



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

*Office of the Board of Directors*

February 23, 2017

Mark Muir, Chairman  
Jim Madaffer, Vice Chairman  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, California 92123

Dear Chairman Muir and Vice Chairman Madaffer:

I would like to bring to your attention inaccurate statements contained in the attached February 11, 2017, letter from the SDCWA delegates to the Metropolitan Board of Directors regarding Metropolitan's Foundational Actions Funding ("FAF") Program (Attachment 1).<sup>1</sup> The SDCWA delegates also requested that the letter become a part of the record of the discussion of the FAF Program at Metropolitan's Water Planning and Stewardship Committee meeting on February 13.

The letter asserts that SDCWA was excluded from the FAF Program, that Metropolitan included a Rate Structure Integrity ("RSI") "concept" in the FAF Program agreements to "require agencies to waive rights" in order to participate, and that the Program has been administered in a manner that is discriminatory to SDCWA.

None of the assertions are accurate.

The FAF Program was adopted by Metropolitan's Board in April 2013 (Board Letter 8-4, Attachment 2) with SDCWA voting no at both the committee (Water Planning and Stewardship Committee Minutes, Attachment 3) and Board (Board Minutes, Attachment 4, Minute Item 49381) meetings. Prior to these votes, SDCWA submitted opposition letters on March 7 and on April 8, 2013 (Attachments 5 and 6). The latter included the statement:

*"MWD's proposed "program" and financial practices are not sufficient to meet the requirements of Proposition 26."*

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<sup>1</sup> The FAF Program is now titled Future Supply Actions.

Mark Muir, Chairman  
Jim Madaffer, Vice Chairman  
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By 2013, SDCWA had filed two lawsuits (in 2010 and 2012) challenging Metropolitan's rate structure. Although there are many allegations in those lawsuits, the essential claim in the litigation is that certain of Metropolitan's rate components, including the Water Stewardship Rate ("WSR") that is used to fund demand management programs, are allocated to transportation rather than to supply. The FAF Program is not mentioned in this litigation. Although in its lawsuit filed in 2016, SDCWA alleged that the WSR – which, among other demand management programs, funds the FAF Program – is illegal per se, that was not the case in 2013.

The RSI provision contained in LRP and conservation contracts since 2004, referenced indirectly in the February 11 letter, states in part:

*"[2.] (a) [Recipient] and [Member Agency] agree that Metropolitan's rates set under the Existing Rate Structure may be reset throughout the term of this Agreement to account for the cost of service, and that [Recipient] and [Member Agency] will address any and all future issues, concerns and disputes relating to Existing Rate Structure, through administrative opportunities available to them pursuant to Metropolitan's public board process. As such, [Recipient] and [Member Agency] agree if they file or participate in litigation or support legislation to challenge or modify Existing Rate Structure, including changes in overall rates and charges that are consistent with the current cost-of-service methodology, Metropolitan may initiate termination of this Agreement consistent with [Section 4] below. Metropolitan agrees that any change in Existing Rate Structure, including changes in cost-of-service philosophy or methodology would be enacted only after collaboration and discussion with its member public agencies, and Metropolitan's public board review and approval process.*

. . .

4. Should [Recipient] or [Member Agency] file or support litigation, or sponsor or support legislation, that would challenge or be adverse to Existing Rate Structure, as described in Paragraph (a) of [Section 2], Metropolitan's Chief Executive Officer may file a 90-day notice of intent to terminate this Agreement with Metropolitan's Executive Secretary, with copies to all members of Metropolitan's Board of Directors, and contemporaneously provide [Recipient] and [Member Agency] with a copy of the notice. Within 30 days of receipt of such notice, [Recipient] and [Member Agency] shall have the right to request, in writing, mediation of the dispute by a neutral third party with expertise in finance and rate setting. The mediator shall be selected by agreement of the Parties, or failing agreement within 60 days of such request for mediation, a mediator shall be selected by the Metropolitan Board of Directors from a list of at least four candidates, one each from [Recipient] and [Member Agency], and two of which will be supplied by Metropolitan's Chief Executive Officer. The cost of the mediation shall be borne equally by the Parties. The request for mediation shall also serve to stay the 90-day notice of intent to terminate, but for no more than 90 days beyond the filing of the notice of request for mediation, unless otherwise agreed in writing by the Parties. If mediation does not result in an

Mark Muir, Chairman  
Jim Madaffer, Vice Chairman  
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*agreement acceptable to each party to this Agreement within the time provided herein, the notice of intent to terminate shall be reinstated. The Metropolitan Board of Directors shall act to approve or disapprove termination of this Agreement, and all of Metropolitan's obligations hereunder shall terminate if approved, on or before the ninetieth day following filing of the notice to terminate or, if mediation has been requested as described above, the ninetieth day following the request for mediation (or other date agreed in writing by the Parties)."*

The RSI provision does not require a waiver of any rights. The provision was not included in FAF Program agreements.

SDCWA was free to submit and did submit proposals for funding under the FAF Program. Metropolitan received a total of 23 proposals from 17 member agencies including five proposals submitted by SDCWA. All proposals were evaluated by a technical review panel. In August 2013, Metropolitan staff verbally informed SDCWA that the review panel had recommended funding three of its submitted proposals.

The Metropolitan Board, at its September 10, 2013 meeting, considered a request to authorize staff to enter into funding agreements for the 16 proposals recommended by the technical review panel (Board Letter 8-2, Attachment 7). Despite the inclusion of three of SDCWA's proposals in this recommendation, SDCWA's delegation submitted a letter to the Metropolitan Board of Directors indicating opposition to FAF Program funding agreements (Attachment 8). For the reasons behind its opposition, SDCWA referred to its April 8, 2013 letter (Attachment 6). While acknowledging that the RSI language had not been incorporated into the FAF Program, this letter further added:

*"As we have stated in the past – in the context of the Rate Structure Integrity provision and otherwise – in spite of its objections, the Water Authority reserves its right to seek a fair share of MWD subsidies so long as MWD's rates to pay for the subsidies are imposed on the Water Authority."*

The Water Planning and Stewardship Committee unanimously approved the staff recommendation with the two SDCWA members on the committee absent during the vote (Water Planning and Stewardship Committee Minutes, Attachment 9). The Board authorized and directed staff to enter into funding agreements for each of the 16 recommended proposals totaling \$3.3 million (Board Minutes, Attachment 10, Minute Item 49541). The minutes record that three SDCWA members present at the meeting were the sole "no" votes.

Subsequent to Board authorization, on October 18, 2013, staff provided SDCWA with a proposed Project funding agreement. By letter dated November 13, 2013 (Attachment 11),

Mark Muir, Chairman  
Jim Madaffer, Vice Chairman  
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SDCWA reported that it had reviewed the draft agreement and offered alternative approaches. SDCWA's primary proposal was that it be allowed to:

*"...opt out of receiving any Program benefits in exchange for not being assessed any water rates to pay for the Program. We request that this proposal be presented to the Board for its consideration."*

In the event that Metropolitan not concur with this proposal, SDCWA outlined a number of requested amendments to the proposed FAF Program funding agreement. Among these was the deletion of Section 9, with SDCWA specifically citing Sections 9.1 (b) and (c) as a concern.

Below is the language of Section 9.1 **included in all** of the FAF Program agreements with member agencies, documenting that both parties to the agreement agree that the FAF Program agreement is legally enforceable:

*"9.1 Each Party represents that it is represented by legal counsel, that it has reviewed this Agreement and agrees that:*

- a. *This Agreement is legally enforceable;*
- b. *Payments made by Metropolitan to Agency pursuant to this Agreement are a legal use of Metropolitan's funds; and,*
- c. *Metropolitan may legally recover the costs incurred by Metropolitan pursuant to this Agreement in the water rates charged to its Member Agencies, including Agency."*

One week later Metropolitan responded to SDCWA's proposed alternative by letter dated November 20 (Attachment 12). SDCWA was reminded that the "opt out" concept had been previously put forth by SDCWA directors and had not been adopted by Metropolitan's Board. Accordingly, the letter addressed the requested amendments to the FAF Program funding agreement, agreeing to some while declining to delete Section 9.

Nothing in the language in Section 9 that was included in all FAF Program agreements requires a waiver of rights in order to participate in the Program nor limits the participant in any way. The language neither provides for nor authorizes termination of the FAF Program agreement in the event of litigation filed by the participant challenging Metropolitan's rate structure. Although SDCWA included in its lawsuit in 2016 the assertion that the WSR is illegal per se and Metropolitan may not legally collect it, the litigation pending in 2013 did not assert that Metropolitan could not charge or collect the WSR.

Mark Muir, Chairman  
Jim Madaffer, Vice Chairman  
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In order for two parties to form a contract, the parties must mutually consent to the terms of the contract and intend to be legally bound by it. Section 9.1 in the FAF Program agreements merely recites that the parties have a meeting of the minds and agree that the contract is a legally enforceable document that can be legally implemented. SDCWA declined to sign the agreement because it declined to recognize the validity of the contract and to agree to be bound by it, thereby excluding itself from participation in the Program. Metropolitan neither excluded SDCWA from participation in the FAF Program nor discriminated against SDCWA in the administration of the Program. The FAF Program agreements do not include any language implementing the Rate Structure Integrity “concept.”

Sincerely,



Randy Record  
Chairman of the Board

Attachments

cc: SDCWA Board of Directors  
Metropolitan Water District Board of Directors  
Mayor, City of San Diego  
Santa Fe Irrigation District Board of Directors  
Carlsbad Municipal Water District Board of Directors

**Attachment 1**



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

February 11, 2017

Randy Record and  
Members of the Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

**MEMBER AGENCIES**

Carlsbad  
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook  
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain  
Municipal Water District

Otay Water District

Padre Dam  
Municipal Water District

Camp Pendleton  
Marine Corps Base

Rainbow  
Municipal Water District

Ramona  
Municipal Water District

Rincon del Diablo  
Municipal Water District

Son Duguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Velvetos Water District

Valley Center  
Municipal Water District

Vista Irrigation District

Yuma  
Municipal Water District

**OTHER  
REPRESENTATIVE**

County of San Diego

**RE: Water Planning and Stewardship Committee Agenda Item 6a - Foundational Actions Funding Program Final Report**

Dear Chairman Record and Members of the Board,

The Foundational Actions Funding ("FAF") Program Final Report does not mention that the San Diego County Water Authority was excluded from participation in this program, even though at the time it was adopted, we were told that the Rate Structure Integrity concept would not be a participation requirement. A copy of our September 10, 2013 letter on this subject is attached. However, MWD staff ultimately refused to execute FAF agreements that did not require agencies to waive rights in order to participate in the FAF program.

We continue to object to the discriminatory manner in which the FAF program has been administered by MWD, and to MWD's business practice of requiring a waiver of rights in order for member agencies to recover any share of water rates and charges being imposed by MWD to pay for these programs. We incorporate by reference our prior objections (see attachment) and ask that this letter be made a part of today's record.

Sincerely,

Michael T. Hogan  
Director

Keith Lewinger  
Director

Elsa Saxod  
Director

Fern Steiner  
Director

**Attachment: September 10, 2013 letter RE: Board Memo 8-2: Authorize staff to enter into funding agreements for Foundational Actions Funding Program proposals - OPPOSE (with attachments)**

cc: Jeff Kightlinger, MWD General Manager



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
 (858) 522-6600 FAX (858) 522-6568 [www.sdcwa.org](http://www.sdcwa.org)

September 10, 2013

**John (Jack) V. Foley and  
 Members of the Board of Directors  
 Metropolitan Water District of Southern California  
 P.O. Box 54153  
 Los Angeles, CA 90054-0153**

**MEMBER AGENCIES**

Carlsbad Municipal Water District  
 City of Del Mar  
 City of Escondido  
 City of National City  
 City of Oceanside  
 City of Poway  
 City of San Diego  
 Fullbrook Public Utility District  
 Helix Water District  
 Lakeside Water District  
 Olivenhain Municipal Water District  
 Otay Water District  
 Padre Dam Municipal Water District  
 Camp Pendleton Marine Corps Base  
 Rainbow Municipal Water District  
 Rancho Municipal Water District  
 Rincon del Diablo Municipal Water District  
 San Dieguito Water District  
 Santa Fe Irrigation District  
 South Bay Irrigation District  
 Valley Center Municipal Water District  
 Vista Irrigation District  
 Yuma Municipal Water District

**OTHER  
 REPRESENTATIVE**

County of San Diego

**RE: Board Memo 8-2: Authorize staff to enter into funding agreements for Foundational Actions Funding Program proposals – OPPOSE**

**Dear Chairman Foley and Members of the Board:**

**For the reasons stated in detail in our April 8, 2013 letter to you (Attachment 1, incorporated herein by reference), we write to express opposition to Board Memo 8-2.**

**As we have stated in the past – in the context of the Rate Structure Integrity provision and otherwise – in spite of its objections, the Water Authority reserves its right to seek a fair share of MWD subsidies so long as MWD's rates to pay for the subsidies are imposed on the Water Authority.**

**We acknowledge and appreciate that the Rate Structure Integrity language has not been included as part of the Foundational Actions program to fund these local projects.**

**Sincerely,**

**Michael Hogan**  
**Director**

**Keith Lewinger**  
**Director**

**Vincent Mudd**  
**Director**

**Fern Steiner**  
**Director**

**cc: Jeff Kightlinger, MWD General Manager  
 San Diego County Water Authority Board of Directors and Member Agencies**

**Attachment: April 8, 2013 letter from Water Authority's MWD Delegates to Chairman Foley  
 RE Board Item 9-1 – proposed Foundational Actions Funding Program**

*A public agency providing a safe and reliable water supply to the San Diego region*



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
 (858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

April 8, 2013

**MEMBER AGENCIES**

Carlsbad Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook Public Utility District

Heisler Water District

Lakeside Water District

Olivenhain Municipal Water District

Clay Water District

Padre Dame Municipal Water District

Camp Pendleton Marine Corps Base

Rainbow Municipal Water District

Ramona Municipal Water District

Rincon del Diablo Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallencitos Water District

Valley Center Municipal Water District

Vista Irrigation District

Yuma Municipal Water District

**OTHER REPRESENTATIVE**

County of San Diego

**John V. Foley, Chairman, and  
 Members, Board of Directors  
 Metropolitan Water District of Southern California  
 P.O. Box 54153  
 Los Angeles, CA 90054-0153**

**RE: Board Item 8-4: Approve Foundational Actions Funding Program -- OPPOSE**

**Dear Chairman Foley and Members of the Board:**

**We write to OPPOSE the “Foundational Actions Funding Program,” described in Board memo 8-4, for all of the reasons described in our March 7, 2013 letter, a copy of which is attached.**

**As unbudgeted expenditures, these costs were not included in the cost of service analysis purporting to support the water rates and charges that will actually be used to pay these costs. Moreover, there is no evidence to support MWD’s claim that these expenditures provide a direct or regional benefit to any water ratepayers other than those who actually receive subsidies. MWD’s proposed “program” and financial practices are not sufficient to meet the requirements of Proposition 26.**

**While we can see the appeal of this funding from MWD to an agency in these days of constrained budgets, this board has a responsibility to all of MWD’s water ratepayers to ensure that MWD’s water rates and charges are no higher than necessary. This certainly cannot be said of these unbudgeted, unallocated costs. Especially when MWD’s “core resources plan is on track and is well-positioned to meet future demands,” as clearly stated in the Board memo.**

**Sincerely,**

**Keith Lewinger**  
**Director**

**Vincent Mudd**  
**Director**

**Fern Steiner**  
**Director**

**Doug Wilson**  
**Director**

**cc: Jeff Kightlinger, MWD General Manager  
 San Diego County Water Authority Board of Directors and Member Agencies  
 Attachment: Water Authority Delegation Letter dated March 7, 2013**



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
 (858) 522-6600 FAX (858) 522-6568 [www.sdcwa.org](http://www.sdcwa.org)

March 7, 2013

**John V. Foley, Chairman, and  
 Members, Board of Directors  
 Metropolitan Water District of Southern California  
 P.O. Box 54153  
 Los Angeles, CA 90054-0153**

**MEMBER AGENCIES**

Carlsbad  
 Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fairbrook  
 Public Utility District

Helix Water District

Lakeside Water District

Oceanside  
 Municipal Water District

Olney Water District

Pedre Dame  
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Camp Pendleton  
 Marine Corps Base

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 Municipal Water District

Rancho  
 Municipal Water District

Rincon del Diablo  
 Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center  
 Municipal Water District

Vista Irrigation District

Yuma  
 Municipal Water District

**OTHER  
 REPRESENTATIVE**

County of San Diego

**RE: Board Item 9-1 – Proposed Foundational Actions Funding Program**

**Dear Chairman Foley and Members of the Board:**

We write to express our opposition to the concept of spending unbudgeted MWD ratepayer dollars on a “Foundational Actions Funding Program,” as described in Board Memo 9-1. We would also like to express again our frustration with management’s continued reliance on a badly outdated 2010 Integrated Resources Plan (IRP) to justify this and other unnecessary spending programs.

MWD’s 2010 IRP was based on providing a core water supply to meet 1.9 million to 2 million acre feet of MWD demand. In addition, the IRP includes the development of an extra “buffer” supply of as much as 500,000 acre feet of water annually -- over and above dry-year demand. On top of these supplies lie the so-called “foundational actions” deemed necessary to address future supply vulnerabilities and uncertainties.

MWD’s 2012 IRP implementation report published last October listed 10 action items MWD itself is carrying out under the foundational actions. This month’s memo also states that MWD’s core resources plan is “on track and is well positioned to meet future demands within an expected range of future conditions.” In light of these facts, it is difficult to understand why MWD is recommending additional unbudgeted expenditures to develop more local projects that it does not need and that would further dampen its own water sales. Aside from the moniker, these “foundational actions” will lead to the same kind of local projects MWD continues to subsidize through its Local Resource Projects program. The mere statement that, “the future is uncertain and under some conditions, additional water resources may need to be developed” is insufficient to justify any of these expenditures.

The State Auditor recently noted that MWD’s water sales are down by 25%, and that, as a result of reduced sales and other factors, MWD’s water rates have increased dramatically. In

Chairman Foley and Members of the Board

March 7, 2012

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addition, the updated Southern California Association of Governments (SCAG) Regional Transportation Plan shows significant demographic changes from previous estimates. Specifically, MWD's service area within SCAG jurisdiction shows demographic projections for the year 2025 include 1.2 million fewer people, 194,000 fewer households, 550,000 fewer jobs and a 4% reduction in median real household income than SCAG's previous projections. All these factors will further reduce retail water demands below those projected in MWD's IRP and 2010 Regional Urban Water Management Plan.

We renew past requests that management bring back to the board – so that the information will be available at the same time the board is being asked to approve expenditures on “foundational actions” – the following information:

- An update to the IRP that reflects current sales data and trends and the development of local water supplies by member agencies and others that were not accounted for in the 2010 IRP;
- An analysis and quantification of the nature and extent of the “uncertainty” and “unforeseen risks” the “foundational actions” are intended to address, over and above the spending programs called for in the IRP including the BDCP, conservation and local projects.

The types of projects that are enumerated as being the subject of the “foundational actions” are local water supply projects that will, when developed, represent a permanent reduction in MWD's water sales. With demands already reduced and with the proposed Bay Delta Conservation Plan on the drawing board, please address this next month in a board memo why management is nonetheless recommending these expenditures be made at this time.

Although we disagree with MWD establishing an unbudgeted program when there is clearly no justification, if the board chooses to adopt the program, it must make clear that the funding would be provided to all member agencies without any “rate structure integrity” constraints that are currently embedded in the LRP funding agreements.

The program criteria should also be revised to reflect the purported purpose of the foundational actions, i.e., approaches to long term water supply uncertainty. The criteria, as described on page 3 of the board memo, fail to do so or otherwise provide a substantive basis to distinguish between applicants for this new subsidy program. Furthermore, the program's process for project selection must be revised to assure that the technical experts on the selection panel are required to file FPPC Form 700 disclosure forms pursuant to MWD's Local Conflict of Interest Code. Conflict of interest laws are designed to preclude participation in governmental decisions where there may be a direct or indirect effect on a decision-maker's financial interests. Requiring disclosure of such interests by members of the selection panel will help assure compliance with conflict of interest laws.

Chairman Foley and Members of the Board

March 7, 2012

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Finally, we also request that management provide an analysis of the regional benefit of the "Foundational Actions Funding Program" sufficient to meet the requirements of Proposition 26.

Sincerely,



Keith Lewinger  
Director



Vincent Mudd  
Director



Fern Steiner  
Director



Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies

## **Attachment 2**



● Board of Directors  
*Water Planning and Stewardship Committee*

4/9/2013 Board Meeting

8-4

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## Subject

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Approve Foundational Actions Funding Program

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### Executive Summary

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Staff proposes that Metropolitan implement a Foundational Actions Funding Program to establish funding for technical studies and pilot projects reduce barriers to future water resource production. Member agencies will be invited to respond to a Request for Proposals (RFP) offering dollar-for-dollar matching funds up to \$500,000. Staff will form a review panel of outside technical experts and Metropolitan staff to evaluate proposals. Proposals meeting the selection criteria will be presented to the Board for approval.

Funding these actions would help Metropolitan maintain its reliability goals, as outlined in the 2010 IRP Update. These actions would advance additional supply options that could be implemented if needed to prepare the region for long-term changes including climate, potential limitations in the availability of resources, demographic and economic trends, and changes in water quality and other regulations.

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### Details

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#### Foundational Actions Background

In 2010, the Board adopted the Integrated Water Resources Plan (2010 IRP Update). The 2010 IRP Update established a planning framework, including a core resources program, which is designed to ensure the region's reliability into the future. Metropolitan's core resources plan is on track and is well-positioned to meet future demands within an expected range of future conditions. However, if future supply vulnerabilities and uncertainties should prove greater than expected, additional resources may be required. These resources would more easily be implemented in the future by proceeding with Foundational Actions now. Foundational Actions include technical studies and research (up to pilot projects, but not full-scale projects) that enable timely, future implementation of challenging resources:) including but not limited to:

- Recycled water (including direct and indirect potable);
- Seawater desalination;
- Stormwater capture;
- Groundwater enhancement.

#### Foundational Actions Funding Program Description

Staff proposes a pilot Foundational Actions Funding Program (FAF Program) to pursue these foundational actions. Proposals under this FAF Program would consist of technical studies or pilot projects to enable effective resource planning and implementation. More specifically, these proposals would be aimed to reduce barriers to project implementation, and:

1. Advance the field of knowledge for future water resource production;
2. Provide results that are unique, yet transferable to other areas in the region; and
3. Represent a catalytic/critical path to water resource implementation.

Examples of studies under the FAF Program may include, but are not limited to:

- determination of optimal desalination integration practices or treatment processes;
- assessment of the stormwater runoff quantity potential in a region and its effect on groundwater production yields;
- analysis of how to maximize opportunities for indirect potable reuse;
- studies of how to reduce barriers to direct potable reuse;
- study to support permitting agencies in establishing policies and regulatory criteria for future regional water resources;
- analysis of the ability for reduced brine-discharge approaches to help improve resource availability; and
- study of basin-wide water quality management programs and their impact on improved groundwater yields.

Activities that would not be eligible for funding under the FAFA Program include but are not limited to::

- funding CEQA documentation for projects;
- acquisition of property;
- design of full-scale projects; and
- construction of full-scale projects.

### **Program Funding and Features**

Expenditures for this program were not included in the FY 2013/14 budget. Funding of member agency proposals would be brought for board consideration after the responses have been received and evaluated. The following further describes the proposed FAF Program.

- Metropolitan would issue an RFP to the member agencies, inviting proposals under the FAF Program. Total funding level is estimated to be \$3 million. The final funding level may be higher or lower based on the member agency responses.
- Final authorization for funding of each specific proposal would come before the Board for approval.
- Each proposal would require a non-Metropolitan match of at least 100 percent of the Metropolitan funded amount.
- Each member agency may submit multiple proposals for consideration, although they must rank them by priority.
- Member agencies may partner with each other or with outside entities.
- Total funding requested cannot exceed \$500,000 for a given member agency or a given proposal.
- If the proposal meets the description and criteria for the FAF Program, the proposal would be presented to the Board for consideration.

### **Proposal Selection**

Metropolitan would form a technical review panel of three Metropolitan staff and two external experts to review the proposals, ensure compliance with the FAF Program description and eligibility, and evaluate each proposal based on additional selection criteria as described further in this document. The technical review panel would develop a list of recommended Foundational Actions proposals and funding levels, which staff would provide to the Board for consideration of funding.

Additional selection criteria for each proposal may include the following:

- **Reduces Barriers to Future Production**
  - Actions are critical to resource implementation and planning efforts.
  - Actions will advance the field of knowledge for development of future water resources, and may be used in future research.
  - Actions are unique and innovative (differ from other completed or ongoing studies).
  - Actions increase future local supply potential.
  - Actions expedite future permitting or facilitate beneficial regulations for future water resources.

- **Regional Benefit/Applicability**

- Results of the proposal apply to Metropolitan's member agencies, retail agencies, and regional stakeholders.
- May include other benefits, such as environmental, water quality, energy, wastewater, infrastructure, etc.

- **Work Plan**

- Work plan has adequate detail and completeness so that it is clear that the proposed actions can be implemented. Potential challenges and issues related to proposal implementation are identified and addressed; and
- Proposal objectives can be achieved in the stated time period with the allotted personnel and budget.

### **Next Steps**

Following approval of the FAF Program, staff would issue an RFP to the member agencies. Once responses are evaluated, staff would return to the Board to review the recommended proposals and request funding. After the recommended proposals are funded, staff would evaluate and report to the Board on the progress of this pilot program and, depending on its measured effectiveness and benefits, staff may make a recommendation for the continuation of the FAF Program.

### **Policy**

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By Minute Item 48449 dated October 12, 2010, the Board adopted the CEQA determination and the 2010 Integrated Resources Plan Update, as set forth in the letter signed by the General Manager on September 29, 2010.

### **California Environmental Quality Act (CEQA)**

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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 CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines

CEQA determination for Option #2:

None required

### **Board Options**

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#### **Option #1**

Adopt the CEQA determination and

- a. Approve the proposed Foundational Actions Funding Program; and
- b. Direct staff to issue a Request for Proposals.

**Fiscal Impact:** There is no immediate fiscal impact to issue the Request for Proposals for the FAF Program. Staff estimates that program funding could be approximately \$3 million. The actual fiscal impact may be higher or lower based on the member agency responses, which would be funded by available operating reserves through a subsequent board action.

**Business Analysis:** Implementing the Foundational Actions Funding Program would allow the region to better understand and reduce the barriers to future implementation of resources, should they be needed.

**Option #2**

Do not approve the Foundational Actions Funding Program.

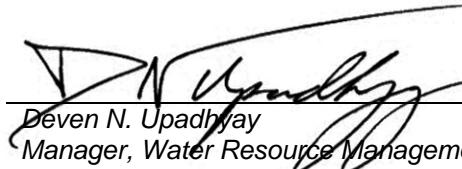
**Fiscal Impact:** None

**Business Analysis:** Not approving the Foundational Actions Funding Program would result in no short-term changes for the region, but may affect potential water supply options in the future.

**Staff Recommendation**

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Option #1



Deven N. Upadhyay  
Manager, Water Resource Management

3/21/2013  
Date



Jeffrey Kightlinger  
General Manager

3/26/2013  
Date

Ref# wrm12622382

### **Attachment 3**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**MINUTES**

**WATER PLANNING AND STEWARDSHIP COMMITTEE**

**APRIL 8, 2013**

Chair De Jesus called the meeting to order at 10:40 a.m. in Committee Room 2-456 at Metropolitan's Headquarters.

Members present: Chairman De Jesus and Vice Chairman Wright, Directors Ackerman, Brown, Dick, Edwards, Fleming, Gray, Griset, Lewinger, Morris, Peterson, Record, and Steiner.

Members absent: Directors Lowenthal, K. Murray, Quinonez, and Touhey.

Other Board members present: Directors Ballin, Barbre, Evans, Friedman, Little, J. Murray, Wilson, and Wunderlich.

Staff present: Arakawa, H. Beatty, Bennion, Berman, Breaux, Clairday, Coffey, Donhoff, Green, Harding, Hasencamp, Kightlinger, Munguia, Neudeck, Nevills, Nobriga, Patterson, Philp, Reukema, Riss, Schlotterbeck, Scully, Shraibati, Skillman, Stites, Upadhyay, Velasco, Waade, Westford, E. Wong, B. Yamasaki, and Zinke.

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

No members responded.

**2. APPROVAL OF THE MINUTES OF THE WATER PLANNING AND STEWARDSHIP COMMITTEE MEETING HELD MARCH 11, 2013**

Motion Carried   Moved: Director Edwards      Seconded: Director Fleming

Votes: Unanimous

**3. CONSENT CALENDAR ITEMS – ACTION**

None

#### **4. OTHER BOARD ITEMS – ACTION**

- |            |                |   |
|------------|----------------|---|
| <b>8-4</b> | Subject:       | Approve Foundational Actions Funding Program  |
|            | Presented by:  | No presentation given   |
|            | Motion:        | Adopt the CEQA determination and  |
|            |                | a. Approve the proposed Foundational Actions Funding Program; and                             |
|            |                | b. Direct staff to issue a Request for Proposals.   |
|            | Motion Carried | Moved: Director Edwards Seconded: Director Morris<br>Directors Lewinger and Steiner voted no. |

## **5 BOARD INFORMATION ITEMS**

None

## **6. COMMITTEE ITEMS**

- a. 

Subject: Oral report on Water Surplus and Drought Management

Presented by: Jennifer Nevills, Sr. Resource Specialist

Ms. Nevills provided a monthly update on the Water Surplus and Drought Management (WSDM) Report on State Water Project supplies, Colorado River Aqueduct supplies, and water storage.

Staff responded to comments concerning impacts of fisheries restrictions and deducting the value of water withdrawal from surplus funds.
  - b. 

Subject: Review of State Water Contract

Presented by: Kevin A. Donhoff, Section Manager  
Resource Implementation Section

Mr. Donhoff gave a presentation that reviewed the basic elements of the State Water Project's Metropolitan's long-term water supply contract with the California Department of Water Resources focusing on the financial provisions of the contract.

Jeff Kightlinger, General Manager, noted that this report was prepared by staff to provide the committee with background information as Metropolitan reviews

the Bay Delta Conservation Plan (BDCP) over the next year.

Staff responded to comments regarding whether the proposed BDCP facilities will help meet water quality requirements for salinity, how bond funding for such facilities will be addressed under the current term of the contract, what the statute of limitations is for lawsuits related to the Monterey Agreement, and whether any State Water Project water is still stored in the Kern water bank. Staff also clarified that the state allocates costs among conservation, recreation and water supply and the water supply costs then appears in the statement of charges.

## **7. MANAGEMENT REPORTS**

a. Subject: Bay Delta Matters

Presented by Roger Patterson, Assistant General Manager, Strategic Water Initiatives

Mr. Patterson gave brief updates on the draft chapters of the BDCP that have been released to date, the schedule for release of the Administrative Draft of the Environmental Impact Statement and Environmental Impact Report, and the Delta Plan from the Delta Stewardship Council.

Staff responded to comments regarding financial commitments to the BDCP.

b. Subject: Colorado River Issues

Presented by: Bill Hasencamp, Manager, Colorado River Resources

Mr. Hasencamp's report included updates on run-off forecast for the Colorado River Basin. Both the Upper Colorado River Basin and California's statewide snowpack remain below average. Some upstream agencies are dealing with water shortage by limiting the water supply to agricultural areas, with watering restrictions of crops over the summer. Denver Water issued Stage 2 drought emergency regulations last week.

Staff responded to comments concerning water storage levels in Lake Mead.

c.              Subject:        Water Resource Management

Presented by:    Deven Upadhyay, Group Manager, Water Resource Management

Mr. Upadhyay informed the committee that staff will present a detailed update on overall impacts to storage transfers and exchanges in the May WSDM report.

**8. FOLLOW-UP ITEMS**

None

**9. FUTURE AGENDA ITEMS**

Director Record requested a presentation on effects of habitat in Yolo Bypass on fish.

Next meeting will be held on May 13, 2013.

Meeting adjourned at 11:41 a.m.

David De Jesus  
Chair

**Attachment 4**

**MINUTES**

**REGULAR MEETING OF THE**

**BOARD OF DIRECTORS**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**APRIL 9, 2013**

**49356** The Board of Directors of The Metropolitan Water District of Southern California met in Regular Meeting in the Board Room located in the building at 700 North Alameda Street in the city of Los Angeles, state of California, on Tuesday, April 9, 2013.

Chairman Foley called the Meeting to order at 11:48 a.m.

**49357** The Meeting was opened with an invocation by Drew Jacobs, Senior Occupational Safety & Health Specialist, Water System Operations.

**49358** The Pledge of Allegiance to the Flag was given by Director Leticia Vasquez.

**49359** Board Secretary Morris called the roll. Those answering present were: Directors Abdo, Ackerman, Apodaca, Babcock, Ballin, Barbre, Brown, Camacho, De Jesus, Dick, Edwards, Evans, Fleming, Foley, Friedman, Gray, Griset, Grunfeld, Kurtz, Lewinger, Little, Lowenthal, Morris, Mudd, J. Murray K. Murray, Peterson, Pringle, Quiñonez, Record, Sanchez, Touhey, Vasquez, Wilson, Wright, and Wunderlich.

Those not answering were: Director Steiner.

Board Secretary Morris declared a quorum present.

**49360** Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

**49361** There being no objection, Chairman Foley ordered the reading of the Minutes of the Meeting of March 12, 2013, dispensed with, a copy having been mailed to each Director.

Director Grunfeld moved, seconded by Vice Chairman J. Murray and carried, approving the foregoing Minutes as mailed.

**49362** A written report of meetings attended by Directors at Metropolitan expense during the month of March was distributed. The report was received and filed.

**49363** The General Counsel's letter signed April 2, 2013, was presented, transmitting the credentials evidencing the appointment by the city of Pasadena of Cynthia Kurtz as its representative on Metropolitan's Board for an indefinite term.

General Counsel Scully reported the credentials had been examined and found legally sufficient; and that Director Kurtz was sworn in on April 8, 2013.

Chairman Foley ordered the credentials, together with the General Counsel's letter, received and filed.

Following her introduction by city of Pasadena Mayor Bill Bogaard and Phyllis Currie, General Manager of Pasadena's Water and Power Department, Director Kurtz took her seat as a member of the Board.

**49364** Vice Chairman J. Murray moved, seconded by Director Dick and carried, approving a 30-day leave of absence for Director Lewinger, effective May 8, 2013.

**49365** Chairman Foley presented to Director Ackerman a pin for her five years of service on Metropolitan's Board, representing Municipal Water District of Orange County.

**49366** At the recommendation of Chairman Foley, Vice Chairman J. Murray moved, seconded by Director Grunfeld and carried, approving the following committee assignments:

Director Kurtz to the Communications and Legislation Committee and the Finance and Insurance Committee

Director Babcock to the Special Committee on Bay-Delta

**49367** There was no Chairman's monthly activity report.

**49368** Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger referred to the activity report for March dated March 31, 2013, which was posted to the Directors' website.

General Manager Kightlinger reported on the shutdown season, which was very successful, especially on the Colorado River Aqueduct which is now up and running after an eight-pump flow during March.

General Manager Kightlinger announced the Spring Green Expo will take place at Metropolitan on May 16, 2013, which event is sponsored by the employees. There will be a number of innovative conferences, programs, and presentations of green eco devices and products.

**49369** Regarding Legal Department activities, General Counsel Scully referred to the General Counsel's activity report for March dated April 2, 2013, which was posted to the Directors' website.

General Counsel Scully reported that a ruling from the court on the Bay-Delta case on the remand was received this morning. The court provided a one-year extension for the development of the new biological opinions for both the smelt and the salmon. The judge stated that at the end of the period, he would consider a provision of additional time if progress is being made, and he asked the parties to submit a joint status report on or before February 14, 2014.

**49370** General Auditor Riss referred to the Audit Department's activity report for the month of March dated March 27, 2013, which was posted to the Directors' website.

General Auditor Riss stated that two audit reports were issued during March, along with a remarketing statement for the water revenue refunding bonds. Work with KPMG on a single audit report was also completed which is required whenever Metropolitan receives more than \$500,000 in federal funding in any one year.

**49371** Ethics Officer Ghaly referred to the Ethics Department activity report for March dated March 31, 2013, which was posted to the Directors' website.

Ethics Officer Ghaly stated that Metropolitan has achieved 100 percent compliance on the AB 1234 ethics training for Directors and designated employees. She reminded the Board of the continuing obligation of certification renewal every two years. Mrs. Ghaly referenced the change in the graphic on her monthly report.

Director Edwards moved, seconded by Director Fleming and carried, and the Board approved the Consent Calendar Items, **M.I. 49372** through **M.I. 49376**, as follows:

**49372** Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$310,000 (Appropriation No. 15438, No. 22, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized preliminary design to refurbish or replace eight radial gates on the Colorado River Aqueduct, as set forth in the letter signed by the General Manager on March 20, 2013.

**49373** Adopted the CEQA determination and (a) appropriated \$300,000 (Appropriation No. 15441, No. 54, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized final design of a cathodic protection system for the Allen-McColloch Pipeline, as set forth in the letter signed by the General Manager on March 26, 2013.

**49374** Adopted the CEQA determination and (a) appropriated \$135,000 (Appropriation No. 15452, No. 13, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized preliminary design of inlet flash mix chemical containment for Modules Nos. 3 and 4 at the Mills plant, as set forth in the letter signed by the General Manager on March 20, 2013.

**49375** Adopted the CEQA determination and (a) appropriated \$1.52 million (Appropriation No. 15480, No. 2, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) preliminary design of repairs to the Lakeview Pipeline; and (c) agreement with LSA Associates, in an amount not to exceed \$500,000, for preparation of environmental documentation, as set forth in the letter signed by the General Manager on March 27, 2013.

**49376** Adopted the CEQA determination and (a) appropriated \$1.39 million (Appropriation No. 15484, from the Replacement and Refurbishment Funds); and (b) authorized the PeopleSoft Human Capital Management and Enterprise Learning Management upgrade, as set forth in the letter signed by the General Manager on March 20, 2013.

**49377** Chairman Foley stated that Agenda Item 7-6, regarding the writing off of uncollectible cleanup and repair costs, has been withdrawn.

**49378** Finance and Insurance Committee Chairman Grunfeld moved, seconded by Board Vice Chairman J. Murray, that the Board adopt the CEQA determination and the following resolutions: (a) Resolution to impose the Readiness-to-Serve Charge; and (b) Resolution to impose the Capacity Charge, as set forth in the letter signed by the General Manager on March 25, 2013, said resolutions entitled:

**Resolution 9149** **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING A READINESS-TO-SERVE CHARGE EFFECTIVE JANUARY 1, 2014**

**Resolution 9150** **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING A CAPACITY CHARGE EFFECTIVE JANUARY 1, 2014**

Director Lewinger requested that the letter from the delegates of the San Diego County Water Authority addressed to Chairman Foley and members of the Board, dated April 8, 2013 regarding Board Memo 8-1, be made a part of the record. This letter is on file in the Office of the Board Executive Secretary.

Chairman Foley called for a vote on the motion to adopt the above-stated resolutions, which carried.

Directors Lewinger, Lowenthal, Mudd, Sanchez, Vasquez, and Wilson requested to be recorded as voting no.

**49379** Finance and Insurance Committee Chairman Grunfeld reported that the committee deferred Agenda Item 8-2, the agreement with the California Employees Retiree Benefit Trust Program for administration and investment of pre-funding for Other Post Employee Benefits.

**49380** Engineering and Operations Committee Chairman Evans moved, seconded by Board Vice Chairman Record and carried, that the Board adopt the CEQA determination and (a) appropriate \$3.3 million (Appropriation No. 15474, No. 2, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorize (b) preliminary design, permitting, and right-of-way planning for access improvements and pipeline protection in the Orange County region; (c) professional services agreement with Carollo Engineers, Inc. in an amount not to exceed \$400,000; and (d) professional services agreement with Riggs and Riggs, Inc. in an amount not to exceed \$100,000, as set forth in the letter signed by the General Manager on March 21, 2013.

**49381** Water Planning and Stewardship Committee Chairman De Jesus moved, seconded by Committee Vice Chairman Wright and carried, that the Board adopt the CEQA determination and (a) approve the proposed Foundational Actions Funding Program; and (b) direct staff to issue a Request for Proposals, as set forth in the letter signed by the General Manager on March 26, 2013.

Directors Lewinger, Mudd, and Wilson requested to be recorded as voting no.

**49382** Communications and Legislation Committee Chair Ackerman stated that the committee amended the recommendation and therefore moved, seconded by Director Mudd and carried, that the Board adopt the CEQA determination and authorize the General Manager to express Metropolitan's support, in concept, for SB 135 (Padilla, D-Pacoima), with the caveat that there be no authorization for Metropolitan to fund the warning system authorized by the legislation, as set forth in the letter signed by the General Manager on April 3, 2013.

**49383** Communications and Legislation Committee Chair  
Ackerman moved, seconded by Director Mudd and carried, that the Board adopt the CEQA determination and the CEQA Modernization Policy Principles as found in Attachment 1 to the board letter signed by the General Manager on April 3, 2013.

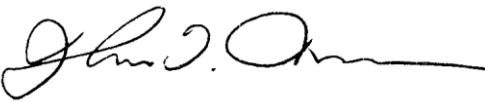
**49384** Communications and Legislation Committee Chair  
Ackerman moved, seconded by Director De Jesus and carried, that the Board adopt the CEQA determination and express support for AB 1156 (V. Perez, D-Coachella) - Palo Verde Irrigation District Act, as set forth in the letter signed by the General Manager on April 2, 2013.

**49385** Chairman Foley stated that there was no action taken by the Legal and Claims Committee on Agenda Item 8-8, the status of existing and anticipated litigation regarding plumbing leaks allegedly caused by copper corrosion.

**49386** Secretary Morris asked that the Meeting be adjourned in honor of the centennial anniversary of the city of San Marino.

**49387** Chairman Foley presented a memento to Board Vice Chairs De Jesus, Gray, Murray, Jr., and Record for their services.

**49388** There being no objection, Chairman Foley adjourned the Meeting at 12:19 p.m.



**JOHN T. MORRIS**

**SECRETARY**



**JOHN V. FOLEY**

**CHAIRMAN**

**Attachment 5**



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 [www.sdcwa.org](http://www.sdcwa.org)

March 7, 2013

John V. Foley, Chairman, and  
Members, Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

RE: Board Item 9-1 – Proposed Foundational Actions Funding Program

Dear Chairman Foley and Members of the Board:

We write to express our opposition to the concept of spending unbudgeted MWD ratepayer dollars on a “Foundational Actions Funding Program,” as described in Board Memo 9-1. We would also like to express again our frustration with management’s continued reliance on a badly outdated 2010 Integrated Resources Plan (IRP) to justify this and other unnecessary spending programs.

MWD’s 2010 IRP was based on providing a core water supply to meet 1.9 million to 2 million acre feet of MWD demand. In addition, the IRP includes the development of an extra “buffer” supply of as much as 500,000 acre feet of water annually -- over and above dry-year demand. On top of these supplies lie the so-called “foundational actions” deemed necessary to address future supply vulnerabilities and uncertainties.

MWD’s 2012 IRP implementation report published last October listed 10 action items MWD itself is carrying out under the foundational actions. This month’s memo also states that MWD’s core resources plan is “on track and is well positioned to meet future demands within an expected range of future conditions.” In light of these facts, it is difficult to understand why MWD is recommending additional unbudgeted expenditures to develop more local projects that it does not need and that would further dampen its own water sales. Aside from the moniker, these “foundational actions” will lead to the same kind of local projects MWD continues to subsidize through its Local Resource Projects program. The mere statement that, “the future is uncertain and under some conditions, additional water resources may need to be developed” is insufficient to justify any of these expenditures.

The State Auditor recently noted that MWD’s water sales are down by 25%, and that, as a result of reduced sales and other factors, MWD’s water rates have increased dramatically. In

### MEMBER AGENCIES

Carlsbad  
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook  
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain  
Municipal Water District

Otay Water District

Padre Dam  
Municipal Water District

Camp Pendleton  
Marine Corps Base

Rainbow  
Municipal Water District

Ramona  
Municipal Water District

Rincon del Diablo  
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center  
Municipal Water District

Vista Irrigation District

Yuima  
Municipal Water District

### OTHER REPRESENTATIVE

County of San Diego

addition, the updated Southern California Association of Governments (SCAG) Regional Transportation Plan shows significant demographic changes from previous estimates. Specifically, MWD's service area within SCAG jurisdiction shows demographic projections for the year 2025 include 1.2 million fewer people, 194,000 fewer households, 550,000 fewer jobs and a 4% reduction in median real household income than SCAG's previous projections. All these factors will further reduce retail water demands below those projected in MWD's IRP and 2010 Regional Urban Water Management Plan.

We renew past requests that management bring back to the board – so that the information will be available at the same time the board is being asked to approve expenditures on “foundational actions” – the following information:

- An update to the IRP that reflects current sales data and trends and the development of local water supplies by member agencies and others that were not accounted for in the 2010 IRP;
- An analysis and quantification of the nature and extent of the “uncertainty” and “unforeseen risks” the “foundational actions” are intended to address, over and above the spending programs called for in the IRP including the BDCP, conservation and local projects.

The types of projects that are enumerated as being the subject of the “foundational actions” are local water supply projects that will, when developed, represent a permanent reduction in MWD's water sales. With demands already reduced and with the proposed Bay Delta Conservation Plan on the drawing board, please address this next month in a board memo why management is nonetheless recommending these expenditures be made at this time.

Although we disagree with MWD establishing an unbudgeted program when there is clearly no justification, if the board chooses to adopt the program, it must make clear that the funding would be provided to all member agencies without any “rate structure integrity” constraints that are currently embedded in the LRP funding agreements.

The program criteria should also be revised to reflect the purported purpose of the foundational actions, i.e., approaches to long term water supply uncertainty. The criteria, as described on page 3 of the board memo, fail to do so or otherwise provide a substantive basis to distinguish between applicants for this new subsidy program. Furthermore, the program's process for project selection must be revised to assure that the technical experts on the selection panel are required to file FPPC Form 700 disclosure forms pursuant to MWD's Local Conflict of Interest Code. Conflict of interest laws are designed to preclude participation in governmental decisions where there may be a direct or indirect effect on a decision-maker's financial interests. Requiring disclosure of such interests by members of the selection panel will help assure compliance with conflict of interest laws.

Chairman Foley and Members of the Board

March 7, 2012

Page 3

Finally, we also request that management provide an analysis of the regional benefit of the "Foundational Actions Funding Program" sufficient to meet the requirements of Proposition 26.

Sincerely,



Keith Lewinger  
Director



Vincent Mudd  
Director



Fern Steiner  
Director



Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies

**Attachment 6**



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 [www.sdcwa.org](http://www.sdcwa.org)

April 8, 2013

John V. Foley, Chairman, and  
Members, Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

MEMBER AGENCIES

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South Bay Irrigation District

Vallecitos Water District

Valley Center  
Municipal Water District

Vista Irrigation District

Yuima  
Municipal Water District

OTHER  
REPRESENTATIVE

County of San Diego

RE: Board Item 8-4: Approve Foundational Actions Funding Program -- OPPOSE

Dear Chairman Foley and Members of the Board:

We write to OPPOSE the "Foundational Actions Funding Program," described in Board memo 8-4, for all of the reasons described in our March 7, 2013 letter, a copy of which is attached.

As unbudgeted expenditures, these costs were not included in the cost of service analysis purporting to support the water rates and charges that will actually be used to pay these costs. Moreover, there is no evidence to support MWD's claim that these expenditures provide a direct or regional benefit to any water ratepayers other than those who actually receive subsidies. MWD's proposed "program" and financial practices are not sufficient to meet the requirements of Proposition 26.

While we can see the appeal of this funding from MWD to an agency in these days of constrained budgets, this board has a responsibility to all of MWD's water ratepayers to ensure that MWD's water rates and charges are no higher than necessary. This certainly cannot be said of these unbudgeted, unallocated costs. Especially when MWD's "core resources plan is on track and is well-positioned to meet future demands," as clearly stated in the Board memo.

Sincerely,

Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager

San Diego County Water Authority Board of Directors and Member Agencies

Attachment: Water Authority Delegation Letter dated March 7, 2013



## San Diego County Water Authority

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(858) 522-6600 FAX (858) 522-6568 [www.sdcwa.org](http://www.sdcwa.org)

March 7, 2013

John V. Foley, Chairman, and  
Members, Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

RE: Board Item 9-1 – Proposed Foundational Actions Funding Program

Dear Chairman Foley and Members of the Board:

We write to express our opposition to the concept of spending unbudgeted MWD ratepayer dollars on a “Foundational Actions Funding Program,” as described in Board Memo 9-1. We would also like to express again our frustration with management’s continued reliance on a badly outdated 2010 Integrated Resources Plan (IRP) to justify this and other unnecessary spending programs.

MWD’s 2010 IRP was based on providing a core water supply to meet 1.9 million to 2 million acre feet of MWD demand. In addition, the IRP includes the development of an extra “buffer” supply of as much as 500,000 acre feet of water annually -- over and above dry-year demand. On top of these supplies lie the so-called “foundational actions” deemed necessary to address future supply vulnerabilities and uncertainties.

MWD’s 2012 IRP implementation report published last October listed 10 action items MWD itself is carrying out under the foundational actions. This month’s memo also states that MWD’s core resources plan is “on track and is well positioned to meet future demands within an expected range of future conditions.” In light of these facts, it is difficult to understand why MWD is recommending additional unbudgeted expenditures to develop more local projects that it does not need and that would further dampen its own water sales. Aside from the moniker, these “foundational actions” will lead to the same kind of local projects MWD continues to subsidize through its Local Resource Projects program. The mere statement that, “the future is uncertain and under some conditions, additional water resources may need to be developed” is insufficient to justify any of these expenditures.

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County of San Diego

addition, the updated Southern California Association of Governments (SCAG) Regional Transportation Plan shows significant demographic changes from previous estimates. Specifically, MWD's service area within SCAG jurisdiction shows demographic projections for the year 2025 include 1.2 million fewer people, 194,000 fewer households, 550,000 fewer jobs and a 4% reduction in median real household income than SCAG's previous projections. All these factors will further reduce retail water demands below those projected in MWD's IRP and 2010 Regional Urban Water Management Plan.

We renew past requests that management bring back to the board – so that the information will be available at the same time the board is being asked to approve expenditures on “foundational actions” – the following information:

- An update to the IRP that reflects current sales data and trends and the development of local water supplies by member agencies and others that were not accounted for in the 2010 IRP;
- An analysis and quantification of the nature and extent of the “uncertainty” and “unforeseen risks” the “foundational actions” are intended to address, over and above the spending programs called for in the IRP including the BDCP, conservation and local projects.

The types of projects that are enumerated as being the subject of the “foundational actions” are local water supply projects that will, when developed, represent a permanent reduction in MWD's water sales. With demands already reduced and with the proposed Bay Delta Conservation Plan on the drawing board, please address this next month in a board memo why management is nonetheless recommending these expenditures be made at this time.

Although we disagree with MWD establishing an unbudgeted program when there is clearly no justification, if the board chooses to adopt the program, it must make clear that the funding would be provided to all member agencies without any “rate structure integrity” constraints that are currently embedded in the LRP funding agreements.

The program criteria should also be revised to reflect the purported purpose of the foundational actions, i.e., approaches to long term water supply uncertainty. The criteria, as described on page 3 of the board memo, fail to do so or otherwise provide a substantive basis to distinguish between applicants for this new subsidy program. Furthermore, the program's process for project selection must be revised to assure that the technical experts on the selection panel are required to file FPPC Form 700 disclosure forms pursuant to MWD's Local Conflict of Interest Code. Conflict of interest laws are designed to preclude participation in governmental decisions where there may be a direct or indirect effect on a decision-maker's financial interests. Requiring disclosure of such interests by members of the selection panel will help assure compliance with conflict of interest laws.

Chairman Foley and Members of the Board

March 7, 2012

Page 3

Finally, we also request that management provide an analysis of the regional benefit of the "Foundational Actions Funding Program" sufficient to meet the requirements of Proposition 26.

Sincerely,



Keith Lewinger  
Director



Vincent Mudd  
Director



Fern Steiner  
Director



Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies

**Attachment 7**



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

9/10/2013 Board Meeting

8-2

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**Subject**

Authorize staff to enter into funding agreements for Foundational Actions Funding Program proposals

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**Executive Summary**

In May 2013, Metropolitan issued a Request for Proposals (RFP) under a pilot Foundational Actions Funding Program (FAF Program) for technical studies and pilot projects that reduce barriers to future production of recycled water, stormwater, seawater desalination, and groundwater resources. Funding these actions will help Metropolitan maintain its reliability goals, as outlined in the Integrated Water Resources Plan 2010 Update (2010 IRP Update).

Metropolitan received 23 proposals, a total matching funding request of \$5.1 million, from 17 different member agencies. Metropolitan assembled a technical review panel composed of three Metropolitan staff and two independent experts to compare the proposals for consistency with program objectives and criteria. The review panel compared all of the proposals with the criteria outlined in the RFP, and found that 16 of the proposals matched all of the objectives established by the Board of Directors for the FAF Program. The matching funding for these 16 programs would be \$3.3 million. Staff recommends that the Board authorize funding agreements for these 16 proposals.

---

**Details**

**Foundational Actions Funding Program Background**

Metropolitan's 2010 IRP Update established a planning framework, including a core resources program that is designed to ensure the region's reliability into the future. The 2010 IRP Update also recognized that the future is uncertain and under some conditions, additional water resources may need to be developed. Addressing this future uncertainty, the 2010 IRP Update established Foundational Actions, which are low-risk, preliminary actions that can be taken to ensure the region will be ready to implement new water supply programs, should the need arise.

In April 2013, Metropolitan's Board approved a two-year pilot program to begin funding some of these Foundational Actions. Actions proposed under the FAF Program consist of technical studies or pilot projects pertaining to recycled water (including direct and indirect potable reuse), seawater desalination, stormwater, or groundwater. As one component of the overall IRP Foundational Actions strategy, actions funded under the FAF Program help enable effective future resource planning, reduce barriers to future water resource production, and:

- advance the field of knowledge for future water resource production
- provide results that are unique, yet transferable to other areas in the region
- represent a catalytic/critical path to water resource implementation

**Foundational Actions Funding Program 2013 RFP**

In May 2013, Metropolitan issued an RFP for member agencies to submit proposals for consideration under the FAF Program ([Attachment 1](#)). Member agencies could request up to \$500,000 of funding, which they are required to match dollar-for-dollar with non-Metropolitan funds.

Metropolitan assembled a technical review panel composed of three Metropolitan staff and two independent experts to compare the proposals for consistency with program objectives and criteria. The review panel performed an independent review of each proposal. Once reviews were completed, the panel collectively compared findings and reached a consensus on projects. The panel indicated that 16 of the projects matched all of the program criteria established by the Board. [Attachment 2](#) contains a list of panel members and an affidavit from the review panel confirming the findings. Each proposal was compared with the following criteria:

- Work Plan/Schedule: Clear that the proposed actions can be implemented successfully; objectives achievable on time and within budget.
- Costs: Cost effective work plan budget; ready to proceed with matching funds.
- Reduces Barriers to Future Production: Critical to resource implementation and planning efforts; advances the field of knowledge for development of future water resources; unique and innovative; increases future local supply potential.
- Regional Benefit/Applicability: Transferable to other areas of the region and may provide other benefits.

### Funding Recommendations for the FAF Program 2013 RFP

Based on the technical review panel results, staff recommends that Metropolitan enter into agreements to fund the 16 proposals that matched all of the FAF Program criteria established by the Board of Directors, for a total funding level of \$3.3 million. Table 1 provides an overview of the results concerning the recommended proposals.

**Table 1**

Recommended Proposals	16
Member Agencies Participating	14*
Total Funding Requested	\$3.3 Million
Resources Represented	
Groundwater	6
Recycled Water	6
Seawater Desalination	2
Stormwater	2

\*Nine member agencies as lead agencies; an additional five member agencies as participating funders.

These proposals would be evaluating new water treatment technologies, developing data to inform regulations, studying options for infrastructural innovation, and identifying future resource potential. Further detail about each recommended proposal may be found in [Attachment 3](#).

Through successful completion of the proposals, Metropolitan expects to reduce barriers and enhance regional understanding of the challenges and technical requirements necessary to develop future water supplies.

### Next Steps

If the Board authorizes funding agreements for the recommended proposals, staff will enter into agreements with the applicable member agencies for the work outlined in these proposals. All agreements must be signed by the recipient by November 15, 2013; work initiated by January 31, 2014; and final reports are due to Metropolitan staff by February 1, 2016. A final report on the progress of the actions and evaluation of the FAF Program will be submitted to the Board.

## Policy

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By Minute Item 48449 dated October 12, 2010, the Board adopted the CEQA determination and the 2010 Integrated Resources Plan Update, as set forth in the letter signed by the General Manager on September 29, 2010.

By Minute Item 49381 dated April 9, 2013, the Board adopted the CEQA determination, approved the proposed Foundational Actions Funding Program, and directed staff to issue a Request for Proposals.

## California Environmental Quality Act (CEQA)

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CEQA determination for Option #1:

The proposed action to enter into agreements for the 16 recommended proposals totaling \$3.3 million is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. Metropolitan has reviewed and considered the projects proposed for funding. The detailed proposal descriptions are in [Attachment 3](#). The proposals consist of basic data collection and resource evaluation activities, which do not result in a serious or major disturbance to an environmental resource. These activities 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).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under a Categorical Exemption (Class 6, Section 15306 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

## Board Options

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### Option #1

Adopt the CEQA determination that the proposed action is categorically exempt and direct staff to enter into funding agreements for the recommended 16 proposals totaling \$3.3 million.

**Fiscal Impact:** A total of \$3.3 million would be committed to funding these proposals, with 25 percent withheld contingent on delivery of a final report.

**Business Analysis:** Implementing the recommended proposals under the Foundational Actions Funding Program would allow the region to better understand and reduce the barriers to future implementation of resources, should they be needed.

### Option #2

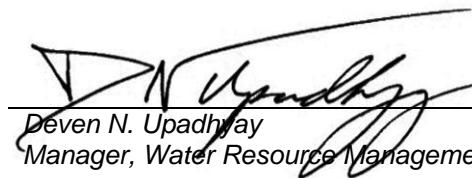
Do not approve funding recommendations.

**Fiscal Impact:** None

**Business Analysis:** Not approving the recommended proposals under the Foundational Actions Funding Program would result in no short-term changes for the region, but may affect potential water supply options in the future.

**Staff Recommendation**

Option #1



Deven N. Upadhyay  
Manager, Water Resource Management

8/21/2013 Date



Jeffrey Kightlinger  
General Manager

8/28/2013 Date

**Attachment 1 – 2013 Request for Proposals for Foundational Actions Funding Program****Attachment 2 – Review Panel Members and Panel Affidavit****Attachment 3 – Detailed Proposal Descriptions**

Ref# wrm12624392

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**  
**Water Resource Management Group**

**2013 Request for Proposals for  
Foundational Actions Funding Program**



**KEY DATES**

Request for Proposals (RFP) Issued.....May 6, 2013  
Pre-proposal Workshop.....May 20, 2013 @ 10:00 a.m.  
Proposal Due By.....July 3, 2013 @ 11:00 a.m.

**NOTICE**

A non-mandatory pre-proposal workshop will be held May 20, 2013, from 10:00 a.m. to 12:00 p.m. at Metropolitan Headquarters, Union Station 700 North Alameda Street, Los Angeles, CA 90012, Room US2-145.

All potential applicants are encouraged to attend.

Metropolitan Contact: Stacie N. Takeguchi  
E-mail Address: [stakeguchi@mwdh2o.com](mailto:stakeguchi@mwdh2o.com)

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## SECTION 1: INFORMATION FOR MEMBER AGENCIES

This Request for Proposals (RFP) is designed to promote an objective process for distributing funds for technical studies or pilot projects to enable effective future resource planning and potential development of recycled water, seawater desalination, stormwater, and groundwater enhancement. This RFP contains information concerning the 2013 Foundational Actions Funding Program objectives, who can submit, funding, schedule, and review process. The Metropolitan Water District of Southern California (Metropolitan) invites its Member Agencies to submit a proposal for the program described herein.

### **1.1 Objective**

Metropolitan has proposed a Foundational Action Funding (FAF) Program to help address regional funding needs for actions that reduce barriers to future water resource production, and:

- Advance the field of knowledge for future water resource production.
- Provide results that are unique, yet transferable to other areas in the region.
- Represent a catalytic/critical path to water resource implementation.

Metropolitan's 2010 Integrated Water Resources Plan (2010 IRP Update) established a planning framework, including a core resources program, that is designed to ensure the region's reliability into the future. The 2010 IRP Update also recognized that the future is uncertain and under some conditions, additional water resources may need to be developed. Addressing this future uncertainty, the 2010 IRP Update established Foundational Actions, which are low-risk, preliminary actions that can be taken to ensure the region will be ready to implement new water supply programs, should the need arise. This FAF Program represents one component of the overall IRP Foundational Actions strategy.

### **1.2 Description**

Actions proposed under the FAF Program would consist of technical studies or pilot projects to enable effective future resource planning and potential implementation for the following resources (in no particular order):

- Recycled water (including direct and indirect potable reuse)
- Seawater desalination
- Stormwater
- Groundwater enhancement

These actions are meant to identify and investigate opportunities to develop future water resources. Examples of studies under the FAF Program may include, but are not limited to:

- determination of optimal desalination integration practices or treatment processes
- assessment of the stormwater runoff quantity potential in a region and its effect on groundwater production yields
- analysis of how to maximize opportunities for indirect potable reuse
- study of how to reduce barriers to direct potable reuse

- study to support permitting agencies in establishing policies and regulatory criteria for future regional water resources
- analysis of the ability for reduced brine-discharge approaches to help improve resource availability
- study of basin-wide water quality management programs and their impact on improved groundwater yields.

FAF Program would not include:

- funding CEQA documentation for projects
- existing studies or projects
- acquisition of property
- design of full-scale projects
- construction of full-scale projects

### **1.3 Who Can Submit?**

The RFP is open to Metropolitan Member Agencies (Member Agencies). Member Agencies may partner with other Member Agencies or with other entities, but the proposal must be submitted by one designated lead Member Agency.

### **1.4 Funding**

Member Agencies may submit proposal funding requests up to \$500,000 per agency or a given proposal. If a Member Agency submits multiple proposals, that Member Agency must indicate the priority ranking of each proposal. If partnering on a proposal, the Member Agency submitting the proposal shall be responsible for any priority ranking of multiple proposals from that Member Agency. A proposal may only be submitted once. Also, if partnering on a proposal, a breakdown of each member agency's funding request and respective monetary match is required and will be used to track that agency's total funding request (see Section 2.2F). Each proposal requires a non-Metropolitan monetary match of at least 100 percent of the Metropolitan funded amount. Funding will not be provided for any work that will not allow results to be released to the public.

### **1.5 Anticipated Process Schedule**

Date	Milestone
<b>05/06/13</b>	Release of RFP
<b>05/20/13</b>	Non-mandatory Pre-proposal Workshop
<b>05/22/13</b>	Questions for Clarification Closes at 11:00 a.m.
<b>07/03/13</b>	<b>RFP Proposals Due By 11:00 a.m.</b>
<b>09/17/13</b>	Proposal Awards (Contingent Upon Board Action)
<b>11/15/13</b>	Agreement Signed by Recipient Due
<b>01/31/14</b>	Work Initiation Deadline
<b>02/01/16</b>	Final Report Deadline

**1.6 Non-mandatory Pre-proposal Workshop**

1. A pre-proposal workshop will be held from 10:00 a.m. to 12:00 p.m., Monday, May 20, 2013, at Metropolitan's Headquarters at 700 North Alameda Street, Los Angeles, CA 90012, in Room US2-145. Metropolitan will discuss the details of the FAF Program RFP and answer questions. Written questions regarding this RFP may be submitted from the release of the RFP to one week following the pre-proposal workshop (see Questions for Clarification section).
2. While attendance is not mandatory, all interested parties and prospective applicants are encouraged to attend. Attendees are invited to present relevant questions at the pre-proposal workshop.
3. Metropolitan headquarters is located next to the Los Angeles Union Station with many public transportation options. There are also numerous parking lots nearby ([http://mwdh2o.com/mwdh2o/pages/about/union\\_station\\_parking\\_map.pdf](http://mwdh2o.com/mwdh2o/pages/about/union_station_parking_map.pdf)). Parking will not be validated. Sign in at the front desk for a temporary badge and the location of the workshop. Allow sufficient time to sign in and locate the workshop.

**1.7 Questions for Clarification**

Address questions for clarification regarding this RFP in writing via e-mail to **Ms. Stacie Takeguchi at [stakeguchi@mwdh2o.com](mailto:stakeguchi@mwdh2o.com)** by 11:00 a.m., May 22, 2013. As appropriate, Metropolitan will provide responses to questions, information updates, and RFP addendums through a link near the bottom of the main page of Metropolitan's website, [www.mwdh2o.com](http://www.mwdh2o.com).

**1.8 General Proposal Information**

1. Applicants are encouraged to carefully review this RFP in its entirety prior to preparation of the proposal.
2. All proposals submitted will become the property of Metropolitan.
3. Applicants may modify or amend its proposals only if Metropolitan receives the amendment prior to the deadline stated herein for receiving proposals.
4. A proposal may be considered non-responsive if conditional, incomplete, or if it contains alterations of form, additions not called for, or other irregularities that may constitute a material change to the proposal.
5. Additional copies of the RFP may be downloaded through a link near the bottom of the main page of Metropolitan's website at: [www.mwdh2o.com](http://www.mwdh2o.com).

**1.9 Rights Reserved to Metropolitan**

Metropolitan reserves the right to:

1. Reject any and all proposals and revise terms and conditions, and elect to not award full program funding.
2. Select the proposal(s) most advantageous to Metropolitan.
3. Verify all information submitted in the proposal.

4. Cancel this solicitation at any time without prior notice and furthermore, makes no representations that any contract will be awarded to any applicant responding to this RFP.
5. Negotiate the final contract with any applicant(s) as necessary to serve the best interests of Metropolitan.
6. Amend the RFP.
7. Amend the final contract to incorporate necessary attachments and exhibits or to reflect negotiations between Metropolitan and the successful recipient(s).

#### **1.10 Validity**

Proposals must be valid for a period of at least 12 months from the closing date and time of this RFP. Once submitted, the proposal shall be considered to be property of Metropolitan and may not be physically withdrawn after the submission date. However, the applicant may request for the submitted proposal not to be considered for funding prior to the funding award.

#### **1.11 Confidentiality**

1. Metropolitan is subject to the Public Records Act, California Government Code Section 6250 et. seq. As such, all required submittal information is subject to disclosure to the general public. Consequently, unless specifically required by the solicitation, the applicant should not submit personal data such as driver's license information, social security numbers, etc. to avoid the possibility of inadvertent disclosure of this personal information. Please note that Metropolitan cannot consider proposals marked confidential in their entirety.
2. The applicant may provide supplemental information exempt from public disclosure under Gov. Code § 6254, including "trade secrets" under Evidence Code § 1060. Such supplemental information **shall not be material** to the required submittal information and Metropolitan shall be under no obligation to consider such supplemental information in its evaluation.
3. If submitting confidential, supplemental information, such information should be sectioned separately from the rest of the submittal and clearly marked "Confidential." Upon completion of its evaluation, Metropolitan will destroy any confidential, supplemental information submitted, or return such information to the applicant if so requested.

#### **1.12 Evaluation and Selection Process**

1. Proposals will be evaluated by an independent review panel comprised of Metropolitan and non-Metropolitan professionals familiar with water resources in Southern California. The review panel will ensure compliance with the FAF Program objectives and eligibility, and evaluate each proposal based on selection criteria as described further in this document. Metropolitan staff will review the panel suggestions and develop a list of recommended proposals and funding levels for Metropolitan's Board of Directors (Board) approval.

2. During the evaluation process, the review panel may request clarification, as necessary, from the applicant. Applicant(s) should not misconstrue a clarification request as negotiations.
3. If similar proposals, or proposals that would provide similar results, are submitted, then only one eligible proposal may be selected for funding. Also, if multiple proposals are submitted that could be collectively part of an overall study/project, then only one eligible proposal may be selected for funding.
4. Review panel may elect to have the applicant interview or give an oral presentation. Applicant(s) must be prepared for the interview or to give their presentation within five business days of the request by review panel. The review panel may ask questions about the applicant's written proposal and other issues regarding the scope of work. The interview may be evaluated as part of the proposal.

#### **1.13 Agreement Process**

1. After proposals are selected for program participation, Metropolitan will enter into agreements upon successful contract negotiations. Funding may be withdrawn if agreements are not signed by the recipient within three months of proposal selection.
2. Metropolitan may negotiate proposal scope and funding changes if deemed beneficial.
3. Recipients must submit quarterly progress reports (including invoices), interim study/project documents, and a final report documenting study/project results, other findings, and recommendations for future action. Recipients must also submit a brief update report annually for a period of five years, summarizing related post-grant activities.
4. Performance provisions may be incorporated into the program agreements. These provisions would allow Metropolitan to adjust or withdraw financial commitments to the proposal based on performance.
5. Funding will be provided quarterly based on submitted progress reports, invoices, and appropriate documentation. The non-Metropolitan funding match must equal or exceed the Metropolitan funded amount per quarterly progress payment. A minimum 25 percent withholding is required until a final report is accepted by Metropolitan.
6. Final reports must be completed and submitted no later than **February 1, 2016**, unless extended by Metropolitan. Final payment will be made within 60 days of acceptance of final report.

#### **1.14 Negotiations**

Negotiations regarding agreement terms, conditions, work plan, schedule, and funding may or may not be conducted with the applicant. If Metropolitan engages the applicant in negotiations and satisfactory agreement provisions cannot be reached, then negotiations may be terminated.

#### **1.15 Selection Criteria**

The review panel will use the criteria provided below to evaluate proposals and make its selection recommendations. In addition, the review panel will identify and weigh each proposal's significant strengths, weaknesses, and miscellaneous issues.

Recommendations will reflect the collective findings of the review panel. To be qualified for funding, proposals must satisfy each criterion category and subcategory listed as follows and in Section 2.2 of this document. The order of the listed criteria is not indicative of their priority, weighting, or importance.

**Criteria:**

1. Work Plan/Schedule
2. Costs
3. Reduces Barriers to Future Production
4. Regional Benefit/Applicability

The selection criteria are described further in Section 2.2 of this document.

## SECTION 2: PROPOSAL INSTRUCTIONS

The following format and content requirements shall be adhered to for proposals to be considered responsive. Applicants should use the numbering and lettering system outlined in these guidelines. Concise informative proposals within the page limitations are encouraged.

### 2.1 Format Guidelines

- The proposal must be on white 8 1/2" x 11" size paper with black text in a 12-point font, and table/graphics with text no smaller than a 10-point font.
- Proposals shall be no more than 20 single-sided pages, including attachments.
- Proposals must be stapled on the upper left hand corner; no other type of binding will be accepted.
- Provide one original and six hard copies of the proposal.
- An electronic copy of the proposal must be submitted on a CD in Microsoft Word format. Do not include video or other additional media.
- Proposals shall be clear, accurate, and comprehensive. Excessive or irrelevant materials will not be favorably received.
- **Proposals that are not in conformance with these formatting requirements and the following content requirements may be deemed non-responsive and rejected.**

### 2.2 Content Requirements

Proposals shall be organized and lettered in the order presented below:

- A. Executive Summary Letter
- B. Entities Participating in Proposal
- C. Key Individuals
- D. Proposal Description
- E. Criteria One – Work Plan / Schedule
- F. Criteria Two – Costs
- G. Criteria Three – Reduces Barriers to Future Production
- H. Criteria Four – Regional Benefit / Applicability

#### A. Executive Summary Letter

This letter shall be a brief, formal signed letter from the applicant Member Agency (and any partnering Member Agency(s)). This letter shall provide a brief description of the proposal, and information regarding the organization and its ability to meet the objectives and requirements of this RFP.

The letter should be signed by an individual(s) authorized to bind the proposing Member Agency and shall identify all materials and enclosures being forwarded in response to this RFP.

An unsigned Executive Summary Letter may be grounds for rejection. The letter must include the following language:

**I am informed and believe that the information contained in this proposal is true and that the supporting data is accurate and complete.**

Please include the following information in your letter:

Name of Proposal	
Water Resource Category (Recycled Water, Seawater Desalination, Stormwater, Groundwater)	
Member Agency Name(s) (As it appears on W-9 Tax form)	
Federal ID #	
Address	
City, State & Zip	
Main Telephone	
Contact Name	
Contact Telephone	
Contact E-mail Address	
Website Address (if applicable)	

**B. Entities Participating in Proposal**

- List other entities participating in proposal.
- Provide support letters from necessary participants (not considered as part of the 20-page limit for proposals).

**C. Key Individuals**

- Proposal participants / cooperating agencies
- Identify key individuals including program manager and management team
  - Name, title
  - Title
  - Phone Number
  - Mailing address
  - Fax Number
  - E-mail Address
  - Relevant experience

**D. Proposal Description**

Provide a concise summary that includes an overall description of the proposal, conveying a clear understanding of the proposal's goals and objectives.

**E. Criteria One – Work Plan / Schedule**

Provide a detailed work plan describing each proposed task and deliverable, and how proposal success will be measured. If partnering on a proposal with other entities, describe the role/involvement of each partner and their relationship to the proposal. Describe factors that may affect the feasibility of implementing the proposal. Also provide a description of the technical expertise and overall strength of the proposal team.

Cite proposed schedule including start date (no later than January 31, 2014), tasks, deliverables, reports, completion date (no later than February 1, 2016), and other key milestone dates. Identify components and tasks that could be broken out to allow funding to be provided for a particular activity or combination of activities. The description must clearly describe how funds would be used.

The following includes additional information and instruction for evaluation:

- Work plan and schedule needs to include adequate detail and completeness so that it is clear that the proposed actions can be implemented and proposal success can be measured. Identify potential challenges, issues, and prerequisites related to proposal implementation, and describe how they will be addressed.
- Describe how the proposal objectives can be achieved in the stated time period with the allotted personnel and budget.

**F. Criteria Two – Costs**

Provide a cost breakdown of the work plan consistent with the schedule. This should be itemized in tabular form (see following tables). Each work plan task should include a breakdown of the applicant's monetary funding match, source of the funding match (e.g., name of the Member Agency, outside grant agency, etc.), and requested Metropolitan funds. Do not include any in-kind services. If partnering with other Member Agencies, provide separate cost tables for each Member Agency and a proposal total cost table. For each cost table, the grand total non-Metropolitan funding match must equal or exceed the Metropolitan funded amount requested. Also provide a list summarizing all sources of the funding match, their respective monetary contribution, and status of the funding match (e.g., funding budgeted and approved by the Member Agency's Board of Directors, grant received, applying for grant, etc.). Include supporting information for the budget (such as labor categories, hourly rates, labor time estimates, materials and supplies, and subcontractor/consultant quotes) and also for the status of the matching funds.

Cost Table Example – Member Agency 1				
Cost Category	Non-Metropolitan Share (Funding Match)		Requested Funding	Total
	Source	Amount		
(a) List proposed tasks on separate lines				
(b) Proposed Task				
(c) ...				
Grand Total	--			

Cost Table Example – Member Agency 2				
Cost Category	Non-Metropolitan Share (Funding Match)		Requested Funding	Total
	Source	Amount		
(a) List proposed tasks on separate lines				
(b) Proposed Task				
(c) ...				
Grand Total	--			

Cost Table Example – Proposal Total				
Cost Category	Non-Metropolitan Share (Funding Match)		Requested Funding	Total
(a) List proposed tasks on separate lines				
(b) Proposed Task				
(c) ...				
Grand Total				

The following includes additional information and instruction for evaluation:

- Describe the cost effectiveness of the proposed work plan budget.
- Describe the readiness to proceed with the matching funds, and how the matching funds will be committed by the Member Agency before the Member Agency signs the FAF Program agreement.

#### G. Criteria Three – Reduces Barriers to Future Production

In this section, applicant shall describe in narrative form the following:

- Describe how the proposed actions are critical to resource implementation and planning efforts. If applicable, include how the proposed actions expedite future permitting or facilitate beneficial regulations for future water resources.
- Describe how these actions will advance the field of knowledge for development of future water resources. Include how the results of the proposed actions could be used in future research.

- Describe how these actions are unique and innovative. Describe the current state of technology, and include any completed or ongoing similar studies and how proposed actions differ (include a literature search summary).
- Describe how the proposed actions increase future local supply potential.

#### H. Criteria Four – Regional Benefit / Applicability

In this section, applicant shall describe in narrative form the following:

- Describe how the results of this proposal would apply to Metropolitan's member agencies, retail agencies, and regional stakeholders (transferable to other areas of the region). If applicable, describe other benefits, such as environmental, water quality, energy, wastewater, infrastructure, etc.

#### 2.3 Submittal Instructions

Proposals for this RFP will be accepted at the following address:

<u>By Mail</u>	<u>In Person or by Courier</u>
The Metropolitan Water District of Southern California Water Resource Management Group P.O. Box 54153 Los Angeles, CA 90054-0153	The Metropolitan Water District of Southern California Water Resource Management Group 700 North Alameda Street Los Angeles, CA 90012
Attn.: Business Resource Center Desk, US 5-113	Attn.: Business Resource Center Desk, US 5-113 – Telephone (213) 217-6000
RFP for Foundational Actions Funding Program	RFP for Foundational Actions Funding Program

Proposals received after the stated time and date will be considered late and will be automatically rejected by Metropolitan. The applicant is **solely responsible to ensure that its proposal is submitted correctly both in form and content and within the stipulated deadline**. Proposals that are late will be deemed non-responsive and not considered during the evaluation process.

**Proposals will be received until 11:00 a.m., July 3, 2013.**

Review Panel Members and Panel Affidavit

**Paul R. Brown**

President, Paul Redvers Brown Inc.

**Heather L. Collins**

Section Manager, Metropolitan Water District

**Robert L. Harding**

Unit Manager, Metropolitan Water District

**Michael J. McGuire, PhD, PE**

President, Michael J. McGuire, Inc.

**Brent M. Yamasaki**

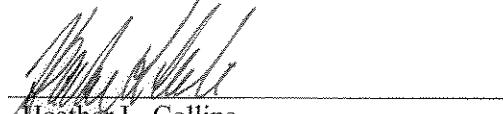
Section Manager, Metropolitan Water District

**Affidavit for Review Panelists**

The undersigned members of the Review Panel for the Foundational Actions Funding Program 2013 RFP objectively reviewed the proposals to ensure compliance with the FAF Program objectives and eligibility requirements, and confirm the collective findings of the Review Panel.



Paul R. Brown  
Consultant



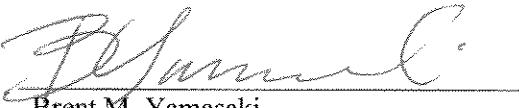
Heather L. Collins  
Section Manager



Robert L. Harding  
Unit Manager



Michael J. McGuire  
Consultant



Brent M. Yamasaki  
Section Manager

## Proposal Descriptions

Water Resource	Proposal Name	Lead Agency (Participating Agencies)	Amount Requested	Brief Proposal Description
<b>Recommended Projects</b>				
Groundwater	Pilot Scale Groundwater Desalter Brine Concentrator Study	Eastern Municipal Water District	\$ 192,214	<ul style="list-style-type: none"> <li>Evaluate the performance of AquaSel Technology in concentrating brine from groundwater desalters</li> <li>Demonstrate AquaSel as a cost-effective approach to increase the recovery of potable water from brackish groundwater</li> </ul>
	Enhanced Research Using Reduction-Coagulation-Filtration (RCF) for Hexavalent Chromium Removal	City of Glendale	\$ 180,000	<ul style="list-style-type: none"> <li>Assess the impact of reduction time and iron dose on the reduction/coagulation/filtration (RCF) process for chromium 6 removal</li> <li>Evaluate the cost competitiveness of enhanced RCF compared to other chromium 6 treatment technologies</li> </ul>
	Pilot Scale Biological Treatment Process (BIOTTA) for the Removal of TCE, TCP, DBCP, Nitrates	Inland Empire Utilities Agency	\$ 239,600	<ul style="list-style-type: none"> <li>Conduct a Pilot Scale Biological Treatment Process (BIOTTA) to evaluate groundwater contaminant removal using indigenous bacteria</li> </ul>
		Western Municipal Water District	\$ 175,600	<ul style="list-style-type: none"> <li>Develop final design criteria for a full-scale BIOTTA system</li> </ul>
	San Juan Basin Groundwater and Desalination Optimization Program	Municipal Water District of Orange County	\$ 200,000	<ul style="list-style-type: none"> <li>Evaluate potential conjunctive use of stormwater, recycled water, and desalination in small basins with impaired groundwater quality</li> <li>Model groundwater extraction barriers, identify issues related to program elements</li> <li>Develop design and operations criteria and alternatives</li> </ul>
	Study to Evaluate Indirect Potable and Pathogen Removal	San Diego County Water Authority	\$ 125,000	<ul style="list-style-type: none"> <li>Evaluate the feasibility of IPR through a technical study of pathogen removal in water reclamation facilities, focusing on the first phase of treatment</li> <li>Reduce barriers and overall costs to IPR implementation</li> </ul>
Recycled Water	Tracer Alternative Research Project	West Basin Municipal Water District	\$ 85,250	<ul style="list-style-type: none"> <li>Study potential alternative groundwater tracers to SF<sub>6</sub> that would be functional, easy to trace, safe for groundwater and the environment</li> <li>Potential tracers include xenon, krypton, and isotopically-enriched tracers</li> </ul>
	Pilot Scale 3-D Fluorescence Excitation-Emission Matrix to Enhance Recycled Water	Inland Empire Utilities Agency	\$ 25,000	<ul style="list-style-type: none"> <li>Further the development of 3D-EMM technology by illustrating its usefulness in characterizing the reduction of residual trace bulk organics in groundwater having a recycled water component</li> <li>Develop a monitoring method to allow additional recycled water recharge and update blending requirements</li> </ul>
		Western Municipal Water District	\$ 25,000	
	Recycled Water Intertie Study	Inland Empire Utilities Agency	\$ 12,500	<ul style="list-style-type: none"> <li>Address permitting, political, and economic issues associated with a recycled water intertie from two separate wastewater treatment systems</li> </ul>
		Western Municipal Water District	\$ 12,500	

## Proposal Descriptions

Water Resource	Proposal Name	Lead Agency (Participating Agencies)	Amount Requested	Brief Proposal Description
Recycled Water	RMWD San Vicente Water Reclamation Plant Recycled Water Brine Reduction Study and Pilot Project	San Diego County Water Authority	\$ 75,000	<ul style="list-style-type: none"> <li>Analyze available technologies to minimize brine volumes and concentrate brine flows</li> <li>Define analysis of brine minimization in RMWD's storage pond and provide a system with highest cost to benefit ratio</li> </ul>
	Validating Monitoring Technologies to Ensure Integrity in Potable Reuse	San Diego County Water Authority	\$ 150,000	<ul style="list-style-type: none"> <li>Evaluate various on-line monitoring tools for application to potable reuse and assess the effectiveness of monitoring on a Full Advanced Treatment process</li> <li>Develop a regulatory framework for implementing DPR</li> </ul>
	Development of an Innovative IPR Treatment Train to Maximize Recycled Water Recharge and Minimize Blending Requirements	Upper San Gabriel Valley Municipal Water District	\$ 150,000	<ul style="list-style-type: none"> <li>Investigate and optimize TOC attenuation through ozone and biologically activated carbon (BAC) followed by soil aquifer treatment for IPR</li> <li>Evaluate efficacy of using O<sub>3</sub>/BAC to increase recycled water contribution</li> </ul>
	Direct Potable Reuse (DPR) Research Initiative	West Basin Municipal Water District	\$ 100,000	
		Burbank Water and Power	\$ 20,000	
		City of Torrance	\$ 30,000	
		Eastern Municipal Water District	\$ 50,000	
		Las Virgenes Municipal Water District	\$ 50,000	<ul style="list-style-type: none"> <li>Develop a smart water system that integrates diverse sensors for immediate feedback</li> <li>Establish a framework communication plan for achieving DPR acceptance for California</li> <li>Conduct hazard assessment for key unit operations and evaluate upstream wastewater treatment impacts</li> </ul>
		Municipal Water District of Orange County	\$ 100,000	
		Three Valleys Municipal Water District	\$ 50,000	
		Upper San Gabriel Valley Municipal Water District	\$ 50,000	
		Western Municipal Water District	\$ 50,000	
Seawater Desalination	Overcoming Barriers to Slant Well Seawater Desalination - Siting, Groundwater, Water Quality and Treatment	Municipal Water District of Orange County	\$ 200,000	<ul style="list-style-type: none"> <li>Assess current slant well technology and address coastal geotechnical and environmental risks</li> <li>Model groundwater flow/water quality, study well site options and analyze slant well impacts</li> </ul>

## Proposal Descriptions

Water Resource	Proposal Name	Lead Agency (Participating Agencies)	Amount Requested	Brief Proposal Description
	Ocean-Water Desalination Intake Corrosion and Biofouling Control Study	West Basin Municipal Water District	\$ 125,000	<ul style="list-style-type: none"> <li>Understand corrosion and biofouling rates of several wedge wire screen materials in ocean environment</li> <li>Determine effectiveness of biogrowth control strategies for intake piping and assess multiple piping material</li> <li>Develop findings for application to future design, implementation, and operation of intake facilities</li> </ul>
Stormwater	Los Angeles Stormwater Capture Master Planning Project	Los Angeles Department of Water and Power	\$ 414,034	<ul style="list-style-type: none"> <li>Identify opportunities to increase beneficial use of stormwater and quantify total potential stormwater capture</li> <li>Identify, assess, and recommend projects, programs, and/or policies that will enable successful stormwater capture and use</li> </ul>
	Ozone Park Stormwater Harvesting and Direct Use Demonstration Project	City of Santa Monica	\$ 400,000	<ul style="list-style-type: none"> <li>Demonstrate feasibility of harvesting stormwater as future water production strategy</li> <li>Analyze influent/effluent/harvested water quality</li> </ul>
<b>Total</b>		<b>\$3,286,698</b>		

**Attachment 8**



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

September 10, 2013

MEMBER AGENCIES

Carlsbad  
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook  
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain  
Municipal Water District

Otay Water District

Padre Dam  
Municipal Water District

Camp Pendleton  
Marine Corps Base

Rainbow  
Municipal Water District

Ramona  
Municipal Water District

Rincon del Diablo  
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center  
Municipal Water District

Vista Irrigation District

Yuima  
Municipal Water District

OTHER  
REPRESENTATIVE

County of San Diego

John (Jack) V. Foley and  
Members of the Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

RE: Board Memo 8-2: Authorize staff to enter into funding agreements for Foundational Actions Funding Program proposals – OPPOSE

Dear Chairman Foley and Members of the Board:

For the reasons stated in detail in our April 8, 2013 letter to you (Attachment 1, incorporated herein by reference), we write to express opposition to Board Memo 8-2.

As we have stated in the past – in the context of the Rate Structure Integrity provision and otherwise – in spite of its objections, the Water Authority reserves its right to seek a fair share of MWD subsidies so long as MWD's rates to pay for the subsidies are imposed on the Water Authority.

We acknowledge and appreciate that the Rate Structure Integrity language has not been included as part of the Foundational Actions program to fund these local projects.

Sincerely,

Michael Hogan  
Director

Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

CC: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies

Attachment: April 8, 2013 letter from Water Authority's MWD Delegates to Chairman Foley  
RE Board Item 9-1 – proposed Foundational Actions Funding Program

A public agency providing a safe and reliable water supply to the San Diego region



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

April 8, 2013

John V. Foley, Chairman, and  
Members, Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

**MEMBER AGENCIES**

Carlsbad Municipal Water District  
City of Del Mar  
City of Escondido  
City of National City  
City of Oceanside  
City of Poway  
City of San Diego  
Fallbrook Public Utility District  
Helix Water District  
Lakeside Water District  
Olivenhain Municipal Water District  
Otay Water District  
Padre Dam Municipal Water District  
Camp Pendleton Marine Corps Base  
Rainbow Municipal Water District  
Ramona Municipal Water District  
Rincon del Diablo Municipal Water District  
San Dieguito Water District  
Santa Fe Irrigation District  
South Bay Irrigation District  
Vallecitos Water District  
Valley Center Municipal Water District  
Vista Irrigation District  
Yuma Municipal Water District

**OTHER REPRESENTATIVE**

County of San Diego

RE: Board Item 8-4: Approve Foundational Actions Funding Program -- OPPOSE

Dear Chairman Foley and Members of the Board:

We write to OPPOSE the "Foundational Actions Funding Program," described in Board memo 8-4, for all of the reasons described in our March 7, 2013 letter, a copy of which is attached.

As unbudgeted expenditures, these costs were not included in the cost of service analysis purporting to support the water rates and charges that will actually be used to pay these costs. Moreover, there is no evidence to support MWD's claim that these expenditures provide a direct or regional benefit to any water ratepayers other than those who actually receive subsidies. MWD's proposed "program" and financial practices are not sufficient to meet the requirements of Proposition 26.

While we can see the appeal of this funding from MWD to an agency in these days of constrained budgets, this board has a responsibility to all of MWD's water ratepayers to ensure that MWD's water rates and charges are no higher than necessary. This certainly cannot be said of these unbudgeted, unallocated costs. Especially when MWD's "core resources plan is on track and is well-positioned to meet future demands," as clearly stated in the Board memo.

Sincerely,

Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager

San Diego County Water Authority Board of Directors and Member Agencies

Attachment: Water Authority Delegation Letter dated March 7, 2013



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 [www.sdcwa.org](http://www.sdcwa.org)

March 7, 2013

John V. Foley, Chairman, and  
Members, Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

### MEMBER AGENCIES

Carlsbad Municipal Water District  
City of Del Mar  
City of Escondido  
City of National City  
City of Oceanside  
City of Poway  
City of San Diego  
Fallbrook Public Utility District  
Hemet Water District  
Lakeside Water District  
Olivenhain Municipal Water District  
Olney Water District  
Padre Dam Municipal Water District  
Camp Pendleton Marine Corps Base  
Rainbow Municipal Water District  
Ramona Municipal Water District  
Rincon del Diablo Municipal Water District  
San Dieguito Water District  
Santa Fe Irrigation District  
South Bay Irrigation District  
Vallecitos Water District  
Valley Center Municipal Water District  
Vista Irrigation District  
Yuima Municipal Water District

### OTHER REPRESENTATIVE

County of San Diego

RE: Board Item 9-1 – Proposed Foundational Actions Funding Program

Dear Chairman Foley and Members of the Board:

We write to express our opposition to the concept of spending unbudgeted MWD ratepayer dollars on a “Foundational Actions Funding Program,” as described in Board Memo 9-1. We would also like to express again our frustration with management’s continued reliance on a badly outdated 2010 Integrated Resources Plan (IRP) to justify this and other unnecessary spending programs.

MWD’s 2010 IRP was based on providing a core water supply to meet 1.9 million to 2 million acre feet of MWD demand. In addition, the IRP includes the development of an extra “buffer” supply of as much as 500,000 acre feet of water annually -- over and above dry-year demand. On top of these supplies lie the so-called “foundational actions” deemed necessary to address future supply vulnerabilities and uncertainties.

MWD’s 2012 IRP implementation report published last October listed 10 action items MWD itself is carrying out under the foundational actions. This month’s memo also states that MWD’s core resources plan is “on track and is well positioned to meet future demands within an expected range of future conditions.” In light of these facts, it is difficult to understand why MWD is recommending additional unbudgeted expenditures to develop more local projects that it does not need and that would further dampen its own water sales. Aside from the moniker, these “foundational actions” will lead to the same kind of local projects MWD continues to subsidize through its Local Resource Projects program. The mere statement that, “the future is uncertain and under some conditions, additional water resources may need to be developed” is insufficient to justify any of these expenditures.

The State Auditor recently noted that MWD’s water sales are down by 25%, and that, as a result of reduced sales and other factors, MWD’s water rates have increased dramatically. In

addition, the updated Southern California Association of Governments (SCAG) Regional Transportation Plan shows significant demographic changes from previous estimates. Specifically, MWD's service area within SCAG jurisdiction shows demographic projections for the year 2025 include 1.2 million fewer people, 194,000 fewer households, 550,000 fewer jobs and a 4% reduction in median real household income than SCAG's previous projections. All these factors will further reduce retail water demands below those projected in MWD's IRP and 2010 Regional Urban Water Management Plan.

We renew past requests that management bring back to the board – so that the information will be available at the same time the board is being asked to approve expenditures on “foundational actions” – the following information:

- An update to the IRP that reflects current sales data and trends and the development of local water supplies by member agencies and others that were not accounted for in the 2010 IRP;
- An analysis and quantification of the nature and extent of the “uncertainty” and “unforeseen risks” the “foundational actions” are intended to address, over and above the spending programs called for in the IRP including the BDCP, conservation and local projects.

The types of projects that are enumerated as being the subject of the “foundational actions” are local water supply projects that will, when developed, represent a permanent reduction in MWD's water sales. With demands already reduced and with the proposed Bay Delta Conservation Plan on the drawing board, please address this next month in a board memo why management is nonetheless recommending these expenditures be made at this time.

Although we disagree with MWD establishing an unbudgeted program when there is clearly no justification, if the board chooses to adopt the program, it must make clear that the funding would be provided to all member agencies without any “rate structure integrity” constraints that are currently embedded in the LRP funding agreements.

The program criteria should also be revised to reflect the purported purpose of the foundational actions, i.e., approaches to long term water supply uncertainty. The criteria, as described on page 3 of the board memo, fail to do so or otherwise provide a substantive basis to distinguish between applicants for this new subsidy program. Furthermore, the program's process for project selection must be revised to assure that the technical experts on the selection panel are required to file FPPC Form 700 disclosure forms pursuant to MWD's Local Conflict of Interest Code. Conflict of interest laws are designed to preclude participation in governmental decisions where there may be a direct or indirect effect on a decision-maker's financial interests. Requiring disclosure of such interests by members of the selection panel will help assure compliance with conflict of interest laws.

Chairman Foley and Members of the Board

March 7, 2012

Page 3

Finally, we also request that management provide an analysis of the regional benefit of the "Foundational Actions Funding Program" sufficient to meet the requirements of Proposition 26.

Sincerely,



Keith Lewinger  
Director



Vincent Mudd  
Director



Fern Steiner  
Director



Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies

**Attachment 9**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**MINUTES**

**WATER PLANNING AND STEWARDSHIP COMMITTEE**

**September 9, 2013**

Chair De Jesus called the meeting to order at 10:20 a.m. in Committee Room 2-456 at Metropolitan's Headquarters.

Members present: Chairman De Jesus and Vice Chairman Fleming, Directors Ackerman, Brown, Dick, Edwards, Gray, Griset, Morris, Peterson, Quiñonez, Record, Steiner, and Touhey.

Members absent: Directors Lewinger, Lowenthal, and K. Murray.

Other Board members present: Directors Barbre, Evans, Friedman, Grunfeld, Kurtz, Little, J. Murray, Pringle, and Sanchez.

Staff present: Arakawa, H. Beatty, Bennion, Bodnar, Breaux, G. Chan, Clairday, Coffey, Collins, Donhoff, Ghaly, Green, Harding, Kightlinger, McPhee, Macias, Man, Munguia, Nobriga, Parkins, Riss, Schlotterbeck, Scully, Skillman, Stites, Takeguchi, Upadhyay, Velasco, Webb-Cole, Westford, Wolfe, E. Wong, B. Yamasaki, and Zinke.

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

This agenda item was heard following agenda item 8-2.

**2. APPROVAL OF THE MINUTES OF THE MEETING OF THE WATER PLANNING AND STEWARDSHIP COMMITTEE HELD AUGUST 19, 2013**

Motion Carried   Moved: Director Griset

Seconded: Director Morris

Votes: Unanimous

**3. CONSENT CALENDAR ITEMS – ACTION**

None

#### **4. OTHER BOARD ITEMS – ACTION**

- |            |                      |  |
|------------|----------------------|--|
| <b>8-2</b> | <b>Subject:</b>      | Authorize staff to enter into funding agreement for Foundational Actions Funding Program proposals   |
|            | <b>Presented by:</b> | Robert L. Harding, Manager, System Analysis Unit   |
|            | <b>Motion:</b>       | Adopt the CEQA determination that the proposed action is categorically exempt and direct staff to enter into funding agreements for the recommended 16 proposals totaling \$3.3 million. |

Motion Carried: Moved: Director Record Seconded: Director Morris

Votes: 13 = Yes

Director Steiner did not vote, as she was not present at the time voting took place.

Mr. Harding's presentation discussed the 2013 Foundational Actions Funding Program and the proposals that are intended to further research and pilot studies in the four general resource categories of recycled water seawater desalination, stormwater, and groundwater. Mr. Harding also described the criteria used in the proposal review and selection.

Staff responded to comments regarding the potential of program expansion for new sources for water.

Chairman De Jesus announced that a member of the public, Ms. Debra Weinstein, Director of Policy, Tree People, would address the committee at this time due to her late arrival.

Ms. Weinstein spoke in support of the proposed rain barrel incentive program which is included in item 8-3.

- |            |                      |   |
|------------|----------------------|---|
| <b>8-3</b> | <b>Subject:</b>      | Authorization to implement New Conservation Program Initiatives   |
|            | <b>Presented by:</b> | Alice Webb-Cole, Sr. Resource Specialist, Regional Supply Unit  |
|            | <b>Motion:</b>       | Adopt the CEQA determination that the project is categorically exempt from CEQA and authorize implementation of <ul style="list-style-type: none"><li>a. New conservation program initiatives effective October 1, 2013; and</li><li>b. New policy on providing Conservation Credits Program funding to projects conserving recycled water.</li></ul> |

Motion Carried: Moved: Director Morris Seconded: Director Dick  
Director Steiner voted no

Votes: 13 = Yes; 1 = No

Ms. Webb-Cole gave a presentation on the New Conservation Program Initiatives that include new programs and devices that would qualify for incentives, new policy for commercial and multi-family high efficiency toilets, and administrative authority to enhance program flexibility.

Staff responded to comments regarding additional water savings opportunities in fitness centers, and other facilities such as the El Toro Marine Corp., and San Diego County Water Authority's customer eligibility in the proposed regional programs.

## **5. BOARD INFORMATION ITEMS**

None

## **6. COMMITTEE ITEMS**

### a. Report on Greater Los Angeles Integrated Regional Water Management Plan

Grace L. Chan, Manager, Resource Planning and Development Section, gave a report on process for the Greater Los Angeles County Integrated Regional Water Management Plan update including Metropolitan's participation in the update process.

Staff responded to comments surrounding mechanisms for reviewing effectiveness of actual programs and Metropolitan's role on the leadership committee.

### b. Report on Cyclic Agreements

James D. Bodnar, Sr. Engineer, Imported Supply Unit, presented an information report on the status of Metropolitan's two cyclic storage agreement accounts. He provided background information, discussed proposed amendments to the agreements, and he explained the benefits of the agreements.

## **7. MANAGEMENT REPORTS**

### a. Subject: Bay Delta Matters

Presented by Steve N. Arakawa, Manager, Bay-Delta Initiatives

Mr. Arakawa reported on the Bay Delta Conservation Plan status and Special Committee on Bay Delta activity.

b.           Subject:         Colorado River Matters

Presented by:     Meena Westford, Special Projects Manager, External Affairs

Ms. Westford discussed United States Bureau of Reclamation's Colorado River Basin Study and subsequent actions since the completion of the study. Ms. Westford discussed the background, conclusion, and next steps of the study.

Staff responded to comments regarding study analysis of salinity impacts in the Colorado River and opposition by Texas on Minute item 319.

c.           Subject:         Water Resource Management Manager's Report

Presented by:     Deven N. Upadhyay, Manager, Water Resource Management

Mr. Upadhyay noted that staff will be restarting the Water Surplus and Drought Management reporting in October – including a 2014 outlook of water supplies. State Water Contractors have started their transfer workgroups for 2014. He added that 2014 would likely start with a low water allocation.

## **8. FOLLOW-UP ITEMS**

None

## **9. FUTURE AGENDA ITEMS**

None

Next meeting will be held on October 7, 2013.

Meeting adjourned at 11:23 a.m.

David De Jesus  
Chair

**Attachment 10**

**MINUTES**

**REGULAR MEETING OF THE  
BOARD OF DIRECTORS**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**SEPTEMBER 10, 2013**

**49525** The Board of Directors of The Metropolitan Water District of Southern California met in Regular Meeting in the Board Room located in the building at 700 North Alameda Street in the city of Los Angeles, state of California, on Tuesday, September 10, 2013.

Vice Chairman De Jesus called the Meeting to order at 12:00 p.m.

**49526** The Meeting was opened with an invocation by Jose R. Sanchez, Jr., Unit Manager V, Office of the Chief Financial Officer.

**49527** The Pledge of Allegiance to the Flag was given by Director Dan Griset.

**49528** Board Secretary Morris called the roll. Those answering present were: Directors Abdo, Ackerman, Apodaca, Babcock, Ballin, Barbre, Brown, Camacho, De Jesus, Dick, Edwards, Evans, Fleming, Friedman, Gray, Griset, Grunfeld, Hogan, Kurtz, Little, Lowenthal, Morris, Mudd, J. Murray, Peterson, Pringle, Quiñonez, Sanchez, Steiner, Touhey, Vasquez, and Wunderlich.

Those not answering were: Directors Foley, Lewinger, K. Murray, and Record.

Not Represented: City of Torrance.

Board Secretary Morris declared a quorum present.

**49529** Vice Chairman De Jesus invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Director Barbre introduced Mr. Robert Hunter, the new general manager from Municipal Water District of Orange County.

**49530** There being no objection, Vice Chairman De Jesus ordered the reading of the Minutes of the Meetings of August 13 and 20, 2013, dispensed with, copies having been mailed to each Director.

Director Sanchez moved, seconded by Director Grunfeld and carried, approving the foregoing Minutes as mailed.

**49531** A written report of meetings attended by Directors at Metropolitan expense during the month of August was distributed. The report was received and filed.

**49532** The General Counsel's letter signed August 13, 2013, was presented, transmitting the credentials evidencing the appointment by San Diego County Water Authority of Michael T. Hogan as one of its representatives on Metropolitan's Board for an indefinite term, replacing Doug Wilson.

General Counsel Scully reported the credentials had been examined and found legally sufficient; and that Director Hogan was sworn in on August 27, 2013.

Vice Chairman De Jesus ordered the credentials, together with the General Counsel's letter, received and filed.

Following his introduction by Director Steiner, Director Hogan took his seat as a member of the Board.

Director Steiner also commented on the forthcoming departure of Director Little from the Board.

**49533** Director Fleming moved, seconded by Director Edwards and carried, approving the committee assignments for Director Hogan to the Organization, Personnel and Technology Committee and the Real Property and Asset Management Committee.

**49534** There was no Chairman's monthly activity report.

**49535** Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger referred to the activity report for August dated August 31, 2013, which was posted to the Directors' website.

General Manager Kightlinger reported that current water deliveries are close to 7,000 acre-feet daily, which is pretty remarkable. This resulted in typically 500 to 1,000 acre-feet being pulled out of storage each day, with steady deliveries from the Colorado River and the State Water Project. Diamond Valley Lake is 75 to 80 percent full.

**49536** Regarding Legal Department activities, General Counsel Scully referred to the General Counsel's activity report for August dated September 4, 2013, which was posted to the Directors' website.

General Counsel Scully had no further report.

**49537** General Auditor Riss referred to the Audit Department's activity report for the month of August dated August 30, 2013, which was posted to the Directors' website.

General Auditor Riss had no further report.

**49538** Ethics Officer Ghaly referred to the Ethics Department activity report for August dated August 31, 2013, which was posted to the Directors' website.

Ethics Officer Ghaly reported on the status of the three matters that required formal investigations, and that an outside investigator will be working on one of the cases, whereas internal resources will be used on the other two cases.

Ethics Officer Ghaly referred to the forthcoming workshop on September 24, which objective is to visit current internal ethics provisions and discuss possible revisions and clarifications.

Ethics Officer Ghaly announced that attorney Peter Von Haam has now joined the Ethics Department.

Director Grunfeld moved, seconded by Director Edwards and carried, and the Board approved Consent Calendar Item **49539**, as follows:

**49539** Reviewed and considered information provided in the certified Environmental Impact Report and adopted the Lead Agency's findings related to the proposed actions and adopted (a) **Resolution 9161** granting San Diego County Water Authority's (SDCWA) request for approval of Meadowood Annexation concurrently to SDCWA and Metropolitan and established Metropolitan's terms and conditions for the annexation, conditioned upon approval by San Diego Local Agency Formation Commission, and upon receipt of annexation fee of \$1,172,420; and (b) **Resolution 9162** to impose water standby charge at a rate of \$11.51 per acre, or per parcel of less than one acre, within the proposed annexation area, as set forth in the letter signed by the General Manager on August 22, 2013, said resolutions entitled:

**Resolution 9161**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA CONSENTING TO SAN  
DIEGO COUNTY WATER AUTHORITY'S  
MEADOWOOD ANNEXATION AND FIXING THE  
TERMS AND CONDITIONS OF SAID ANNEXATION  
TO THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA**

**Resolution 9162**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA FIXING AND ADOPTING  
WATER STANDBY CHARGE CONTINGENT UPON  
SAN DIEGO COUNTY WATER AUTHORITY'S  
MEADOWOOD ANNEXATION**

**49540** Engineering and Operations Committee Chairman Evans moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination that the proposed action is categorically exempt and (a) appropriate \$5.1 million (Appropriation No. 15471, No. 6, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorize (b) preliminary design to rehabilitate prestressed concrete cylinder pipe portions of the Second Lower Feeder; (c) agreement with Black & Veatch in an amount not to exceed \$2.78 million to provide engineering services; (d) increase of \$800,000 to the

agreement with ICF International, for a new not-to-exceed total of \$950,000, to prepare environmental documentation; and (e) agreement with DHI, Inc. in an amount not to exceed \$975,000 to develop a system-wide hydraulic model, as set forth in the letter signed by the General Manager on August 22, 2013.

**49541** Water Planning and Stewardship Committee Vice Chairman Fleming moved, seconded by Director Griset, that the Board adopt the CEQA determination that the proposed action is categorically exempt and direct staff to enter into funding agreements for the recommended 16 proposals totaling \$3.3 million, as set forth in the letter signed by the General Manager on August 28, 2013.

Director Steiner stated San Diego will be voting no on this item. During the vote on Agenda Item 8-2, Director Steiner provided a letter to the Board Executive Secretary dated September 10, 2013, addressed to Chairman Foley and members of the Board on Item 8-2. No copies of the document were available for review or consideration by the other members of the Board or for public inspection.

Vice Chairman De Jesus called for the motion, which carried.

Directors Hogan, Mudd, and Steiner requested to be recorded as voting no.

**49542** Water Planning and Stewardship Committee Vice Chairman Fleming moved,, seconded by Board Vice Chairman J. Murray and carried, that the Board adopt the CEQA determination that the project is categorically exempt from CEQA and authorize implementation of (a) new conservation program initiatives effective October 1, 2013; and (b) new policy on providing Conservation Credits Program funding to projects conserving recycled water, as set forth in the letter signed by the General Manager on August 22, 2013.

Directors Hogan, Mudd, and Steiner requested to be recorded as voting no.

**49543** Real Property and Asset Management Committee Chairman Camacho stated that a quorum was not present at the committee meeting but those members present unanimously approved the recommendation set forth in Option #1 in the board letter. Committee Chairman Camacho then moved, seconded by Director Dick

and carried, that the Board adopt the CEQA determination that the proposed action is categorically exempt and authorize the General Manager to enter into a long-term lease with the Los Angeles County Metropolitan Transportation Authority at the Metropolitan Headquarters Building in Los Angeles County, as set forth in the confidential letter signed by the General Manager on August 27, 2013.

**49544** Legal and Claims Committee Chairman Fleming moved, seconded by Director Griset and carried, that the Board adopt the CEQA determination, and authorize increase in maximum amount payable under contracts with (1) Criterium Consulting Group for consulting services by \$100,000 for an amount not to exceed \$200,000; and (2) Lachel and Associates, Inc. for consulting services by \$100,000 for an amount not to exceed \$200,000, in *Oscar Renda Contracting, Inc. v. MWD*, Superior Court for the County of Riverside, Case No. RIC 1213525, as set forth in the confidential letter signed by the General Counsel on August 28, 2013.

**49545** At 12:16 p.m., pursuant to Government Code Section 54957, Vice Chairman De Jesus called the Meeting into closed session to report on action plans by Department Heads.

Director Vasquez withdrew from the Meeting at 12:34 p.m.

Director Quiñonez withdrew from the Meeting at 1:07 p.m.

Director Lowenthal withdrew from the Meeting at 1:09 p.m.

Director Barbre withdrew from the Meeting at 2:00 p.m.

Directors Babcock and Griset withdrew from the Meeting at 2:11 p.m.

At 2:23 p.m., Vice Chairman De Jesus called the Meeting into open session, and reported that no action was taken.

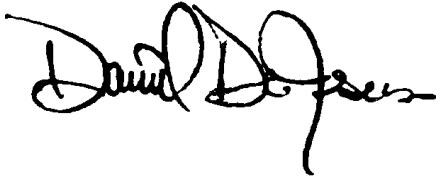
**September 10, 2013**

**49546** There being no objection, at 2:24 p.m., Vice Chairman De Jesus adjourned the Meeting.



**JOHN T. MORRIS**

**SECRETARY**



**DAVID D. DE JESUS**

**VICE CHAIRMAN**

**Attachment 11**



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 [www.sdcwa.org](http://www.sdcwa.org)

November 13, 2013

Jeffrey Kightlinger, General Manager  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

### MEMBER AGENCIES

Carlsbad Municipal Water District  
City of Del Mar  
City of Escondido  
City of National City  
City of Oceanside  
City of Poway  
City of San Diego  
Fallbrook Public Utility District  
Helix Water District  
Lakeside Water District  
Olivenhain Municipal Water District  
Otay Water District  
Padre Dam Municipal Water District  
Camp Pendleton Marine Corps Base  
Rainbow Municipal Water District  
Ramona Municipal Water District  
Rincon del Diablo Municipal Water District  
San Dieguito Water District  
Santa Fe Irrigation District  
South Bay Irrigation District  
Vallecitos Water District  
Valley Center Municipal Water District  
Vista Irrigation District  
Yuma Municipal Water District

### OTHER REPRESENTATIVE

County of San Diego

### RE: Foundational Actions Funding Program Agreement

Dear Jeff:

The Water Authority has reviewed the draft form of Foundational Actions Funding Program Agreement. We propose, and would like to discuss alternative approaches or amendments, as indicated below. We are addressing this letter to you, with a copy to your General Counsel, since you each have knowledge of both the provisions contained in the draft agreement and positions MWD has asserted in the pending litigation with the Water Authority involving MWD's utility service rates and related issues.

First, as background and as you are aware, the Water Authority's MWD board representatives opposed adoption of the "Foundational Actions Funding Program" ("Program") in letters dated March 7, April 8, and September 10, 2013, copies of which are attached and incorporated herein by reference. As stated in the September 10 letter, and as we have stated many times in the past – in the context of the Rate Structure Integrity provision and otherwise – in spite of its objections, the Water Authority reserves its rights and will continue to seek a fair share of MWD subsidies, so long as MWD's rates to pay for the subsidies are imposed on the Water Authority. If this program and the MWD rates to pay for it are truly "voluntary," as MWD has asserted in the litigation, we would prefer – and hereby renew our past request (see the Water Authority's letter dated August 12, 2010, also attached to this letter) – to opt out of receiving any Program benefits in exchange for not being assessed any water rates to pay for the Program. We request that this proposal be presented to the Board for its consideration.

If MWD is unwilling to agree to a voluntary Program, then we request the following amendments to the form of the Foundational Actions Funding Program Agreement ("Program Agreement").

1. Section 4.3 – clarify that the indemnification provision is limited to the specific project ("Project") that is the subject of the Program Agreement and does not apply to any other unrelated legal actions that may be filed against MWD challenging its utility service rates, compliance with cost of service requirements, or any other matter unrelated to the Project.

*A public agency providing a safe and reliable water supply to the San Diego region*

Mr. Kightlinger  
November 13, 2013  
Page 2

2. Section 5 – is very confusing because it misuses the term “intellectual property” to include such things as a consultant’s “raw results,” “drawings,” “final report” and “presentations,” as opposed to the common types of intellectual property recognized under California or federal law (e.g., copyrights, trademarks, patents, industrial design rights, and trade secrets). The Water Authority is willing to discuss terms that are based on any actual intellectual property right that may actually be enforced, including the potential value of any non-exclusive license MWD secures under the Program.
3. Section 9 – delete. As you are well aware, the question whether or not MWD may lawfully include in “contracts” with its member agencies the terms set forth in Section 9 is the subject of pending litigation. The Water Authority will not agree to, or be forced to waive its rights to challenge MWD’s utility service rates or any other matter in exchange for Foundational Action Funding Program benefits. Moreover, for the reasons the Water Authority has stated in numerous letters to the MWD Board of Directors, in discovery responses and briefs filed with the court, we do not believe that Sections 9.1 (b) and (c) can be determined separate and apart from a cost of service study and with reference to particular projects. MWD’s own experts have said the same thing.
4. 11.4 – delete. There are important policy reasons why a neutral venue is provided when there are disputes between two public agencies. Even assuming, without conceding, that this term could be enforced, we do not believe it would be proper for MWD to force member agencies to give up this right in order to receive Program benefits.

Finally, we would note that none of these provisions was presented to the MWD Board of Directors when the Program was voted on. Indeed, the Water Authority’s Board delegates understood from staff that it did not intend to include these kind of Rate Structure Integrity-style provisions, which are currently at issue, in a somewhat different form, in litigation. Please let me know as soon as possible how you would like to proceed in this matter.

Sincerely,



Maureen A. Stapleton  
General Manager

cc: Marcia Scully  
City of Oceanside  
Ramona Municipal Water District  
City of San Diego  
Water Authority Board of Directors  
MWD Board of Directors

Mr. Kightlinger  
November 13, 2013  
Page 3

**Attachments:**

1. Foundational Actions Funding Letter, dated March 7, 2013
2. Foundational Actions Funding Letter, dated April 8, 2013
3. Foundational Actions Funding Letter, dated September 10, 2013
4. Rate Structure Integrity Letter, dated August 12, 2010



## San Diego County Water Authority

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 (858) 522-6600 FAX (858) 522-6568 [www.sdcwa.org](http://www.sdcwa.org)

March 7, 2013

**John V. Foley, Chairman, and  
 Members, Board of Directors  
 Metropolitan Water District of Southern California  
 P.O. Box 54153  
 Los Angeles, CA 90054-0153**

**RE: Board Item 9-1 – Proposed Foundational Actions Funding Program**

**Dear Chairman Foley and Members of the Board:**

We write to express our opposition to the concept of spending unbudgeted MWD ratepayer dollars on a “Foundational Actions Funding Program,” as described in Board Memo 9-1. We would also like to express again our frustration with management’s continued reliance on a badly outdated 2010 Integrated Resources Plan (IRP) to justify this and other unnecessary spending programs.

MWD’s 2010 IRP was based on providing a core water supply to meet 1.9 million to 2 million acre feet of MWD demand. In addition, the IRP includes the development of an extra “buffer” supply of as much as 500,000 acre feet of water annually -- over and above dry-year demand. On top of these supplies lie the so-called “foundational actions” deemed necessary to address future supply vulnerabilities and uncertainties.

MWD’s 2012 IRP implementation report published last October listed 10 action items MWD itself is carrying out under the foundational actions. This month’s memo also states that MWD’s core resources plan is “on track and is well positioned to meet future demands within an expected range of future conditions.” In light of these facts, it is difficult to understand why MWD is recommending additional unbudgeted expenditures to develop more local projects that it does not need and that would further dampen its own water sales. Aside from the moniker, these “foundational actions” will lead to the same kind of local projects MWD continues to subsidize through its Local Resource Projects program. The mere statement that, “the future is uncertain and under some conditions, additional water resources may need to be developed” is insufficient to justify any of these expenditures.

The State Auditor recently noted that MWD’s water sales are down by 25%, and that, as a result of reduced sales and other factors, MWD’s water rates have increased dramatically. In

Chairman Foley and Members of the Board

March 7, 2012

Page 2

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We renew past requests that management bring back to the board – so that the information will be available at the same time the board is being asked to approve expenditures on “foundational actions” – the following information:

- An update to the IRP that reflects current sales data and trends and the development of local water supplies by member agencies and others that were not accounted for in the 2010 IRP;
- An analysis and quantification of the nature and extent of the “uncertainty” and “unforeseen risks” the “foundational actions” are intended to address, over and above the spending programs called for in the IRP including the BDCP, conservation and local projects.

The types of projects that are enumerated as being the subject of the “foundational actions” are local water supply projects that will, when developed, represent a permanent reduction in MWD's water sales. With demands already reduced and with the proposed Bay Delta Conservation Plan on the drawing board, please address this next month in a board memo why management is nonetheless recommending these expenditures be made at this time.

Although we disagree with MWD establishing an unbudgeted program when there is clearly no justification, if the board chooses to adopt the program, it must make clear that the funding would be provided to all member agencies without any “rate structure integrity” constraints that are currently embedded in the LRP funding agreements.

The program criteria should also be revised to reflect the purported purpose of the foundational actions, i.e., approaches to long term water supply uncertainty. The criteria, as described on page 3 of the board memo, fail to do so or otherwise provide a substantive basis to distinguish between applicants for this new subsidy program. Furthermore, the program's process for project selection must be revised to assure that the technical experts on the selection panel are required to file FPPC Form 700 disclosure forms pursuant to MWD's Local Conflict of Interest Code. Conflict of interest laws are designed to preclude participation in governmental decisions where there may be a direct or indirect effect on a decision-maker's financial interests. Requiring disclosure of such interests by members of the selection panel will help assure compliance with conflict of interest laws.

Chairman Foley and Members of the Board

March 7, 2012

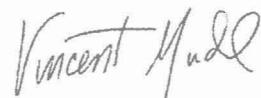
Page 3

Finally, we also request that management provide an analysis of the regional benefit of the "Foundational Actions Funding Program" sufficient to meet the requirements of Proposition 26.

Sincerely,



Keith Lewinger  
Director



Vincent Mudd  
Director



Fern Steiner  
Director



Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
 (858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

April 8, 2013

**John V. Foley, Chairman, and  
 Members, Board of Directors  
 Metropolitan Water District of Southern California  
 P.O. Box 54153  
 Los Angeles, CA 90054-0153**

**RE: Board Item 8-4: Approve Foundational Actions Funding Program -- OPPOSE**

**Dear Chairman Foley and Members of the Board:**

We write to OPPOSE the "Foundational Actions Funding Program," described in Board memo 8-4, for all of the reasons described in our March 7, 2013 letter, a copy of which is attached.

As unbudgeted expenditures, these costs were not included in the cost of service analysis purporting to support the water rates and charges that will actually be used to pay these costs. Moreover, there is no evidence to support MWD's claim that these expenditures provide a direct or regional benefit to any water ratepayers other than those who actually receive subsidies. MWD's proposed "program" and financial practices are not sufficient to meet the requirements of Proposition 26.

While we can see the appeal of this funding from MWD to an agency in these days of constrained budgets, this board has a responsibility to all of MWD's water ratepayers to ensure that MWD's water rates and charges are no higher than necessary. This certainly cannot be said of these unbudgeted, unallocated costs. Especially when MWD's "core resources plan is on track and is well-positioned to meet future demands," as clearly stated in the Board memo.

Sincerely,

**Keith Lewinger**  
**Director**

**Vincent Mudd**  
**Director**

**Fern Steiner**  
**Director**

**Doug Wilson**  
**Director**

**cc: Jeff Kightlinger, MWD General Manager**

**San Diego County Water Authority Board of Directors and Member Agencies**

**Attachment: Water Authority Delegation Letter dated March 7, 2013**

**MEMBER AGENCIES**

Carlsbad  
 Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook  
 Public Utility District

Helix Water District

Lakeside Water District

Olivenhain  
 Municipal Water District

Otay Water District

Padre Dam  
 Municipal Water District

Camp Pendleton  
 Marine Corps Base

Rainbow  
 Municipal Water District

Ramona  
 Municipal Water District

Rincon del Diablo  
 Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center  
 Municipal Water District

Vista Irrigation District

Yuima  
 Municipal Water District

**OTHER  
 REPRESENTATIVE**

County of San Diego



## San Diego County Water Authority

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March 7, 2013

**John V. Foley, Chairman, and  
 Members, Board of Directors  
 Metropolitan Water District of Southern California  
 P.O. Box 54153  
 Los Angeles, CA 90054-0153**

**RE: Board Item 9-1 – Proposed Foundational Actions Funding Program**

**Dear Chairman Foley and Members of the Board:**

We write to express our opposition to the concept of spending unbudgeted MWD ratepayer dollars on a “Foundational Actions Funding Program,” as described in Board Memo 9-1. We would also like to express again our frustration with management’s continued reliance on a badly outdated 2010 Integrated Resources Plan (IRP) to justify this and other unnecessary spending programs.

MWD’s 2010 IRP was based on providing a core water supply to meet 1.9 million to 2 million acre feet of MWD demand. In addition, the IRP includes the development of an extra “buffer” supply of as much as 500,000 acre feet of water annually -- over and above dry-year demand. On top of these supplies lie the so-called “foundational actions” deemed necessary to address future supply vulnerabilities and uncertainties.

MWD’s 2012 IRP implementation report published last October listed 10 action items MWD itself is carrying out under the foundational actions. This month’s memo also states that MWD’s core resources plan is “on track and is well positioned to meet future demands within an expected range of future conditions.” In light of these facts, it is difficult to understand why MWD is recommending additional unbudgeted expenditures to develop more local projects that it does not need and that would further dampen its own water sales. Aside from the moniker, these “foundational actions” will lead to the same kind of local projects MWD continues to subsidize through its Local Resource Projects program. The mere statement that, “the future is uncertain and under some conditions, additional water resources may need to be developed” is insufficient to justify any of these expenditures.

The State Auditor recently noted that MWD’s water sales are down by 25%, and that, as a result of reduced sales and other factors, MWD’s water rates have increased dramatically. In

Chairman Foley and Members of the Board

March 7, 2012

Page 2

addition, the updated Southern California Association of Governments (SCAG) Regional Transportation Plan shows significant demographic changes from previous estimates. Specifically, MWD's service area within SCAG jurisdiction shows demographic projections for the year 2025 include 1.2 million fewer people, 194,000 fewer households, 550,000 fewer jobs and a 4% reduction in median real household income than SCAG's previous projections. All these factors will further reduce retail water demands below those projected in MWD's IRP and 2010 Regional Urban Water Management Plan.

We renew past requests that management bring back to the board – so that the information will be available at the same time the board is being asked to approve expenditures on “foundational actions” – the following information:

- An update to the IRP that reflects current sales data and trends and the development of local water supplies by member agencies and others that were not accounted for in the 2010 IRP;
- An analysis and quantification of the nature and extent of the “uncertainty” and “unforeseen risks” the “foundational actions” are intended to address, over and above the spending programs called for in the IRP including the BDCP, conservation and local projects.

The types of projects that are enumerated as being the subject of the “foundational actions” are local water supply projects that will, when developed, represent a permanent reduction in MWD's water sales. With demands already reduced and with the proposed Bay Delta Conservation Plan on the drawing board, please address this next month in a board memo why management is nonetheless recommending these expenditures be made at this time.

Although we disagree with MWD establishing an unbudgeted program when there is clearly no justification, if the board chooses to adopt the program, it must make clear that the funding would be provided to all member agencies without any “rate structure integrity” constraints that are currently embedded in the LRP funding agreements.

The program criteria should also be revised to reflect the purported purpose of the foundational actions, i.e., approaches to long term water supply uncertainty. The criteria, as described on page 3 of the board memo, fail to do so or otherwise provide a substantive basis to distinguish between applicants for this new subsidy program. Furthermore, the program's process for project selection must be revised to assure that the technical experts on the selection panel are required to file FPPC Form 700 disclosure forms pursuant to MWD's Local Conflict of Interest Code. Conflict of interest laws are designed to preclude participation in governmental decisions where there may be a direct or indirect effect on a decision-maker's financial interests. Requiring disclosure of such interests by members of the selection panel will help assure compliance with conflict of interest laws.

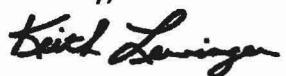
Chairman Foley and Members of the Board

March 7, 2012

Page 3

Finally, we also request that management provide an analysis of the regional benefit of the "Foundational Actions Funding Program" sufficient to meet the requirements of Proposition 26.

Sincerely,



Keith Lewinger  
Director



Vincent Mudd  
Director



Fern Steiner  
Director



Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies



## San Diego County Water Authority

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September 10, 2013

**MEMBER AGENCIES**

Carlsbad Municipal Water District  
 City of Del Mar  
 City of Escondido  
 City of National City  
 City of Oceanside  
 City of Poway  
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 Rincon del Diablo Municipal Water District  
 San Dieguito Water District  
 Santa Fe Irrigation District  
 South Bay Irrigation District  
 Vollecitos Water District  
 Valley Center Municipal Water District  
 Vista Irrigation District  
 Yuma Municipal Water District

**RE: Board Memo 8-2: Authorize staff to enter into funding agreements for Foundational Actions Funding Program proposals – OPPOSE**

**Dear Chairman Foley and Members of the Board:**

For the reasons stated in detail in our April 8, 2013 letter to you (Attachment 1, incorporated herein by reference), we write to express opposition to Board Memo 8-2.

As we have stated in the past – in the context of the Rate Structure Integrity provision and otherwise – in spite of its objections, the Water Authority reserves its right to seek a fair share of MWD subsidies so long as MWD's rates to pay for the subsidies are imposed on the Water Authority.

We acknowledge and appreciate that the Rate Structure Integrity language has not been included as part of the Foundational Actions program to fund these local projects.

**Sincerely,**

Michael Hogan  
Director

Keith Lewinger  
Director

Vincent Mudd  
Director

Fern Steiner  
Director

**cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies**

**Attachment: April 8, 2013 letter from Water Authority's MWD Delegates to Chairman Foley  
RE Board Item 9-1 – proposed Foundational Actions Funding Program**

*A public agency providing a safe and reliable water supply to the San Diego region*



## San Diego County Water Authority

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April 8, 2013

**John V. Foley, Chairman, and  
 Members, Board of Directors  
 Metropolitan Water District of Southern California  
 P.O. Box 54153  
 Los Angeles, CA 90054-0153**

**RE: Board Item 8-4: Approve Foundational Actions Funding Program -- OPPOSE**

**Dear Chairman Foley and Members of the Board:**

We write to OPPOSE the "Foundational Actions Funding Program," described in Board memo 8-4, for all of the reasons described in our March 7, 2013 letter, a copy of which is attached.

As unbudgeted expenditures, these costs were not included in the cost of service analysis purporting to support the water rates and charges that will actually be used to pay these costs. Moreover, there is no evidence to support MWD's claim that these expenditures provide a direct or regional benefit to any water ratepayers other than those who actually receive subsidies. MWD's proposed "program" and financial practices are not sufficient to meet the requirements of Proposition 26.

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Sincerely,

Keith Lewinger  
 Director

Vincent Mudd  
 Director

Fern Steiner  
 Director

Doug Wilson  
 Director

**Yuma  
 Municipal Water District**

**OTHER  
 REPRESENTATIVE**

County of San Diego

cc: Jeff Kightlinger, MWD General Manager

San Diego County Water Authority Board of Directors and Member Agencies

Attachment: Water Authority Delegation Letter dated March 7, 2013



## San Diego County Water Authority

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March 7, 2013

**John V. Foley, Chairman, and  
 Members, Board of Directors  
 Metropolitan Water District of Southern California  
 P.O. Box 54153  
 Los Angeles, CA 90054-0153**

**RE: Board Item 9-1 – Proposed Foundational Actions Funding Program**

**Dear Chairman Foley and Members of the Board:**

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Chairman Foley and Members of the Board

March 7, 2012

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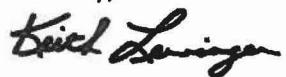
Chairman Foley and Members of the Board

March 7, 2012

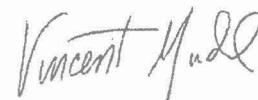
Page 3

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Sincerely,



Keith Lewinger  
Director



Vincent Mudd  
Director



Fern Steiner  
Director



Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies



## San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
 (858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

Aug. 12, 2010

**Timothy Brick**

**Chairman**

**Board of Directors**

**Metropolitan Water District of Southern California**

**P.O. Box 54153**

**Los Angeles, CA 90054-0153**

**Re: Board Agenda Item 8-9: "Rate Structure Integrity"**

**Dear Chairman Brick:**

As stated in past correspondence, the San Diego County Water Authority believes that the so-called "rate structure integrity" provision in MWD incentive funding contracts is both bad public policy and legally unenforceable. The Water Authority has governmental responsibilities to protect our region's water ratepayers and has declined to waive its rights or responsibilities in order to get back a share of the money it has paid to MWD through water rates to fund these incentive programs.

In its recently filed lawsuit, the Water Authority has questioned the propriety and legality of MWD's rate structure, including the manner in which it allocates the costs of water supply programs that are paid for, in part, by incentive payments. We ask that the board consider the following requests during its closed session meeting Tuesday to discuss San Diego's incentive funding contracts.

1. I will recommend to my Board of Directors an agreement under which MWD suspends the payment of any incentive funding to the Water Authority during the pendency of the litigation provided that MWD agrees to suspend collection of Water Stewardship Rate revenues from the Water Authority during the same period.
2. The RSI policy and contract provisions do not state whether RSI funding will be restored retroactively in the event that the court finds in favor of the plaintiff challenging MWD's rate structure. Please provide clarification of the board policy on this point.
3. Jeff Kightlinger informed us at the IRP Public Forum meeting in San Diego August 10 that the reason MWD does not require its member agencies to legally commit to pay for MWD projects and programs is because the board of directors will not agree to do so. The current IRP proposes spending billions of dollars, including

*A public agency providing a safe and reliable water supply to the San Diego region*

**MEMBER AGENCIES**

Carlsbad  
Municipal Water District

City of Del Mar

City of Escondida

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook  
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain  
Municipal Water District

Otay Water District

Padre Dam  
Municipal Water District

Camp Pendleton  
Marine Corps Base

Rainbow  
Municipal Water District

Ramona  
Municipal Water District

Rincon del Diablo  
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center  
Municipal Water District

Vista Irrigation District

Yuma  
Municipal Water District

**OTHER  
REPRESENTATIVE**

County of San Diego

Mr. Timothy Brick

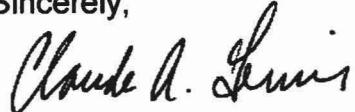
Aug. 12, 2010

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substantial investments in member agency programs. The Water Authority is willing to contractually commit to pay for MWD projects and programs it wishes to purchase from MWD. We would like to know if the rest of the board will now consider adding this contractual requirement as part of its rate structure in order to fulfill the intended purpose of Rate Structure Integrity in a more comprehensive fashion.

We appreciate your consideration of these requests and look forward to receipt of your written responses.

Sincerely,



Claude A. "Bud" Lewis  
Chair  
Board of Directors

cc: MWD Board of Directors  
San Diego County Water Authority Board of Directors

## **Attachment 12**



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

*Office of the General Manager*

November 20, 2013

Maureen Stapleton  
General Manager  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, CA 92123

Re: Foundational Actions Funding Program

Dear Maureen:

We are in receipt of your letter dated November 13, 2013 regarding Metropolitan's Foundational Actions Funding Program ("FAF Program") Agreement.

First, the concept that San Diego County Water Authority should be allowed to "opt out" of paying individual components of Metropolitan's rate structure or funding selected programs at Metropolitan has been put forth by SDCWA directors in the past and has not been adopted by Metropolitan's Board. Consequently, staff will not be bringing that concept back for further discussion by Metropolitan's Board.

Second, the specific comments in your letter on the form of agreement for the FAF Program have been reviewed by Metropolitan's Legal Department. SDCWA's proposed changes to Sections 5 and 11.4 of the FAF Program Agreement have been made and a revised FAF Program Agreement is being sent to all participating member agencies. Staff is unclear regarding the comment on Section 4.3 and believes the current language meets the concern expressed in your comment. The language of Section 9 that you have requested be deleted will remain in the Agreement.

Metropolitan disagrees with your characterization of the language in Section 9. It is not a waiver of rights and does not limit the SDCWA in any way. It is merely a recitation that the parties have a meeting of the minds and agree that the FAF Program Agreement is a legally enforceable document that can be legally implemented.

To the extent that, as stated in your letter and your prior correspondence to Metropolitan regarding the FAF program, SDCWA believes the FAF Program and Agreement do not meet the

Maureen Stapleton  
Page 2  
November 20, 2013

requirements of current law there can be neither the mutual consent nor the intent to be legally bound necessary for contract formation.

The proposals submitted by SDCWA under the FAF Program were selected as worthy of pursuing under the adopted selection criteria. However, your November 13 letter and the SDCWA's statement that the FAF Program does not meet the requirements of Proposition 26 as set forth in the April 8 letter to Chairman Foley (attached to your November 13 letter to me), make clear that SDCWA does not intend to recognize the validity of, or to be bound by, the purely voluntary FAF Program Agreement. Without SDCWA's acknowledgement of the legality of the FAF Program and Agreement and its intent to be legally bound there can be no contract.

Sincerely,

  
Jeffrey Kightlinger  
General Manager

JK:bg

cc: Metropolitan Board of Directors