate Resilience Challenge - 2021 Request for Proposals and Timeline

Summary of Request for Proposals

RFP Element	Description
Funding	\$2.0 million total - Not-including Metropolitan's potential sponsorship
	\$100,000 to \$200,000 per project award
	Funding match not required
Project Requirements	Project must be in California
	Address one or more of the following climate change impacts - Drought - Flooding, including sea level rise - Fire - Extreme Heat
	Benefit an underrepresented community
Grant Eligibility	California Public Entities - Must partner with a Community-Based Organization
	Non-Governmental / Community-Based Organizations - Must serve an underrepresented community
	State agencies, commissions and interstate compacts are ineligible
Eligible Projects and Activities (partial list)	Infrastructure resiliency, feasibility studies, economic analysis
	Hazard mitigation, adaptation plans, conceptual design
	Climate vulnerability assessments, data and geospatial analysis
	Collaborative climate adaptation activities, convening stakeholders
	Projects addressing or increasing underrepresented community participation
Ineligible projects	Construction projects, design specifications, non-adaptation related
Evaluation Criteria	Benefits to underrepresented communities
	Impact and sustainability - Does it protect critical infrastructure? - Can it be replicated and scaled? - Does it lead to a viable project?
	Collaboration
	Co-benefits across multiple impacts or sectors
Term	Start by July 1, 2022
	Complete by July 31, 2024

Request for Proposal Timeline

July 12, 2021	RFP opens
September 13, 2021	RFP closes
September – October 2021	Proposal evaluations
December 2021	Awards announcements



Express Support for the 2021 California Resilience Challenge and Approve a Financial Sponsorship of \$200,000

Water Planning and Stewardship Committee

Item 7-4

September 13, 2021

Climate Extremes Threaten Our Communities



Drought

Lake Oroville
2021



Flooding

King Tide
Orange County
2020



Fire

Dixie Fire
2021



Heat

Los Angeles County
2020

California Resilience Challenge

Established in
2019

- Initiated by the Bay Area Council Foundation
- Sponsors include peer organizations

Addresses
funding gaps

- Showcase innovative approaches
- Invests in local communities

Metropolitan's
role

- Founding sponsorship of \$200,000
- Steering Committee representation
- Funded initial round of projects

2020 Climate Resiliency Projects



- 80 applicants
- 12 funded; \$2 million invested
- General Manager participated in selection process
- Four projects in service area

Southern California Projects

**Urban Tree
Canopy**
Gateway
Cities COG



**Energy
Resiliency**
Western
Riv. COG



**Energy
Resiliency**
Santa Ana
RTC



**Wildfire
Incentive
Program**
San Diego



2021 Request for Proposals

Funding

- \$2.0 million
- Awards up to \$200,000
- MWD sponsorship would fund an addition project

Eligibility

- Public entities and NGOs
- Address one or more risk
- Benefit underrepresented communities

• Timeline

Launch
Jul

Close
Sep

Review
Oct-Nov

Award
Dec

Requested Sponsorship

- Contribute \$200,000
- Opportunities
 - Participate in the 2021 RFP
 - Seat on the Steering Committee
 - Visibility on outreach materials
 - Event speaking opportunities
- 2021 sponsors



Regional Benefits

Projects help Southern California communities

- Increases resiliency of water and power grids

The Climate Resilience Challenge is leading the way

- Sponsorship enhances Metropolitan's leadership role

Opportunities to collaborate with peer organizations

- Builds on efforts with Water Utility Climate Alliance and IRP

Board Options

- Option #1
 - Authorize the General Manager to sponsor the California Resilience Challenge with a \$200,000 contribution and renew Metropolitan's seat on the Steering Committee
- Option #2
 - Take no action

Staff Recommendation

- Option #1





- Board of Directors
Real Property and Asset Management Committee

9/14/2021 Board Meeting

7-5

Subject

Declare two parcels, totaling 1.25 acres, along the Val Verde Tunnels, in the unincorporated Mead Valley community within the County of Riverside, California, as surplus land and not necessary for Metropolitan's use and authorize staff to dispose of the properties; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Under the California Surplus Land Act (Government Code Section 54220, et seq.) and the Metropolitan Administrative Code, the sale or lease of excess land requires a board declaration that the land is "surplus land" as supported by written findings before Metropolitan may dispose of such land consistent with Metropolitan's policies and procedures.

Metropolitan owns two parcels, totaling 1.25 acres (**Attachment 1**), located in the County of Riverside, that were deemed by staff to be excess and no longer required for Metropolitan's current and future foreseeable needs. Staff recommends that the Board declare the parcels to be surplus land on the grounds set forth in this board letter and direct staff to take necessary actions to dispose of the property.

Details

Background

Metropolitan owns over 211,700 acres of right-of-way comprised of approximately 175,000 acres of fee property and approximately 36,700 acres of easement and water rights across 12 counties in California. These properties are held for current and future planned uses related to the conveyance, storage, and treatment of water and for environmental mitigation and water conservation purposes. The manner in which Metropolitan achieves its mission of providing adequate and reliable supplies of high-quality water evolves over time. Metropolitan's real estate land management processes adjust in tandem with the evolution of Metropolitan's operations and uses.

Under the land management provisions of the Metropolitan Administrative Code and the California Surplus Land Act, excess land that is owned in fee simple by Metropolitan may be disposed of only after the Board takes formal action in a regular public meeting declaring the land as surplus and not necessary for Metropolitan's use. To support this process, Metropolitan's Real Property Group (RPG) performs a periodic evaluation of fee-owned real property pursuant to Metropolitan Administrative Code Section 8240 for the purpose of determining which properties may have become excess to Metropolitan's current and foreseeable operational requirements and other Metropolitan needs.

In 2018, RPG convened the Property Review Council (PRC) who are members of staff and represent their respective interests, to develop procedures and criteria to evaluate real property asset availability for disposal by way of surplus lease or sale. The PRC considers several factors when reviewing property holdings to determine surplus eligibility, including but not limited to:

- Parcels with existing or proposed operational facilities.
- Parcels where there is buffer land around an existing facility.
- Parcels owned for possible future projects.
- Existing ecosystem/environmental reserve lands and possible reserve/mitigation land uses.

- Parcels used for access to operational and mitigation areas.
- Parcels used for dewatering or emergency water discharges.
- Parcels used for water conservation purposes.

The PRC's determination is then presented to the Board of Directors, under the Surplus Land Act and the surplus land disposal provisions of Metropolitan's Administrative Code, as a recommendation for land determination; the Board then makes the final determination as to whether the recommended property is surplus to Metropolitan's needs.

In December 2019, staff presented to the Board an update on the PRC's efforts, which entailed a comprehensive analysis of 12,617 acres and reaching consensus on 59 fee-owned parcels for a total of 870± acres that were determined as being excess to current and future Metropolitan needs. As a result of the Board declaring certain parcels as surplus land in past years, staff is making progress on disposition actions for the following locations:

- 12 parcels near Diamond Valley Lake, totaling 223 acres (negotiations on-going).
- Gilman Springs, totaling 133 acres (sold).
- Diamond Valley North, totaling 603 acres (negotiations on-going).

Requested Surplus Determination and Authorization to Dispose

Staff recommends declaring two parcels in Riverside County to be surplus land under the Surplus Land Act; and authorize the disposal of the two parcels at fair market value under Metropolitan's policies and procedures.

Basis for Findings that Parcels are Surplus Land

These parcels were acquired as part of Metropolitan's land acquisitions beginning in 1932 for entry points and lands needed for the initial construction of the Val Verde Tunnel. With the completion of the Val Verde Tunnel, which is located several hundred feet below ground, the surface of these parcels is not used by Metropolitan and fee simple land rights are therefore no longer needed. Pursuant to the PRC's evaluation, staff considers the two subject parcels to be excess and recommends that the fee interest in the land to be made available for disposal, subject to Metropolitan's retention of underground easements reservations. The retention of underground easements would allow future construction, maintenance, expansion or other work related to the tunnel. This request is consistent with previous surplus declarations in the 1980's, where several parcels along the Val Verde Tunnel were sold with the retention of a tunnel easement. The PRC will continue its assessment of lands around the Val Verde Tunnel alignment for future surplus consideration.

Benefits of declaring the land surplus and disposal of the subject parcels would include the elimination of trespass and nuisance abatement issues, thereby reducing maintenance and security costs associated with preventing unlawful activities on the surface of the Val Verde Tunnel alignment.

Appraised Value of Parcels

The property has been appraised by an independent appraiser in conformance with Metropolitan's Administrative Code Section 8231: Appraisal of Real Property Interests.

Disposal Process

The Metropolitan Administrative Code and the Surplus Land Act requires that after a board declaration that land is surplus land, staff may dispose of the property only after transmitting a written notice of availability of the land to certain designated entities in the areas of affordable housing, open space, and other uses. An eligible entity that desires to purchase or lease such land must notify Metropolitan in writing and is entitled to a period of good faith negotiations.

After this process, the Metropolitan Administrative Code allows the disposal of property by auction, open listing, and other means that accrue the highest sale price. Staff requests authority to satisfy all requirements related to the disposal of surplus land and to dispose or convey the land at fair market value as set forth in the reported appraisal, in the event the Board declares the land to be surplus land.

Policy

Metropolitan Water District Administrative Code §§ 8240-8258 (Disposal of Real Property)

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 of declaring the subject properties surplus to Metropolitan's needs is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed actions in question may have a significant effect on the environment, the proposed actions are not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines). Additionally, the proposed action consists of the sale of surplus government property with no statewide, regional, or area-wide importance, which will not have a significant effect on the environment. Accordingly, even if the proposed action was defined as a project and was subject to CEQA, the proposed action qualifies for a Class 12 Categorical Exemption (Section 15312 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Declare that the two subject parcels are surplus land and not necessary for Metropolitan's use based on the written grounds set forth in the staff board letter and authorize their disposal at fair market value under Metropolitan's surplus land disposal policies and procedures.

Fiscal Impact: No fiscal impact at this time. Once property is disposed, Metropolitan may receive revenue less disposition expenses at the close of escrow.

Business Analysis: The property is excess to Metropolitan's needs and is marketable at the appraised value.

Option #2

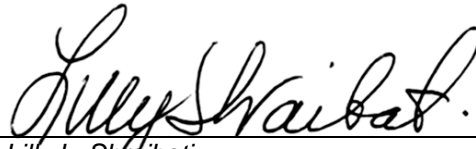
Do not surplus the properties

Fiscal Impact: Continued ownership expenses associated with property management, maintenance and security

Business Analysis: Metropolitan continues its fee ownership of the properties and will incur ongoing maintenance costs.

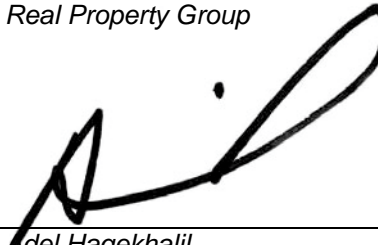
Staff Recommendation

Option #1



Lilly L. Shraibati
Group Manager
Real Property Group

8/19/2021
Date



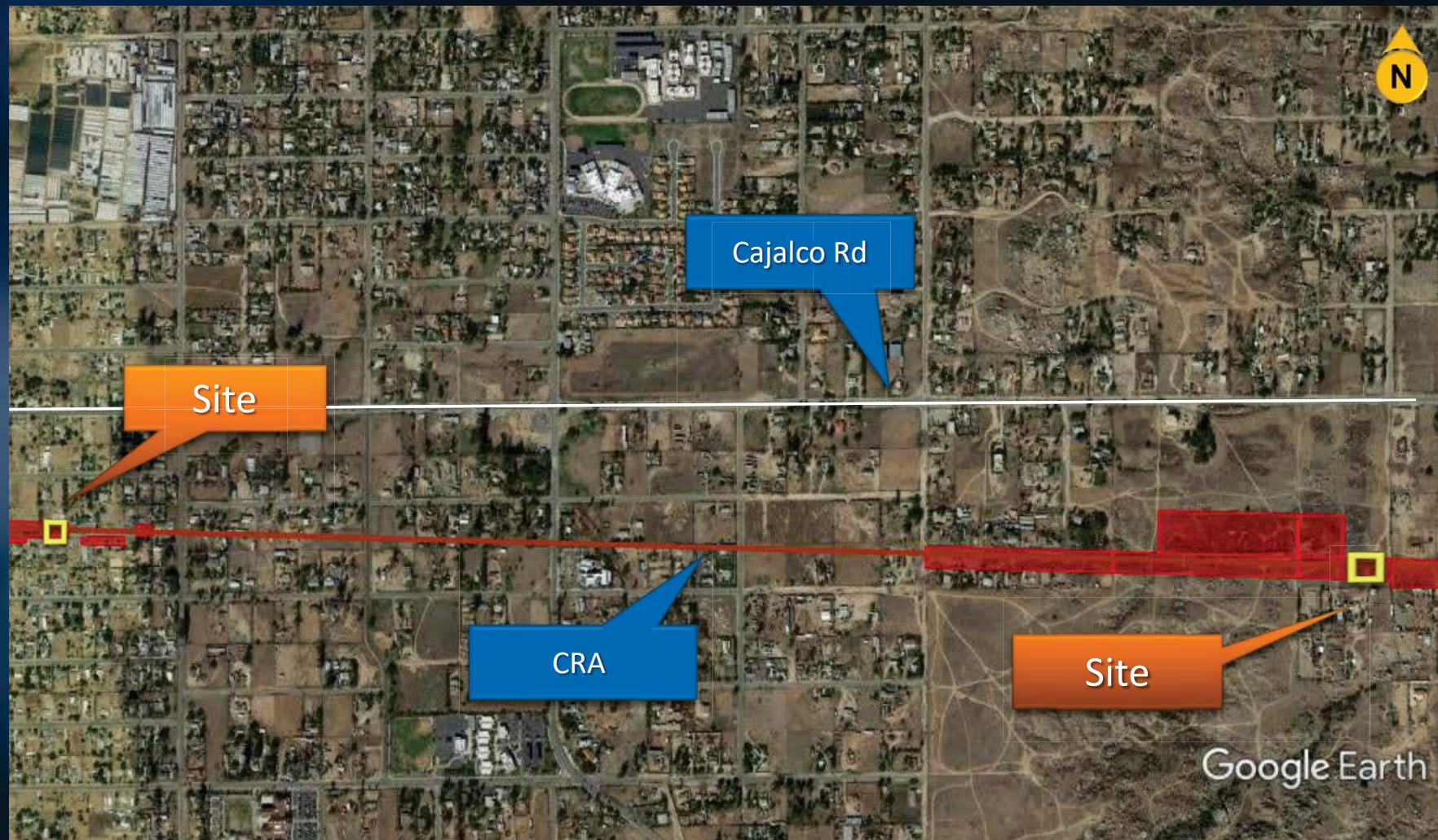
Adel Hagekhalil
General Manager

9/1/2021
Date

Attachment 1 – Site Map

Ref# rpam12684430

Site Map





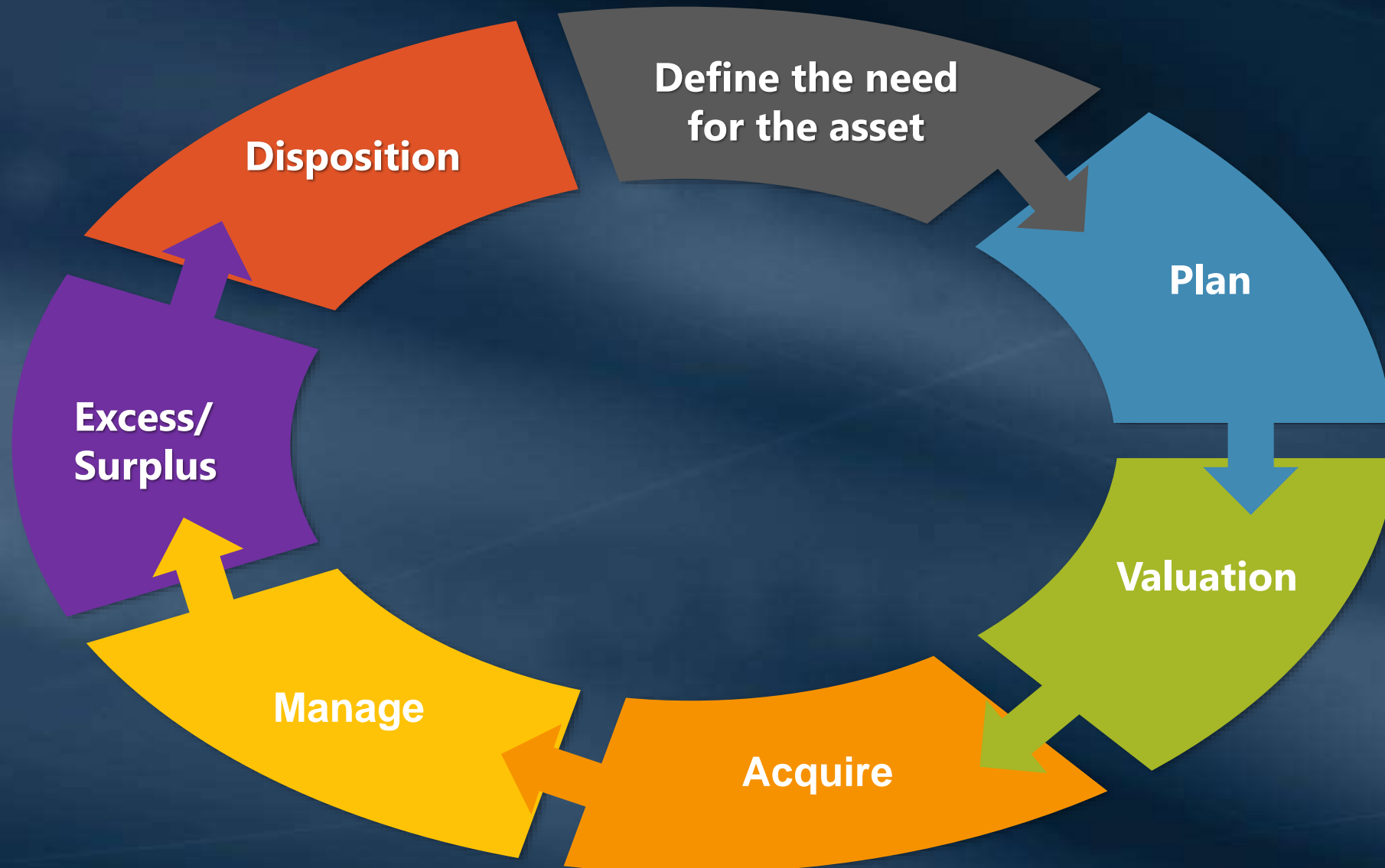
Declare Two Parcels in Mead Valley as Surplus

Real Property & Asset Management Committee
Item 7-5
September 14, 2021

Property Summary by County

County	Fee	Easement & Water Rights	Total
Imperial	3,781	708	4,489
Los Angeles	1,436	672	2,108
Orange	279	2,260	2,539
Riverside	114,946	21,706	136,652
San Bernardino	34,186	8,402	42,588
San Diego	120	178	298
Contra Costa	8,504	0	8,504
San Joaquin	11,657	0	11,657
Other (Clark, Mohave, Ventura)	146	2,806	2,952
Total (Acres)	175,055	36,732	211,787

Real Property Asset Life Cycle



Which Properties Are Not Considered Excess

- Existing or proposed operational facilities
- Used for dewatering or emergency water discharges
- Possible future projects
- Buffer land around an existing facility
- Existing ecosystem/environmental reserve lands and possible reserve/mitigation land uses
- Used for access to operational and mitigation areas
- Used for water conservation purposes

Property Information

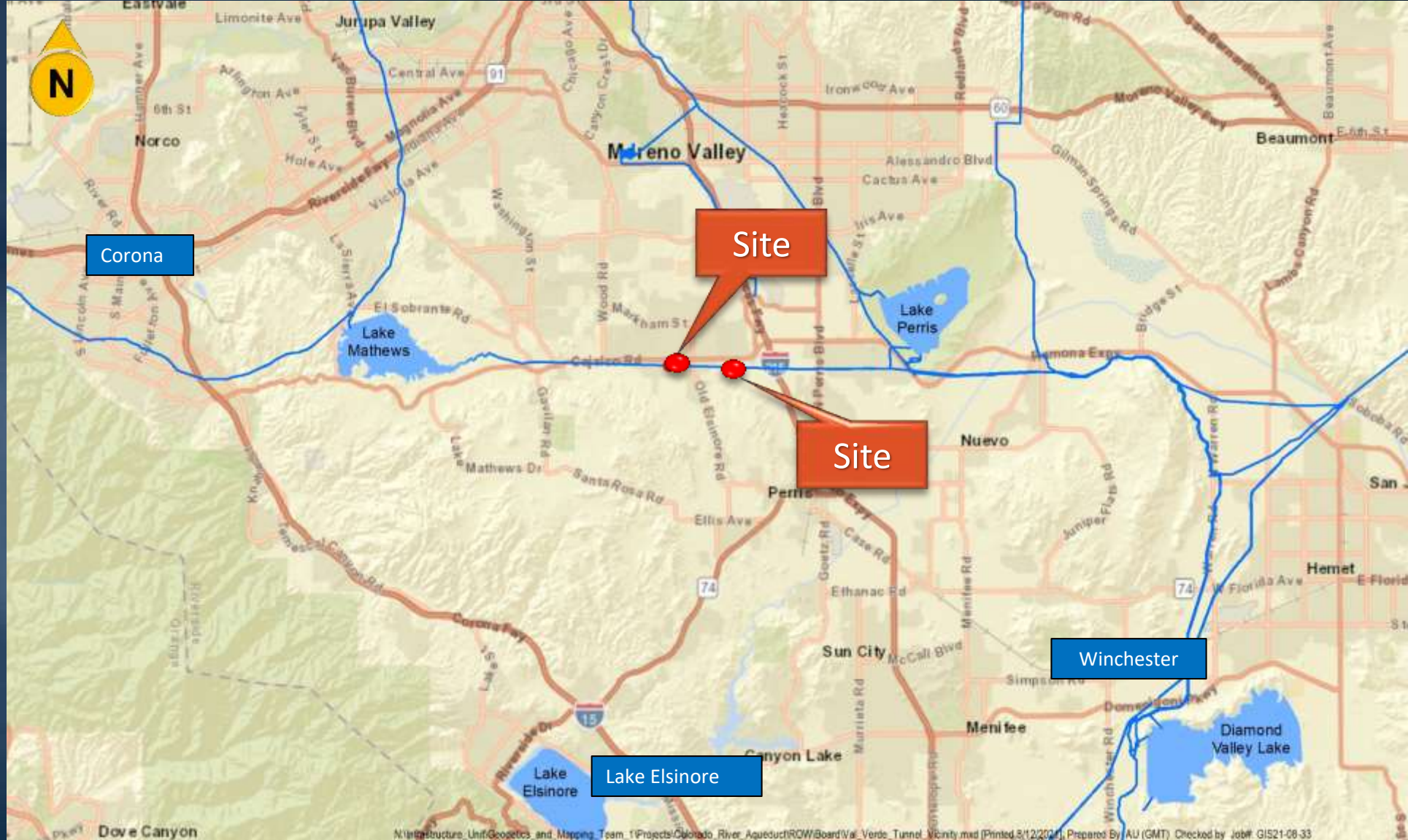
Properties Analyzed	Total Parcels	Total Acres
Excess	59	870
NOT Excess	141	11,747
TOTAL	200	12,617

Surplus Property Activity	Total Acres
DVL 12	223
Gilman Springs	133
DVL North	603
TOTAL	959

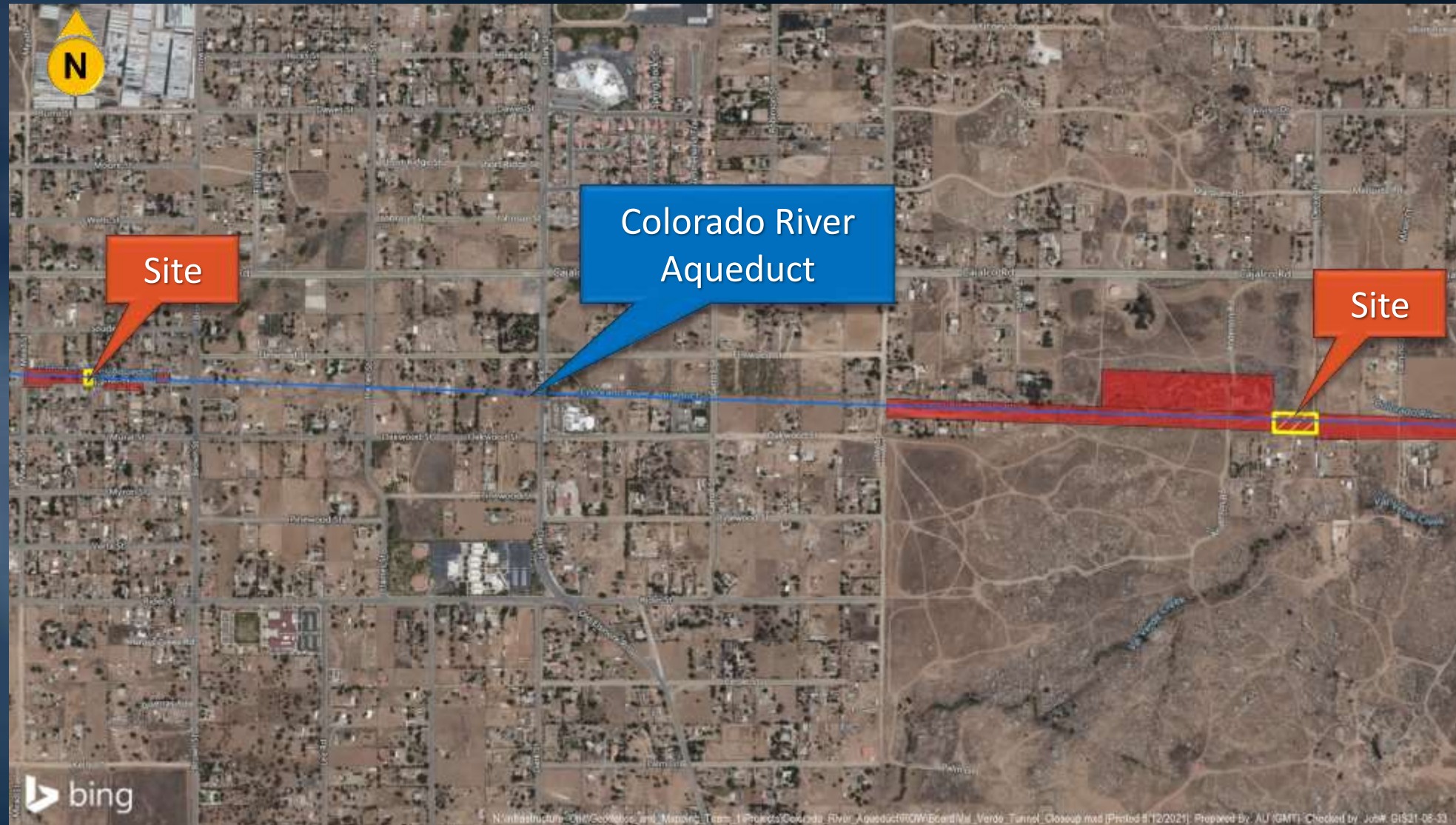
Distribution System Map



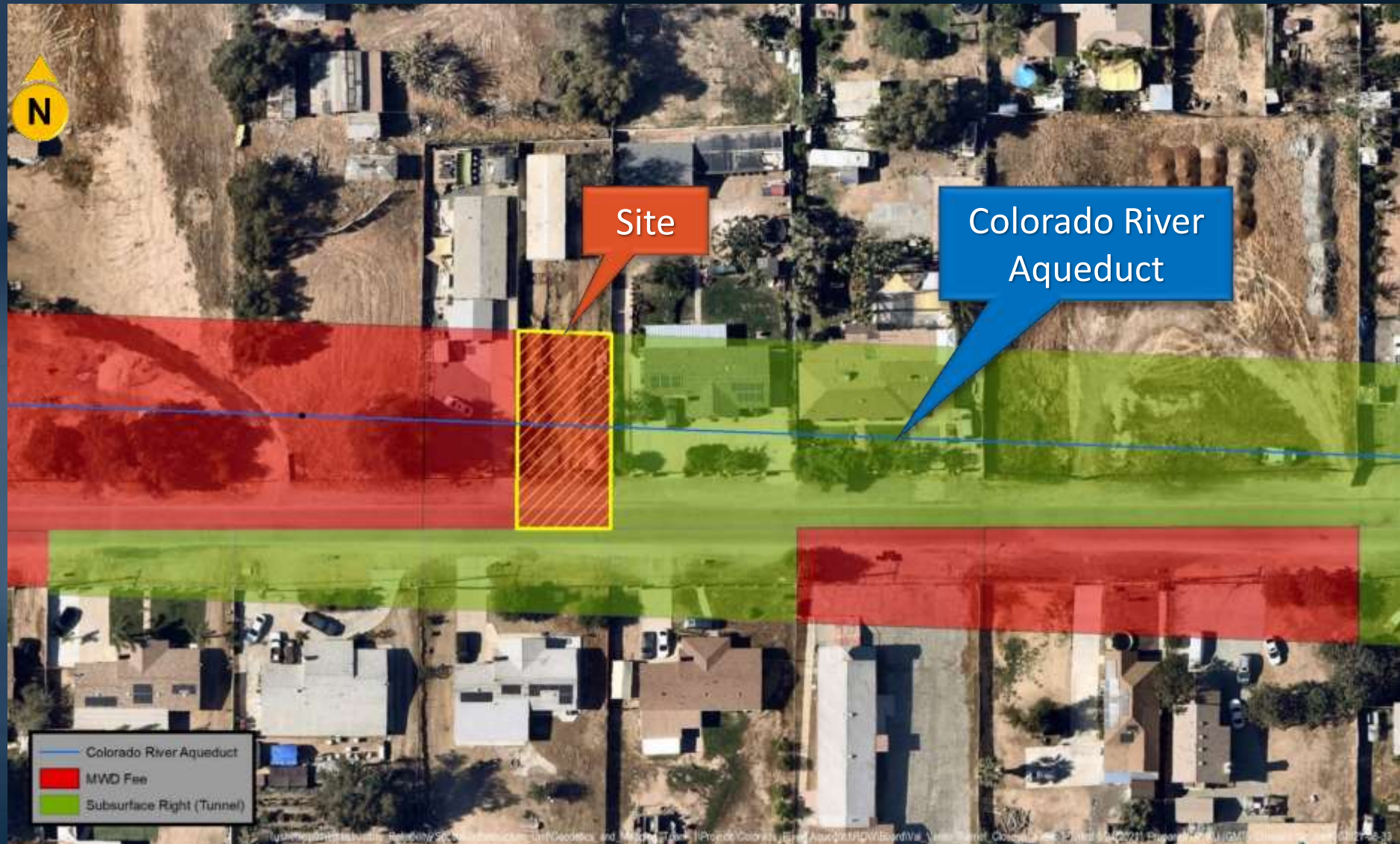
General Location Map



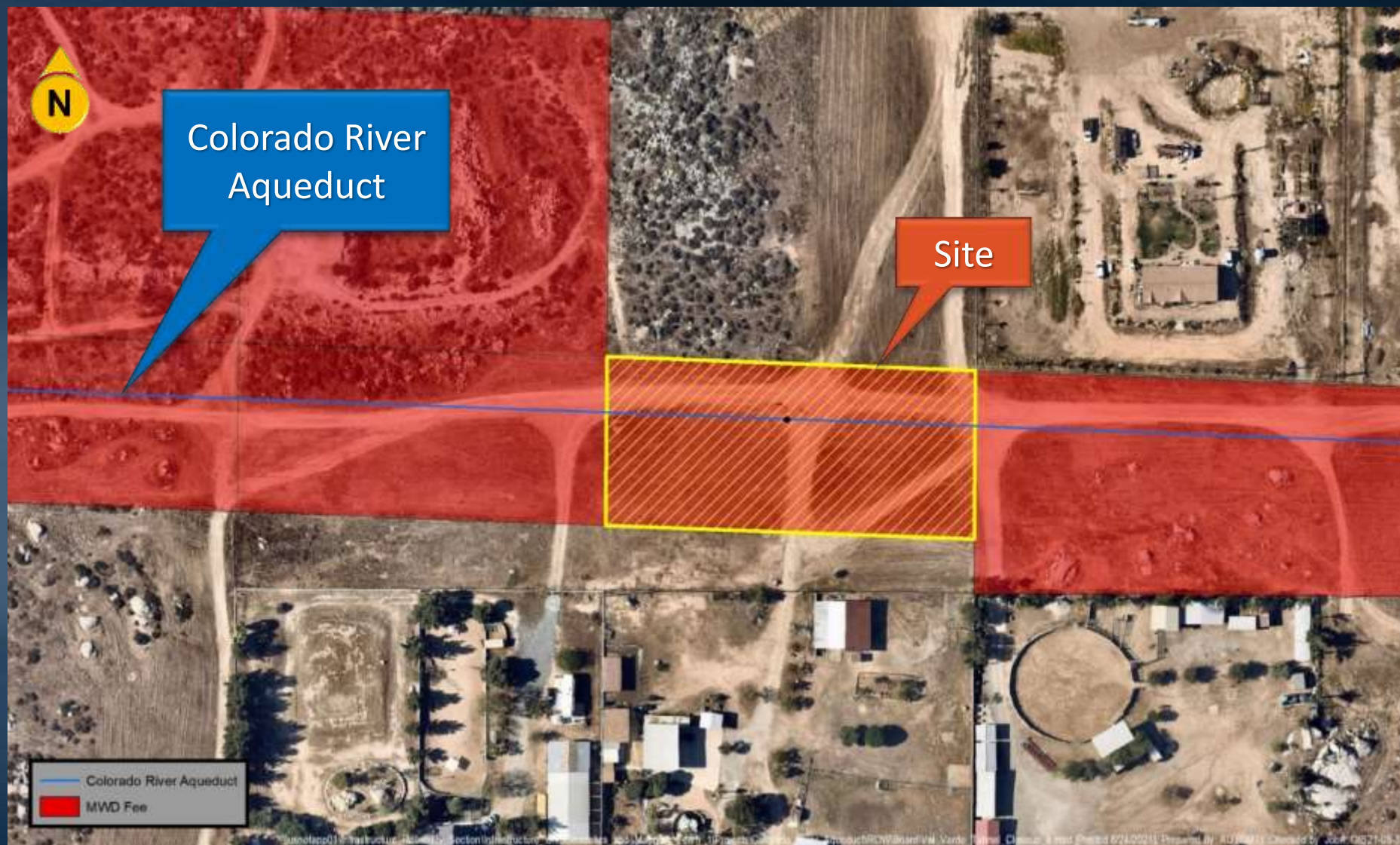
Site Map



Site Map



Site Map



Board Options

● Option #1

- Declare that the two subject parcels are surplus land and not necessary for Metropolitan's use based on the written grounds set forth in the staff board letter and authorize their disposal at fair market value under Metropolitan's surplus land disposal policies and procedures.

● Option #2

- Do not surplus the properties

Staff Recommendation

- Option #1





Authorization to Purchase Property in Palo Verde Region subject to a Lease Reservation

Real Property & Asset Management Committee

Item 7-6

September 14, 2021

Service Area and CRA Map



Location Map



PV Property Evaluation Factors

- Overall location and use of Priority 1 water
- Water toll acreage
- Adjacency/contiguity to existing Metropolitan properties
- Purchase price
 - Appraised value, strategic needs, encumbrances, etc.
- Potential tenants
- Following Program enrollment



Memorandum of Understanding (MOU)

- Metropolitan and PVID
- 2001
- Established the Property Utilization Committee
- Goal of providing for the use of the 2001 Metropolitan-acquired property “in a manner which best benefits Metropolitan, PVID and the Palo Verde Valley community”

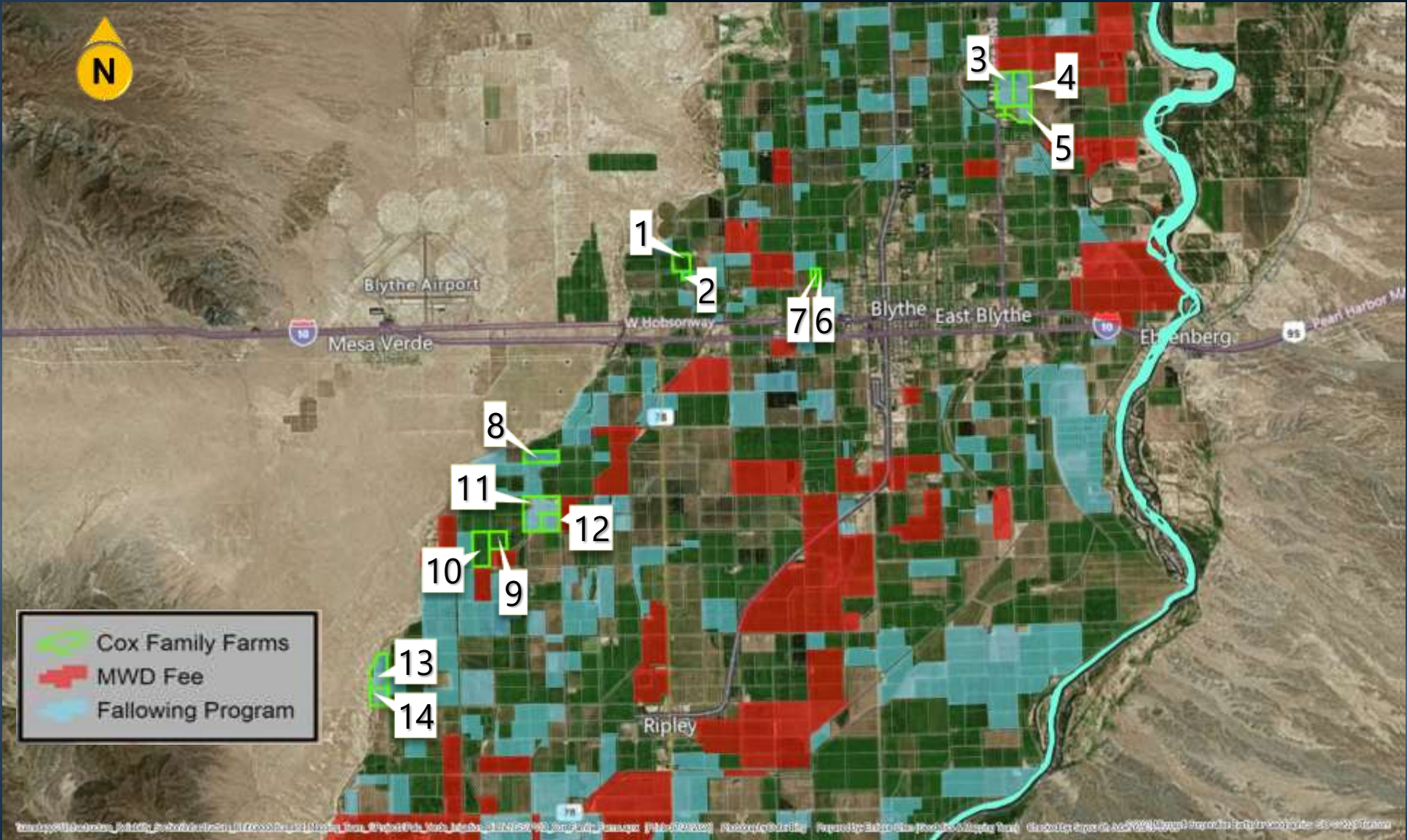
MEMORANDUM OF UNDERSTANDING
BETWEEN
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AND
PALO VERDE IRRIGATION DISTRICT
REGARDING REAL PROPERTY IN THE PALO VERDE VALLEY

This Memorandum of Understanding (hereinafter, the “MOU”) is entered into by and between The Metropolitan Water District of Southern California (“MWD”) and the Palo Verde Irrigation District (“PVID”).

Recitals

- MWD is a special district of the State of California engaged in transporting, storing and distributing water in the counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura.
- PVID is a special district of the State of California engaged in furnishing Colorado River water for irrigation to the landowners of its service area in the counties of Riverside and Imperial.
- MWD is the purchaser of approximately 16,000 acres of real property (the “Property”) owned by San Diego Gas & Electric Company in the Palo Verde Valley, within and outside PVID’s service area.

Site Map



Subject Property Details

- Cox Family Farms, LLC
- Up to 665 water toll acres (702 gross acres)
- About two-thirds of the acres are enrolled in the Fallowing Program
- Half of the parcels are contiguous to Metropolitan-owned properties
- Farmed by Coxco, LLC



Potential Benefits

- Ensure reliability of Colorado River water supplies
- Encourage innovative farming
- Land use preservation
- Fallowing Program
- Lease revenue and fallowing payment savings





CLOSED SESSION





- Board of Directors
Legal and Claims Committee

9/14/2021 Board Meeting

7-7

Subject

Authorize an increase in the maximum amount payable under contract with Ryan & Associates for legal services related to general real estate and leasing law issues by \$100,000 to a maximum amount payable of \$200,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action authorizes an increase in the maximum amount payable under contract with Ryan & Associates, Attorneys at Law, for advisory legal services related to real estate and commercial leasing law by \$100,000 to a maximum amount payable of \$200,000. Metropolitan retained Ryan & Associates on June 19, 2001, under the General Counsel's authority, to provide expert legal assistance related to provide focused, on-call real estate and commercial leasing legal support. Work since July 2001 has expended the initial contract amount, and additional assistance is required.

Details

Metropolitan owns and maintains more than 200,000 acres of land holdings and pipeline right of ways in order to support its extensive water conveyance, storage, treatment, and supply functions within a 5,200-square-mile service area. The General Counsel's Office supports Metropolitan's strategic approach to the planning, acquisition, and disposition of Metropolitan land and also works with the General Manager's staff to protect Metropolitan's property rights and uses, and to minimize land ownership costs. In addition, the General Counsel's Office provides legal support to Real Property Group's management of Metropolitan's long-standing urban-agricultural partnerships with farming interests and local public agencies and Metropolitan's issuance of innovative agricultural leases and support of regional fallowing programs that decrease crop consumptive water use while still maintaining a vibrant agricultural economy.

These legal efforts occasionally implicate private sector, real estate and commercial leasing legal issues outside of the normal practice of public agency law, ranging from private family-imposed restrictive land covenants to cellular tower leaseback and outsourced property management entities.

Ryan & Associates provides focused real estate, leasing, and land use law advice and legal support services, and value-added legal support in real estate transactions and property management matters. The General Counsel's Office has used this firm under its delegated discretionary authority and has received years of cost-efficient service. Staff requests authority to increase the amount payable under the contract by \$100,000 to a maximum of \$200,000 in order to continue obtaining assistance on an as-needed basis on discrete issues or transactions that implicate real property management, acquisition, and leasing issues that do not regularly arise in public agency law.

Policy

Metropolitan Water District Administrative Code Section 6431: Authority to Obtain Expert Assistance

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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 (Section 15378(b)(4) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). Finally, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize an increase in the maximum amount payable under contract with Ryan & Associates, Attorneys at Law, for advisory legal services related to real estate and commercial leasing law by \$100,000 to a maximum amount payable of \$200,000.

Fiscal Impact: \$100,000

Business Analysis: Expert special counsel will remain available to assist as needed in discrete real estate and leasing law matters, transactions and dispositions.

Option #2


Do not authorize the contract increase.

Fiscal Impact: Unknown

Business Analysis: Without expert special counsel, the conduct of real property management, acquisitions and dispositions might be more uncertain.

Staff Recommendation

Option # 1



Marcia Scully
General Counsel

9/2/2021

Date



• Report on Conservation Activity for September

Summary

This report provides a summary of conservation activity and expenditures for July 2021.

Purpose

Informational

Detailed Report

Conservation Expenditures – FY2020/21 & FY2021/22 ⁽¹⁾




	Paid ⁽²⁾	Committed ⁽³⁾
Regional Devices	\$4.7 M	\$3.9 M
Member Agency Administered	\$1.6 M	\$7.2 M
Turf Replacement	\$8.9 M	\$8.1 M
Advertising	\$0.1 M	\$0.0 M
Other	\$1.9 M	\$1.1 M
TOTAL	\$17.2 M	\$20.3 M

(1) The Conservation Program biennial expenditure authorization was \$86 million and expected expenditures were \$50 million. Both figures have subsequently been reduced to reflect a \$2 million reduction in conservation advertising expenditures per Board Letter 8-1 on 9/15/2020

(2) As of 7/1/2020 - 7/31/2021

(3) Committed dollars as of August 10, 2021

Summary of Expenditures in July 2021: \$274,092 ⁽¹⁾

 Turf Replacement Rebates: July: 153,945 ft ² removed FY2020/21-FY2021/22: 4,444,866 ft² removed	 Clothes Washers: July: 443 units rebated FY2020/21-FY2021/22: 18,971 units rebated
 Smart Controllers: July: 655 units rebated FY2020/21-FY2021/22: 14,754 units rebated	 Toilets: July: 833 units rebated FY2020/21-FY2021/22: 12,191 units rebated
 Rain Barrels and Cisterns: July: 31 units rebated FY2020/21-FY2021/22: 3,067 units rebated	 Sprinkler Nozzles: July: 845 units rebated FY2020/21-FY2021/22: 30,560 units rebated

Lifetime Water Savings to be achieved by all rebates in July 2021: 1,810 AF

FY2020/21-FY2021/22: 43,465 AF lifetime water savings

(1) Expenditures may include advertising and Water Savings Incentive Program activity in addition to the incentives highlighted above.



- Board of Directors
Water Planning and Stewardship Committee

9/14/2021 Board Meeting

9-2

Subject

Information on a potential seasonal land fallowing pilot program with the Quechan Indian Tribe of the Fort Yuma Indian Reservation and farmers within Quechan tribal land for 2022-2023

Executive Summary

Metropolitan is exploring a potential seasonal fallowing pilot program with the Quechan Indian Tribe, which would reduce water consumption in the Quechan Indian tribal land and augment Metropolitan's Colorado River supplies. The Metropolitan/Quechan Indian Tribe Seasonal Fallowing Pilot Program (Pilot) would incentivize farmers to fallow land irrigated with Colorado River water for the spring and summer months during 2022 to 2023. Farmers typically grow high-value crops in the winter (vegetable crops), followed by a lower-value, water-intensive field crop (such as Sudan grass) in the spring and summer. Participating farmers would reduce their water consumption through land fallowing of collectively up to 1,600 acres annually between the months of April and July. Metropolitan estimates a water savings of 2 acre-feet (AF) per irrigable acre. Metropolitan would enter into agreements with the Quechan Tribe and the farmers within the Quechan tribal land, and the Pilot would operate similarly to Metropolitan's Bard Seasonal Fallowing Program. Since the Quechan Tribe's water supplies have a higher priority than Metropolitan's, Metropolitan would benefit from such a Pilot, as the saved water would remain in the Colorado River and be made available for diversion. Lastly, such a pilot program would provide information that could lead to the development of a longer-term fallowing program with the Quechan Tribe.

Details

Background

The Quechan Tribe is located along the Colorado River in southeast California and southwest Arizona. The Quechan Indian tribal lands receive water from either the All-American Canal and Yuma Main Canal, groundwater wells, or directly from the Colorado River. **Attachment 1** contains a map of the Quechan tribal land in California that would participate in the potential Pilot lands. Colorado River supplies for the Quechan Indian tribal land are accounted for under the unquantified priorities within California. As such, any savings from fallowing will move through California's priority system to benefit Metropolitan.

Quechan Water Rights Settlement Agreement

In 2005, Metropolitan reached a settlement with the Quechan Tribe, the Quechan Settlement Agreement, which incentivized the Quechan Tribe to not develop and divert an additional 13,000 AF each year from the Colorado River from 2006-2034 and to not divert 20,000 AF each year beginning 2035. As part of the Quechan Settlement Agreement, Metropolitan provides an incentive to the Quechan Tribe to limit water use, resulting in stable supplies to Metropolitan. Since 2006, the Quechan Tribe has forborne diversion of nearly all of the 13,000 AF each year. Any water savings from the Pilot fallowing program would not be included in the Quechan Settlement Agreement payments.

Bard Seasonal Fallowing Program

In December 2019, Metropolitan's Board authorized a six-year Metropolitan/Bard Seasonal Fallowing Program with Bard Water District. Metropolitan currently provides incentives to farmers within the Bard Unit to fallow up

to 3,000 irrigable acres from April to July. In 2020, farmers fallowed approximately 2,750 acres with an estimated water savings of 6,075 AF. In 2021, farmers fallowed about 2,940 acres with a water savings of 6,490 AF. Since the inception of the Bard Seasonal Fallowing Program, Metropolitan has provided about \$2.6 million to Bard and the farmers, including \$30,000 for direct program costs and system improvements for an average water cost of \$207/AF. The potential seasonal fallowing pilot program with the Quechan Tribe would be structured and operated similarly to the Bard Seasonal Fallowing Program.

Potential Seasonal Fallowing Pilot Program

Metropolitan staff, in coordination with the Quechan Tribe, is developing a potential two-year seasonal fallowing pilot program. The Pilot would both evaluate farmer interest in fallowing and the amount of water saved from fallowing in the Quechan Indian tribal land. Metropolitan staff and the Quechan Tribe are developing terms to fallow a maximum of 1,600 acres each year within the tribal land, with an estimated water savings of 2 AF per irrigable acre. Under the potential Pilot, Metropolitan would provide incentives to the fallowed land during the period between April 1 and July 31, beginning in year 2022 and ending in year 2023. By December 31, 2021, Metropolitan would make a two-year fallowing call of 1,600 acres to be fallowed in 2022 and 2023 for the Pilot. Metropolitan would enter into a Pilot agreement with the Quechan Tribe to hold the delivery of water to the fallowed acres, as well as enter into agreements with each individual farmer (with property owner consent).

In order to qualify for the Pilot, the farmer must have actively farmed or participated in a previous fallowing program during three of the past five years, and must exclude areas that are used for roads, ditches and canals, and buildings. The eligible lands would also need to have access to a canal, direct-from-river pumping, or a groundwater well (the U.S. Bureau of Reclamation considers wells within the Pilot as diversions of Colorado River water). The agreement would also require the farmers to take appropriate actions to ensure that the fallowed lands do not degrade or cause dust issues. Further, farmers must allow representatives from Metropolitan and the U.S. Bureau of Reclamation to inspect the fallowed lands.

Metropolitan would provide an annual incentive of \$473.10 per acre of irrigable land fallowed, or the equivalent incentive amount to be provided under the Bard Seasonal Fallowing Program in year 2022. The agreement would provide for escalating the incentive every year using the Consumer Price Index for Southern California. Of the total fallowing payment made each year, Metropolitan would pay 75 percent of the incentive to the participating farmers and 25 percent to the Quechan Tribe. The Quechan Tribe would receive an additional payment of \$15,000 each year for direct and indirect costs related to its administration of the Pilot. Metropolitan would make payments in two installments, the first half at the beginning of the fallowing period and the second half at the end of the fallowing period.

Policy

By Minute Item 42820, dated February 10, 1998, the Board approved the policy principle in the Colorado River Resources Strategy supporting Metropolitan's interests in increasing its dependable entitlements to Colorado River water, while collaborating with other California Colorado River agencies.

By Minute Item 51833, dated December 10, 2019, the Board authorized the General Manager to enter into a Program agreement with Bard Water District and seasonal fallowing agreements with farmers within the Bard Unit, and approve payment of up to \$1.4 million per year, escalated annually through 2026.

Fiscal Impact

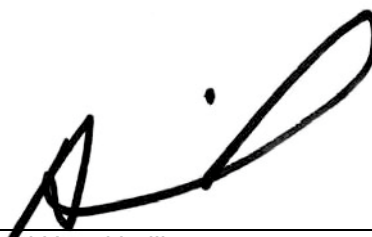
A projected fiscal impact of \$1.6 million for Fiscal Years 2021/2022 and 2022/2023 is anticipated to be incurred following board authorization of the potential pilot program. Funds for Fiscal Year 2021/2022 are available within the Water Supply Budget.



Brad Coffey
Manager, Water Resource Management

9/2/2021

Date



Adel Hagekhalil
General Manager

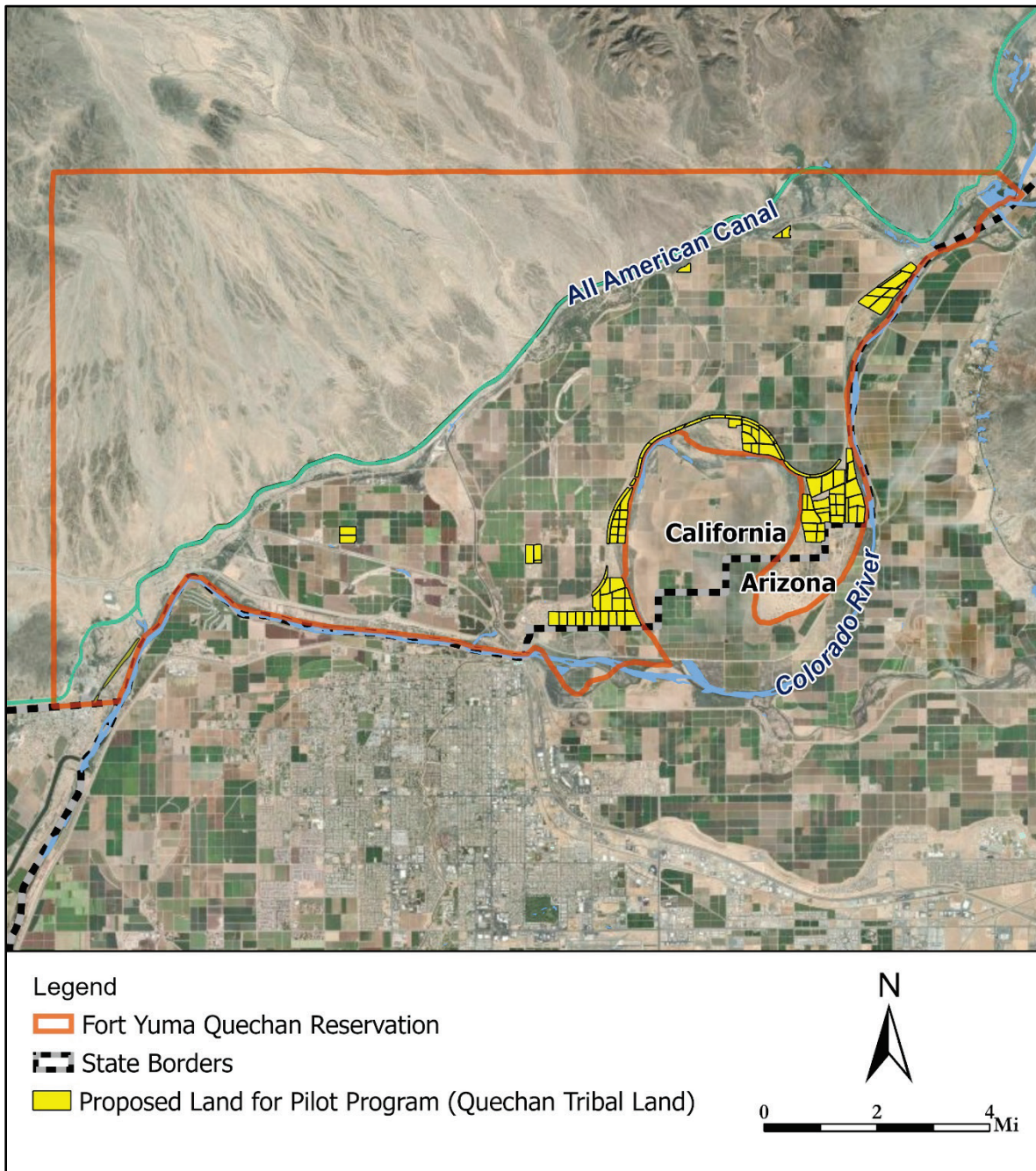
9/2/2021

Date

Attachment 1 – Map of Proposed Tribal Land for Potential Metropolitan/Quechan Seasonal Fallowing Pilot Program

Ref# wrm12684668

**MAP OF PROPOSED TRIBAL LAND FOR POTENTIAL METROPOLITAN/QUECHAN
SEASONAL FALLOWING PILOT PROGRAM**





Information on Potential Metropolitan/Quechan Indian Tribe Seasonal Fallowing Pilot Program

Water Planning and Stewardship Committee

Item 9-2

September 13, 2021

Agenda

- Background
- Potential Metropolitan/Quechan Indian Tribe Seasonal Following Pilot Program

Background

Quechan (Kwatsáan) Indian Tribe of the Fort Yuma Indian Reservation

- Constitutes the Reservation Division of the Yuma Project, along with Bard Water District
- Parcels irrigated through the All-American Canal, Yuma Main Canal, groundwater wells, or directly from the Colorado River
- Crops grown:
 - Winter: High-value vegetables
 - Spring/Summer: Lower-value, water-intensive grasses



Colorado River Water Priorities Quantification Settlement Agreement

Agency	Million Acre-feet
PVID	0.42 (Average)
Yuma Project	
IID	3.10
CVWD	0.33
MWD*	0.55
Total	4.40

**Amount fluctuates based on PVID/Yuma Project use, unused IID and CVWD water*

- Water made available to Metropolitan under this program would not affect existing rights in the Colorado River

Quechan Water Rights Settlement Agreement

- Settlement reached between Metropolitan and Quechan in 2005
- Metropolitan provides incentives to the Tribe to limit water use from the Colorado River
 - Provides stable supplies to Metropolitan
- Incentivizes Tribe to not develop and divert an additional:
 - 13,000 AF each year from 2006-2034
 - Since inception, Tribe has forborne diversion of nearly all 13,000 AF each year
 - 20,000 AF each year beginning 2035
- Settlement payments would be delineated from any water savings from potential Pilot

Metropolitan/Bard Seasonal Fallowing Program

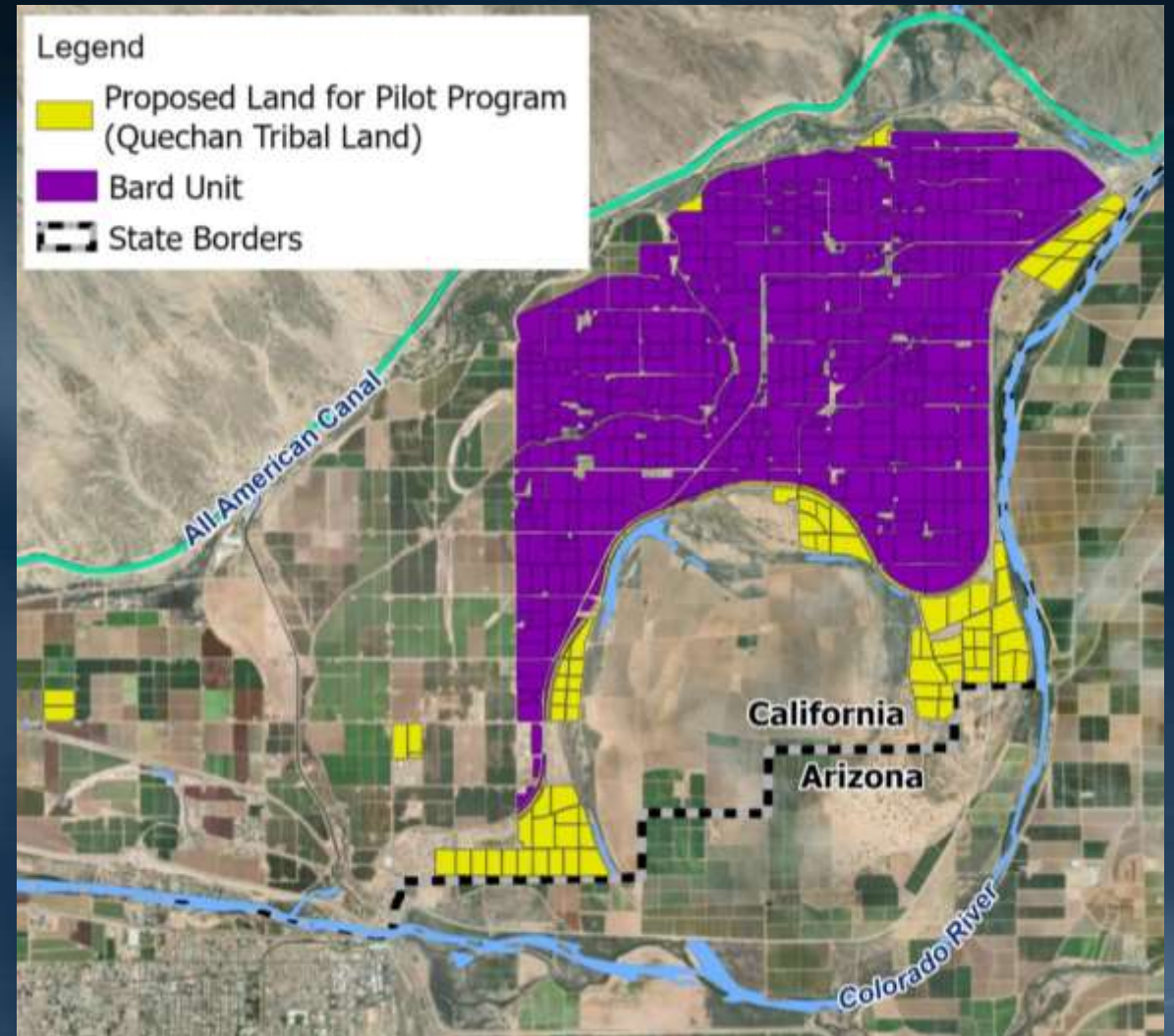
- Authorized by Board in December 2019
- Fallowing occurs April to July, 2020-2026
- Max enrollment of 3,000 irrigable acres each year
- Completed fallowing seasons:
 - 2020: 2,750 acres
 - Est. water savings: 6,075 acre-feet
 - 2021: 2,940 acres
 - Est. water savings: 6,490 acre-feet.
- Metropolitan payments
 - \$1.4 million, escalated annually
 - Avg. water cost: \$207/AF



Potential Metropolitan/Quechan Indian Tribe Seasonal Following Pilot Program

Purpose of Potential Pilot Program

- Evaluate the water savings of fallowing within the Tribal land
- Evaluate water available to Metropolitan from fallowing
- Determine farmer interest
 - **Voluntary participation**
- Explore the possibility of a long-term seasonal fallowing program with the Tribe



Key Elements of Potential Pilot Program

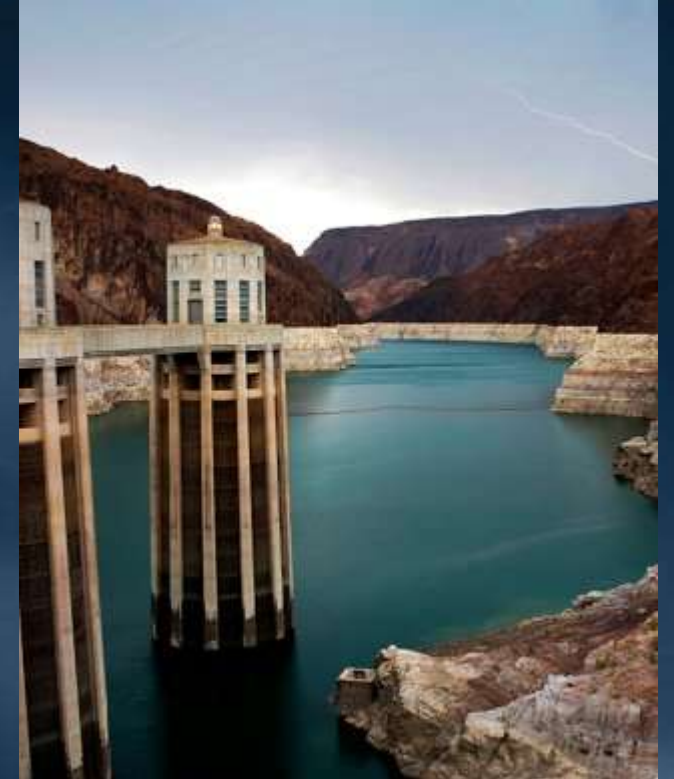
- Two following seasons: April to July, 2022-2023
 - Metropolitan would issue two-year following call by December 31, 2021
- Maximum enrollment of 1,600 irrigable acres each following season
- Participation on first-come, first-served basis
- Eligible parcels must have:
 - Recent history of farming or participation in following program
 - Access to a canal, direct-from-river pumping, or groundwater well
- Program agreement with Tribe and following agreements with farmers

Potential Pilot Program Costs

- Approx. \$473.10 per acre per year of fallowed irrigable land, escalated annually
 - 75% paid to farmer
 - 25% paid to Tribe
- Tribe payment of \$15,000 per year fallowed
 - Direct program costs and improvements
- Payments made in two installments following verification of fallowing
- Total payment costs for potential Pilot: \$1.6 million
 - Estimated unit cost: \$226.25/AF

Potential Pilot Program Benefits

- Expanding partnership between Metropolitan and Tribe
- Metropolitan Water District
 - Water saved through fallowing is available to Metropolitan
 - Est. water savings of 2.0 AF/acre of land fallowed
 - Opportunity for long-term program
- Quechan Tribe
 - Payments to farmers and Tribe
 - Payment to Tribe for system improvements
 - Opportunity for long-term program



Next Steps







- **Board of Directors**
Water Planning and Stewardship Committee

9/14/2021 Board Meeting

9-3

Subject

Considerations for purchasing land assigned senior priority Colorado River water supplies

Executive Summary

Metropolitan has a strong interest in promoting the long-term health of the Colorado River and the vital communities and economic activity which depend on its flow. For decades, Metropolitan has taken actions to conserve Colorado River supplies, which flow through the river's priority system for use by Metropolitan. These actions included establishing a 35-year rotational fallowing program with Palo Verde Irrigation District (PVID) landowners and providing rent reduction incentives to decrease water consumption on Metropolitan-owned land. To date, Metropolitan owns a total of 29,126 acres of land with Priority 1 and 3 rights within the Palo Verde region. Moving forward, staff seeks Board input to guide future potential land acquisitions, including the purchase of additional lands in either the Palo Verde Valley or other regions with rights to higher priority Colorado River supplies. This informational report focuses on the history and considerations for purchasing and leasing land holdings in the Palo Verde region.

Details

Background

For decades, the purchase of land to acquire water or water rights has increased in the western United States. From time to time, opportunities are brought to Metropolitan to purchase additional lands that use Colorado River water for the potential purpose of incentivizing water conservation on that land. Metropolitan has Priority 4 water rights to the Colorado River, and acquiring lands with senior priority rights is a potential strategy to obtain reliable and cost-effective water supplies in the face of a changing climate and reduced water supplies.

The Law of the River and the Quantification Settlement Agreement

Water rights in the Colorado River are governed by a set of statutes, interstate compacts, court decrees, and regulations collectively known as "the Law of the River." Under the Law of the River, California has a basic apportionment of 4.4 million acre-feet per year plus one-half of any surplus water available to the Lower Basin states made up of California, Arizona, and Nevada. In addition, California may make use of any unused water apportionments of the other two lower basin states.

In California, the 1931 Seven Party Agreement established the state's Colorado River water apportionment to each agency by priority status. This apportionment was incorporated in the water delivery contracts for each agency. The agricultural agencies with senior priority over Metropolitan have the right to use up to 3,850,000 acre-feet per year. The highest California priority under the 1931 Seven Party Agreement is held by PVID for the irrigation of land in the Palo Verde Valley. Table 1 sets forth the existing priorities of the California users of Colorado River water established under the 1931 Seven-Party Agreement.

Table 1

PRIORITIES UNDER THE 1931 CALIFORNIA SEVEN-PARTY AGREEMENT⁽¹⁾

Priority	Description	Acre-Feet Annually
1	Palo Verde Irrigation District gross area of 104,500 acres of land in the Palo Verde Valley	3,850,000
2	Yuma Project in California not exceeding a gross area of 25,000 acres in California	
3(a)	Imperial Irrigation District and other lands in Imperial and Coachella Valleys ⁽²⁾ to be served by All-American Canal	
3(b)	Palo Verde Irrigation District - 16,000 acres of land on the Lower Palo Verde Mesa	
4	Metropolitan Water District of Southern California for use on the coastal plain	550,000
	SUBTOTAL	4,400,000
5(a)	Metropolitan Water District of Southern California for use on the coastal plain	550,000
5(b)	Metropolitan Water District of Southern California for use on the coastal plain ⁽³⁾	112,000
6(a)	Imperial Irrigation District and other lands in Imperial and Coachella Valleys to be served by the All-American Canal	300,000
6(b)	Palo Verde Irrigation District - 16,000 acres of land on the Lower Palo Verde Mesa	
	TOTAL	5,362,000
7	Agricultural use in the Colorado River Basin in California	Remaining surplus

Source: Metropolitan.

(1) Agreement dated August 18, 1931, among Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley County Water District, Metropolitan, the City of Los Angeles, the City of San Diego and the County of San Diego. These priorities were memorialized in the agencies' respective water delivery contracts with the Secretary of the Interior.

(2) The Coachella Valley Water District serves Coachella Valley.

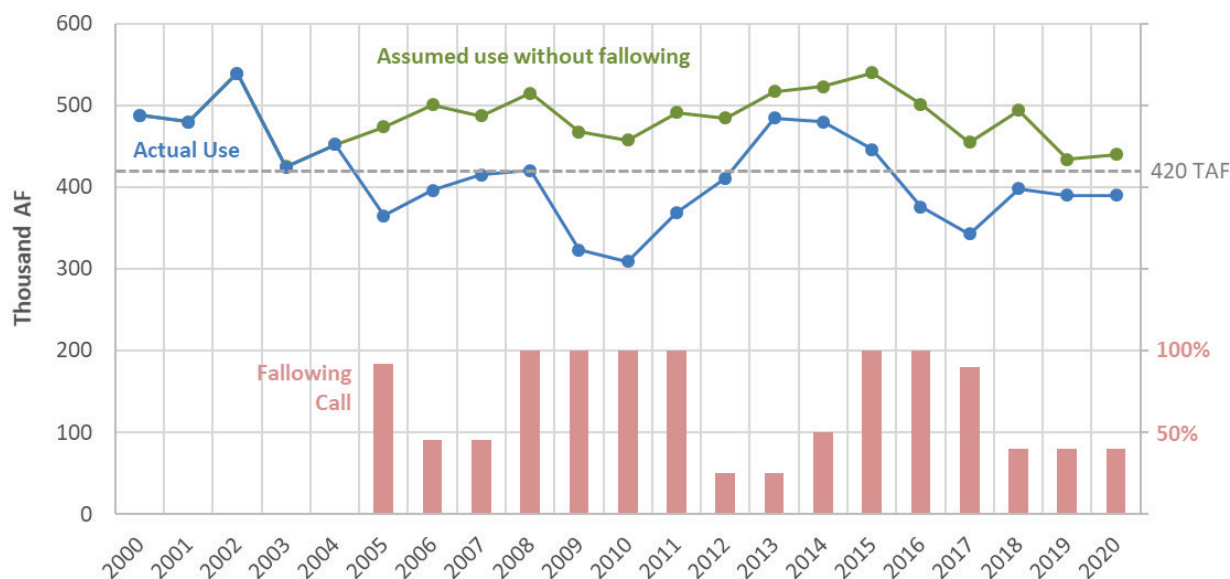
(3) In 1946, the City of San Diego, the San Diego County Water Authority, Metropolitan and the Secretary of the Interior entered into a contract that merged and added the City and County of San Diego's rights to storage and delivery of Colorado River water to the rights of Metropolitan.

The 2003 Quantification Settlement Agreement (QSA) established a limit on the use of Colorado River water by Imperial Irrigation District (IID) and Coachella Valley Water District (CVWD). However, PVID is not a party to the QSA; therefore, its Colorado River water rights are not quantified. The terms of the QSA provide that Metropolitan is responsible for any use by PVID and the Yuma Project that exceeds 420,000 acre-feet per year and, conversely, will receive any balance when PVID and the Yuma Project use less than that amount.

Figure 1 shows the net use of Colorado River water by PVID and the Yuma Project compared to their QSA baseline use of 420,000 acre-feet per year. When the higher priority annual water use exceeded 420,000 acre-feet, that amount came out of Metropolitan's supplies. Nevertheless, any volume of water saved from the fallowing program is made available to Metropolitan in accordance with the QSA. These actions help achieve an Integrated Water Resource Plan (IRP) goal of being able to run the Colorado River Aqueduct at full capacity, when needed.

Until 2003, Metropolitan diverted more than its base 5a priority allocation of the California apportionment by taking advantage of the unused apportionments of Arizona and Nevada and any surplus water. In recent years, however, those states have taken their full Colorado River apportionments due to drought, which has also limited the availability of surplus water. As a result, Metropolitan has sought to make the most efficient use of California's share of Colorado River water supplies, including providing funding for water conservation by the California agricultural agencies. By helping to reduce water consumption of higher priority users, Metropolitan increases the amount of Colorado River supplies available to it under its Priority 4 rights. In addition, Metropolitan incentivizes conservation by its own member agencies and others throughout its service area.

Figure 1. Following has reduced Priority 1, 2, 3b water use



Palo Verde Valley

Acquiring land for a water supply from the Palo Verde valley first occurred with the 1975 Sun Desert Agreement, approved by the Secretary of the Interior and California's Colorado River contractors. Under this agreement, San Diego Gas and Electric Company (SDG&E) purchased over 9,000 acres in PVID to provide cooling water for the proposed Sun Desert nuclear power plant. However, because of concerns about the permanent retirement of land in the valley, SDG&E purchased two acres for every acre to be taken out of production for a water supply. To make an annual flow of water available to the power plant, SDG&E planned to rotate land each year with half of its landholdings out of production and half under lease to farm operators.

In 2001, Metropolitan acquired approximately 16,344 gross acres from Sempra Energy, the eventual corporate parent of SDG&E, for about \$2,600 per acre. Of this acreage, 9,704 acres were in the valley, and 6,640 acres were undeveloped acreage located outside the PVID boundaries on the mesa; this mesa acreage remains undeveloped. Ownership of some of the valley's Priority 1 property provides Metropolitan with a basis for implementing water conservation measures and allows Metropolitan greater flexibility to implement various water conservation and related efficiency management programs.

In 2015, Metropolitan acquired approximately 12,782 acres from Verbena LLC for about \$20,000 per acre. Verbena initially proposed to Metropolitan that it would take the lands out of production if Metropolitan would agree to exchange the conserved water for State Water Project supplies to be delivered to contractors in the San Joaquin Valley. Metropolitan declined this offer, at which point Verbena offered to sell. By purchasing the land, Metropolitan could then work with existing tenants to reduce consumptive water use while keeping the lands under production as active farmland. With this purchase, Metropolitan became the largest landowner in the Palo Verde region.

Palo Verde Land Management, Crop Rotation and Water Supply Program (fallowing program)

Under the 35-year term fallowing program, Metropolitan made an initial payment of \$3,170 per acre to farmers who agreed to fallow a portion of their lands each year during the 35-year term of the program. In addition, Metropolitan annually pays landowners for each acre of land fallowed at Metropolitan's call. The fallowing payment for 2021 is \$909 per acre. This rate escalates each year depending on inflation.

The program generates up to 110,000 acre-feet in a year when the program operates at full capacity (the program is limited to maximum fallowing of 29 percent of irrigated lands in the Palo Verde Valley). The actual amount of conserved water, and the cost to Metropolitan, varies depending on the fallowing calls during the program term. The present value of the unit cost to Metropolitan for the conserved water (including the initial payment) is estimated to range from \$134 to \$147 per acre-foot depending on the amount of fallowing called for over the term of the program (the range is based on projected future fallowing calls of 90 percent and 25 percent, respectively).

Objectives for Leasing of Metropolitan-Owned Lands in the Palo Verde Region

Metropolitan began leasing most of its acquired property since the initial purchase in 2001. Metropolitan and PVID entered a memorandum-of-understanding (MOU) in 2001, which established an ongoing Property Utilization Committee for Metropolitan and PVID to discuss, analyze, and review Metropolitan's actions regarding the property.

Metropolitan's first lease structures were relatively simple and charged a market-based rent which was discounted because of the requirement that the lessees fallow land consistent with the fallowing program terms. These initial leases did not contain rent structures to incentivize water conservation. When new leases were later established, a rent structure was used that incentivized (or penalized) tenants based on variation from an agreed-upon baseline water use. This rent structure was later modified because of the difficulty in measuring applied water use with existing infrastructure and because of the heavy penalties for water use above the baseline. The next versions of the lease structures emphasized rent discounts based on crop choices, with lower rents for cropping patterns that were expected to lower consumptive water use. A land management credit was also added to these leases in recognition of the need to maintain any land that became fallowed on the leased land through the fallowing program.

Through these lessons learned with the tenants, staff identified several management objectives in 2016 to guide the leasing of Metropolitan-owned lands in the Palo Verde region. These objectives, updated since, guided the development of existing lease terms.

- **Reduce consumptive water use on the land** by incentivizing less water-intensive crops or more efficient irrigation methods. Reducing consumptive water use increases Colorado River supplies available to Metropolitan through the priority system.
- **Maintain a vibrant agricultural economy in the Palo Verde Valley** by maintaining the lands as productive farmland and providing farmers flexibility to respond to market forces in their choice of crops and irrigation methods.
- **Promote community acceptance and participation** by creating a fair and transparent process for lease selection and soliciting input from the community.
- **Advance state-of-the-art farming techniques** by encouraging innovative irrigation methods, crop selection, and data collection that can serve as a model.
- **Keep administrative overhead low** by limiting the total number of leases to be administered.
- **Provide a positive revenue stream for Metropolitan** by generating rents and reflecting a balance between the value of the agricultural land and the unique lease conditions in place to achieve these objectives.

These leasing objectives have proved effective thus far. Metropolitan's leased lands in the Palo Verde region, while controlling for variables in fallowing—produce a crop mix using less water per acre on average compared to the rest of the Palo Verde region. For example, the average water use on Metropolitan-leased lands from 2017-2020 was 8.2 AF/acre, compared to the valley average of 8.6 AF/acre. Reduced water use results from a broad range of Metropolitan's incentives and creative measures for conservation, which are developed and implemented by the farmers, such as improved irrigation efficiency, crop selection, crop stressing, and the like. If additional land was purchased in the Palo Verde Valley, Metropolitan would receive Colorado River water supply

benefits because lands could be managed under the existing fallowing program or leased with goals to save water which would be managed through the Colorado River priority system.

Considerations for Purchasing Additional Lands receiving Senior Priority Colorado River Water Supplies

Similar to the guidance authorized by the Board for lease management objectives for land already owned by Metropolitan, staff seeks guidance on future potential land acquisitions, including the purchase of additional lands in either the Palo Verde Valley or other regions with rights to higher priority Colorado River supplies. As a matter of practice, Metropolitan regularly reviews publicly listed land, but has not actively pursued land purchases in the Palo Verde region. Metropolitan is occasionally approached by sellers desiring to sell their lands. Metropolitan's past practice to begin negotiations with these sellers have considered the following factors:

- **Overall location and use of Priority 1 water.** Consistent with the objective to conserve Colorado River supplies, bundled properties with adequate proportions of Priority 1 water rights are more desirable.
- **Water toll acreage.** Properties with a higher proportion of water toll acres increase water savings opportunities.
- **Adjacency/contiguity to existing Metropolitan properties.** Lands which are contiguous or adjacent to existing properties improve farming efficiencies, reduce land management overhead, and improve desirability for potential tenants.
- **Asking price.** The asking price should consider the appraised value range, market conditions, soil quality, encumbrances, and existing irrigation infrastructure. The appraised value may not fully reflect Metropolitan's strategic needs for the property. As such, appraised value is just one piece of information informing the purchase price.
- **Potential tenants.** Sale and leasebacks are considered with respect to the tenant's farming experience, financial viability and creditworthiness, proposed rent and agricultural innovation.
- **Fallowing Program enrollment.** Purchasing lands which are currently enrolled in a fallowing program would reduce year-to-year costs of normal fallowing payments.

Moving forward, other considerations for land purchases in the Palo Verde region may be:

- **Potential water supply benefits.** Consider purchases only when conserved water can be assured to flow to Metropolitan through the priority system or through creation of Intentionally Created Surplus (ICS) credits.
- **Buy and lease for the long-term.** While the current fallowing program will eventually end in 2040, Metropolitan's lands are a long-term investment providing a durable supply of water and other benefits for decades to come. The ability to lease farmland for decades allows long-term partnerships to improve irrigation infrastructure, manage soil health, and balance market-based lease structures with water management flexibility. Over time, lease revenues will recover the purchase cost of the land.
- **Community investment.** Land ownership and leasing back to farmers promotes a long-term investment in a vibrant community dependent on agricultural production. Metropolitan's past \$6 million investment in a Community Improvement Fund in Palo Verde Valley can also serve as a model to create and retain local jobs.
- **Building partners for Colorado sustainability.** Land ownership attracts other funding and innovation partners to support the long-term health of the Colorado River system. For example, the recent partnership among the U.S. Bureau of Reclamation, Central Arizona Project, Southern Nevada Water Authority, Metropolitan, and PVID is fallowing land enrolled in the fallowing program and on Metropolitan-owned property.

Funding for Past Land Purchases in the Palo Verde Region

In July 2015, after the adoption of the biennial budget, the Board approved the purchase of land and associated transactional costs in Palo Verde Valley for up to \$264 million. This purchase was funded wholly from reserves, given that the purchase had not been included in budgeted revenues. Future property acquisitions can be treated in an Ad Hoc manner, which would likely result in reserve funds being used. However, alternative approaches can also be considered along with the considerations listed above.

Next Steps

Staff seeks board guidance on the following:

- (1) Considerations for purchasing land receiving Senior Priority Colorado River Water Supplies
- (2) Considerations for actively pursuing land or responding to unsolicited offers, and funding such acquisitions, if they arise

Based on the Board's feedback, staff can develop proposed policy guidelines for Board consideration.

Policy

By Minute Item 41222, dated January 10, 1995, the Board adopted a policy that Metropolitan continue to seek ways to increase the reliability of its Colorado River supplies in order to operate the Colorado River Aqueduct at capacity as much of the time as is feasible.

By Minute Item 42820, dated February 10, 1998, the Board approved the policy principle on Colorado River Resources Strategy supporting Metropolitan's interests and increasing its dependable entitlements to Colorado River water, while collaborating with other California Colorado River agencies.

By Minute Item 44542, dated July 10, 2001, the Board approved Principles of Agreement for a Land Management, Crop Rotation, and Water Supply Program with Palo Verde Irrigation District.


By Minute Item 45053, dated October 22, 2002, the Board authorized entering into agreements for the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program and community improvement programs.

By Minute Item 45517, dated September 23, 2003, the Board approved the QSA and related agreements among Imperial Irrigation District, Coachella Valley Water District, San Diego County Water Authority, and Metropolitan. Under the QSA, Metropolitan could acquire Colorado River water from PVID during the Quantification period without objection by IID and/or CVWD.

By Minute Item 50446, dated April 12, 2016, the Board authorized authorize staff to negotiate new leases with HayDay Farms and River Valley Ranches, with lease terms to meet the objectives stated in the board letter for consumptive water use and positive revenue, and pursue leasing the remaining Metropolitan-owned lands through a generalized request for proposals process.

Fiscal Impact

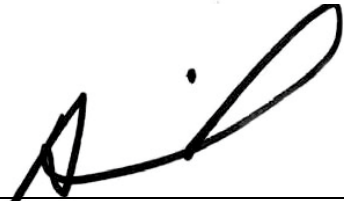
There are no fiscal impacts as no action is being proposed at this time. Future actions may yield revenue in the form of rent and reduce costs for additional Colorado River supply.



Brad Coffey
Manager, Water Resource Management

9/2/2021

Date



Adel Hagekhalil
General Manager

9/2/2021

Date



Considerations for Purchasing Land Which Uses Higher-Priority Colorado River Water Supplies

Water Planning and Stewardship Committee

Item 9-3

September 13, 2021

Outline

- Background and Need for Water Savings
- Methods of Saving Water in Senior Priority Agricultural Areas
 - Following
 - MWD Land Ownership
- Policy Considerations
- Board Feedback

Background – Colorado River Senior Priority Areas



Quantification Settlement Agreement (2003)

Priority		Thousand Acre-Feet
1 & 3b	Palo Verde Irrigation District	~420 (uncapped)
2	Yuma Project	
3a	Imperial Irrigation District	3,100
3a	Coachella Valley Water District	330
4	Metropolitan Water District	550
California Total		4,400

Methods to reduce uncapped Senior Priority water use

Fallowing

- Palo Verde Irrigation District Fallowing Program
- Bard Water District Seasonal Fallowing Program

Land Ownership

- Metropolitan lands are enrolled in Fallowing Program
- Exploring incentives to reduce water use
- Partnering on alternative agricultural practices

Following

Fallowing - Palo Verde Irrigation District

Senior priority Colorado River rights (1 & 3b)

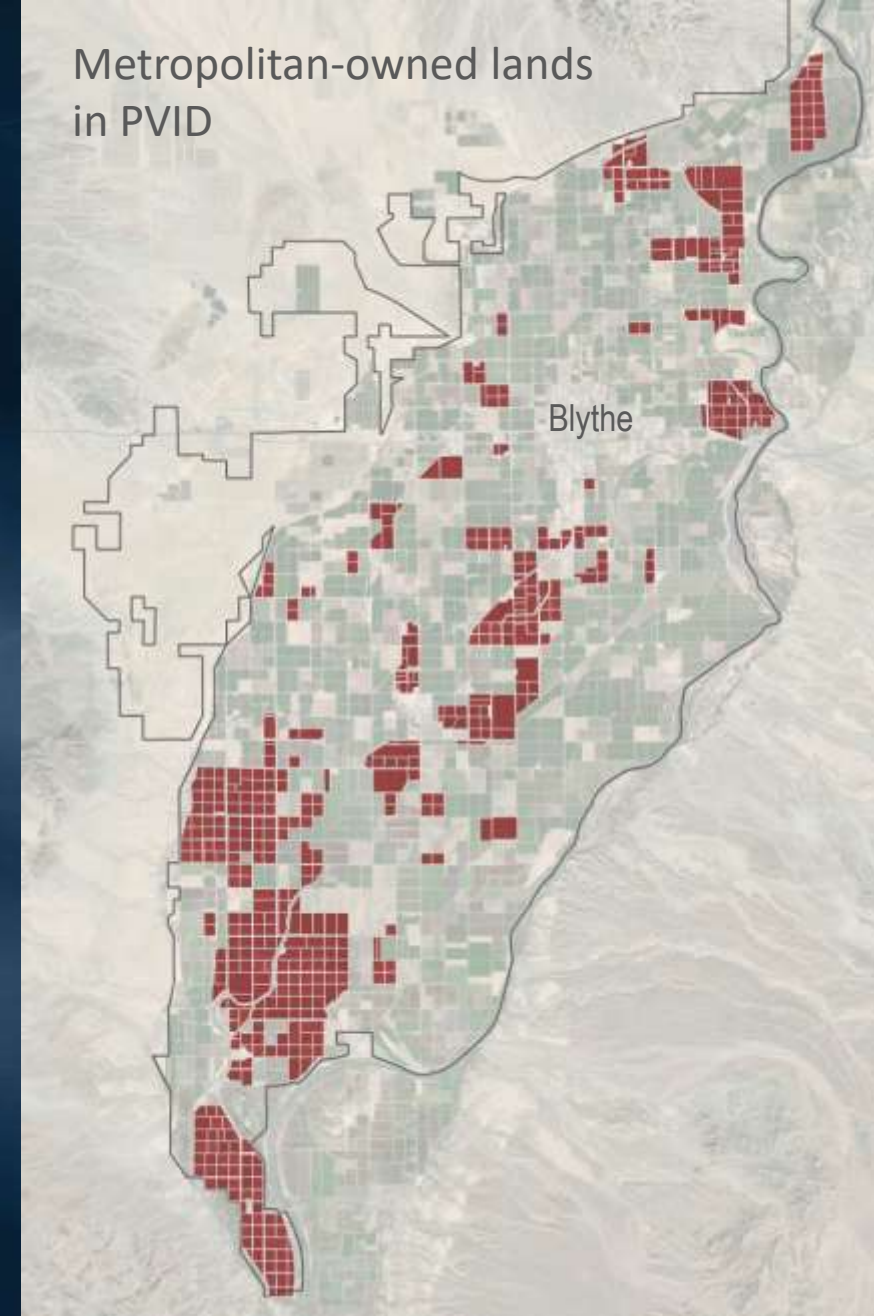
Metropolitan-PVID Fallowing Program

- Fallow up to 25,947 acres of land
- Save up to 120,000 AF of water per year

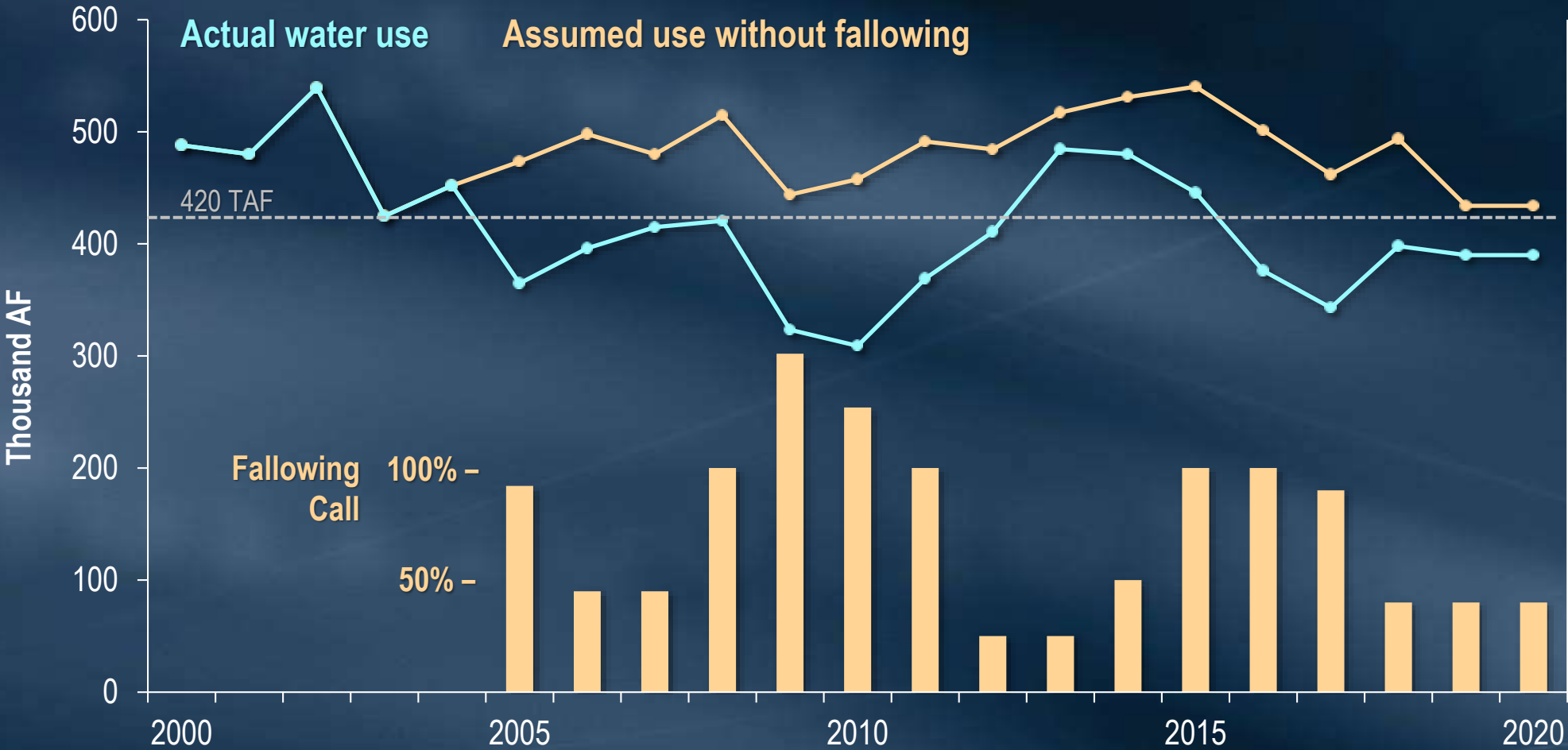
Metropolitan owns 29,126 acres of land in and around PVID

- Single largest landowner in PVID
- 7,311 acres enrolled in fallowing program

Metropolitan-owned lands
in PVID



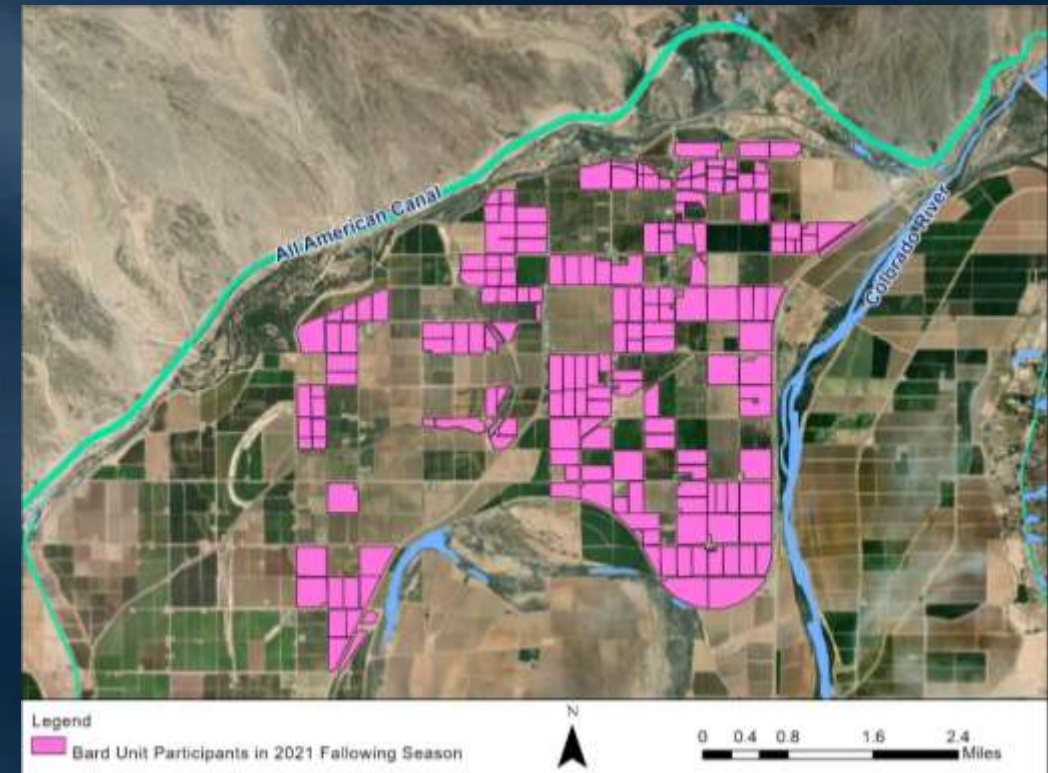
PVID following reduces Priority 1 & 3b water use



Bard Water District Fallowing Reduces Priority 2 Water Use

Metropolitan-Bard Seasonal Fallowing Program

- Fallow up to 3,000 acres per year
- Fallow for four months in Spring/Summer
- 6,000 AF per year saved



Land Ownership

History of purchasing land to save Colorado River water

- 1975 SDG&E purchased land in Palo Verde Valley to provide water for proposed nuclear power plant
- 2001 MWD purchased 16,344 acres in PVID from Sempra (SDG&E) to enroll in planned fallowing program
- 2003 Quantification Settlement Agreement was signed, settling priorities to meet California's 4.4 MAF diversion target
- 2005 PVID-MWD Fallowing Program began – MWD-owned lands enrolled
- 2015 MWD purchased 12,782 acres in PVID from Verbena LLC



History of Metropolitan leases in PVID

- 2001** MWD assumed existing leases from SDG&E
- 2005** PVID-MWD Fallowing Program began – MWD-owned lands were also enrolled
- 2015 - 17** As lessor, MWD solicited new lessees and included water savings incentives in lease terms
- 2021** MWD is negotiating to extend leases and maintain water saving initiatives

Innovative lease structures conserve water

- Farmers on MWD-owned land apply less water per acre than average PVID water use
- Lease structures adapted over time

Applied water use on MWD vs. non-MWD lands in PVID



Policy Considerations

Considerations for MWD agricultural land ownership

- Potential water supply benefits
- Ownership and leasing for the long-term
- Allows for community investment and support
- Creates opportunities for partnerships to improve Colorado River sustainability

Specific considerations for land purchases

- Location and use of senior-priority water
- Acreage, price, desirability, adjacency to existing properties
- Potential water supply benefits
- Methods for funding land purchases
 - Replacement and Reimbursement Fund
 - Unrestricted reserves
 - Capital financing to fund assets with long useful lives

Next Steps

Staff seeks board input on the following:

- Considerations for purchasing land in the senior priority areas
- Direction to actively pursue land or to only respond to unsolicited offers
- Options for funding land purchases





- **Board of Directors**
Finance and Insurance Committee

9/14/2021 Board Meeting

9-4

Subject

Report on Rate Refinement Workgroup's Review of Demand Management Cost Recovery Alternatives

Executive Summary

Metropolitan's demand management program consists of the Conservation program, the Local Resources Program (LRP), and the Future Supply Actions program. For the past five years, the total annual demand management revenue requirement budget has been \$96 million on average, made up of approximately \$34 million for conservation, \$38 million for LRP, \$2 million for Future Supply Actions, and \$23 million for departmental operations & maintenance (O&M) net of interest income. The Ten-year forecast in the current biennial budget projects those costs to increase to \$151 million by fiscal year (FY) 2030/31, which does not include the potential increase in conservation due to the present drought emergency. While the Board has discretion to increase or decrease the budget for conservation (except any contractual commitments), Future Supply Actions, and planned LRP that are not yet approved, Metropolitan has a nondiscretionary obligation to pay on LRP agreements that are already under contract.

Currently, Metropolitan is not collecting revenues to fund its demand management costs; those costs are being paid from reserves in the Water Stewardship Fund, which will run out by mid-FY 2022/23. While the Board, staff, and member agency representatives have undergone various processes to evaluate the most appropriate cost recovery method of demand management costs going forward, consensus on one alternative has not yet been reached. In this letter, staff presents a summary of the ongoing Member Agency Rate Refinement Workgroup's review of demand management alternatives for further discussion by the Board.

Details

Background

Demand Management Overview

Metropolitan's Integrated Resources Plan (IRP) evaluates the total projected need for water within its service area and accounts for all water available within the service area, including water produced or imported by other water agencies and all conservation within the service area. The IRP is a comprehensive view of all water resources and demands within the service area to determine the potential wholesale demand on Metropolitan by the 26 member agencies. The purpose of demand management as it relates to Metropolitan's service was explained in the 1996 IRP, followed by further analysis and support in the 2004, 2010, and 2015 IRP Updates and the 2017 IRP Policy Principles. Local projects and increased conservation were ways to reduce the need for Metropolitan to increase imported supplies and offset the need to transport or store additional water into or within the Metropolitan service area, reducing infrastructure costs. Since 1999, the legislature has also directed Metropolitan to expand conservation, recycling, and groundwater recovery efforts as a result of SB 60 (Hayden), and therefore, Metropolitan's demand management program also serves and meets the legal direction to expand those efforts.

The actual production and use of local resources and conservation of water under Metropolitan's demand management programs takes place at the member agency or end-user level, meaning they produce or conserve water for their own use and the water is not Metropolitan's. Although water produced in local projects is not available for Metropolitan to deliver and water conserved may not necessarily proportionately reduce member agencies' demands on Metropolitan, managing regional demand was intended and has shown to reduce overall

demands on Metropolitan by its member agencies. **As a result, Metropolitan's demand management programs benefit all member agencies regardless of project location. These programs help to increase regional water supply reliability, reduce demands for imported water supplies, decrease the burden on Metropolitan's infrastructure and reduce system costs that would have resulted if Metropolitan were required to import additional water, and free up conveyance capacity to the benefit of all system users.**

Records show that Metropolitan's demand management programs have significantly increased Southern California's ability to manage long-term drought and climate change. Demand management has reduced demand for imported supplies, which reduces the costs to build, expand, operate, maintain, and refurbish facilities. This has a regional benefit for all member agencies throughout Southern California and will continue to be needed going forward as the Board and management have continued to indicate. **However, these programs need a clearly identified funding source, which has not yet been adopted by the Board.**

Background of Cost Allocation of Demand Management Costs

Since 2003, the Water Stewardship Rate (WSR) has been a component of: (1) the full-service rate for water purchases; (2) the pre-set wheeling rate effective through August 18, 2020; and (3) until its suspension beginning in 2018, the contractual price for the exchange agreement with San Diego County Water Authority. The WSR has been used to fund Metropolitan's demand management programs, including conservation device rebates, turf removal, customized member agency administered programs, advertising to promote conservation, new programs within disadvantaged communities, pilot programs for stormwater capture, and incentive payments for LRP projects. The WSR rate element was established when the Board adopted a revised unbundled rate structure in 2001, effective 2003. The unbundled rate structure divided costs according to Metropolitan's operational functions and allocated those costs to various rate components: the variable components consist of Supply Rate (Tiers 1 and 2), System Access Rate (SAR), System Power Rate (SPR), and the WSR, and the volumetric-based fixed charges consist of the Readiness-to-Serve (RTS) Charge and Capacity Charge. Each volumetric rate component was assigned to either supply or transportation. Supply rates are recovered only through Metropolitan's full-service rates for sales to its member agencies, and the transportation rates, including the WSR, were previously recovered from transactions using Metropolitan's system, including sales, wheeling, and exchanges. **The assignment of the WSR as a transportation rate was based on Metropolitan's 1996 IRP 25-year capital plan, determining that investment in region-wide demand management would be more cost effective and avoid or defer additional capital investment that would be necessary to meet projected demands.**

In 2018, before the closing of the 1996 IRP 25-year capital planning period and after the decision on the 2011-2014 WSR in *San Diego County Water Authority v. Metropolitan*, 12 Cal.App.5th 1124 (2017), staff proposed, and the Board approved, a cost allocation study for demand management costs going forward. Staff retained consultants and underwent a cost allocation study based on the operational function of demand management for Metropolitan based on the operational and resource circumstances today and going forward.

In December 2019, staff presented demand management cost recovery alternatives to the Board resulting from the consultants' work, but the Board did not select any of those alternatives. Instead, the Board directed staff to use the balance of the Water Stewardship Fund to fund demand management costs for the FYs 2020/21 and 2021/22 biennial budget and to not incorporate into the calendar years (CYs) 2021 and 2022 rates and charges any demand management cost recovery mechanism. The Board directed staff to work with member agency managers in a rate refinement process to address many issues related to budget and rates, including a cost recovery mechanism for demand management. Because the balance of the Water Stewardship Fund is expected to be depleted by January 2023, the rate refinement workgroup prioritized demand management cost recovery and the status of the group's work is provided in this letter.

Financial Outlook for Demand Management Funding

Due to the Board's direction to use reserves from the Water Stewardship Fund to fund all demand management program costs in the FYs 2020/21 and 2021/22 Biennial Budget, to determine the financial outlook of demand management funding, it is important to review the projected expenditures from that fund and the forecasted revenues potentially available in CY 2023 to begin replenishing the fund.

Tables 1 and 2 provide information regarding the budgeted and projected demand management expenditures in the budget and the ten-year forecast. Table 1 highlights the LRP expenditures and Table 2 shows expenditures for all demand management programs.

Table 1. Budgeted and Projected Local Resources Program Expenditures

based on fiscal years 2020/21 and 2021/22 biennial budget and 10 year financial forecast, in million of dollars

Fiscal Year Ending	2022	2023	2024	2025	2026	2027	2028	2029	2030
Estimated cost of contracted LRP projects	\$ 18	\$ 22	\$ 22	\$ 26	\$ 27	\$ 31	\$ 31	\$ 30	\$ 29
On-Site Retrofit Program	2	3	3	3	3	3	3	3	3
Future Projects to meet 170,000 IRP Target	-	1	6	11	16	22	27	32	38
Total Local Resources Program	\$ 20	\$ 25	\$ 31	\$ 40	\$ 47	\$ 55	\$ 61	\$ 65	\$ 70

The projected cost for LRP projects is shown on the first line in Table 1, based on estimated production and incentive rate for existing LRP contracts when the FYs 2020/21 and 2021/22 budget was prepared. O&M costs are included in the Table as well. After adoption of the budget, the Board approved two new LRP agreements for a total of 113 LRP projects, and those costs are included in the ten-year projections shown here. The third row in Table 1 shows the estimated cost of future projects (including those approved after the budget was adopted) needed to meet the 170,000 acre-feet (AF) IRP goal. Total LRP costs are expected to increase from \$19 million in FY 2020/21 to \$70 million in FY 2029/30. The LRP budget also includes \$2 million to \$3 million per year for the on-site retrofit program.

Table 2. Total Budgeted and Projected Demand Management Expenditures

based on fiscal years 2020/21 and 2021/22 biennial budget and 10 year financial forecast, in million of dollars

Fiscal Year Ending	2022	2023	2024	2025	2026	2027	2028	2029	2030
Local Resources Program	\$ 20	\$ 25	\$ 31	\$ 40	\$ 47	\$ 55	\$ 61	\$ 65	\$ 70
Conservation Program	43*	43	43	43	43	43	43	43	43
Future Supply Actions / Stormwater Pilot	7	3	2	2	2	2	2	2	2
O&M costs net of interest income	23	26	28	30	31	34	34	35	37
Demand Management Revenue Requirement	\$ 93	\$ 97	\$ 104	\$ 115	\$ 123	\$ 133	\$ 139	\$ 144	\$ 151

* The FY 2021/22 conservation budget is \$24M. \$43 reflects the appropriation.

Table 2 shows the total demand management revenue requirement, which refers to all demand management costs including LRP, conservation, Future Supply Actions, Stormwater Pilot Program, and the O&M to support those programs. The O&M component includes costs from Water Resource Management, External Affairs, administrative and general costs from other groups, professional services, and other operating costs offset by interest income. In total, total demand management costs are expected to increase from almost \$93 million in FY 2021/22 to \$151 million in FY 2029/30.

Table 3 shows the overall adopted and estimated rate increases for all rates and charges necessary to meet all revenue requirements at Metropolitan. The second line shows the \$65/AF WSR for 2020 and for CYs 2023-2030, a placeholder rate is used to show recovery of demand management costs (the hypothetical Demand Management Rate). For illustrative purposes, we have assumed a completely variable rate that applies to all forecasted water transactions. The \$53/AF Demand Management Rate in 2023 represents the entire 5 percent overall rate increase for that year (based on 1.60 million acre-feet (MAF) of water transactions). No increases to other rates or charges are reflected for 2023. A \$53/AF rate may not generate enough revenue to recover the full cost of demand management in FY 2022/2023. Establishing a revenue collection mechanism equivalent to the current \$65/AF in 2023 would require a 6.1 percent overall rate increase.

Table 3. WSR and Placeholder Demand Management Rate (CY)

Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Overall Rate Increase for all Rates and Charges		3%	4%	5%	5%	4%	3%	3%	3%	3%	3%
Demand Management Rate* (\$/AF)	\$65	-	-	\$53	\$65	\$71	\$73	\$79	\$82	\$84	\$89

* The 2020 \$65/AF rate is the WSR, for CYs 2023-2030 the rate represent only a placeholder until the Board approves a method to recover demand management costs.

The \$53/AF represents the entire 5% rate increase for 2023.

Table 4 shows the revenues that would be generated from the hypothetical Demand Management Rate shown in Table 3.

Table 4. Placeholder Demand Management Rate Revenues (FY)

Fiscal Year Ending	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Demand Management Revenues (\$M)	\$ 46	\$ -	\$ 39	\$ 96	\$ 115	\$ 125	\$ 132	\$ 140	\$ 145	\$ 151

Table 4 is in fiscal years so there can be two different calendar year rates in effect during that FY, as forecasted in Table 3.

In Table 5, one can see the impact of the demand management revenue requirements and the projected demand management revenues on the Water Stewardship Fund balance. When subtracting the demand management revenue requirement from the demand management revenues, it shows the amount of over/(under) collection. The June 30, 2021 Water Stewardship Fund balance was \$125 million. For the second year of the current biennial budget period, the \$74 million estimated under-collection will come from the Water Stewardship Fund balance. It is projected that at the end of the current biennial budget period (end of FY 2021/22), the Water Stewardship Fund balance will be only \$50 million. Thereafter, in FY 2022/23, the placeholder Demand Management Rate of \$53/AF is anticipated to not generate enough revenue to fund the demand management programs and there would not be enough funds in the Water Stewardship Fund. As such, in FY 2022/23, there would be an estimated \$26 million shortfall. Under this placeholder scenario, shortfalls would continue through the end of FY 2024/25. This analysis does not account for any additional demand management spending the Board may approve to deal with the present emergency drought.

Table 5. Water Stewardship Fund (WSF) (FY)

Fiscal Year Ending	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Demand Management Revenues (\$M)	46	-	39	96	115	125	132	140	145	151
Demand Management Revenue Requirements (\$M)	54	93	97	104	115	123	133	139	144	151
Over/(under) collection (\$M)	(8)	(93)	(57)	(8)	(1)	2	(2)	1	1	(0)
End of year WSF Balance (\$M)	125	31	-	-	-	2	1	2	3	2
			26	8	1	-	-	-	-	-

The Demand Management Rate does not generate enough revenue to fund the entire program and the WSF has been depleted.

Projected shortfalls in the Water Stewardship Fund balance can be met by: (1) taking actions to reduce demand management costs; (2) establishing a higher rate, charge, or other revenue collection mechanism that generates more revenues; or (3) establishing a replacement demand management revenue collection mechanism that goes into effect earlier than CY 2023.

Review of Demand Management Cost Recovery Alternatives Presented to the Board and to the Rate Refinement Workgroup

Pursuant to the Board's direction, Metropolitan undertook a demand management cost allocation study. Documents relating to that study are available at <https://www.mwdh2o.com/who-we-are/budget-finance/demand-management-cost-allocation/>. In the first phase of the study, Metropolitan, along with its consultant, Peter Mayer of WaterDM, reviewed and determined the function of demand management within Metropolitan's services.

Managing demand is a core utility function of public water providers. Metropolitan's conservation and local water resource development programs comply with the California State Legislature's unique direction to Metropolitan through Senate Bill 60, signed into law in 1999, to increase local resource efforts. Metropolitan's demand management programs also supported the region's compliance with the requirements of Senate Bill X7-7, passed in 2009, which was enacted to reduce urban per capita water use by 2020. Additionally, demand management helps urban water retail providers in the region comply with the future targets under SB 1668 and SB 606 implementing the Long-Term Efficiency Framework. Demand management is a powerful tool for providing a diverse and reliable water service across the region because the actual dollars spent on demand management expenditures avoid spending even more dollars on infrastructure and resources.

The WaterDM Report recognizes the role of demand management within Metropolitan's wholesale water services and assigns demand management costs (the expenses incurred) to certain functions within Metropolitan's operations. Unlike the operational circumstances in 1996, which were forecast to extend for 25 years, Metropolitan's current operations and projections going forward do not anticipate capital expansion. Instead, Mr. Mayer found that current planning documents reflect the success of past demand management efforts, resulting in a long-term demand reduction. Metropolitan decided to continue to incorporate demand management on an ongoing basis to continue to avoid and reduce the need to import water supplies that would then necessitate improvements, refurbishment, additional operations and maintenance, and expansion of Metropolitan's current integrated system. **It would not be possible under any scenario to import water into the service area without using the statewide system that transports water to the 26 member agencies. Accordingly, Mr. Mayer determined that the operational function of demand management includes the supply, conveyance and aqueduct, distribution, and storage operational functions.**

In the second phase, Metropolitan's consultant, Rick Giardina of The Raftelis Group, reviewed and coincided with the functional assignment of demand management costs proposed in the WaterDM Report. Mr. Giardina proposed four alternatives for demand management cost recovery. **Three of the alternatives (#1, #2, and #3A) apply the functionalization of demand management costs proposed in Mr. Mayer's work, meaning demand management costs are allocated based on the function demand management serves within Metropolitan's operations and recovered based on system utilization.** The fourth alternative (#3B), shown with two different metrics, does not require the functionalization of demand management costs as costs are not recovered based on system usage but other metrics like population or assessed valuation. The alternatives are summarized in Table 1.

Table 1. Demand Management Cost Recovery Alternatives from Raftelis

Cost Recovery Component	Approx % of DM Costs ¹	Billing Determinant	Charge / Rate
Alt 1 - Existing COS Methodology			
T1 Supply	25%	Sales	\$/AF
System Access Rate	75%	All Transactions	\$/AF
Alt 2 - Modified COS Methodology			
T1 Supply	25%	Sales	\$/AF
System Access Rate	50%	All Transactions	\$/AF
System Power Rate	13%	All Transactions	\$/AF
Readiness-to-Serve Charge	10%	Existing RTS	\$/M
Capacity Charge	2%	Existing CC	\$/cfs
Alt 3A - Functionalized Fixed Charge			
Supply Portion	100%	10-yr Avg Sales	Fixed \$
Transportation Portion		10-yr Avg Transactions	
Alt 3B - Non-Functionalized Fixed Charge based on Population			
	100%	Population	Fixed \$
Alt 3B - Non-Functionalized Fixed Charge based on Assessed Valuation			
	100%	Assessed Valuation	Fixed \$

¹ Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated as a part of each cost of service analysis and will differ

The approximate percentages of demand management costs recovered in the alternatives are hypothetical as the actual functionalization of costs is dependent on the prospective cost-of-service analyses and budgeted expenditures. The approximate percentages are provided so member agencies can get a sense of how the alternatives might impact them. Importantly, when the Board approves a demand management cost recovery method, it will approve a methodology, *not specific percentages or budgeted demand management expenditures*. Under any of the proposed alternatives, there would no longer be a volumetric Water Stewardship Rate component in Metropolitan's rate structure and no alternative proposes a 100 percent allocation to transportation going forward due to changed circumstances going forward.

Table 2 below shows the estimated member agency impacts of the proposed demand management cost recovery alternatives, in thousands of dollars. The analysis is prepared on a hypothetical Demand Management Revenue Requirement of \$100 million. The columns correspond to the alternatives listed in Table 1 above.

For purposes of computing member agency impacts, staff used a five-year average of total transactions and total sales to smooth the year-to-year variability that may occur, rather than data for one specific year, for Alternatives #1 and #2.

The alternatives presented affect member agencies differently, but generally Alternatives #1, #2, and #3A will result in higher allocations of costs to member agencies that purchase relatively more water from Metropolitan, or use the transportation system relatively more, than their share of population or assessed valuation.

Table 2: Estimated Member Agency Impacts of Demand Management Cost Recovery Alternatives from Raftelis. In thousands of dollars, based on hypothetical \$100 million demand management revenue requirement.

	Alt #1 - Existing COS	Alt #2 - Modified COS	Alt #3A - Functionalized Fixed Charge	Alt #3B - Fixed Charge, Population	Alt #3B - Fixed Charge, AV
Anaheim	\$ 918	\$ 954	\$ 1,107	\$ 1,920	\$ 1,578
Beverly Hills	672	680	636	230	1,188
Burbank	933	917	836	570	810
Calleguas MWD	5,932	6,009	6,115	3,338	3,495
Central Basin MWD	2,545	2,572	2,679	8,247	5,056
Compton	0	11	47	483	158
Eastern MWD	5,988	6,053	5,551	4,355	2,720
Foothill MWD	524	532	511	433	634
Fullerton	445	458	499	715	680
Glendale	1,005	1,025	1,006	979	1,091
Inland Empire	3,599	3,650	3,652	4,534	3,883
Las Virgenes MWD	1,296	1,309	1,245	371	850
Long Beach	1,963	1,986	1,921	2,506	1,724
Los Angeles	16,360	16,726	16,409	21,258	20,730
MWDOC	13,703	13,775	13,147	12,447	17,067
Pasadena	1,203	1,215	1,146	877	1,049
SDCWA	22,442	21,644	24,182	17,009	17,368
San Fernando	1	1	2	129	66
San Marino	60	63	51	70	222
Santa Ana	581	599	678	1,756	902
Santa Monica	238	261	335	495	1,276
Three Valleys MWD	4,058	4,084	3,820	2,741	2,341
Torrance	1,010	1,024	973	721	992
Upper San Gabriel	2,635	2,494	2,040	4,587	3,580
West Basin MWD	7,472	7,484	7,018	4,301	6,929
Western MWD	4,417	4,475	4,392	4,931	3,610
Total	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

Alternative #1: Use Existing Cost-of-Service Methodology

Alternative #1 uses Metropolitan's existing cost-of-service methodology with the updated functionalization assigning demand management to supply, transportation (conveyance & aqueduct, and distribution), and storage. Demand management expenditures are treated like other O&M expenditures, which are allocated to Fixed Commodity in the cost-of-service process. Fixed commodity costs are then distributed to volumetric rates, so demand management costs would be recovered through the Tier 1 Supply Rate and the System Access Rate (recovering transportation costs).

Under Alternative #1, those member agencies that purchase relatively more water or that use the conveyance and distribution system relatively more will pay more of the demand management costs. Alternative #1 utilizes only volumetric rates, so the revenues generated will vary as sales and transaction volumes vary.

Alternative #2: Modify Existing Cost-of-Service Methodology

For Alternative #2, Metropolitan would modify its cost-of-service methodology to acknowledge that in the absence of demand management expenditures, Metropolitan would deliver more water and more expenditures would be required for power and capital financing costs, as well as O&M. Therefore, in addition to fixed commodity costs as in Alternative #1, demand management expenditures would also be allocated to fixed demand, fixed standby, and variable commodity. This results in expanding cost recovery to also include the System Power Rate, the Readiness-to-Serve Charge, and the Capacity Charge, as well as the rates in Alternative #1 (Tier 1 Supply Rate and SAR).

Under Alternative #2, those member agencies that purchase relatively more water or that use the conveyance and distribution system relatively more will pay more of the demand management costs. Alternative #2 primarily utilizes volumetric rates, so that a portion of the revenues generated will vary as sales and transaction volumes vary. Some revenue, estimated at 12 percent of demand management costs, will be recovered through the RTS Charge and the Capacity Charge and provide a more assured revenue stream.

Alternative #3A: Functionalized Fixed Charge

Demand management costs are largely fixed in nature. The LRP incentives are provided under contractual commitments with terms from 15 to 25 years, and the Board has stated a desire that conservation programs (incentives and messaging) should be funded on a consistent basis, and not ramped up and down. Accordingly, Raftelis provided a fixed charge option.

Under Alternative #3A, Metropolitan would follow its cost-of-service process to functionalize demand management costs to the impacted functions. Those costs could then be aggregated and apportioned to member agencies based on selected metrics, or billing determinants. Under Alternative #3A, the costs are recouped through fixed charges, not volumetric rates. In Tables 1 and 2, costs functionalized as supply have been apportioned to member agencies based on each member agency's ten-year rolling average of all sales; costs functionalized as transportation-related have been apportioned to member agencies based on each member agency's ten-year rolling average of all transactions (sales, wheeling, and exchanges). The two amounts are then added to determine each member agency's total fixed charge.

Under Alternative #3A, those member agencies that have purchased relatively more water or that used the conveyance and distribution system relatively more over the last ten years will pay more of the demand management costs through their fixed charges, as their averages increase. Unlike Alternatives #1 and #2, the charge is fixed and will generate an assured revenue stream.

Alternative #3B: Non-Functionalized Fixed Charge

Alternative #3B highlights that demand management costs are a necessary and legislatively directed activity that improves reliability for all water systems in Metropolitan's service area. By providing conservation incentives that reduce the use of local resources and LRP incentives that improve the reliability of local resources, offsetting the need to import water, even water systems without a physical connection to Metropolitan benefit. Therefore, Alternative #3B proposes a fixed charge to member agencies that aligns with the benefits of demand management for all member agencies based on water users in their service areas.

In the two examples for Alternative #3B, demand management costs are aggregated and apportioned to member agencies based first on population and then on assessed valuation. Both metrics provide a measure of the reliance—and potential reliance—for water service on Metropolitan. Other metrics, or a combination of metrics, could be used instead.

2021 Rate Refinement Workgroup

In December 2020, Metropolitan staff presented on the intent to form a workgroup to review Metropolitan's rate structure and develop recommendations for potential refinements for Board consideration. The priority of the Rate Refinement Workgroup's (Workgroup) meetings has been to establish a mechanism to recover demand management. **Metropolitan and staff from our member agencies have now participated in 12 workgroup meetings in which they prioritized updating the rate refinement principles to guide their review of all rate-related issues and the review of demand management cost recovery.** Through that process, the Workgroup reviewed and evaluated the alternatives presented by Raftelis and presented additional suggestions for cost recovery alternatives. Table 3 summarizes the alternatives developed by the Rate Refinement Workgroup.

Table 3. Demand Management Cost Recovery Alternatives from Rate Refinement Workgroup

Cost Recovery Component	Approx % of DM Costs	Billing Determinant	Charge / Rate
Alt 3B – Non-Functionalized Fixed Charge based on 50/50 Pop/AV	50%	Population	Fixed \$
	50%	Assessed Valuation	
100% Supply			
T1 Supply	100%	Sales	\$/AF
Variable Costs			
T1 Supply	22% ¹	Sales	\$/AF
System Power Rate	78% ¹	All Transactions	\$/AF
Short Term Marginal Cost- Tier 2			
T1 Supply	58% ¹	Sales	\$/AF
System Power Rate	42% ¹	All Transactions	\$/AF
Short Term Marginal Cost- Drought			
T1 Supply	76% ¹	Sales	\$/AF
System Power Rate	24% ¹	All Transactions	\$/AF
Short Term Marginal Cost- Historical Drought			
T1 Supply	62% ¹	Sales	\$/AF
System Power Rate	38% ¹	All Transactions	\$/AF

¹ Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated as a part of each cost of service analysis and will differ.

Similar to the Raftelis alternatives, the approximate percentages of demand management costs recovered in the Workgroup alternatives are hypothetical as the actual functionalization of costs is dependent on the prospective cost-of-service analyses and budgeted expenditures. The approximate percentages are provided so member agencies can get a sense of how the alternatives might impact them. Importantly, when the Board approves one of the alternatives, it will approve a methodology, not explicit percentages or budgeted demand management expenditures.

Table 4 below shows the estimated member agency impacts of the proposed demand management cost recovery alternatives suggested by the Rate Refinement Workgroup, in thousands of dollars. The columns correspond to the alternatives listed in **Table 3** above.

For purposes of computing estimated member agency impacts, staff used a five-year average of total transactions and total sales to smooth the year-to-year variability that may occur, rather than data for one specific year, for the 100 percent Supply, Variable Cost, Short-term Marginal Cost – Tier 2 and Short-term Marginal Cost – Drought alternatives.

Each of the alternatives presented below suggested by the Rate Refinement Workgroup are 100 percent volumetric rates, except for the modification of Raftelis Alternative 3B with 50 percent Property Tax and 50 percent Population.

Table 4: Estimated Member Agency Impacts of Demand Management Cost Recovery Alternatives from Rate Refinement Workgroup. In thousands of dollars, based on hypothetical \$100 million demand management revenue requirement.

	Alt #3B - 50/50 AV/Pop	100% Supply	Variable Cost	Short Term Marginal Cost Tier 2	Short Term Marginal Cost Drought	Short Term Marginal Cost Historical Drought
Anaheim	\$ 1,749	\$ 988	\$ 896	\$ 938	\$ 960	\$ 944
Beverly Hills	709	724	656	687	703	691
Burbank	690	1,005	911	954	976	960
Calleguas MWD	3,416	6,387	5,793	6,064	6,206	6,100
Central Basin MWD	6,651	2,741	2,486	2,602	2,663	2,617
Compton	321	0	0	0	0	0
Eastern MWD	3,537	6,447	5,847	6,121	6,265	6,157
Foothill MWD	533	564	512	536	548	539
Fullerton	697	479	435	455	466	458
Glendale	1,035	1,082	981	1,027	1,051	1,033
Inland Empire	4,209	3,875	3,515	3,679	3,766	3,701
Las Virgenes MWD	610	1,395	1,265	1,325	1,356	1,332
Long Beach	2,115	2,114	1,917	2,007	2,054	2,019
Los Angeles	20,994	17,616	15,976	16,725	17,117	16,823
MWDOC	14,757	14,754	13,381	14,008	14,337	14,090
Pasadena	963	1,295	1,175	1,230	1,258	1,237
SDCWA	17,188	16,491	24,261	20,715	18,854	20,249
San Fernando	98	1	1	1	1	1
San Marino	146	64	58	61	62	61
Santa Ana	1,329	626	567	594	608	597
Santa Monica	885	256	232	243	249	244
Three Valleys MWD	2,541	4,370	3,963	4,149	4,246	4,173
Torrance	856	1,087	986	1,032	1,057	1,038
Upper San Gabriel	4,084	2,837	2,573	2,693	2,756	2,709
West Basin MWD	5,615	8,045	7,297	7,638	7,818	7,683
Western MWD	4,271	4,756	4,314	4,516	4,622	4,542
Total	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

Hybrid Alternative 3B: 50 percent Assessed Value/ 50 percent Population

This alternative builds on the Raftelis Alternative 3B to create a new non-functionalized alternative that has half of the demand management costs collected via share of population and half via share of assessed value. As noted for Alternative 3B, both metrics provide a measure of the reliance—and potential reliance—for water service on Metropolitan. The costs are not functionalized, which is supported by the legislative directive to Metropolitan to engage in demand management programs.

Alternative: 100 percent Supply

This alternative functionalizes all demand management costs to the supply function. Based on both internal and external cost of service experts' review, reduction of Metropolitan's need to import water impacts more than its supply functions; it would not be possible to import water to meet additional demands without transporting, storing, and managing that process. Demand management functions to reduce capital costs for system expansion and reduces other O&M costs like power to move the water. This option excludes all other functions from demand management programs, which is not consistent with Metropolitan's consultants' analysis and conclusions regarding cost of service principles. Under this option, member agencies that purchase water would incur all the costs of demand management. There would be no cost recovery from current wheeling or exchange transactions.

Alternative: Variable Cost

The Variable Cost Alternative is similar in approach to the Raftelis Alternative #1 in that costs are functionalized. However, based on feedback from the Rate Refinement Workgroup that variable costs are what is avoided year-to-year, this alternative assigns the costs only to variable functions. The only functional costs that vary with water sales are in the water supply rate and System Power Rate. As shown in Table 3, the functionalized costs are very

similar to the results for Raftelis Alternative #1 in terms of the shares collected via transportation rates versus the supply rate.

Alternative: Short-term Marginal Cost Tier 2

Member agencies requested an alternative to assign demand management costs only based on marginal costs, based on the idea that drought management's primary purpose is to avoid the purchase of more expensive water. Staff presented three options for such an alternative. The first references the historical marginal supply cost, which is the basis of the current Tier 2 rate, which is based on the Yuba Accord, and the power costs to move water from the Delta. The functionalization of demand management costs for the Short-term Marginal Cost Tier 2 Alternative is based on comparing the Tier 2 Supply Rate to the power costs to move water from the Delta. Using the hypothetical revenue requirements of FY 2021, the Tier 2 Supply Rate is \$285 per AF and the marginal power cost is \$210 per AF which yields a split of 58% of demand management costs to the Tier 1 Supply Rate and 42% of costs to the System Power Rate.

Alternative: Short-term Marginal Cost Drought

The second marginal cost alternative uses marginal costs in a drought setting, using the most recent actual cost of supply acquisition for North of Delta transfers that the Metropolitan Board approved in April 2021, and allocates demand management costs based only on those marginal costs. The proposal is based on the idea that the primary purpose of demand management is to avoid purchasing water during times of drought. There are challenges with this approach as demand management is funded in both wet and dry years. The spot market for transfer water is also volatile and dependent on market conditions. It is unclear how this method would be updated and administratively implemented during wet years and whether the most recent drought price is the appropriate measure given the long-term benefits from demand management. For example, conservation and LRP funding pays dividends in terms of offset demand on Metropolitan for upwards of 30 years. The Functionalization of demand management costs for the Short-term Marginal Cost Drought Alternative replaces the Tier 2 rate with the maximum the Board authorized to pay during the current critically dry supply condition. Using the hypothetical revenue requirements of FY 2021, the marginal power cost to move water from the Delta is \$210 per AF and the marginal supply cost is \$675 per AF. This yields a hypothetical split of demand management costs to the Tier 1 Supply rate of 76% and 24% of costs to the System Power Rate.

Alternative: Short-term Marginal Cost Historical Drought

The third marginal cost alternative is based on historical marginal costs in a drought setting, using the ten-year average actual cost of supply acquisition for North of Delta transfers from 2008 to 2018 during years with a declared stage of the Water Supply Allocation Plan by the Metropolitan Board, and allocates demand management costs based only on that average cost weighted by the volume of water delivered. The average dry year transfer price during declared allocations was \$346 per AF for 2008 through 2018 and the marginal costs to move the North of Delta water is \$210 per AF. The resulting alternative using FY 2021 hypothetical revenue requirements would be collected from the Tier 1 supply rate for 62 percent of demand management costs and the system power rate for 38 percent of demand management costs.

August 2021 Rate Refinement Workgroup Top Alternatives

Among the eleven different alternatives developed thus far, the Rate Refinement Workgroup has provided feedback on their top three choices. Only eight of the eleven alternatives were selected by at least one-member agency as a top 1st, 2nd or 3rd choice. The member agencies' top choices are summarized in Table 5 and represents feedback from 24 of the 26 member agencies (two member agencies chose not to participate in the process). After reviewing the results, the Rate Refinement Workgroup provided information on which of the eight remaining alternatives they would like to eliminate. Twenty-three of the 26 member agencies provided feedback and the results of that survey are shown in the far-right column in Table 5.

Table 5: Summary of Member Agency Top Alternatives and Recommended Eliminations (compiled August 2021)

Alternative	1st Choice Count	2nd Choice Count	3rd Choice Count	Total	Rank	Eliminate
Variable Cost	6	7	6	19	#1	1
Alt #1 - Existing COS	3	11	5	19	#2	2
Alt #2 - Modified COS	7	1	3	11	#3	1
Short Term MC Historical Drought	5	0	2	7	#4	7
Short Term Marginal Cost Drought	0	3	1	4	#5	22
100% Supply	2	1	0	3	#6	13
Short Term Marginal Cost Tier 2	0	1	1	2	#7	21
Alt #3B - Fixed Charge, Population	0	0	1	1	#8	22

Next Steps

Metropolitan's robust demand management programs have been enormously successful and have helped build Southern California's current high degree of water reliability and resilience. Additionally, the successful implementation of demand management has been cost effective and reduced the need for Metropolitan to spend on more costly infrastructure and supplemental water resources. To continue these successful programs will require adoption of a funding mechanism before the existing funding runs out in FY 2022/23. Staff seeks board direction to bring back demand management cost recovery options for approval to incorporate into the FY 2022/23 and FY 2023/24 Budget and Cost of Service analysis.

Policy

Metropolitan Administrative Code Section 5107: Biennial Budget Process

Metropolitan Administrative Code Section 5108: Appropriations

Metropolitan Administrative Code Section 5109: Capital Financing

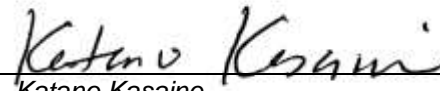
By Minute Item 51164, on April 10, 2018, the Board approved suspension of billing and collection of the Water Stewardship Rate on exchange agreement deliveries to San Diego County Water Authority for (a) CYs 2019 and 2020 during the Demand Management cost allocation study period, and (b) CY 2018.

By Minute Item 51828, on December 10, 2019, the Board directed staff: (1) to incorporate the use of the 2019/20 fiscal-year-end balance of the Water Stewardship Fund to fund all demand management costs in the proposed fiscal years 2020/21 and 2021/22 Biennial Budget; and (2) to not incorporate the Water Stewardship Rate, or any other rates or charges to recover demand management costs, with the proposed rates and charges for calendar years 2021 and 2022.

By Minute Item 51962, on April 14, 2020, the Board approved the biennial budget for FYs 2020/21 and 2021/22; adopted resolutions fixing and adopting the water rates and charges for CYs 2021 and 2022; and adopted the resolution finding that for FYs 2020/21 and 2021/22, the ad valorem property tax rate limitation of Metropolitan Water District Act Section 124.5 is not applicable because it is essential to Metropolitan's fiscal integrity to collect ad valorem property taxes in excess of the limitation.

Fiscal Impact

None. This is an informational report.



Katano Kasaine
Assistant General Manager/
Chief Financial Officer

9/8/2021

Date

Adel Hagekhalil
General Manager

9/8/2021

Date

Ref# cfo12675692



Review of Demand Management Cost Recovery

Finance & Insurance Committee

Item 9-4

September 13, 2021

What is Demand Management?

- Metropolitan established programs to reduce water demand on Metropolitan by reducing demand in the service area through the Conservation Program and incentivizing the development of local water resources through the Local Resources Program (LRP) and the Future Supply Actions Program.
- The current FY2021/22 budget includes Demand Management expenditures of \$93 million*.

* reflecting the \$43M appropriation for conservation

Why do Demand Management?

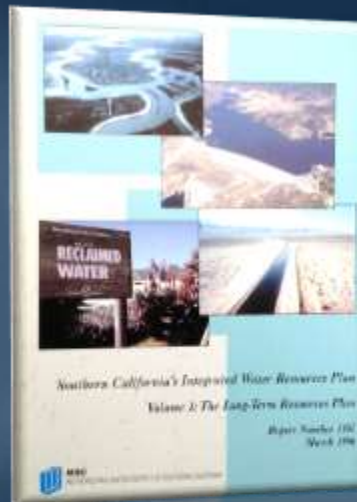
- Integrating Demand Management into the resource mix was found to offer long-term reliability at the lowest possible cost to the region as a whole.
- Demand Management provided an alternative to system expansion.

Started for Metropolitan with the 1996 Integrated Resources Plan

“This plan represents a dramatic shift in the way we look at water management now and into the future. It replaces exclusive dependence on Metropolitan for supplemental water with coordinated approaches developed in conjunction with local resources. It implements water conservation measures together with new supplies. And it searches for solutions that offer long-term reliability at the lowest possible cost to the region as a whole.”

Demand Management has been an important component of every Integrated Resources Plan since 1996

1996



2004



2010



2015



For MWD, Demand Management is Both Preferred and Legislated



Preferred Resource Mix

Demand management is part of the preferred resource mix.

Demand management decreased water demand and increase local supplies thereby reducing and avoiding infrastructure expansion and new construction.

Regional participation necessary to achieve success.



State conservation laws

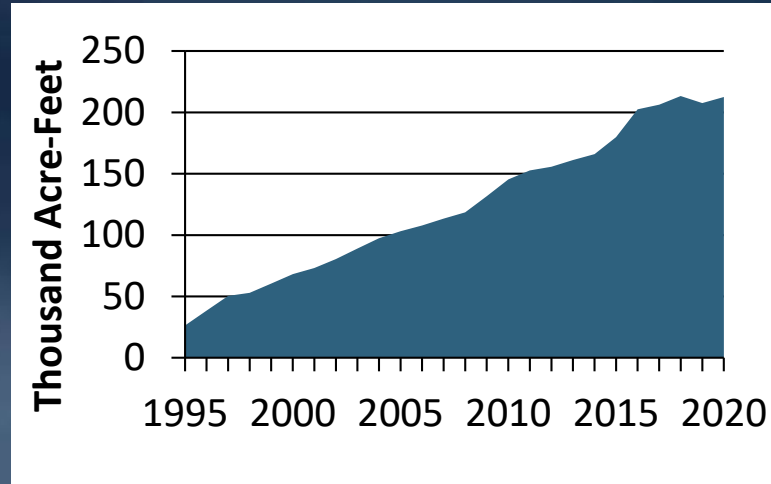
SB 60 – Specifically directed Metropolitan to increase conservation and local resource development.

SB X7-7 – Metropolitan supported the region's compliance to reduce per capita water use by 20 percent by 12/31/2020.

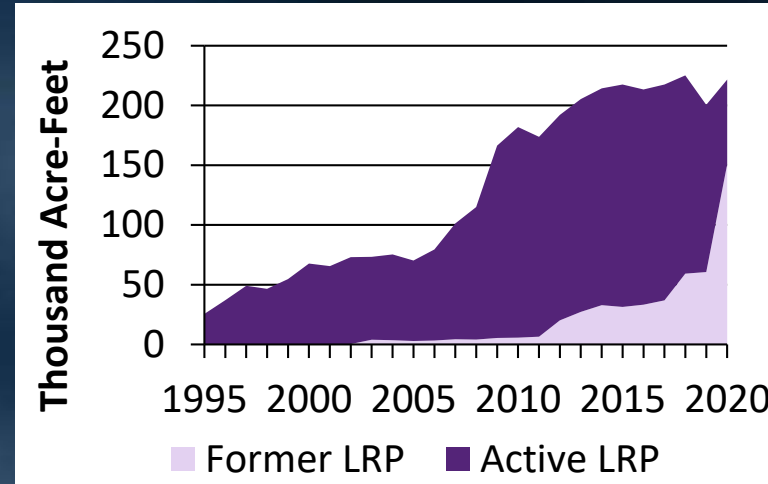
SB 606/ AB 1668 – MWD supported the Governor's Long Term Efficiency Framework legislation.

Demand Management Program Results

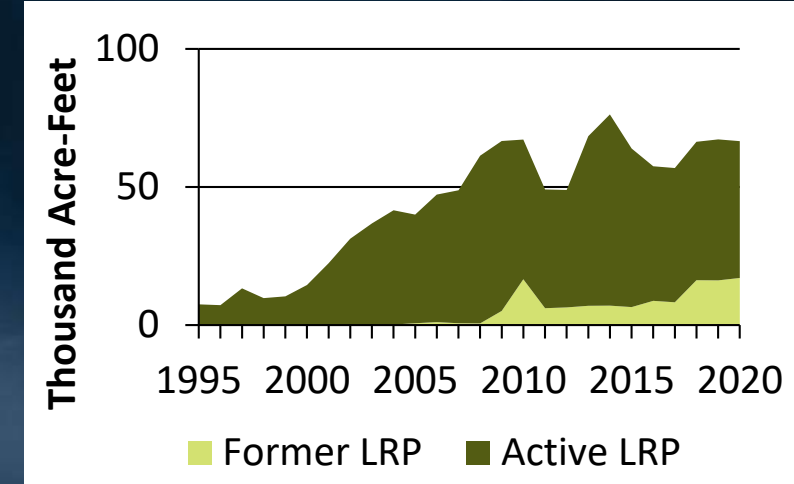
Water Saved by Conservation (1)



Recycled Water LRP Production (2)



Groundwater Recovery LRP Production (2)



Water Saved and Produced by Demand Management (AF)

FY 2019/20	Including Active & Former LRP
Water saved by Metropolitan Conservation Program (1)	213,000
Recycled Water LRP Projects (2)	222,000
Groundwater Recovery LRP Projects (2)	67,000
Total Conservation + LRP	502,000

- (1) Water conserved in entire service area, reducing demand on Metropolitan, its member agencies, and other agencies in the area
- (2) Water produced by participating member agency and other participants for their own use

FY2021/22 LRP Projects

	# of Contracts	Incentives, \$
Anaheim	1	5,355
Beverly Hills	1	50,000
Burbank	1	80,000
Calleguas	3	341,237
CBMWD	1	68,000
Central Basin	2	432,000
Eastern	4	1,949,324
Inland Empire	1	1,914,880
LADWP	8	792,250
Long Beach	1	77,000
Los Angeles	4	599,135
MWDOC	12	4,569,812
Santa Monica	2	18,050
SDCWA	7	2,595,271
Three Valleys	4	225,600
Torrance	2	1,130,000
Upper SGVMWD	2	137,900
West Basin	1	125,000
Western	3	2,589,880
Grand Total	60	\$ 17,700,694

Budgeted and Projected Local Resources Program Expenditures

based on fiscal years 2020/21 and 2021/22 biennial budget and 10 year financial forecast
in millions of dollars

Fiscal Year Ending	2022	2023	2024	2025	2026	2027	2028	2029	2030
Estimated cost of contracted LRP Projects	\$ 18	\$ 22	\$ 22	\$ 26	\$ 27	\$ 31	\$ 31	\$ 30	\$ 29
On-Site Retrofit Program	2	3	3	3	3	3	3	3	3
Future Projects to Meet IRP Target	0	1	6	11	16	22	27	32	38
Total Local Resources Program	\$ 20	\$ 25	\$ 31	\$ 40	\$ 47	\$ 55	\$ 61	\$ 65	\$ 70

Demand Management Costs

Based on fiscal years 2020/21 and 2021/22 biennial budget and 10-year financial forecast in millions of dollars

Fiscal Year Ending	2022	2023	2024	2025	2026	2027	2028	2029	2030
Local Resources Program	\$ 20	\$ 25	\$ 31	\$ 40	\$ 47	\$ 55	\$ 61	\$ 65	\$ 70
Conservation Program	43*	43	43	43	43	43	43	43	43
Future Supply Actions/Stormwater Pilot	7	3	2	2	2	2	2	2	2
O&M costs net of interest income	23	26	28	30	31	34	34	35	37
Demand Management Revenue Requirement	\$ 93	\$ 97	\$104	\$115	\$123	\$133	\$139	\$144	\$151

* The FY 2021/22 conservation budget is \$24M. The \$43M reflects the appropriation.



Action is needed because DM is running out of funding.

- December 2019 the Board approved the option to use the Water Stewardship Fund (WSF) to fund demand management costs in the FY2020/21 & FY2021/22 biennial period to allow the Board to consider demand management funding in relation to the upcoming 2020 IRP update and to undergo a rate structure refinement process.
- The WSF is projected to be exhausted in FY2022/23
- The Board must establish a new Demand Management rate, charge or revenue collection mechanism that goes into effect no later than CY 2023.

WSR and Placeholder Demand Management Rate

Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Overall Rate Increases for all Rates and Charges		3%	4%	5%	5%	4%	3%	3%	3%	3%	3%
Demand Management Rate* (\$/AF)	\$65	-	-	\$53	\$65	\$71	\$73	\$79	\$82	\$84	\$89

*The 2020 \$65/AF rate is the WSR, for CYs 2023-2030 the rate represents only a placeholder until the Board approves a method to recover demand management costs.

The \$53/AF represents the entire 5% rate increase for 2023

Water Stewardship Fund (WSF)

in millions of dollars

Fiscal Year Ending	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Demand Management Revenues			-	39	96	115	125	132	140	145	151
Demand Management Rate Revenue Requirements			93	97	104	115	123	133	139	144	151
Over/(under) collection			(93)	(57)	(8)	(1)	2	(2)	1	1	(0)
End of year WSF Balance	133	125	31	-	-	-	2	1	2	3	2
Extra Funds Needed				26	8	1	-	-	-	-	-

The demand management rates do not generate enough revenue to fund the entire program and the WSF has been depleted.

Demand Management Cost Recovery Alternatives

Complexity of DM Cost Recovery

- Recovery of DM is complex because Metropolitan does not purchase water supply or build anything with the money it spends on DM.
- The entire purpose of DM is to reduce the need for Metropolitan's services; and
- The Legislature has directed Metropolitan to expand its DM investments, making the investments unavoidable

Demand Management Cost Recovery: Alternatives from Raftelis

Cost Recovery Component	Approx % of DM Costs ¹	Billing Determinant	Charge / Rate
Alt 1 - Existing COS Methodology			
T1 Supply	25%	Sales	\$/AF
System Access Rate	75%	All Transactions	\$/AF
Alt 2 - Modified COS Methodology			
T1 Supply	25%	Sales	\$/AF
System Access Rate	50%	All Transactions	\$/AF
System Power Rate	13%	All Transactions	\$/AF
Readiness-to-Serve Charge	10%	Existing RTS	\$/M
Capacity Charge	2%	Existing CC	\$/cfs
Alt 3A - Functionalized Fixed Charge			
Supply Portion	100%	10-yr Avg Sales	Fixed \$
Transportation Portion		10-yr Avg Transactions	
Alt 3B - Non-Functionalized Fixed Charge based on Population			
	100%	Population	Fixed \$
Alt 3B - Non-Functionalized Fixed Charge based on Assessed Valuation			
	100%	Assessed Valuation	Fixed \$

(1) Using estimated Revenue Requirement share based on 2020/21 Budget; the actual relative shares will be calculated as a part of each cost of service analysis and will differ.

Demand Management Cost Recovery: Alternatives from Rate Refinement Workgroup

Cost Recovery Component	Approx % of DM Costs	Billing Determinant	Charge / Rate
Alt 3B – Non-Functionalized Fixed Charge based on 50/50 Pop/AV			
	50%	Population	Fixed \$
	50%	Assessed Valuation	
100% Supply			
T1 Supply	100%	Sales	\$/AF
Variable Costs			
T1 Supply	22% ¹	Sales	\$/AF
System Power Rate	78% ¹	All Transactions	\$/AF
Short Term Marginal Cost- Tier 2			
T1 Supply	58% ¹	Sales	\$/AF
System Power Rate	42% ¹	All Transactions	\$/AF
Short Term Marginal Cost- Drought			
T1 Supply	76% ¹	Sales	\$/AF
System Power Rate	24% ¹	All Transactions	\$/AF
Short Term Marginal Cost- Historical Drought			
T1 Supply	62% ¹	Sales	\$/AF
System Power Rate	38% ¹	All Transactions	\$/AF

(1) Using estimated Revenue Requirement share based on 2020/21 Budget; the actual relative shares will be calculated as a part of each cost of service analysis and will differ.

Member Agency Top Alternatives and Recommended Eliminations (compiled August 2021)

Alternative	1st Choice Count	2nd Choice Count	3rd Choice Count	Total	Rank	Eliminate
Variable Cost	6	7	6	19	#1	1
Alt #1 - Existing COS	3	11	5	19	#2	2
Alt #2 - Modified COS	7	1	3	11	#3	1
Short Term MC Historical Drought	5	0	2	7	#4	7
Short Term Marginal Cost Drought	0	3	1	4	#5	22
100% Supply	2	1	0	3	#6	13
Short Term Marginal Cost Tier 2	0	1	1	2	#7	21
Alt #3B - Fixed Charge, Population	0	0	1	1	#8	22

Summary of 8 Alternatives selected by Member Agencies

Variable Costs

based on 2020/21 Budget, O&M Costs that vary as a function of water sales

- DM functionalized based on avoided variable costs excluding fixed O&M and capital costs.
 - Supply Programs -- \$68.7M
 - CRA Power Costs less power sales -- \$44.2M
 - SWC Variable Power Costs -- \$201.3M
 - Variable Treatment has been excluded from functionalization. It's unclear if variable treatment costs are saved as operating treatment plants at very low flow rates has required higher chemical usage per AF.

Functionalization based on avoided variable costs

22%	\$68.7 M	Supply Programs --> Supply Function --> Tier 1 Supply Rate
78%	\$245.5 M	Power Costs --> C&A Function --> SPR

Cost Recovery Component	Approx % of DM Costs ¹	Billing Determinant	Charge / Rate
Variable Costs			
T1 Supply	22%	Sales	\$/AF
System Power Rate	78%	All Transactions	\$/AF

(1) Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated as a part of each cost of service analysis and will differ.

Alternative 1: Existing COS Methodology

- DM functionalized based relative share of revenue requirements of impacted functional categories.
- DM costs functionalized per WaterDM recommendation
- Consistent with Metropolitan's existing cost of service methodology
- DM costs allocated like other fixed O&M costs to average system demand
- DM costs recovered by the T1 Supply Rate and System Access Rate

Cost Recovery Component	Approx % of DM Costs ¹	Billing Determinant	Charge / Rate
Alt 1 - Existing COS Methodology			
T1 Supply	25%	Sales	\$/AF
System Access Rate	75%	All Transactions	\$/AF

(1) Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated as a part of each cost of service analysis and will differ.

Alternative 2: Modified COS Methodology

- DM functionalized based relative share of revenue requirements of impacted functional categories.
- DM costs functionalized per WaterDM recommendation
- Modified Metropolitan cost of service methodology in recognition that DM expenditures not only avoid fixed O&M costs associated with average system demand but avoids fixed and variable O&M and capital costs associated with average, demand and standby capacity
- DM costs recovered from variable rates and fixed charges

Cost Recovery Component	Approx % of DM Costs ¹	Billing Determinant	Charge / Rate
Alt 2 - Modified COS Methodology			
T1 Supply	25%	Sales	\$/AF
System Access Rate	50%	All Transactions	\$/AF
System Power Rate	13%	All Transactions	\$/AF
Readiness-to-Serve Charge	10%	Existing RTS	\$/M
Capacity Charge	2%	Existing CC	\$/cfs

(1) Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated

Short Term MC– Historical Drought

Based on 2020/21 Budget and historical North of Delta transfers

- DM functionalized based on avoided marginal costs -- the cost of the next increment of water service. The supply costs reflects MWD's 10-year average cost of acquiring transfers from north of the Delta during MWD declared Water Supply Allocation Plan (2009, 2010, 2015). And the power cost to move the water is based on the budgeted SWC variable power rate.
 - Marginal Supply Cost -- \$346/AF**
 - Marginal Power Cost -- \$210/AF**

Functionalization based on short term avoided marginal cost

62%	\$346/AF	Marginal Supply Cost --> Supply Function --> Tier 1 Supply Rate
38%	\$210/AF	Marginal Power Cost --> C&A Function --> SPR

Cost Recovery Component	Approx % of DM Costs ¹	Billing Determinant	Charge / Rate
Short Term Marginal Cost- Historical Drought			
T1 Supply	62%	Sales	\$/AF
System Power Rate	38%	All Transactions	\$/AF

(1) Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated as a part of each cost of service analysis and will differ.

Short Term Marginal Cost –Drought

Based on 2020/21 Budget and recent Board action on max transfer price

- DM functionalized based on avoided marginal costs -- the cost of the next increment of water service. The supply costs is based on the maximum the board authorized to pay (\$675/AF) during the current critically dry supply condition. And the power cost to move the water is based on the budgeted SWC variable power rate.
 - Marginal Supply Cost -- \$675/AF
 - Marginal Power Cost -- \$210/AF

Functionalization based on short term avoided marginal cost

76%	\$675/AF	Marginal Supply Cost --> Supply Function --> Tier 1 Supply Rate
24%	\$210/AF	Marginal Power Cost --> C&A Function --> SPR

Cost Recovery Component	Approx % of DM Costs ¹	Billing Determinant	Charge / Rate
Short Term Marginal Cost- Drought			
T1 Supply	76%	Sales	\$/AF
System Power Rate	24%	All Transactions	\$/AF

(1) Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated as a part of each cost of service analysis and will differ.

100% Supply

- DM functionalized 100% to supply.
- 100% of demand management costs would be recovered by the Tier 1 Supply Rate.
- DM costs would be recovered from 100% variable rate.

Cost Recovery Component	Approx % of DM Costs	Billing Determinant	Charge / Rate
100% Supply T1 Supply	100%	Sales	\$/AF

Short Term Marginal Cost –Tier 2

Based on 2020/21 Budget

- DM functionalized based on avoided marginal costs -- the cost of the next increment of water service. The supply costs is based on historic North of Delta transfers (the Tier-2 rate) representing the average cost of transfer water during wet/avg/dry supply conditions. And the power cost to move the water is based on the budgeted SWC variable power rate.
 - Marginal Supply Cost -- \$285/AF
 - Marginal Power Cost -- \$210/AF

Functionalization based on short term avoided marginal cost

58%	\$285/AF	Marginal Supply Cost --> Supply Function --> Tier 1 Supply Rate
42%	\$210/AF	Marginal Power Cost --> C&A Function --> SPR

Cost Recovery Component	Approx % of DM Costs ¹	Billing Determinant	Charge / Rate
Short Term Marginal Cost- Tier 2			
T1 Supply	58%	Sales	\$/AF
System Power Rate	42%	All Transactions	\$/AF

(1) Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated as a part of each cost of service analysis and will differ.

Alternative 3B: Non-Functionalized Fixed Charge based on Population

- Functionalization of DM costs is not necessary as costs are not recovered based on system usage but rather based on a Member Agency's population.
- DM allocated to a new fixed charge.
- DM costs are largely fixed in nature and this approach provides a fixed revenue source
- All member agencies would be subject to the DM Fixed Charge based on their share of population in Metropolitan's service area.

Cost Recovery Component	Approx % of DM Costs	Billing Determinant	Charge / Rate
Alt 3B - Non-Functionalized Fixed Charge based on Population			
	100%	Population	Fixed \$

Estimated 2021 Member Agency Impacts of Demand Mgt Cost Recovery Alternatives vs Prior WSR

Red = increase > 5%
Green = decrease > 5%
White = change < 5%

	Raftelis Financial Consultants			Rate Refinement Workgroup				
	Alt #1	Alt #2	Alt 3B Population	100% Supply	Variable Cost	Short Term MC – Tier 2	Short Term MC – Drought	Short Term Marginal Cost Historical Drought
Anaheim	5%	10%	121%	14%	3%	8%	10%	8%
Beverly Hills	5%	7%	-64%	14%	3%	8%	10%	8%
Burbank	5%	4%	-36%	14%	3%	8%	10%	8%
Calleguas MWD	5%	7%	-41%	14%	3%	8%	10%	8%
Central Basin MWD	5%	7%	242%	14%	3%	8%	10%	8%
Compton	5%	3601%	162037%	14%	3%	8%	10%	8%
Eastern MWD	5%	7%	-23%	14%	3%	8%	10%	8%
Foothill MWD	5%	7%	-13%	14%	3%	8%	10%	8%
Fullerton	5%	8%	69%	14%	3%	8%	10%	8%
Glendale	5%	8%	3%	14%	3%	8%	10%	8%
Inland Empire	5%	7%	33%	14%	3%	8%	10%	8%
Las Virgenes MWD	5%	6%	-70%	14%	3%	8%	10%	8%
Long Beach	5%	7%	35%	14%	3%	8%	10%	8%
Los Angeles	5%	8%	37%	14%	3%	8%	10%	8%
MWDOC	5%	6%	-4%	14%	3%	8%	10%	8%
Pasadena	5%	6%	-23%	14%	3%	8%	10%	8%
SDCWA	-15%	-18%	-36%	-38%	-8%	-22%	-29%	-23%
San Fernando	5%	12%	10184%	14%	3%	8%	10%	8%
San Marino	5%	11%	24%	14%	3%	8%	10%	8%
Santa Ana	5%	9%	219%	14%	3%	8%	10%	8%
Santa Monica	5%	16%	120%	14%	3%	8%	10%	8%
Three Valleys MWD	5%	6%	-29%	14%	3%	8%	10%	8%
Torrance	5%	7%	-25%	14%	3%	8%	10%	8%
Upper San Gabriel	5%	0%	84%	14%	3%	8%	10%	8%
West Basin MWD	5%	6%	-39%	14%	3%	8%	10%	8%
Western MWD	5%	7%	18%	14%	3%	8%	10%	8%
Total MWD	0%	0%	0%	0%	0%	0%	0%	0%

Estimated 2021 Member Agency Impacts vs Prior Water Stewardship Rate

Thousand of Dollars

	Raftelis Financial Consultants			Rate Refinement Workgroup				
	Alt #1	Alt #2	Alt 3B Population	100% Supply	Variable Cost	Short Term MC – Tier 2	Short Term MC – Drought	Short Term Marginal Cost Historical Drought
Anaheim	\$ 47	\$ 83	\$ 1,049	\$ 118	\$ 26	\$ 68	\$ 90	\$ 73
Beverly Hills	35	43	(408)	86	19	50	66	54
Burbank	48	32	(315)	120	26	69	91	74
Calleguas MWD	305	383	(2,289)	761	166	438	580	473
Central Basin MWD	131	158	5,833	326	71	188	249	203
Compton	0	11	483	0	0	0	0	0
Eastern MWD	308	374	(1,325)	768	168	442	585	478
Foothill MWD	27	35	(65)	67	15	39	51	42
Fullerton	23	35	292	57	12	33	44	36
Glendale	52	72	26	129	28	74	98	80
Inland Empire	185	236	1,121	461	101	265	352	287
Las Virgenes MWD	67	80	(858)	166	36	96	127	103
Long Beach	101	124	643	252	55	145	192	157
Los Angeles	842	1,208	5,741	2,098	459	1,207	1,599	1,305
MWDOC	705	778	(550)	1,757	384	1,011	1,339	1,093
Pasadena	62	74	(263)	154	34	89	118	96
SDCWA	(3,993)	(4,791)	(9,427)	(9,945)	(2,174)	(5,721)	(7,581)	(6,187)
San Fernando	0	0	128	0	0	0	0	0
San Marino	3	6	14	8	2	4	6	5
Santa Ana	30	48	1,205	75	16	43	57	46
Santa Monica	12	36	269	30	7	18	23	19
Three Valleys MWD	209	234	(1,109)	520	114	299	397	324
Torrance	52	66	(237)	129	28	74	99	81
Upper San Gabriel	136	(5)	2,088	338	74	194	258	210
West Basin MWD	385	397	(2,787)	958	209	551	730	596
Western MWD	227	285	741	566	124	326	432	352
Total MWD	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Next Steps

- Metropolitan's robust DM programs have been enormously successful and have helped build Southern California's current high degree of water reliability and resilience.
- The successful implementation of DM has been cost effective and reduced the need for Metropolitan to spend on more costly infrastructure and supplemental water resources.
- Continuing these successful programs will require adoption of a funding mechanism before the existing funding runs out in FY2022/23.
- Staff seeks board direction to bring back DM cost recovery options for approval to incorporate into the FY2022/23 and FY2023/24 Budget.





- Board of Directors
Finance and Insurance Committee

9/14/2021 Board Meeting

9-5

Subject

Mid-cycle Biennial Budget Review

Executive Summary

This mid-cycle update of the Board-approved biennial budget for fiscal year (FY) 2020/21 and FY 2021/22 (the “Adopted Budget”) provides an opportunity to review results of the first year of the two-year budget. This update will help the Board to better understand the key drivers of change, particularly as it concerns the impact of COVID-19. This update also provides an opportunity to review the outlook for the second year of the two-year budget. A reflective and a prospective analysis herein highlights key financial areas to be addressed in the next biennial budget and rate-setting process that formally begins in February 2022. As a reminder, the Adopted Budget includes overall rate increases of 3 percent in calendar year (CY) 2021 and 4 percent in CY 2022, which the Board has approved. The Adopted Budget also reflects modifications made by staff in March 2020 to further reduce costs and overall rate increases as a result of the anticipated financial impact of the COVID-19 pandemic. In addition to the expense modifications proposed by staff, the Board directed staff to revisit and consider additional potential cost-cutting measures. In September 2020, the Board approved additional cost-containment measures, and in December 2020, the Board approved a payment deferral program for its 26 member agencies. To date, no member agency has utilized the deferment program.

At the midpoint of the biennial budget period, water transactions¹ for FY 2020/21 are 1.57 million acre-feet (MAF), 30 thousand acre-feet (TAF) less than the FY 2020/21 budgeted amount of 1.60 MAF. Revenues are \$26.0 million under budget due to lower water transactions. Expenditures are \$202.2 million under budget primarily due to lower State Water Project (SWP) power costs resulting from the low SWP allocation and cost savings in departmental O&M attributed to board-directed cuts, cost savings due to the impact of COVID-19, and other factors.

Unrestricted reserves provide a buffer against rate spikes resulting from lower water sales but, in practice, also provides a funding source for unforeseen expenditures. The reserves help to provide stable and predictable water rates while minimizing emergency rate increases.

As of June 30, 2021, the balance in unrestricted reserves, which are held in the Water Rate Stabilization Fund and the Revenue Remainder Fund, was \$595 million on a modified accrual basis. The unrestricted reserves balance was \$146.9 million higher than the beginning of the budget period. These reserves are \$331 million over the minimum reserves level and \$47 million below the target reserves level.

For the second year of the budget, there is a high probability that water demands on Metropolitan will be below the budgeted 1.6 MAF, reducing revenues and potentially reducing the reserves. When combined with potential unbudgeted expenses for dry-year transfers, increased demand management funding, operational impacts due to ongoing dry conditions, and increased power costs due to the drought’s impacts on the electric market, there are many things that could cause a draw on reserves in the second budget year.

¹ Includes water sales, exchanges and wheeling.

Given the current status of unrestricted reserves, which are currently within the range of the established policy minimum reserves levels and target reserves levels, staff does not recommend any changes to the approved 4 percent rate increase for CY 2022. Moreover, staff does not recommend any changes to the second year of the current biennial budget.

Description

Prior Board Actions

The originally proposed budget for the current biennial period (the “Proposed Budget”) had been reviewed and discussed in workshops with the Board prior to the onset of the COVID-19 pandemic. The Proposed Budget called for 5 percent rate increases in CYs 2021 and 2022. When Metropolitan declared an emergency to respond to the pandemic, staff rapidly changed the budget proposal to reduce expenditures, revised the approach to capital program funding, and reduced the overall rate increases to 3 percent in CY 2021 and 4 percent in CY 2022.

In April 2020, the Board approved the revised biennial budget for FY 2020/21 and FY 2021/22 (the Adopted Budget) and the supporting overall rate increases of 3 percent in CY 2021 and 4 percent in CY 2022. The Board also directed the following:

1. Board review of the Adopted Budget and rates at the September 2020 meeting to consider the impacts resulting from the COVID-19 crisis.
2. Staff review and consideration of six specific issues for the biennial budget cycle of FYs 2020/21 and 2021/22 by August 31, 2020.

In September of 2020, the Board received an update on the requested six areas of review for cost containment and approved the following cost-containment measures to address the COVID-19 financial impacts:

1. Continue to track COVID-19 impacts to the member agencies with a focus on retail payment delinquencies. If there is interest from the member agencies, develop a payment deferral program that also exempts penalties or interest for those agencies that record and report significant delinquencies and likewise grant deferrals to their customers. Bring back any deferral program criteria to the Board for review and consideration.
2. Monitor water demands, sales and expenditures, and prepare additional cost-containment measures, as needed, for mid-cycle budget review.
3. Maintain the current rates adopted by the Board to address the impacts of lower water sales and lower revenues while maintaining current credit ratings.
4. Include in the mid-year budget review new revenue generation options, including a groundwater replenishment program.
5. A moratorium on non-emergency, unbudgeted proposals for the remaining part of the fiscal year that have not been anticipated in the budget.

FY 2020-21 Review

The Adopted Budget was preceded by circumstances that resulted in lower revenues and lower available reserves to mitigate future rate increases. In the prior biennial budget period, Metropolitan had the lowest water transactions in nearly 40 years, with transactions of approximately 1.40 MAF each year.

As presented recently at the Finance and Insurance Committee meeting of August 16, 2021, water transactions for FY 2020/21 were 1.57 MAF, 30 TAF less than the FY 2020/21 budget of 1.6 MAF, resulting in revenues that are \$26.0 million under budget.

Expenditures were under budget by \$202.2 million, driven primarily by the low State Water Contract on-aqueduct power costs as a result of the low Table A allocation (20 percent in 2020 and 5 percent in 2021) and \$62 million in lower O&M expenditures. Demand Management also came in lower due to reductions in advertising per board direction in response to COVID-19. Additionally, due to favorable market conditions and Metropolitan’s strong financial position, Metropolitan refinanced approximately \$478.9 million in debt, remarketed \$1.06 billion of

variable rate bonds, and issued \$207.4 million of new money debt at pricing levels lower than expected or budgeted, saving \$13 million in debt service costs for FY 2020/21.

Unrestricted reserves provide a buffer against rate spikes resulting from lower water sales but, in practice, also provides a funding source for unforeseen expenditures. The reserves help to provide stable and predictable water rates while minimizing emergency rate increases. The reserves have a minimum level and a target reserve level.

As of June 30, 2021, the balance in unrestricted reserves, which are held in the Water Rate Stabilization Fund and the Revenue Remainder Fund, was \$595 million on a modified accrual basis. The unrestricted reserves balance was \$146.9 million higher than the beginning of the budget period. These reserves are \$331 million over the minimum reserves level and \$47 million below the target reserves level.

The coverage ratio for FY 2020/21 was 2.02 times for Revenue Bond Debt Service coverage (Senior and Subordinate liens), which meets the target bond coverage level of 2.0 times. Similarly, the coverage ratio for FY 2020/21 was 2.22 times for Fixed Charge coverage, above the target level of 1.2 times.

Payment Deferral Program and Delinquencies

In December of 2020, the Board approved the COVID-19 Member Agency Payment Deferment Program. The program provided the member agencies a process to potentially defer payment obligations for water transactions occurring from January 1, 2021, through June 30, 2021. There were no delinquencies related to COVID, and no member agencies utilized the deferment program.

O&M Expenditures and Cost Containment

The Board directed staff to revisit and consider the following specific cost-containment budget areas: suspension of the director inspection trip program and fleet vehicle purchases. Efforts to contain costs were instituted early in the crisis as management directed staff to cut all non-essential travel and put in place a process that requires review of all operating equipment requests as to urgent need and elevated approval by the Chief Operating Officer. Staff has implemented the specified cost-containment strategies directed by the Board, which successfully reduced costs.

Expenditures were lower than budget for several additional reasons. Operations and Maintenance expenditures, which were \$473.7 million, came in \$62 million under budget primarily due to prudent management of expenses, reduced costs of employee benefits from the projection in the budget, and the impact of COVID-19. As a result of COVID-19 restrictions, the Director Inspection trip program and travel, training, and seminars were suspended; community outreach events were canceled, rescheduled, or shifted to virtual events; and the level of building security services was reduced. Many maintenance projects were deferred or delayed, which resulted in reduced professional, non-professional, expensed equipment, and repairs and maintenance costs; and employee-related work expenses such as transit reimbursements, management and employee events, and office supplies were cut or reduced.

Review of New Revenue Generation Options

The request to look at new revenue generation options, including a groundwater replenishment program, was included in the issues to be taken up by the Rate Refinement Workgroup. The Rate Refinement Workgroup, which is made up of member agency representatives, was established on January 13, 2021, to evaluate potential refinements to Metropolitan's rate structure. The focus of discussions over the past nine months in the workgroup has been on establishing proposed changes to Metropolitan's Rate Structure Framework Principles that will serve as a benchmark to compare refinements as well as discussions on demand management cost recovery alternatives. Metropolitan staff are committed to continuing rate refinement discussions to evaluate potential refinements, such as a new groundwater replenishment program.

Moratorium on Non-Emergency, Unbudgeted Proposals

Unbudgeted expenditures that were approved by the Board after the Board adopted the budget include: the work of the Shaw Law Group to review Metropolitan's Equal Employment Opportunity processes, battery energy storage systems at Joseph Jensen Water Treatment Plant, Robert A. Skinner Water Treatment Plant, F. E. Weymouth Water Treatment Plant, and OC-88 Pumping Plant; dry-year transfers to support Metropolitan's

reliable service in a historic dry year, and participation in the Sites Reservoir project. Although these expenditures were not budgeted, the funding source came from savings within the FY 2020/21 budget.

Drought Impacts on Water Storage and Future Cost to Replenish Storage Reserves

For the first time in six years, Metropolitan is drawing down its storage accounts as part of its Water Surplus and Drought Management Strategy to meet regional water demands. This is required due to ongoing dry conditions, especially in the Western Sierra Nevada Mountains, with a 5 percent Table A allocation for CY 2021. Current projections for 2021 call on a nearly 700,000 AF draw on storage by Metropolitan. Replenishing storage will come at a considerable cost. At a conservative cost of \$200 per AF, it would cost \$140 million in power cost just to move the water into the service area. Additionally, approximately 400,000 AF of that total is withdrawn from SWP storage accounts, leaving approximately 600,000 AF in SWP storage accounts. Due to operational constraints, a 15 percent SWP Table A allocation is needed to meet the demands in 2022 for the service areas where Metropolitan meets demands primarily with SWP resources. Therefore, there is a high likelihood that Metropolitan will need to take extraordinary actions to maintain reliable service through 2022 that will necessitate expenditures beyond those budgeted for FY 2021/22. As a reference point for participation in dry-year transfer markets, Metropolitan paid approximately \$630 per AF for north of Delta transfers in 2021. When Metropolitan is able to refill its water storage, it will incur an unbudgeted power and supply program expense that will cause a substantial draw on unrestricted reserves.

FY 2021/22 Outlook

Depending on the continued severity of COVID-19 restrictions, we can expect some departmental O&M savings to continue in FY 2021/22. This includes possible savings for: Director inspection trip program and travel, training and seminars, community outreach events, building security, professional and non-professional services, expensed equipment, and employee-related work expenses such as transit reimbursements, management and employee events, office supplies, vanpool lease, and copier charges.

Despite these anticipated departmental O&M savings in FY2021/22, there are many areas in which we expect to see increased costs and lower revenues resulting from lower water sales. These include higher power, conservation and demand management costs in FY2021/22.

The current hydrologic conditions have led to unprecedented impacts on the California electricity market. For the first time since the Oroville Reservoir was initially filled, the lake is too low to generate hydropower. In July, the power operations and planning team presented to the Engineering and Operations Committee on the potential impacts to Metropolitan's power costs during FY 2021/22. Based on the current impacts to the wholesale electricity market and the need to operate the Colorado River Aqueduct (CRA) at the full 8-pump flow, ***Metropolitan may see costs for operating the CRA increase from approximately \$58 million budgeted to nearly \$100 million.*** These are unavoidable costs needed to maintain reliable service to our member agencies.

The conservation activity in FY 2020/21 was below budget primarily due to reduced conservation advertising activity in response to COVID-19. However, conservation and other demand management program funding is anticipated to increase in FY 2021/22. In August 2021, the Board declared a Water Supply Alert and called for consumers and businesses to voluntarily reduce their water use and help preserve the region's storage reserves. The dry conditions have motivated additional interest in boosting expenditures for demand management programs and advertising. At the adjourned August 2021 committee meetings, staff provided an update to the Board to increase conservation advertising in response to the Governor's statewide call for a voluntary reduction of 15 percent of water use. **Since the Board has not approved a collection mechanism for demand management, funds available for demand management is limited to funds in the Water Stewardship Fund. These funds are projected to be exhausted in FY 2022/23.** As such, the Board must establish a new demand management rate, charge or other revenue collection mechanism that goes into effect no later than CY 2023 to ensure continued funding of the demand management programs approved by the Board.

In the first year of the biennial budget, Metropolitan realized an increase in unrestricted reserves with an ending balance below the target. For the second year of the budget, there is a high probability that water demands on Metropolitan will be below the budgeted 1.6 MAF, reducing revenues and potentially reducing reserves. Also, when combined with potential unbudgeted expenses for dry year transfers, increased demand

management funding, operational impacts due to ongoing dry conditions and increased power costs due to the drought's impacts on the electric market, there are many things that could cause a draw on reserves in the second budget year.

Given the current status of unrestricted reserves, which are currently within the range of the established policy minimum reserves levels and target reserves levels, staff does not recommend any changes to the approved 4 percent rate increase for CY 2022. Moreover, staff does not recommend any changes to the second year of the current biennial budget.

Items that May Impact the Next Biennial Budget, FY 2022/23 and FY 2023/24

Metropolitan will begin work in the fall on its next biennial budget, covering FY 2022/23 and FY 2023/24, and rates and charges effective January 1, 2023, and January 1, 2024. Significant issues to consider for the next biennial budget include:

- Lower Water Transactions: Metropolitan's fiscal year average water transactions over the last twenty years is about 1.9 MAF. However, the average over the last five fiscal years (FY 2015/16 thru FY 2020/21) is about 1.5 MAF. Changing demographics, demand management, and improved hydrologic conditions from FY 2016/17 through FY 2018/19 have contributed to Metropolitan's lower water transactions. While hydrologic conditions are unpredictable and cycles of low sales are expected, it may be that Metropolitan is moving to a new lower level of average water transactions. The current ten-year forecast assumes fiscal year transactions of 1.6 MAF to 1.75 MAF from FY 2021/22 through FY 2029/30. Metropolitan will evaluate whether to lower budgeted water transactions for the next budget and for the ten-year forecasts.
- Higher Costs due to Drought: Water Year 2022 will start with a 0 percent SWP Table A allocation, and the Colorado River will have the first-ever declared allocation. There may be a need to take unbudgeted actions to continue to provide reliable water service to our member agencies, especially to meet the needs of the service areas in the distribution system where Metropolitan uses primarily SWP water to meet demands. Additionally, based on the current electric market, a prolonged drought will increase electricity prices.
- Demand Management Cost Recovery: **Currently, Metropolitan's demand management programs are projected to run out of funding in FY 2022/23.** As such, the Board must establish a new demand management rate, charge or other revenue collection mechanism that goes into effect no later than CY 2023 to ensure continued funding of demand management.
- Cost of Resiliency Projects: Currently, only planning dollars are included for the Regional Recycled Water Project and Delta Conveyance Project. Inclusion of the full construction costs for either would necessitate additional rate increases above the current ten-year forecast.

Next Steps

The development of the next biennial budget is underway. In February 2022, the Board will be presented with a proposed biennial budget and revenue requirements for FY 2022/23 and 2023/24; proposed water rates and charges for calendar years 2023 and 2024; and an updated 10-year forecast.

Policy

Metropolitan Administrative Code Section 5107: Biennial Budget Process

Metropolitan Administrative Code Section 5108: Appropriations

Metropolitan Administrative Code Section 5109: Capital Financing

Metropolitan Administrative Code Section 5200: Funds Established

Metropolitan Administrative Code Section 5202: Fund Parameters

By Minute Item 51828, on December 10, 2019, the Board directed staff: (1) to incorporate the use of the 2019/20 fiscal-year-end balance of the Water Stewardship Fund to fund all demand management costs in the proposed

fiscal years 2020/21 and 2021/22 Biennial Budget; and (2) to not incorporate the Water Stewardship Rate, or any other rates or charges to recover demand management costs, with the proposed rates and charges for calendar years 2021 and 2022.

By Minute Item 51962, on April 14, 2020, the Board approved the biennial budget for FYs 2020/21 and 2021/22; adopted resolutions fixing and adopting the water rates and charges for CYs 2021 and 2022; and adopted the resolution finding that for FYs 2020/21 and 2021/22, the ad valorem property tax rate limitation of Metropolitan Water District Act Section 124.5 is not applicable because it is essential to Metropolitan's fiscal integrity to collect ad valorem property taxes in excess of the limitation.

By Minute Item 51987, on May 12, 2020, the Board approved the continuance of Metropolitan's Water Standby Charge for FY 2020/21.

By Minute Item 52116, on September 15, 2020, the Board approved cost-containment measures recommended in Board Letter 8-1, as amended by the Board, to address the COVID-19 financial impacts.

By Minute Item 52204, on December 8, 2020, the Board adopted the COVID-19 Member Agency Payment Deferral Program and amend the Administrative Code to add Section 4519 delegating authority to the General Manager to administer the Program.

By Minute Item 52327, on April 13, 2021, the Board approved resolutions fixing and adopting a Readiness-to-Serve Charge and a Capacity Charge for calendar year 2022.

By Minute Item 52372, on May 11, 2021, the Board approved the continuance of Metropolitan's Water Standby Charge for FY 2021/22.

Fiscal Impact

None. This is an informational report.



9/1/2021

Katano Kasaine
Assistant General Manager/
Chief Financial Officer

Date



9/1/2021

Adel Hagekhalil
General Manager

Date



Mid-cycle Biennial Budget Review

Finance & Insurance Committee

Item 9-5

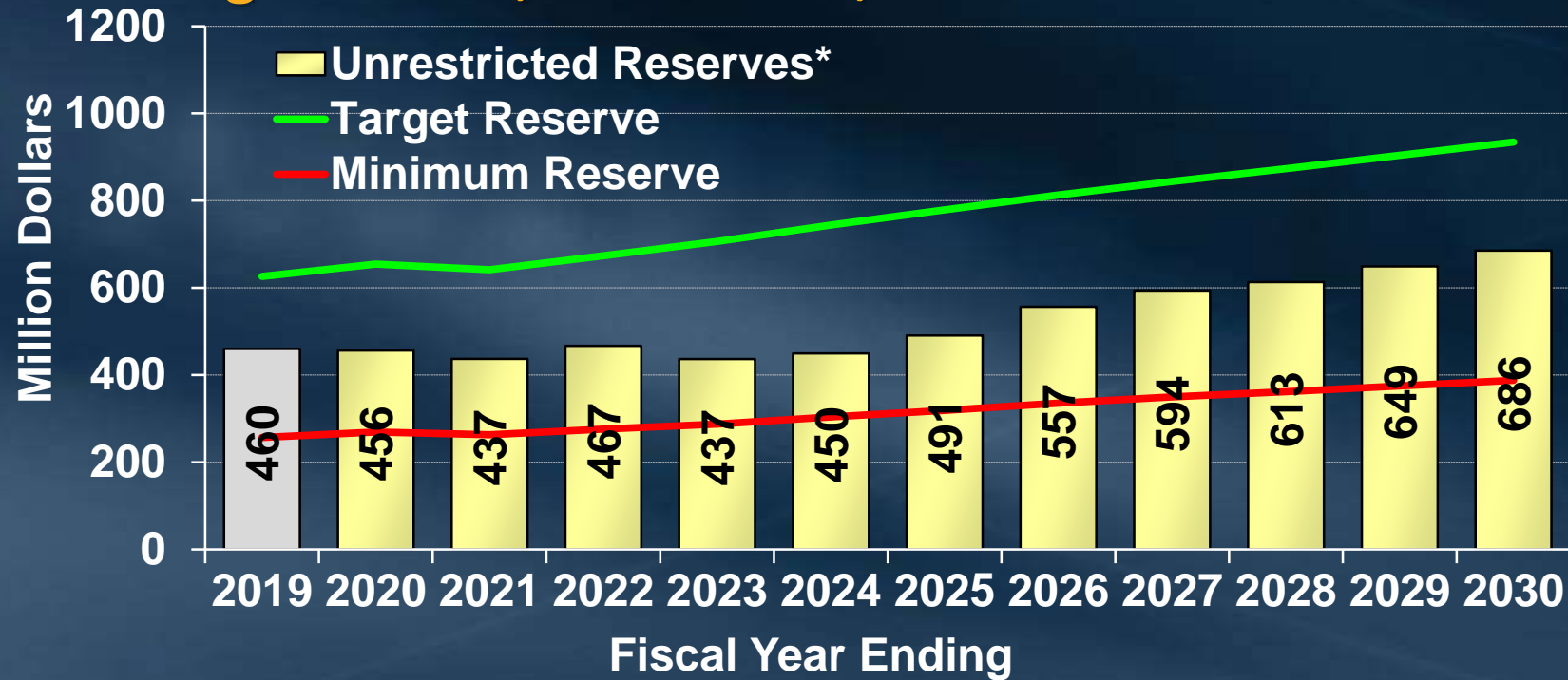
September 13, 2021

Key Biennial Budget Goals and Underlying Assumptions FY 2020/21

- Fund key priorities while keeping water rates low
- Fund capital expenditures with emphasis on replacement and refurbishment
 - \$500M appropriation for the biennium
- Financial targets
 - Revenue bond coverage = 2.0x (budget est. was 1.5x)
 - Fixed charge coverage = 1.2x (budget est. was 1.5x)
 - Ratings AAA/AA+/Aa1 for Senior Lien
- Budgeted transactions of 1.60 MAF
 - 50% SWP allocation; 745 TAF from CRA

Projected Rate Increases & Financial Metrics

Biennial Budget FY 2020/21 and 2021/22 and Ten-Year Forecast



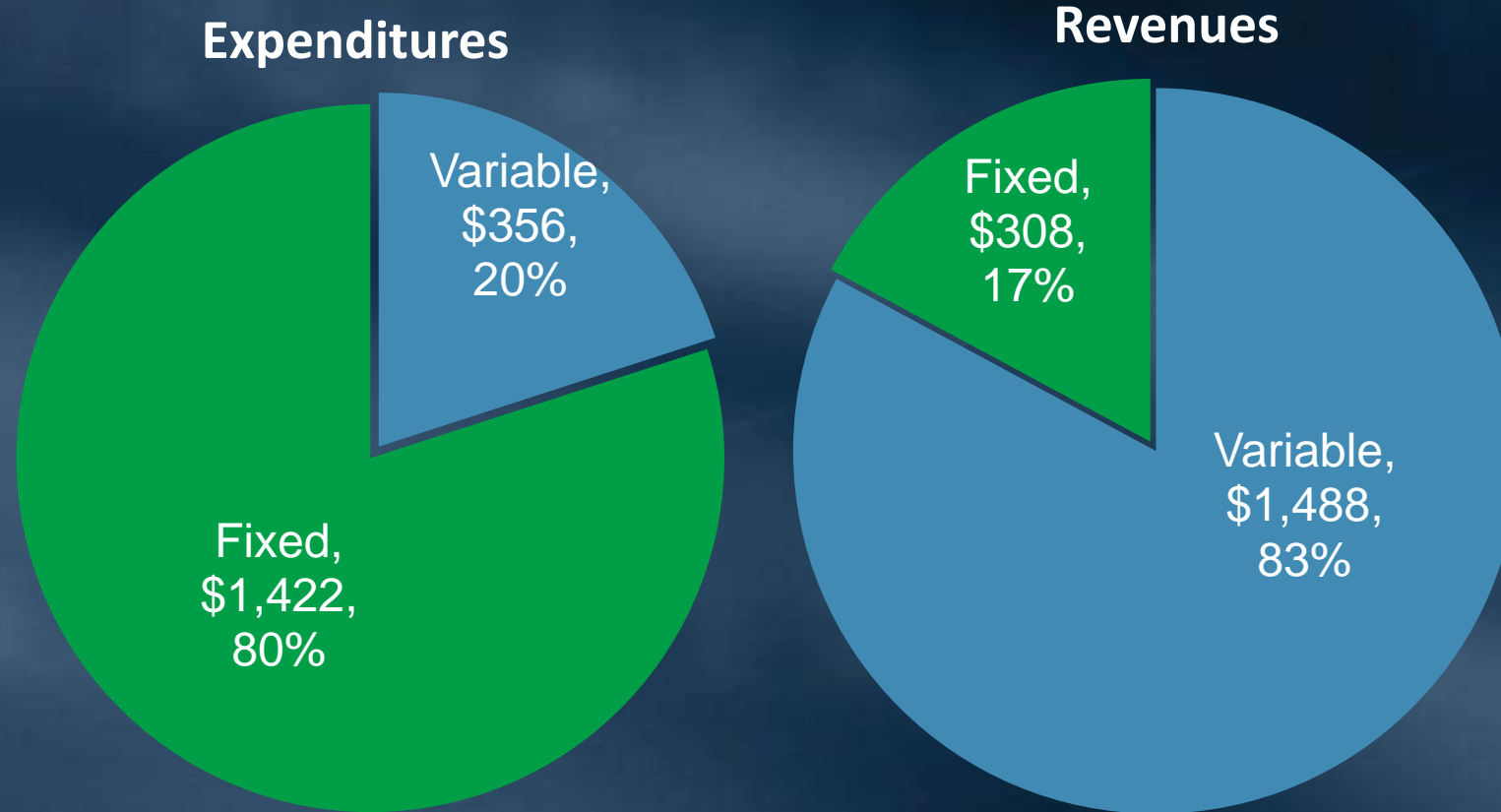
Overall Rate Inc.	3.0%	3.0%	3.0%	4.0%	5.0%	5.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Water Transactions (MAF)**	1.42	1.55	1.60	1.60	1.60	1.64	1.69	1.74	1.74	1.74	1.75	1.75
Rev. Bond Cvg	1.4	1.5	1.5	1.5	1.5	1.7	2.0	2.1	2.1	2.1	2.2	2.3
Fixed Chg Cvg	1.4	1.4	1.5	1.5	1.5	1.7	1.9	1.9	1.8	1.6	1.7	1.7
PAYGO, \$M	126	30	110	135	180	180	210	210	210	210	210	210

* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling

Fixed Costs vs. Variable Revenues

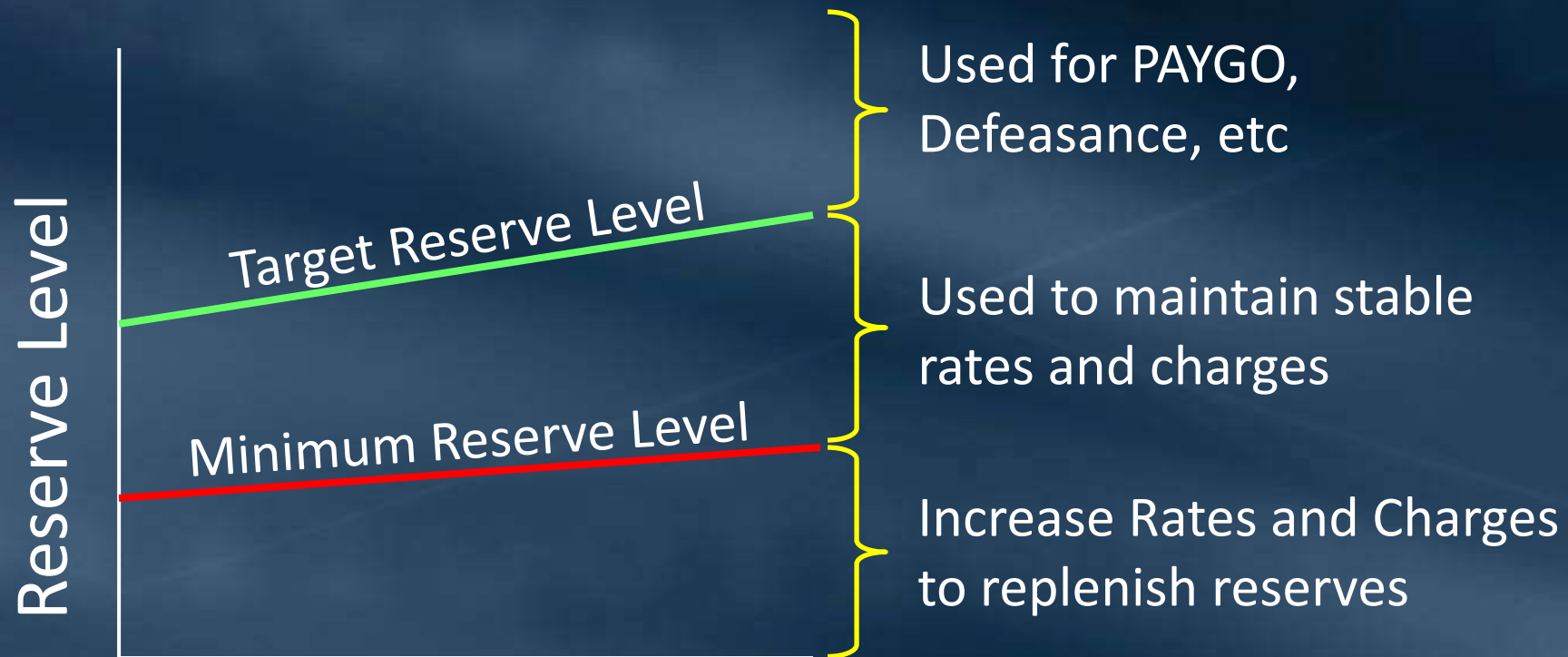
FY 2020/21 Budget



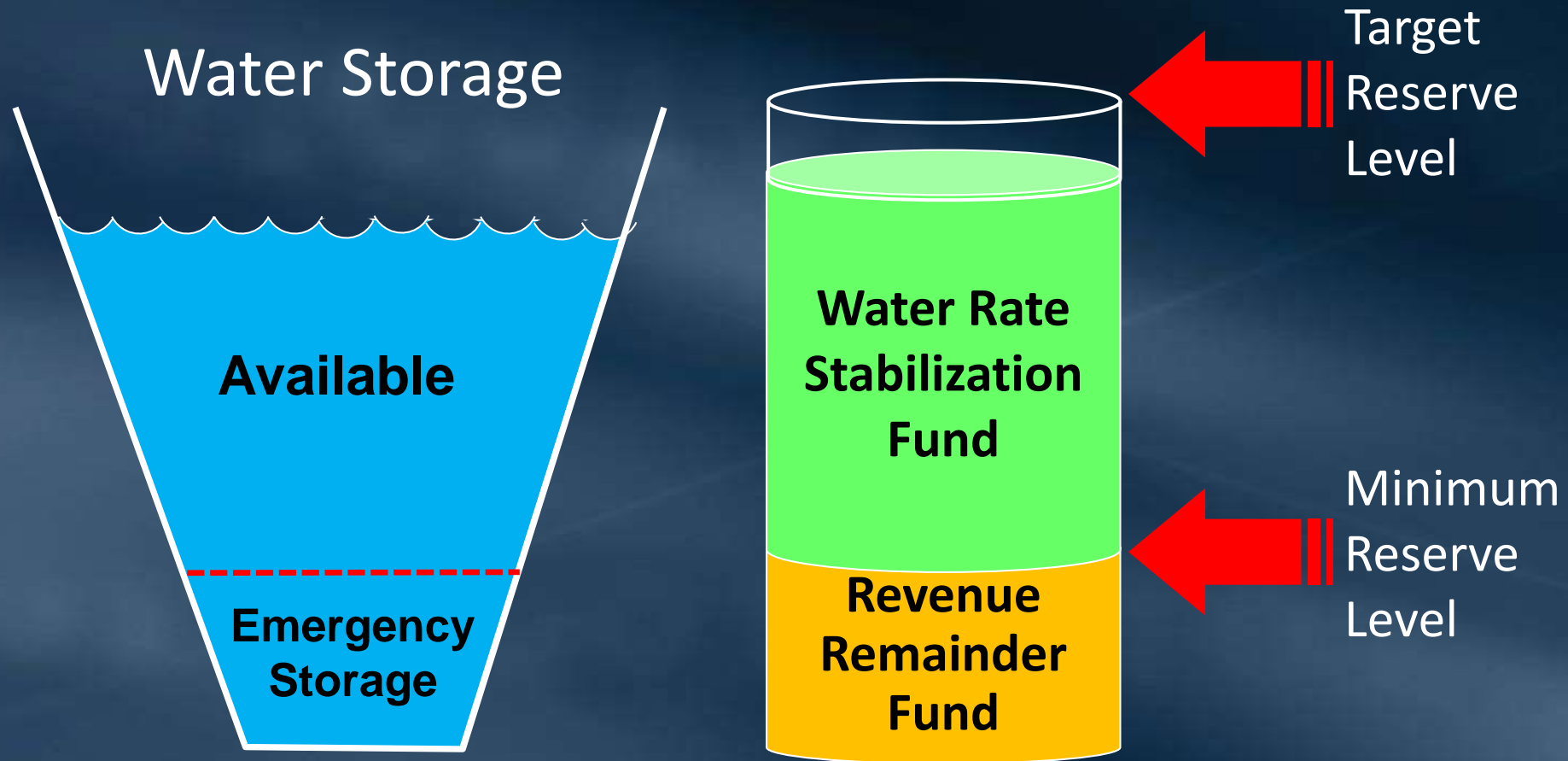
Unrestricted Reserve Policy

Reserve Fund Principle:

Provide stable & predictable water rates



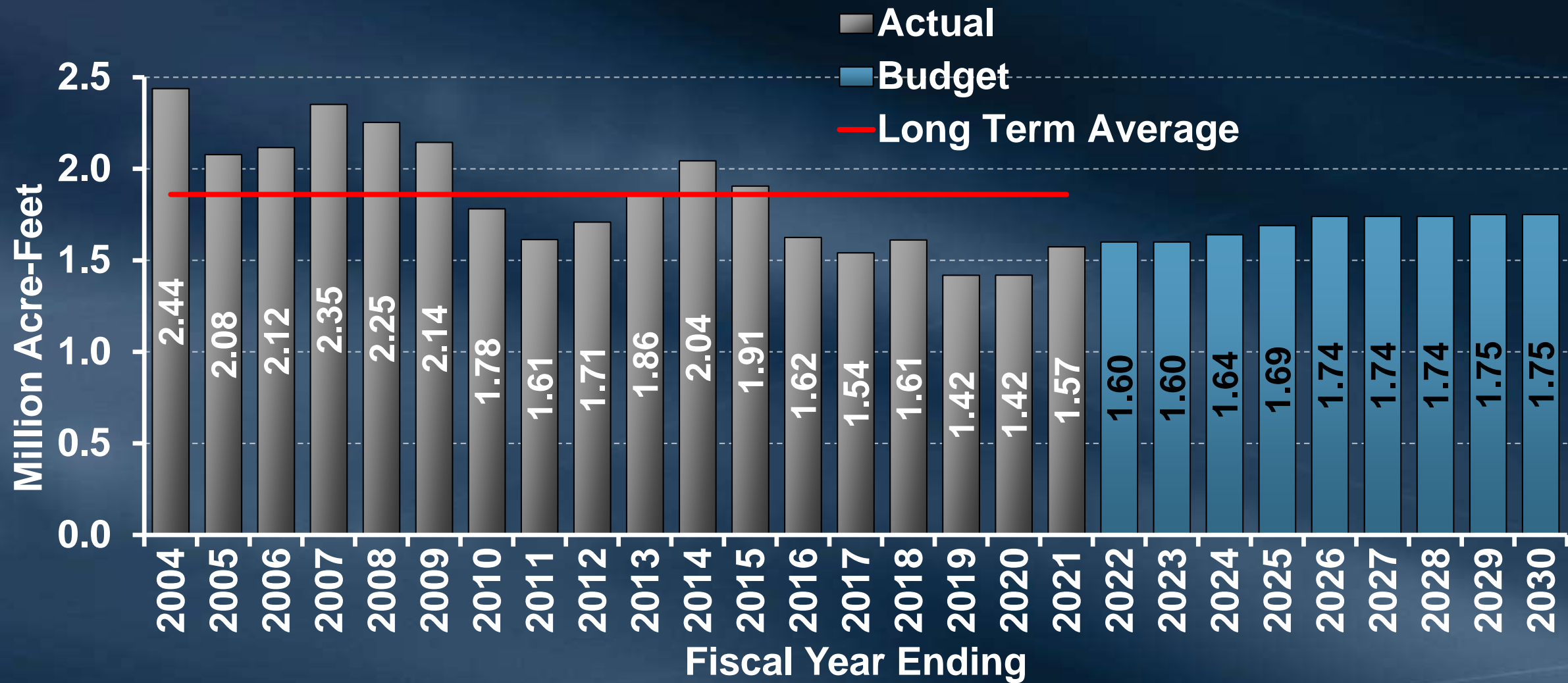
Reserve Fund



September 2020 Budget Board Action

- Track COVID-19 impacts and payment deferral program
 - There were no delinquencies related to COVID, and no member agencies utilized the deferment program.
- Monitor water demands, sales and expenditures, and prepare additional cost-containment measures; maintain adopted rates
- New revenue generation options include a groundwater replenishment program
 - For discussion in rate refinement workgroup
- Moratorium on non-emergency, unbudgeted proposals
 - Shaw Law Group, battery energy storage systems, dry-year transfers

Water Transactions*



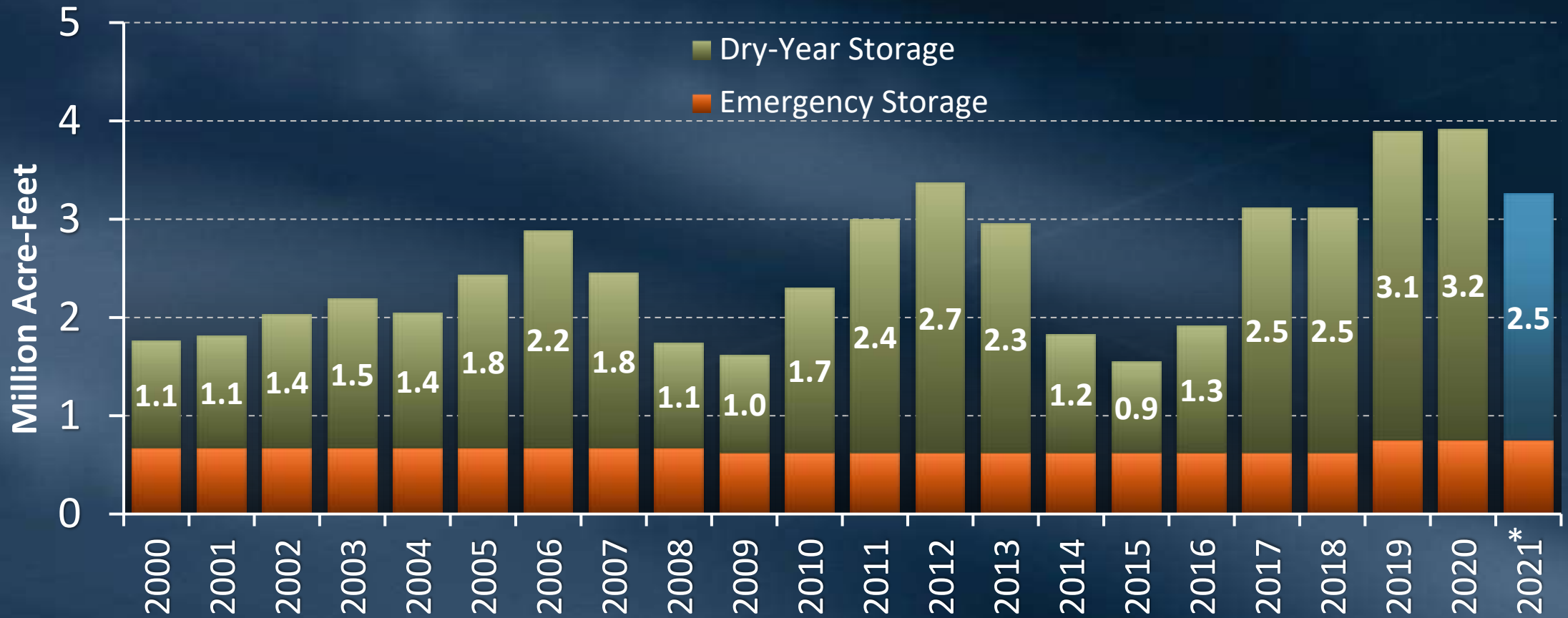
* Includes water sales, exchanges and wheeling

FY2020/21 Actual vs Budget

	Preliminary Actuals	FY2020/21 Budget	Variance
Water Transactions	1,404.7	1,444.5	(39.7)
RTS Charge	133.0	133.0	-
Capacity Charge	31.7	34.7	(3.1)
Taxes	160.8	139.9	20.9
Interest Income	9.8	17.9	(8.2)
Power Sales	19.0	20.8	(1.8)
Other	10.6	4.6	6.0
Total Revenues	1,769.5	1,795.5	(26.0)
State Water Contract	521.8	615.8	(94.0)
Departmental O&M	479.2	544.1	(64.9)
CRA Power	50.5	52.2	(1.7)
Supply Programs	66.2	68.7	(2.4)
Demand Management	34.7	48.5	(13.8)
Debt Service	287.1	298.7	(11.6)
PAYGO	110.0	110.0	-
Delta Conveyance Planning Costs	25.0	25.0	-
Regional Recycled Planning Costs	1.2	15.0	(13.8)
Total Expenses	1,575.8	1,778.0	(202.2)
Net Revenue	193.7	17.5	176.3
Increase in Required Reserves	(46.8)	(36.5)	(10.3)
Change in Unrestricted Reserves	146.9	(19.0)	165.9

Metropolitan Storage Balances

End of Year Balances



* Estimate – May change based on supply/demand conditions

Outlook for FY 2021/22

- Some continued departmental O&M savings
- Uncertain level of water transactions
 - Budget is based on 1.6MAF
- Power costs
 - Lower SWP Allocation --> lower SWC power
 - Higher CRA power costs due to high CRA flows with high market power prices
- Supply Programs
 - Expect higher unbudgeted expenses for dry year transfers
- Demand Management Costs
 - MWD is ramping up the conservation program in response to the drought.

Biennial FY 2023 and FY 2024 Budget Outlook

- Water Transactions
 - Review 10-year forecast for water transactions
- Drought
 - Potential additional supply and power costs
- Demand Management Cost Recovery
 - New demand management rate, charge, or other revenue collection mechanism needed no later than CY 2023
- Cost of Resiliency Projects
 - Regional Recycled Water Program
 - Delta Conveyance

Next Steps

- December F&I Committee: Review Proposed FY 2022/23 & FY 2023/24 Biennial Budget and Rates Process
- January 2022: Mailing of Budget, Revenue Requirements and Water Rates & Charges Board Letter
- February through March 2022 F&I Committee: Workshops on Biennial Budget & Rates and Charges
- April 2022 Board Meeting: Consider action on FY 2022/23 & FY 2023/24 Budget, 2023 and 2024 rates and 2023 charges





- Board of Directors
Communications and Legislation Committee

9/14/2021 Board Meeting

9-6

Subject

Update on fall and winter water conservation advertising and outreach campaign to be paid from board-approved conservation budget

Executive Summary

To promote water conservation and increase public awareness of Metropolitan and member agency rebate programs, staff will continue its advertising and outreach campaign during the fall and winter months, using up to \$1 million from the board-approved conservation budget. These multilingual and multimedia advertising efforts will include targeted efforts in the State Water Project exclusive areas of the region, expanded efforts to reach diverse and underserved audiences, and help facilitate Metropolitan's Demand Management Program goals and objectives.

Details

Background

In response to California's worsening drought conditions, Governor Newsom's call for voluntary cuts to water use, and Metropolitan's August 2021 Water Supply Alert, staff developed and implemented a new public advertising and outreach campaign. The campaign launched the week of August 23 with a media buy using \$510,000 of the External Affairs fiscal year 2021/22 board-approved advertising budget. However, due to the extraordinary drought circumstances and increased need to raise water awareness and promote water conservation by Southern California residents, External Affairs expects to exhaust its advertising budget by October 2021.

Staff plans to fund ongoing activities and sustain a fall/winter advertising campaign of up to \$1 million using the board-approved conservation appropriation, and specifically the appropriation for the Conservation Credits Program. The activities and campaign will include digital/connected TV, radio traffic spots, out of home (billboards, transit), print (including community newspapers), Google search, social media, and strategic and media buy services. The campaign would build on current creative assets and urge increased conservation with additional targeted efforts in the areas where Metropolitan primarily serves State Water Project water to its member agencies. It will also expand efforts to reach diverse and underserved audiences with multilingual and culturally relevant creative assets.

This funding will promote Metropolitan's water use efficiency programs, drive traffic to Metropolitan's bewaterwise.com® website, where consumers can find water-saving tips and access to Metropolitan's conservation rebate program, and support research activities including focus groups and pre- and post-campaign assessments to determine effectiveness.

Water Conservation Advertising Budget

In April 2020, the Board approved the biennial budget for fiscal years 2020/21 and 2021/22, which included a conservation appropriation of \$43 million each year and also approved rates and charges based on an anticipated \$25 million in conservation expenditures. In September 2020, staff presented to the Board a number of cost-containment measures implemented after the Board's budget approval to address the anticipated financial impacts of the COVID-19 pandemic. Those cost-containment measures included reduced spending on advertising for demand management programs during the budget period due to already low water sales to realize savings estimated at \$1 million per year, while continuing the use of social media outreach utilizing staff resources. The Board also approved additional cost-cutting measures at that time, unrelated to conservation. In FY 2021/22, conservation expenditures totaled \$17 million, which was \$7 million less than the revised planned expenditures of \$24 million.

Subsequently, drought conditions have impacted California and Metropolitan's service area, necessitating increased investment in public education and outreach. Staff plans to use up to \$1 million from the existing conservation budget for this purpose, and staff will continue to closely track conservation expenditures. With increased public interest in conservation programs and rebates, expenditures are likely to reach \$29 million, which will exceed the \$24 million planned expenditures for this fiscal year. However, given last fiscal year's lower-than-anticipated expenditures of \$17 million, the biennial conservation expenditures would be approximately \$46 million—\$2 million less than the biennial planned expenditures of \$48 million. The expenditures are not expected to exceed the Board's approved biennial budget of \$86 million at this time. Staff will continue to inform the Board on increases in conservation expenditures.

Next Steps

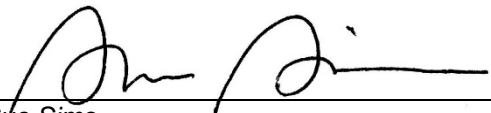
Staff will continue to develop new creative assets and optimize a fall/winter conservation advertising campaign, including analytics and ongoing research. In October 2021, staff will seek Board approval to initiate a request for proposals for advertising and media placement services to support a spring/summer multimedia, multilingual campaign. There will be no expenditure of funds for the spring/summer advertising campaign until the Board awards a contract and authorizes a campaign following completion of the request for proposals.

Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 51962, on April 14, 2020, the Board approved the current FYs 2020/21 and 2021/22 biennial budget, which includes a \$43 million annual appropriation for conservation and rates and charges based on an anticipated conservation expenditure of \$24 million.

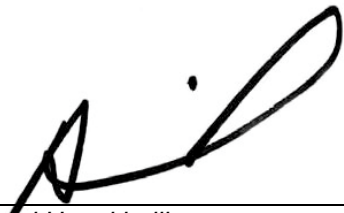
By Minute Item 52116, on September 15, 2020, the Board approved various cost-containment measures to address COVID-19 financial impacts, including reducing spending on advertising for demand management programs.



Sue Sims
External Affairs Manager
9/1/2021
Date



Brad Coffey
Manager, Water Resource Management
9/1/2021
Date



Adel Hagekhalil
General Manager
9/8/2021
Date

Ref# ea12681620



Update on Fall-Winter Advertising and Outreach Campaign to be Paid with Board-Approved Conservation Budget

Communication and Legislation Committee

Item #9-6

September 13, 2021

Evolving Messaging, Based on Conditions



Media Coverage



Video of media clips and press interviews

Summer Conservation Campaign

CURRENT EXTERNAL AFFAIRS BUDGET FOR ADVERTISING IN FY 2021/22	
	August - October
Digital Media/CTV	\$60,000*
Radio (traffic, spots, digital)	\$110,000
Out of Home	\$100,000
TV (sponsorships)	
Print	\$45,000
Google Search	\$40,000
Social Media	\$120,000
Strategy/Media Buy Services	\$35,000
TOTAL (estimated)	\$510,000

- Support Governor's call for voluntary conservation
- Paid multimedia advertising reaching all six counties
- Specialized messaging at the request of member agencies to reflect unique community demographics



**This is not
your first
rodeo.**

Southern Californians
know what to do
in a drought.

For water-saving tips and rebates
bewaterwise.com



**Ready
on set.**

Southern Californians
know what to do
in a drought.

For water-saving tips and rebates
bewaterwise.com



**First bar
same as
the last.**

Southern
Californians
know what
to do in a
drought.

For water-saving tips and rebates
bewaterwise.com



**Been
down
this road
before.**

Southern
Californians
know what to do
in a drought.

For water-saving tips and rebates
bewaterwise.com



Orange you glad you conserve?

Southern Californians know what to do in a drought.

For water-saving tips and rebates
bewaterwise.com

This advertisement features a blue background. On the left, there is a branch with green leaves and several ripe oranges. A white showerhead is positioned as if it is part of the branch, with water droplets visible. The text is in white and blue.



Sketchy climate.

Southern Californians know what to do in a drought.

For water-saving tips and rebates
bewaterwise.com

This advertisement features a white background. On the left, there is a blue vertical pipe with two orange, cage-like valves. A blue speech bubble is at the top. The text is in blue and black.



You know the score, SoCal.

Southern Californians know what to do in a drought.

For water-saving tips and rebates
bewaterwise.com

This advertisement features a yellow background. On the left, there is a blue pipe structure with a soccer ball attached. A blue speech bubble is at the top. The text is in blue and black.



Video of social media GIFs

Multilingual Media Strategy

RADIO

- 42 stations in all six counties

OUT OF HOME

- 26 billboards and transit shelters

DIGITAL

- Supplements radio and out of home buys

Total of 27 million
impressions including
7 million bonus
impressions

Media Placements - Outdoor



Fullerton, 57 Freeway



Perris, 215 Freeway

Media Placements - Radio



42 radio stations throughout SoCal
Approx. 16 million impressions



Media Placements – Social Media



- 7,029 bewaterwise.com website visits
- Reach – 828,639
- Impressions – 1.5 million
(As of September 7)



Multicultural Outreach

- Strategic partnership with LAGRANT Communications
 - Culturally relevant content
 - Diverse media buying
 - Research and data gathering



Videos

“Water Zombies” series

- In-house video production
- Optimized for digital media
- October media buy





Video of Water Zombie series

Outreach Timelines



Conservation Budget

- FY 2020/21-2021/22 Board-approved conservation budget
 - Appropriation of \$43 million each year
 - Revenue requirement of \$24 million each year
- FY 2020/21: \$17 million spent for conservation programs
- FY 2021/22: (projected): \$29 million including up to \$1 million for fall-winter advertising campaign to support conservation activities and rebate programs

Next Steps

September

- Report to Board on summer campaign and planned spending of up to \$1 million for fall-winter campaign

October

- Seek Board approval to issue RFP for media group to support Metropolitan's ongoing conservation advertising campaign and outreach strategy

