Public Comments

Non-Agendized Matters: Members of the public are invited to address the Board on matters which are not on the Agenda. Each speaker is limited to three (3) minutes. The Board will set aside thirty (30) minutes for public comments.

Agendized Matters: Members of the public may comment on Agenda items before action is taken, or after the Board has discussed the item. Each speaker is limited to five (5) minutes.

Consent Calendar Items:
Approve all matters under the Consent Calendar by one motion unless a Board member, staff, or a member of the public requests a separate action.

1. Committee Policy & Resolution Review

Presentation and Discussion Items:
Items recommended for approval at this meeting may be agendized for approval at a future Board meeting.

2. Municipal Water District of Orange County and Irvine Ranch Water District’s Proposed Water Reliability Pilot Program

3. Board Workshop Planning

Action Items:

4. Proclamation in Memoriam of Hank Panian

Reports:

5. Future Agenda Topics and Conference Schedule


7. Directors’ Reports and Comments

Information Items:

8. Other (no enclosure)
### CLOSED SESSION:

9. CONFERENCE WITH LABOR NEGOTIATOR PURSUANT TO GOVERNMENT CODE 54957.6:  
   District Negotiator: General Manager  
   Employee Organization: Mesa Water District Employee Association Represented Employees

---

### ADJOURNMENT
<table>
<thead>
<tr>
<th>Policy Name</th>
<th>Resolution No.</th>
<th>Date Adopted</th>
<th>Revision Schedule</th>
<th>Last Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records Retention Policy</td>
<td>1425</td>
<td>11/27/12</td>
<td>Review and update as needed</td>
<td>11/27/12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>*Scheduled for the 09/04/18 meeting</td>
<td></td>
</tr>
<tr>
<td>Conflict of Interest Reporting</td>
<td>1489</td>
<td>02/09/17</td>
<td>Biennial review and as needed to reflect changes in law</td>
<td>02/09/17</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>and current staff positions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>*Scheduled for the 11/06/18 meeting</td>
<td></td>
</tr>
<tr>
<td>Compensation for Board &amp; Other</td>
<td>Ordinance No. 28</td>
<td>04/13/17</td>
<td>Review and update as needed</td>
<td>03/26/18</td>
</tr>
<tr>
<td>Meetings</td>
<td></td>
<td></td>
<td>*Scheduled for the 01/10/19 meeting</td>
<td></td>
</tr>
<tr>
<td>Board Meeting Procedures</td>
<td>1509</td>
<td>02/08/18</td>
<td>Review and update as needed</td>
<td>02/08/18</td>
</tr>
<tr>
<td>Delegation of Authority to</td>
<td>1507</td>
<td>01/18/18</td>
<td>Review and update as needed</td>
<td>01/18/18</td>
</tr>
<tr>
<td>General Manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Division Boundaries Revisions</td>
<td>1445</td>
<td>11/14/13</td>
<td>Reviewed every 10 years after census</td>
<td>11/14/13</td>
</tr>
<tr>
<td>Health Insurance Benefits for</td>
<td>1342</td>
<td>03/27/07</td>
<td>Review and update as needed</td>
<td>03/27/07</td>
</tr>
<tr>
<td>Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protocols of the Board</td>
<td>1479</td>
<td>07/14/16</td>
<td>Review and update as needed</td>
<td>07/14/16</td>
</tr>
<tr>
<td>Public Records Act</td>
<td>1421</td>
<td>08/28/12</td>
<td>Review and update as needed</td>
<td>08/28/12</td>
</tr>
<tr>
<td>Retirement Events</td>
<td>1400</td>
<td>08/24/10</td>
<td>Review and update as needed</td>
<td>08/24/10</td>
</tr>
<tr>
<td>Rules and Regulations for</td>
<td>1473</td>
<td>05/19/16</td>
<td>Review and update as needed</td>
<td>05/19/16</td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MEMORANDUM

TO: Executive Committee  
FROM: Paul E. Shoenberger, P.E., General Manager  
DATE: August 8, 2018  
SUBJECT: Municipal Water District of Orange County and Irvine Ranch Water District’s Proposed Water Reliability Pilot Program

RECOMMENDATION

This item is provided for discussion only.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.  
Goal #2: Practice perpetual infrastructure renewal and improvement.  
Goal #3: Be financially responsible and transparent.  
Goal #4: Increase public awareness about Mesa Water® and about water.  
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

None.

DISCUSSION

Attached is Municipal Water District of Orange County’s (MWDOC) agenda item entitled Proposed Water Reliability Pilot Program Between MWDOC and Irvine Ranch Water District (IRWD) for Extraordinary Supply During MET Allocations for the Committee’s review and discussion.

FINANCIAL IMPACT

None.

ATTACHMENTS

Attachment A: MWDOC & IRWD’s Proposed Water Reliability Pilot Program
TO: Planning & Operations Committee  
(Directors Osborne, Tamaribuchi, Yoo Schneider)

FROM: Robert Hunter, General Manager  
Staff Contacts: Karl Seckel, Assistant General Manager  
Harvey De La Torre, Associate General Manager

SUBJECT: Proposed Water Reliability Pilot Program Between MWDOC & IRWD for Extraordinary Supply During MET Allocations

STAFF RECOMMENDATION

Staff recommends the Planning & Operations Committee to discuss the item and provide direction to staff.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

INTRODUCTION

The frequency and severity of allocations from the Metropolitan Water District of Southern California (MET) is one measure of water supply reliability. During periods of extreme water supply shortage MET may enter into an allocation whereby MET Member Agencies (including MWDOC) are allocated a reduced amount of MET supply. If MET Member Agencies need and purchase water above the allocation amount, substantial surcharges are imposed (i.e., an additional charge of more than 100% the normal water price). MET water allocations have been imposed three times since 2000 with allocation reductions of 10% to 15% of the baseline imported sales. It is expected that the likelihood of MET allocations will decrease after the California WaterFix project is completed (estimated 2035).

One way to decrease the impact of these allocations is through the use of an extraordinary water supply. The value of the extraordinary supply is that it is directly added to the utility’s baseline supply (1:1) and is not discounted or reduced in the supply allocation calculation.

<table>
<thead>
<tr>
<th>Budgeted (Y/N): N</th>
<th>Budgeted amount: None</th>
<th>Core <em>X</em></th>
<th>Choice __</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action item amount: N/A</td>
<td>Line item:</td>
<td>Fiscal Impact (explain if unbudgeted):</td>
<td></td>
</tr>
</tbody>
</table>
There are several conditions that must be met for a water supply to qualify as MET extraordinary supply and the most germane conditions are that it cannot be derived from a MET water supply and it must be used only during allocations or certain emergencies. For example, storing MET water in a surface reservoir or groundwater basin would not qualify and nor would a baseload water supply that produced water that was used during non-allocation periods. While extraordinary supplies can provide significant relief from an allocation, they are typically expensive to acquire and maintain due to the required conditions. Essentially you are paying for a water supply and then putting it on the shelf for future use under very limited conditions.

There are currently few extraordinary water supplies and fewer that have been actually used during a MET allocation. For example, Western Municipal Water District has banked 6,000 Acre Feet (AF) of groundwater that qualifies as extraordinary supply. During the 2010 allocation the San Diego County Water Authority received approval from the MET Board of Directors for 15,200 AF of extraordinary supply for a water transfer from the Placer County Water Agency. MWDOC could independently develop an extraordinary supply through a commercial groundwater storage facility (e.g., Semi-Tropic), but again, at a very high cost to purchase, place, store, retrieve and deliver the water. Additional extraordinary supplies are likely to be developed in the future. For example, OCWD through the SARCCUP program is likely to develop an extraordinary supply in the future. However, the SARCCUP program requires MET Board approval, agency implementation and the availability and purchase of excess water from San Bernardino Valley Municipal Water District (a non-MET source) for storage in the OCWD groundwater basin. If the OCWD Board of Directors decided to make a program available to MWDOC, it may be five or more years before an adequate volume of water is accumulated by OCWD.

IRWD has already developed and is operating the Strand and Stockdale Integrated Water Banking Projects (Water Bank). Extraordinary supply is available and IRWD has proposed a plan whereby a specific amount of water can be reserved or optioned for use during an allocation. This provides the insurance of an extraordinary supply if and when needed at a significantly lower cost of the reserve or option payment. It is this water reliability pilot program that is the subject of this board letter.

**SUMMARY**

The Water Reliability Pilot Program under discussion is relatively simple in concept:

- MWDOC would contract with IRWD to reserve or option a specific amount of extraordinary supply water (5,000 AF) from the IRWD Water Bank at a specified annual rate ($25/AF) for a specific period of time (7 years);
- If MWDOC determined that we need to call on that extraordinary supply to meet customer demands during an allocation then the water would be purchased and additional costs incurred;
- If MWDOC found that there was no need to call on the reserved extraordinary supply, then no additional charges are incurred and the annual payments could be viewed as an insurance premium (payments for coverage not exercised).

The primary benefits of the proposed pilot program are that MWDOC and our Member Agencies obtain an appropriately sized extraordinary supply at a price well below the cost of developing our own supply, if utilized this supply would be 28% less than paying the MET surcharge with a savings of $3.85 million. The limited downside is that if the option is not
exercised then the annual cost of $125,000 ($880,000 over 7 years) can be viewed as being forgone.

The 5,000 AF represents approximately 2.5% of the MWDOC allocation in 2015-2016 MET 85% allocation. The significant per capita demand reduction from the last drought is likely to have two impacts. First, it is likely to be more difficult to conserve water because significant reduction has already taken place (i.e., demand hardening). Secondly, under similar hydrologic conditions the size of the allocation may be smaller because the baseline water use has decreased significantly. While MWDOC has never exceeded our pooled allocation and has never incurred a surcharge, it is more probable that we might in the future. Until such time as OCWD develops their own extraordinary supply, the benefits of this pilot program would apply to both MWDOC’s retail basin and non-basin agencies. Benefits would likely closely approximate the volume of imported water purchased by the retail agencies. This pilot program is a method to mitigate this risk for the immediate future.

BACKGROUND

Since 2009, Irvine Ranch Water District (IRWD) has successfully developed and is now operating its Strand and Stockdale Integrated Water Banking Projects (“Water Bank”), which are located west of Bakersfield. Operations of this Water Bank is facilitated through a 30-year agreement that IRWD has with Rosedale-Rio Bravo Water Storage District.

IRWD has entered into agreements with several other water districts that allow exchanges of State Water Project (SWP) and non-SWP water on a 2-for-1 basis (also referred to as “unbalanced exchanges”). These exchange agreements result in a low cost water supply to IRWD’s Water Bank with IRWD retaining 50 percent of all the water delivered into storage. Currently, IRWD has about 40,000 AF in storage in their Water Bank.

IRWD’s objective of its banking projects is to secure surplus water supplies during wet periods to be utilized during dry-years. Agreements between IRWD, MWDOC and MET have been established to coordinate the use and delivery of IRWD’s water when MET is in Drought Allocations or under emergency conditions. More importantly, this water is categorized as an “Extraordinary Supply,” which provides an almost 1:1 additional allocation to enhance an agency’s reliability to offset its allocation reductions during a water supply shortage event called by MET.

IRWD is also pursuing the future Kern Fan Groundwater Storage Project with Rosedale Rio Bravo Water Storage District and Dudley Ridge Water District to provide additional storage and operating flexibility for the project proponents as well as the Department of Water Resources under the Water Storage Investment Program (WSIP) being offered by the State. The future Kern Fan Project is separate and apart from the Strand and Stockdale Integrated Water Banking Projects.

MWDOC and IRWD staffs have discussed how IRWD’s Banking Projects could potentially be expanded to enhance other retail agencies’ water supply reliability in MWDOC’s service area. On April 2, 2018, IRWD staff gave a presentation to the MWDOC Planning & Operations (P&O) Committee on the status of their Water Bank, existing partnerships, current amount in storage, and future expansion. Among the items presented by IRWD was the opportunity for opening up the Water Bank to MWDOC’s member agencies through a Pilot Program. IRWD would reserve a portion of its stored supplies for retail agencies in the
MWDOC service area, which can be called upon during a Water Supply Allocation or emergency. The MWDOC P&O Committee asked that the general terms of a potential program be explored through staff and Ad Hoc committees of both MWDOC and IRWD.

On May 3, the two Ad Hoc committees met along with both staffs to discuss conceptual terms and conditions of a Pilot Program. The focus was on the potential program framework, agencies’ roles, and how the program would be administered by MWDOC. Direction was given for staffs to continue working together on a proposed term sheet for the Boards’ review and consideration.

**REPORT**

In July, IRWD and MWDOC staffs worked on the attached Proposed Terms for a Water Reliability Pilot Program. The intent of this program is to provide MWDOC access to Extraordinary Supplies from IRWD’s Water Bank during MET Drought Allocations or during emergency conditions (e.g. Delta Levee failure) for the benefit of our retail agencies.

The purpose of this Board letter is to have the MWDOC P&O Committee: (1) review the draft proposed terms, conditions, roles, and payment structure of the pilot program between MWDOC and IRWD, (2) direct MWDOC staff to move forward on working with IRWD on drafting a program agreement for the Board’s consideration and conduct supporting reviews and studies, (3) have discussions with and receive input from MWDOC’s Member Agencies, and (4) utilize the terms and conditions developed herein for evaluation in the O.C. Reliability Study.

**Key Pilot Program Working Draft Terms & Conditions**

**Parties:** MWDOC and IRWD.

**Term:** Seven years fixed with no “opt out” provision; but leaving open the opportunity for future discussions related to extending the program to improve water supply reliability into the future. Staff believes the largest exposure under water allocations from MET will occur from now to about the time the California WaterFix begins operation in about 2035 (in 17 years). Other projects could be developed during that period to mitigate the allocation risk.

**Amount:** 5,000 AF from IRWD will be held available in its Water Bank (net of Kern County Losses) over the term of the Pilot Program.

**Annual Reservation (Option) Charges:** MWDOC would pay IRWD a $25 per AF annual reservation charge ($125,000 per year for seven years) to secure the right to call on up to 5,000 AF of Extraordinary Supply in any water allocation year or years (or during limited emergency events) within the 7 year term. MWDOC’s base year allocation in the last drought was 196,560 AF.

The 5,000 AF would provide protection for MWDOC agencies beyond the “pooling” benefit provided by MWDOC. Under the pooling concept, some agencies can go over their allocations and others are under theirs and penalties are NOT imposed unless MWDOC as a whole is over its allocation with MET. The Pilot Program complements the basic MWDOC pooling by providing additional protection in case the pooled use is over the MWDOC allocation. If the pilot program extraordinary supply was called during the allocation then
those Member Agencies who exceeded their allocation would be charged for the additional costs. These program costs would be less than the costs of purchasing the water from MET with the associated surcharges.

**MWDOC’s role and responsibilities:**
- Implement and administer the Pilot Program with the retail Member Agencies.
- Communicate calls for water to IRWD; coordinate deliveries to participants.
- Coordinate with MET deliveries into MWDOC service area.
- Invoice the retail agencies' access and use of this pilot program, and all necessary MET costs.
- Compensate IRWD according to the proposed contract terms:
  - Annual reservation charges for right to call on the water ($25 per AF)
  - Actual extraction and deliveries costs (Estimated at $533 per AF in the year 2025)

**Irvine Ranch Water District’s role and responsibilities:**
- Provide up to 5,000 AF of Extraordinary Supply from its Water Bank to MWDOC.
- Operate its Water Bank.
- Coordinate recovery and delivery of Extraordinary Supply from IRWD’s Water Bank for conveyance into MWDOC’s service area.

**Proposed IRWD Fees and Charges**

<table>
<thead>
<tr>
<th>Up Front Fixed Costs:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $5,000 One-time Program</td>
<td></td>
</tr>
<tr>
<td>Set-up Fee</td>
<td>Covers IRWD’s actual administrative and legal costs to develop a Pilot Program Agreement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Costs:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Reservation (Option)</td>
<td></td>
</tr>
<tr>
<td>Charge of $25 per AF</td>
<td>Based on IRWD's opportunity loss of 2,500 AF of water for reserving up to 5,000 AF of water in storage for MWDOC. Paid each of the seven years (no opt out).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable $510 per AF Cost to Call on Water:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual costs estimated at $150 per AF</td>
<td>IRWD’s cost of water is based on actual costs incurred to acquire water supplies through unbalanced exchanges, net of losses, and includes Rosedale's fees, Kern County Water Agency third party banking fees, share of recharge O&amp;M costs, and Kern County conveyance costs.</td>
</tr>
<tr>
<td>Cost of Water</td>
<td></td>
</tr>
<tr>
<td>Actual costs estimated at $100 per AF</td>
<td>Actual recovery costs include estimated cost of power, Rosedale's fees, share of recovery O&amp;M costs and Kern County conveyance costs.</td>
</tr>
<tr>
<td>for Recovery Costs</td>
<td></td>
</tr>
<tr>
<td>Fixed fee of $260 per AF Capital Facility Use Fee</td>
<td>Capital facility use fee is based on IRWD's total capital costs and the total amount of water expected to be delivered from the projects over 50 years.</td>
</tr>
</tbody>
</table>
$500 Transaction Fee Each Time Water is Called

Covers IRWD's administrative costs to coordinate recovery of water from the Water Bank, invoicing and tracking.

Below is a breakdown of the aggregate cost of the program per AF if MWDOC calls on the water in the last year of the seven year program (2025) along with a comparison of the Proposed Pilot Program to the MET Allocation Surcharge:

### Aggregate Cost of Program Water if Called in Seventh Year (2025)

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Reservation Charges &amp; Set-Up Fee</td>
<td>$176/AF*</td>
</tr>
<tr>
<td>Est. Actual Cost of the water in storage</td>
<td>$150/AF</td>
</tr>
<tr>
<td>Est. Actual Cost of Recovery out of storage</td>
<td>$123/AF**</td>
</tr>
<tr>
<td>Fixed Fee of Capital Facility Use</td>
<td>$260/AF</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$709/AF</td>
</tr>
<tr>
<td>MET Tier 1 Treated Rate (CY2025)</td>
<td>$1,243/AF</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,952/AF</td>
</tr>
</tbody>
</table>

[*] The $176/AF was determined by dividing the total annual reservation charges over the 7 years ($875,000) plus the one-time set-up fee ($5,000) by the 5,000 AF program amount

[**] Estimated using a 3% escalation rate

(1) MET actually has a two-tier surcharge for agencies going over their allocation. The first tier is for agencies exceeding the allocation by up to 15% (which is shown above). Under the MET WSAP, agencies exceeding their allocation by more than 15% incur an even higher surcharge (an additional $1480 is added).

**Savings**: $771/AF

**If called upon in 7th Year (2025)**

- MET Full Service Rate: $1,243/AF
- Extraction, Facility & Water Costs: $533/AF
- Reservation Charge: $176/AF
- Allocation Surcharge: $1,480/AF
- Tier 1 Rate (CY 2025): $1,243/AF
- Total MET Surcharge (Over usage): $2,723/AF
Program Benefits

The purpose of this program is to provide MWDOC Members Agencies with reliability “Insurance” to access Extraordinary Supplies during a MET Drought Allocation or during emergency conditions when agencies are unable to live within their MET allocation provided by MWDOC. The probability of allocations does not significantly decrease until the California WaterFix is operational or other source projects are developed. Having access to Extraordinary Supplies to mitigate a Drought Allocation will provide a significant benefit during that period. As shown above, the cost savings between the proposed pilot program and the MET allocation surcharge is estimated at $771/AF.

However, it is important to note that under the structure of this program, MWDOC would not pay the full cost and delivery of this water unless it is actually needed. MWDOC is only required to pay a one-time set-up fee of $5,000 and a $25/AF annual reservation charge (totaling $125,000 per year) over the seven years of the program term (total investment over 7 years would be $880,000). This totals approximately $176/AF of financial risk (to secure an insurance policy); which provides relatively inexpensive “insurance protection” compared to other reliability projects.

Cost and potential cost avoidance are summarized below for different term periods (years) assuming that the option is exercised only once at the end of the term; all calculations are based on 5,000 AF:

<table>
<thead>
<tr>
<th>TERM (Yrs)</th>
<th>FIXED COSTS (Annual + Up Front Payments)</th>
<th>TOTAL PROJECT COST (with Water Purchase)</th>
<th>TOTAL MET COSTS IF OVER ALLOCATION (Water Purchase + Surcharge)</th>
<th>POTENTIAL COST AVOIDANCE</th>
<th>RATIO D./A. (COST AVOIDANCE divided by FIXED COSTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>$630,000</td>
<td>$9,140,137</td>
<td>$12,881,316</td>
<td>$3,741,179</td>
<td>5.94</td>
</tr>
<tr>
<td>7</td>
<td>$880,000</td>
<td>$9,760,437</td>
<td>$13,615,201</td>
<td>$3,854,764</td>
<td>4.38</td>
</tr>
<tr>
<td>9</td>
<td>$1,130,000</td>
<td>$10,417,887</td>
<td>$14,425,760</td>
<td>$4,007,873</td>
<td>3.55</td>
</tr>
<tr>
<td>13</td>
<td>$1,630,000</td>
<td>$11,845,056</td>
<td>$16,277,534</td>
<td>$4,432,478</td>
<td>2.72</td>
</tr>
<tr>
<td>17</td>
<td>$2,130,000</td>
<td>$13,402,304</td>
<td>$18,391,759</td>
<td>$4,989,455</td>
<td>2.34</td>
</tr>
</tbody>
</table>

The Fixed Costs represent the payments that are sunk costs whether or not the option is exercised and the extraordinary supply water is called. The Potential Cost Avoidance is the estimated cost of the purchase of the additional water from MET including the surcharge for exceeding the allocation minus the Total Project Cost of the pilot program.

In addition, it should be noted that the institutional structure is already in place and tested to deliver this water when needed. IRWD has had their operational agreements and facilities with their banking partners in Kern County in place for a number of years. Moreover, agreements with MET to coordinate the delivery of this water are already established. In 2011, IRWD, MET and MWDOC signed the Coordinated Operating and Exchange Agreement to delivery SWP water; and in 2014 a wheeling agreement was signed to deliver
1,000 AF of Non-SWP to IRWD. More importantly, both agreements with MET recognize this source of water as an “Extraordinary Supply”.

Lastly, staff finds this pilot program is consistent with MWDOC’s mission and goal to enhance our service area’s water reliability in an equitable and economical way; and to provide access to “Extraordinary Supply” of water to every retail member agency in Orange County.

**Next Steps**

Based on the feedback from the MWDOC P&O Committee, staff would like to present the proposed terms, fees and charges of the Pilot Program to the MWDOC member agencies. In addition, staff would like to start developing a draft Pilot Program Agreement with IRWD, and research and propose rate considerations for our Board and member agencies to review and discuss.

**Attachments:**
- Proposed DRAFT Terms for a Water Reliability Pilot Program Between IRWD and MWDOC
- The Powerpoint Presentation will be emailed separately
**Proposed Terms for Water Reliability Pilot Program Between IRWD and MWDOC**  
_(July 30, 2018) Revised_

### General Terms:

<table>
<thead>
<tr>
<th>Parties</th>
<th>Irvine Ranch Water District (IRWD) and Municipal Water District of Orange County (MWDOC).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>IRWD and MWDOC seek to implement a Water Reliability Pilot Program (Pilot Program) for the benefit of the MWDOC member agencies utilizing IRWD’s Strand and Stockdale Water Banking Projects (Water Bank). The Pilot Program will provide MWDOC with extraordinary water supply during periods when Metropolitan Water District of Southern California (Metropolitan) declares a Water Supply Allocation or during system emergency conditions.</td>
</tr>
<tr>
<td>Program Overview</td>
<td>Over the duration of the Pilot Program, MWDOC will pay, on behalf of its member agencies, annual reservation charges for the right to call on Pilot Program water during the same year, consistent with defined price and payment terms.</td>
</tr>
<tr>
<td>Pilot Program Water</td>
<td>IRWD would make up to 5,000 acre-feet (AF) of water (net of Kern County losses) from its Water Bank available for delivery to MWDOC over the Term of the Pilot Program.</td>
</tr>
</tbody>
</table>

### Program Duration:

| Length of Pilot Program | Initial Pilot Program duration of 7 years fixed (no opt out). Discussions/negotiations related to future extensions of the program shall consider Metropolitan regional storage levels, water deliveries, payments made in the Pilot Program and the expected start-up date of the California WaterFix (estimated 2035). |

### Agency Roles:

<table>
<thead>
<tr>
<th>IRWD’s Role</th>
<th>MWDOC’s Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IRWD would:</strong></td>
<td><strong>MWDOC would:</strong></td>
</tr>
<tr>
<td>• Make available Pilot Program Water from its Water Bank;</td>
<td>• Implement the Pilot Program such that it is cost neutral to IRWD;</td>
</tr>
<tr>
<td>• Operate its Water Bank; and</td>
<td>• Participate to provide additional water supply reliability to its member agencies by way of the Pilot Program;</td>
</tr>
<tr>
<td>• Coordinate the recovery and delivery of water consistent with the Coordinated Operating Water Storage, Exchange and Delivery Agreement among IRWD, MWDOC and Metropolitan (Coordinated Agreement).</td>
<td>• Coordinate with member agencies on exercising calls for water;</td>
</tr>
<tr>
<td>• Consider program extensions of some type up to the start-up of the California WaterFix (estimated 2035)</td>
<td>• Communicate requests to IRWD for the recovery and delivery of called upon Pilot Program Water;</td>
</tr>
<tr>
<td></td>
<td>• Coordinate with Metropolitan such deliveries into MWDOC’s service area;</td>
</tr>
<tr>
<td></td>
<td>• Make all up front, annual reservation, water call and other cost payments to IRWD, as described under the Price and Payment Terms, over the course of the program and invoice for actual water deliveries made under the Pilot Program; and</td>
</tr>
<tr>
<td></td>
<td>• Pay all Metropolitan Full Service Rates pursuant to the Coordinated Agreement.</td>
</tr>
<tr>
<td></td>
<td>• Consider program extensions of some type up to the start-up of the California WaterFix (estimated 2035)</td>
</tr>
<tr>
<td>Price and Payment Terms (MWDOC pays to IRWD):</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Up Front Fixed Costs:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $5,000 One-time Program Set-up Fee</td>
</tr>
<tr>
<td>Covers IRWD's actual administrative and legal costs to develop a Pilot Program Agreement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Costs:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Reservation Charge of $25 per AF:</td>
</tr>
<tr>
<td>Based on IRWD's opportunity loss of 2,500 AF of water for reserving up to 5,000 AF of water in storage for MWDOC. Paid each of the seven years (no opt out).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable $510 per AF Cost to Call on Water:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual costs estimated at $150 per AF Cost of Water</td>
</tr>
<tr>
<td>IRWD's cost of water is based on actual costs incurred to acquire water supplies through unbalanced exchanges, net of losses, and includes Rosedale's fees, Kern County Water Agency third party banking fees, share of recharge O&amp;M costs, and Kern County conveyance costs.</td>
</tr>
<tr>
<td>Actual costs estimated at $100 per AF for Recovery Costs</td>
</tr>
<tr>
<td>Actual recovery costs include estimated cost of power, Rosedale's fees, share of recovery O&amp;M costs and Kern County conveyance costs.</td>
</tr>
<tr>
<td>Fixed fee of $260 per AF Capital Facility Use Fee</td>
</tr>
<tr>
<td>Capital facility use fee is based on IRWD's total capital costs and the total amount of water expected to be delivered from the projects over 50 years.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Costs:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500 Transaction Fee Each Time Water is Called</td>
</tr>
<tr>
<td>Covers IRWD's administrative costs to coordinate recovery of water from the Water Bank, invoicing and tracking.</td>
</tr>
</tbody>
</table>
MEMORANDUM

RECOMMENDATION

Review agenda topics and discuss planning for the October 9, 2018 Board of Directors’ workshop.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

None.

DISCUSSION

At its August 9, 2018 meeting, the Board of Directors is scheduled to discuss agenda topics for the October 9, 2018 workshop.

For the Committee’s review, the proposed agenda topics are as follows:

- Regional Water Issues
- Legislative Platforms
- Municipal Water District of Orange County and Irvine Ranch Water District’s Proposed Water Reliability Pilot Program
- General Manager’s Performance Evaluation

FINANCIAL IMPACT

In Fiscal Year 2019, $3,000 is budgeted; no funds have been spent to date.

ATTACHMENTS

None.
MEMORANDUM

TO: Executive Committee
FROM: Denise Garcia, Administrative Services Manager
DATE: August 8, 2018
SUBJECT: Proclamation in Memoriam of Hank Panian

RECOMMENDATION

Recommend that the Board of Directors approve a proclamation honoring the life and memory of Mr. Henry "Hank" Panian.

STRATEGIC PLAN

Goal #5: Attract and retain skilled employees.

DISCUSSION

Henry "Hank" Panian was a member of Mesa Water District's Board of Directors from 1977 to 1998, an admired college professor, and well-known local historian.

Mr. Panian guided Mesa Water through great advancements, including building two reservoirs, creating Master Plans, and developing the Mesa Water Reliability Facility (previously named the Colored Water Treatment Facility).

He was an integral part of the CALFED Bay-Delta Program process, informing water agencies throughout Southern California about the importance of this historic water issue.

Mesa Water designated him Professor Emeritus of the Water Issues Study Group, a water education program for adults that Mr. Panian taught for 30 consecutive years.

Mr. Panian also taught history at Orange Coast College for 34 years, and was a founding member of the Costa Mesa Historical Society where he served on its Board of Directors.

Throughout his life, Mr. Panian received many awards and recognitions, including the Costa Mesa Mayor's Award, Man of the Year from the Costa Mesa Chamber of Commerce, a Living Memorial Award from the Costa Mesa Historical Society, and a Lifetime Water Achievement Award from Mesa Water.

Mr. Panian unselfishly devoted his time to the Costa Mesa community and Mesa Water as a true cornerstone of leadership who was beloved by all.

FINANCIAL IMPACT

None.

ATTACHMENTS

Attachment A: Draft Proclamation
In Memoriam of Henry "Hank" Panian

Whereas, Henry "Hank" Panian was a member of Mesa Water District's Board of Directors from 1977 to 1998, an admired college professor, and well-known local historian.

Whereas, Mr. Panian guided Mesa Water through great advancements, including building two reservoirs, creating Master Plans, and developing the Mesa Water Reliability Facility (previously named the Colored Water Treatment Facility).

Whereas, he was an integral part of the CALFED Bay-Delta Program process, informing water agencies throughout Southern California about the importance of this historic water issue.

Whereas, Mesa Water designated him Professor Emeritus of the Water Issues Study Group, a water education program for adults that Mr. Panian taught for 30 consecutive years.

Whereas, Mr. Panian also taught history at Orange Coast College for 34 years, and was a founding member of the Costa Mesa Historical Society where he served on its Board of Directors.

Whereas, throughout his life, Mr. Panian received many awards and recognitions, including the Costa Mesa Mayor's Award, Man of the Year from the Costa Mesa Chamber of Commerce, a Living Memorial Award from the Costa Mesa Historical Society, and a Lifetime Water Achievement Award from Mesa Water.

Whereas, Mr. Panian unselfishly devoted his time to the Costa Mesa community and Mesa Water as a true cornerstone of leadership who was beloved by all.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors of Mesa Water District, with deep respect and gratitude, honor the life and memory of Mr. Henry "Hank" Panian.

Jim Atkinson, President

Fred R. Bockmiller P.E., Vice President

August 9, 2018

Shawn Dewane, Director

Marice H. DePasquale, Director

James R. Fisler, Director
MEMORANDUM

TO: Executive Committee
FROM: Paul E. Shoenberger, P.E., General Manager
DATE: August 8, 2018
SUBJECT: Future Agenda Topics and Conference Schedule

RECOMMENDATION

Review future agenda topics and conference schedule.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

None.

DISCUSSION

Staff will provide an updated future agenda topics and conference schedule at the Executive Committee meeting.

FINANCIAL IMPACT

None.

ATTACHMENTS

None.
REPORTS:

6. REPORT OF THE GENERAL MANAGER:
REPORTS:

7. DIRECTORS' REPORTS AND COMMENTS:
There are no support materials for this item.
CLOSED SESSION:

9. CONFERENCE WITH LABOR NEGOTIATOR PURSUANT TO GOVERNMENT CODE 54957.6:
   District Negotiator: General Manager
   Employee Organization: Mesa Water District Employee Association Represented Employees