WORKSHOP MEETING OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
BOARD OF DIRECTORS WITH MET DIRECTORS
18700 Ward Street, Conference Room 101, Fountain Valley, California
August 6, 2025, 8:30 a.m.

Teleconference Sites:
25652 Paseo De La Paz, San Juan Capistrano, CA 92675
17420 Walnut Street, Fountain Valley, CA 92708

This meeting will be held in person at 18700 Ward Street, Fountain Valley, California, 92708 (Conference Room 101). As a convenience for the public, the meeting may also be accessed by Zoom Webinar and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the Zoom component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

Computer Audio: You can join the Zoom meeting by clicking on the following link:
https://zoom.us/j/8828665300

Telephone Audio:	**(669) 900 9128 fees may apply**
	(877) 853 5247 Toll-free
Webinar ID:	**882 866 5300#**

AGENDA

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC COMMENTS
At this time members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken.

The Board requests, but does not require, that members of the public who want to address the Board complete a voluntary "Request to be Heard" form available from the Board Secretary prior to the meeting.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED
Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present a unanimous vote).

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING
Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than 72 hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's Internet Website, accessible at http://www.mwdoc.com.

NEXT RESOLUTION NO. 2160

PRESENTATION ITEMS

1. METROPOLITAN BUSINESS MODEL UPDATE

Recommendation: Receive and file the presentation.

2. LEGISLATIVE ACTIVITIES

a. Federal Legislative Report (NRR)
b. State Legislative Report (SDA)
c. Legal and Regulatory Report (Ackerman)
d. County Legislative Report (Whittingham)
e. MWDOC Legislative Matrix
f. MET Legislative Matrix

Recommendation: Review and discuss the information presented.

3. QUESTIONS OR INPUT ON MET ISSUES FROM THE MEMBER AGENCIES/ MET DIRECTOR REPORTS REGARDING MET COMMITTEE PARTICIPATION

Recommendation: Receive input and discuss the information presented.

INFORMATION ITEMS

4. MET ITEMS CRITICAL TO ORANGE COUNTY

a. MET's Finance and Rate Issue
b. MET's Water Supply Condition Update
c. MET's Water Quality Update
d. Colorado River Issues
e. Delta Conveyance Activities and State Water Project Issues

5. MET BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

a. Summary regarding July MET Board Meeting
b. Review items of significance for MET Board and Committee Agendas

ADJOURNMENT

Note: Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by contacting Angela Crespi, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at 18700 Ward Street, Fountain Valley, CA 92708. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.

Item No. 1

PRESENTATION ITEM
August 6, 2025

TO: **Board of Directors**

FROM: **Harvey De La Torre, General Manager**

Staff Contact: Melissa Baum-Haley, Assistant General Manager

SUBJECT: **METROPOLITAN BUSINESS MODEL UPDATE**

STAFF RECOMMENDATION

Staff recommends that the Board of Directors receive and file the presentation.

REPORT

Through Metropolitan's Business Model process, MWDOC has been providing regular updates to the Board and our member agencies on key milestones. These updates also provide MWDOC's member agencies the opportunity to engage *"in the development of MWDOC policy positions, helping to balance Orange County interests and broader regional needs"*, a key element of the MWDOC Facilitated Discussions.

In April of 2025, the Metropolitan Business Model Ad Hoc working group, comprised of member agency general managers, advanced a status report and recommendations for Metropolitan's Business Model revisions. Metropolitan's Subcommittee on Long-term Regional Planning Processes and Business Modeling provided direction to Metropolitan staff to bring these recommendations to the committees of jurisdiction and begin the process of incorporating these recommendations into Metropolitan's FY2026–27 and FY2027–28 Biennial Budget.

In July of 2025, Metropolitan adopted three of the financial policy business model recommendations. These recommendations include a revised Treated Water Cost Recovery Rate Structure, revisions to Metropolitan's unrestricted reserve policy, and a revised policy for water transactions for rate-setting purposes. These revisions will all be incorporated into Metropolitan's next biennial budget.

The Treated Water Cost Recovery framework, adopted by the Board, is the culmination of 12 months' worth of meetings among member agency general managers. It moves Metropolitan's collection of treated water revenues from 100% volumetric to approximately 30% fixed. Metropolitan will collect these revenues through a peaking charge and standby

Budgeted: ☐ Yes ☐ No ☒ N/A	Budgeted amount: N/A	Core: ☐	Choice: ☐
Action item amount: N/A	Movement between funds: ☐ Yes ☐ No		

charge, with the remaining 70% of revenues being generated volumetrically. The charges will be phased in over the next several years on a going-forward basis.

Refinements to Metropolitan's unrestricted reserve policy and the policy for water transactions for rate-setting purposes are two interrelated policies. Historically, Metropolitan has budgeted for water transactions at the 50% exceedance level (1.44 MAF). During the FY2024–25 and FY 2025–26 biennial budget, the Board set the exceedance level at 70% (1.34 MAF) but did not set a long-term policy on their budgeted transactions.

Implementing a higher exceedance level (i.e., 70 percent) in rate setting helps to reduce the risk associated with sales variability, increasing the likelihood that Metropolitan meets its budgeted water transaction projections. This creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes and emergency rate adjustments. The higher the exceedance level for budgeted transactions the lower the need for elevated reserves and vice versa.

Metropolitan's unrestricted reserve policy was last updated in 1999, and the general manager ad hoc working group recommended making several changes to enhance stability and predictability. This included linking reserve levels to the budgeted demand exceedance level, recognizing the need for less reserves as meeting budgeted demands becomes more certain. Additional changes included excluding variable costs from the reserve calculations and incorporating treatment revenue requirements to provide more stability on the treated water rate.

The Metropolitan Board adopted changes to both the unrestricted reserve policy and the policy for water transactions for rate-setting purposes at the July meeting. Water Transactions for the FY 2026–27 and 2027–28 biennial budget will be set at 70% (1.44 MAF), which will set the reserve percentage at 19 percent.

MWDOC invited Metropolitan's Chief Financial Officer Katano Kasine, Group Manager of Finance Adam Benson, and Revenue and Budget Manager Arnout van den Berg to provide background information on these changes to the financial policies.

ALIGNMENT WITH BOARD STRATEGIC PRIORITIES

- ☒ *Clarifying MWDOC's mission and role; defining functions and actions.*
- ☒ *Balance support for Metropolitan's regional mission and Orange County values and interests.*
- ☐ *Strengthen communications and coordination of messaging.*
- ☐ *Work with member agencies to develop water supply and demand objectives.*
- ☒ *Solicit input and feedback from member agencies.*
- ☐ *Invest in workforce development and succession planning.*

MWDOC staff brought several business model updates to the MWDOC Member Agency General Managers' meetings and will continue to discuss these issues and their future implementation.

Attachments/Links:

Attachment 1: Metropolitan Board Letter on Treated Water Cost Recovery

Attachment 2: Metropolitan Board Letter on Metropolitan's Reserves Policy and Water Transactions

- **Board of Directors**
  Finance, Affordability, Asset Management, and Efficiency (FAAME)

7/8/2025 Board Meeting

7-6

Subject

Approve a Treated Water Cost Recovery Rate Structure to be included with the staff proposal for the FY 26/27 and 27/28 Biennial Budget and CYs 27 and 28 Rates and Charges; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In response to the Board's directive in April 2024 to review the Treatment Surcharge and broader business model issues, Metropolitan established an Ad Hoc Working Group of member agency general managers. The group formed a Financial Policies Business Model Support Sub-Working Group (the "Financial Sub-Working Group") to focus on the business model issues relating to financial matters while forming other sub-working groups to address water resources and engineering matters. The Financial Sub-Working Group was tasked with addressing treated water cost recovery, fixed and volumetric revenues, and other key fiscal priorities.

After twelve (12) months of evaluating alternative approaches to Treated Water Cost Recovery, there is broad recognition that the current 100 percent volumetric structure is inconsistent with the Board's previously adopted Policy Principles on Treated Water.

Through more than a dozen collaborative workshops, the Financial Sub-Working Group developed two (2) proposals to improve the alignment of treated water rates with costs of service. Both proposals recommend shifting up to 30 percent of the current fully volumetric approach to a more balanced structure that includes fixed charges based on an agency's use of peaking and standby capacity. This shift is intended to enhance revenue stability and promote greater equity among agencies with varying demand patterns.

Staff is recommending approval of the March 14, 2025 Member Agency Proposal – Annual Peak (Proposal). This option introduces three (3) fixed charges to reflect capacity related treatment costs:

- **Peaking Capacity Charge**: A fixed charge based on a three-year trailing maximum annual peak day demand in cubic feet per second (CFS), representing approximately 10 percent of treatment costs
- **Used Standby Capacity Charge**: A fixed charge based on a ten-year trailing annual standby capacity, calculated as the maximum annual use minus average use in acre feet (AF)
- **Remaining Standby Capacity Charge**: A fixed charge based on a five-year trailing maximum annual use in AF.

These fixed charges would collectively recover up to 30 percent of the Treatment Revenue Requirements, unless the total allocated fixed costs are less than 30 percent. The remaining approximately 70 percent of the treatment costs would continue to be recovered through volumetric charges.

In late April, Metropolitan engaged Raftelis to conduct an independent review of the Proposal and to prepare a memorandum summarizing their evaluation and findings. In their memorandum, Raftelis concluded that the Proposal offers a reasonable balance between cost recovery principles and Metropolitan's broader objectives and priorities (see **Attachment 1**).

Adoption of the Proposal will strengthen Metropolitan's financial foundation, improve rate equity, and enhance the agency's ability to respond to growing regional challenges in water reliability, infrastructure maintenance, and fiscal sustainability.

The implementation of the new fixed charges will be integrated with the rate-setting process for the next biennium. At this stage, the Board is not approving specific rates or charge amounts, but rather the methodology for incorporating fixed charges into the treatment cost recovery structure. This methodology will serve as the foundation for developing rates as part of the FY 2026/27 and FY 2027/28 biennial budget and rate-setting cycle, with the new rates scheduled to take effect on January 1, 2027, and January 1, 2028. With approval of this Board action, the Board is directing staff to use these foundational assumptions in developing the next biennial budget. Staff will apply these assumptions in preparing the next biennial budget, including rates and charges, and all associated revenues and expenditures that determine Metropolitan's revenue requirement. This approach provides member agencies with time to plan and prepare for the transition, while maintaining alignment with Metropolitan's established budget and rate-setting schedule.

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

Staff Recommendation: Option #1

Option #1

Approve a Treated Water Cost Recovery Rate Structure to be included with the staff proposal for the FY 26/27 and 27/28 Biennial Budget and CYs 27 and 28 Rates and Charges.

Fiscal Impact: The recommended refinements will not generate new revenue, nor will they result in immediate fiscal impacts. Instead, they are designed to improve Metropolitan's long-term financial stability. By shifting approximately 30 percent of treatment costs recovery from fully volumetric rate to fixed charges, the approach aligns revenue collection with system cost drivers and cost of service (COS) principles. This structural adjustment reduces revenue volatility associated with fluctuating water demand.

Business Analysis: The proposed resolution approves the establishment of a cost recovery structure for treated water that introduces three (3) fixed charges to better reflect capacity related treatment costs and improve revenue stability. The proposed charges include:

1) Peaking Capacity Charge – a fixed charge based on a member agency's three-year trailing maximum annual peak day demand in CFS.
2) Used Standby Capacity Charge – a fixed charge based on a ten-year trailing annual standby capacity, calculated as the maximum annual use minus average use in AF.
3) Remaining Standby Capacity Charge – a fixed charge based on a five-year trailing maximum annual use in AF.

Staff will apply these assumptions in preparing the next biennial budget, including rates and charges, and all associated revenues and expenditures that determine Metropolitan's revenue requirement. Collectively, these charges would recover up to 30 percent of Metropolitan's treatment revenue requirements, unless the total allocated fixed costs are less than 30 percent. The remaining approximately 70 percent of the treatment costs will continue to be recovered volumetrically based on water deliveries. This methodology will serve as the foundation for developing rates as part of the FY 2026/27 and FY 2027/28 biennial budget and rate-setting cycle, with the new rates scheduled to take effect on January 1, 2027, and January 1, 2028. The Board is directing staff to use these foundational assumptions in developing the next biennial budget. The proposed structure transitions Metropolitan away from the current 100 percent volumetric recovery model toward a more financially resilient model (approximately 30 percent fixed / 70 percent volumetric). The design follows COS principles, supports rate stability, and addresses concerns raised during a year-long collaborative process involving 13 workshops and an independent review by Raftelis Financial Consultants.

Option #2

Do not approve the proposed Treated Water Cost Recovery Rate Structure to be included with the staff proposal for the FY 26/27 and 27/28 Biennial Budget and CYs 27 and 28 Rates and Charges.
Fiscal Impact: This would not result in any fiscal changes, as treatment costs would continue to be recovered entirely through the existing volumetric charges based on water deliveries.

Business Analysis: Metropolitan would not adopt a resolution approving the establishment of three (3) new fixed charges for treated water cost recovery. Metropolitan would continue to recover 100 percent of the treatment revenue requirement through volumetric charges based solely on delivered treated water deliveries. This would retain a 100 percent volumetric cost recovery model and continue the status quo.

Alternatives Considered

The Financial Sub-Working Group developed and evaluated multiple alternatives for recovering treated water costs related to peaking and standby capacity (summarized in **Attachment 2**). While the concept of a regional drought reliability benefit was also analyzed, further discussion is needed. It is recommended that these discussions continue with the goal of incorporating potential changes into Metropolitan's rate structure prior to the FY 2028/29 budget process.

Hypothetical impact analyses were conducted for all proposed alternatives, along with sensitivity analyses illustrating year-over-year changes to fixed charges for member agencies under each scenario. Raftelis reviewed the alternatives and concluded that each presents a reasonable nexus to COS standards.

Applicable Policy

Metropolitan Water District Act Section 124.5: Ad Valorem Tax Limitation

Metropolitan Water District Act Section 130: General Powers to Provide Water Services

Metropolitan Water District Act Section 133: Fixing of Water Rates

Metropolitan Water District Act Section 134: Adequacy of Water Rates; Uniformity of Rates

Metropolitan Water District Act Section 134.5: Water Standby or Availability of Service Charge

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

April 9, 2024	Board approved the Biennial Budget for FY 2024/25 and FY 2025/26, Rates and Charges, and Ten-Year Financial Forecast

Summary of Outreach Completed

The following list outlines the steps taken in regard to the Treated Water Surcharge. In addition to the formal Board process, staff also provided updates to Metropolitan's member agencies during the monthly Financial Sub-Working Group meetings.

July 24, 2024	Subcommittee on LTRPPBM
February 11, 2025	FAM Committee
April 22, 2025	Subcommittee on LTRPPBM
June 23, 2025	Special FAAME Committee

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4).)

CEQA determination for Option #2:

None required.

Details and Background

Background

In response to the Board's directive in April 2024 to review the Treatment Surcharge and broader business model issues, Metropolitan established an Ad Hoc Working Group of member agency general managers. The group formed a Financial Policies Business Model Support Sub-Working Group (the "Financial Sub-Working Group") to focus on the business model issues relating to financial matters while forming other sub-working groups to address water resources and engineering matters. The Financial Sub-Working Group was tasked with addressing treated water cost recovery, fixed and volumetric revenues, and other key fiscal priorities.

In accordance with Board leadership direction and following a series of Ad Hoc Working Group workshops, the Financial Sub-Working Group has developed and reviewed four key proposals aimed at promoting financial stability, ensuring equitable cost recovery, and aligning with previously adopted Policy Principles. These proposals—centered on Treated Water Cost Recovery, Unrestricted Reserve Policy, Conservative Water Demand Projections, and Other Fixed Revenues—reflect an ongoing collaborative effort with member agencies to refine and modernize Metropolitan's financial framework.

Metropolitan System Use and Connections by Member Agencies

Metropolitan plays a critical role in supporting the region's water reliability by delivering both treated and untreated water tailored to the infrastructure and operational needs of its 26 member agencies. The distinction between treated and untreated water usage reflects each agency's strategic approach to water management. Agencies with robust local treatment capabilities often opt for untreated water to enhance flexibility and reduce costs, while others depend on Metropolitan's treated water to meet public health and service requirements.

Fifteen of the 26 member agencies – Beverly Hills, Calleguas, Compton, Foothill, Fullerton, Glendale, Las Virgenes, Long Beach, Pasadena, San Fernando, San Marino, Santa Ana, Santa Monica, Torrance, and West Basin – receive only treated water. One (1) agency, Inland Empire, exclusively takes untreated water. The remaining 10 agencies – Anaheim, Burbank, Central Basin, Eastern, Los Angeles, MWDOC, San Diego, Three Valleys, Upper San Gabriel, and Western – receive a combination of both treated and untreated supplies. Over the past five years, agencies limited to treated water have accounted for approximately 44 percent of total annual treated water sales, underscoring their significant reliance on Metropolitan's centralized treatment system.

The Collaborative Process with Member Agencies

Beginning in May 2024, Metropolitan held 13 workshops, including seven Treated Water Cost Recovery workshops and six Financial Policies Business Model Support Sub-Working Group workshops (the group was renamed in January 2025). These workshops served as a forum for in-depth exploration of treatment system operations, historical treated water usage, COS principles, and alternative rate design methodologies.

The process was supported by multiple rounds of detailed financial and operational analyses, including evaluations of usage data, cost allocations, and rate design impacts. These analyses were performed following workshops to provide member agencies with additional supporting information and to address specific

questions and feedback received at the workshops. Input collected throughout the process from member agencies helped shape the direction of the discussions, informed subsequent analyses, and guided the development of alternative options to ensure that the proposed approaches addressed member agency concerns and reflected operational realities.

Raftelis Financial Consultants, Metropolitan's independent rate consultant, played an integral role throughout the Treated Water Cost Recovery process by validating methodologies, providing expert assessments, and ensuring alignment with COS principles and industry best practices. Building on this involvement, Metropolitan engaged Raftelis in late April to conduct an independent review of the two remaining proposals and to prepare a memorandum summarizing their evaluation and findings (**Attachment 1**).

Treated Water Cost Recovery

On April 9, 2024, the Metropolitan Board adopted the Fiscal Year (FY) 2024/25 and FY 2025/26 Biennial Budget that directed staff to work with member agencies to evaluate and analyze the Treatment Surcharge. Specifically, the Board directed staff to address issues identified through the analysis, including potential modifications to the calculation methodology. The Board further emphasized that a final methodology should be prioritized as part of the broader new business model discussion and recommended for adoption as soon as possible, but no later than the approval of the new business model.

Beginning in May 2024, Metropolitan convened a series of 13 workshops with participating member agencies' managers under the Treated Water Cost Recovery Workgroup—renamed in January 2025 to the Financial Policies Business Model Support Sub-Working Group. These workshops provided a forum for in-depth exploration of treatment system operations, historical treated water usage, COS principles, and alternative rate design methodologies.

Throughout the process, regular status updates were provided to the Subcommittee on Long-Term Regional Planning Processes and Business Modeling Workgroup, the Business Model Review and Refinement Ad Hoc Working Group, and the Finance, Affordability, Asset Management, and Efficiency Committee. The work was grounded in detailed data analysis and consistently informed by Metropolitan's external rate consultant, Raftelis Financial Consultants. Raftelis actively participated by attending meetings, responding to technical questions, offering expert insights, and presenting key information to ensure alignment with COS principles and industry best practices.

Throughout the evaluation process, Metropolitan provided comprehensive data to support the analysis of various peak and standby capacity charge alternatives. This included daily flow records for all member agency meters from 2014 through 2023, historical treatment plant capacity utilization (by facility and in aggregate), connected capacity by member agency, treatment plant capacities, a review of COS fundamentals, and member agency treated water demands over the same period. Metropolitan's Integrated Operations Planning and Support Service and Water Quality teams participated in these discussions.

For each alternative, agency-specific historical treated water uses and demand patterns were incorporated into the billing determinants, expressed in either acre-feet (AF) or cubic feet per second (CFS), depending on the alternative's structure. These billing determinants formed the basis for calculating member agency cost allocations and assessing recovery of the total revenue requirement. The analysis featured illustrative member agency bills looking back over multiple years, showing how costs would have varied based on historical usage patterns and the characteristics of each alternative had these changes already been in place. Year-over-year dollar and percentage changes were calculated to highlight potential variability and sensitivity in agency costs under each scenario.

Results were summarized to reflect a full range of potential impacts – both increases and decreases – offering a clear view of each alternative's distributional effects and revenue stability. This side-by-side comparison, grounded in historical data, was designed to reflect agency-specific operational characteristics. It is important to note that

these results are based on historical information – the best available at the time – and do not represent future impacts, as actual demands may differ from past usage patterns.

As part of this extensive review, Metropolitan and member agencies considered:

- Six (6) Treatment Peaking Alternatives
- Nine (9) Treatment Standby Alternatives
- Five (5) separate proposals introduced by Member Agencies in January 2025, February 2025, March 2025, March 14, 2025, and March 14, 2025 with Summer Peak

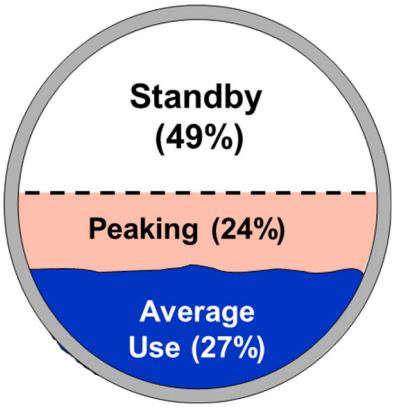
Guiding Framework for Rate Design Solutions

In alignment with the 2017 Adopted Policy Principles and incorporating feedback from member agencies received during the FY 2024/25–2025/26 biennial budget process and subsequent Treated Water Cost Recovery Workshops, the Financial Sub-Working Group developed a guiding framework for rate design solutions to support the evaluation of alternatives, facilitate comparisons, and inform discussion and decision-making.

1. **Be consistent with industry standard cost of service principles**
    - Provide a nexus between member agency cost responsibility and benefits received
    - "Rate charged should reflect the cost of having capacity reserved and available for the customer" (AWWA M1 Principles of Water Rates, Fees, and Charges, 7th Edition)
2. **Align treatment rates with treatment services received**
    - Align the treated water cost recovery with (1) the service commitments and (2) infrastructure capital investments made by Metropolitan
    - Reflect the cost to maintain the treatment capacity and the treatment benefits received for average, peaking, and standby uses
    - Evaluate the portion of standby capacity that provides regional drought reliability
3. **Enhance rate stability and predictability**
    - Recover a portion of the treatment costs on fixed charge(s)
    - Work closely with Member Agencies to continue to identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future O&M and capital expenditures
    - Continue to obtain member agency commitment to utilize new or expanded future capacity

After twelve (12) months of evaluating alternative approaches to Treated Water Cost Recovery, there is broad recognition that action is necessary, as the current 100 percent volumetric structure is inconsistent with the Board's previously adopted Policy Principles on Treated Water.

Treatment Plant Capacity, Use, and Cost



The water treatment system is built with a total designed capacity of 3,651 cubic feet per second (CFS), strategically allocated across various operational categories to meet treated water demand for average use, peaking use, standby for unforeseen demands and emergency readiness.

Metropolitan's existing COS process already identifies the function of costs to allocate them to standby, peaking, and average use (in the "Allocated Cost" section pages 70-72 of the Metropolitan Cost of Service Report Fiscal Years 2024/25 and 2025/26). Metropolitan functionalizes those costs and then combines them to a bundled Treatment Surcharge. For the process of identifying fixed charge alternatives, staff further refined the functionalization of treatment costs to identify peaking and standby capacity costs.

Approximately 27 percent of the system's capacity is dedicated to average use, which represents the routine, ongoing water treatment demand. Another 24 percent of the system's capacity is allocated for peaking use, which is designed to handle short-term demand spikes, such as those that occur during heat waves or seasonal usage increases. While not used constantly, maintaining this capacity incurs substantial readiness costs and results in a notable portion of the treatment cost. The remaining 49 percent of capacity is reserved as treatment standby. This includes both used and unused standby capacity that provides critical system redundancy and allows for operational flexibility during planned maintenance or emergencies. Although this capacity is not frequently used, the associated infrastructure is maintained and kept operational, contributing a considerable share of fixed costs.

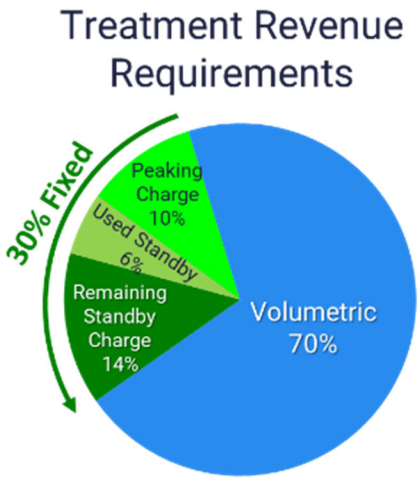
Under the current cost recovery model, these costs are recovered entirely through a volumetric surcharge, charging agencies based on the amount of water delivered. While this method is simple and usage-based, it does reflect the full cost of maintaining system capacity but doesn't account for the varying patterns of system use by member agencies. Additionally, because this model relies solely on volumetric charges, it creates a revenue vulnerability as demand declines, despite the substantial fixed costs required to maintain system capacity, including peaking and standby readiness.

This has led to concerns that agencies with lower water use with peaking use for short period of time in a year are contributing less than the funds needed to support Metropolitan's treatment infrastructure. Recognizing this misalignment, Metropolitan and its member agencies have undertaken a comprehensive review of the rate structure. Through a collaborative, year-long process involving workshops and technical evaluations, two leading proposals have emerged.

The proposal retains the volumetric approach for recovering the majority of treatment costs but introduce a hybrid model that shifts up to 30 percent of treatment revenue recovery to fixed charges. These fixed costs would be allocated based on each agency's use of standby and peaking capacity, more accurately aligning cost recovery with the drivers of system investment and operational readiness. This change does not increase overall costs but reallocates existing costs to better reflect the infrastructure and service levels required to meet all levels of demands. The remaining 70 percent of treatment costs would continue to be recovered through volumetric rates, ensuring that usage-based pricing remains a core component of the rate structure.

Leading Proposals

As a result of an extensive engagement process, two leading proposals have emerged to refine the approach to recovering treated water costs. Both proposals seek to recover up to 30 percent of Metropolitan's total treatment revenue requirements through fixed charges based on the percentage of fixed costs associated with standby and peaking capacity. While they share common foundational elements, the proposals differ in the methodology used to calculate the Treatment Peaking Charge.



Key Difference: Treatment Peaking Charge Determinant

Option 1 – March 14, 2025, MA Proposal, Annual Peak Day

- A fixed charge would be collected based on a 3-year trailing maximum annual peak day demand in cubic feet per second (CFS)

Option 2 – March 14, 2025, Alternative Proposal, Summer Peak Day

- A fixed charge would be collected based on a 3-year trailing maximum summer peak day demand in CFS

Features	Option 1: Mar 14, 2025 Proposal w/ Annual Peak	Option 2: Mar 14, 2025 Alternative Proposal w/ Summer Peak
Peaking Capacity Charge	A fixed charge would be collected based on a 3-year trailing **maximum annual peak day** demand in CFS	A fixed charge would be collected based on a 3-year trailing **maximum summer peak day** demand in CFS
	Treatment peaking capacity costs **~10 percent** of total treatment costs based on allocated revenue requirements	
Standby Capacity Charge	**Used Standby Capacity Charge**: A fixed charge for used standby capacity would be collected based on a 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in AF. **Remaining Standby Capacity Charge**: A fixed charge for remaining standby capacity would be collected based on 5-yr trailing maximum annual use in AF. This charge inclusive of the Peaking and Used Standby Charge would add up to 30 percent of the Treatment Revenue Requirements, unless the allocated combined costs are less than 30 percent.	
Volumetric	Remaining (~70 percent) of treatment costs	

The following adjustments / Certifications to Peaking Flows are applicable to all proposals:

- Similar to the existing Capacity Charge, treated water peaking flows resulting from Metropolitan's operational requests (e.g., shutdowns, service disruptions, wet year operations, dry year operations) do not

reflect member agency demand on Metropolitan and therefore, will not be included in an agency's peaking calculations; and,

- All data and adjustments would be fully documented and validated by each agency, following the existing process for Readiness-To-Serve and Capacity Charges.

The Financial Sub-Working Group identified four items for further review in advance of the FY2028/29 budget process: (1) a potential Regional Drought Reliability charge; (2) considerations related to incremental peaking billing determinants; (3) refinement of the unused standby charge to better reflect potential use of standby capacity rather than relying solely on volumetric usage; and (4) collaboration with member agencies to identify opportunities to partially or fully decommission unneeded treatment infrastructure.

There was broad support among member agency managers for phased-in implementation of the Peaking and Standby fixed charges to minimize initial member agency impacts and provide opportunities for member agencies to adjust operations accordingly:

- Peaking = 3-year phase-in
- Standby:
    - Used = 10-year phase-in
    - Remaining = 5-year phase-in

The implementation of the new fixed charges will be integrated with the rate-setting process for the next biennium. At this stage, the Board is not approving specific rates or charge amounts, but rather the methodology for incorporating fixed charges into the treatment cost recovery structure. This methodology will serve as the foundation for developing rates as part of the FY 2026/27 and FY 2027/28 biennial budget and rate-setting cycle, with the new rates scheduled to take effect on January 1, 2027, and January 1, 2028. The Board is directing staff to use these foundational assumptions in developing the next biennial budget. Staff will apply these assumptions in preparing the next biennial budget, including rates and charges, and all associated revenues and expenditures that determine Metropolitan's revenue requirement. This approach provides member agencies with time to plan and prepare for the transition, while maintaining alignment with Metropolitan's established budget and rate-setting schedule.

In late April, Metropolitan engaged Raftelis to conduct an independent review of the Proposal and to prepare a memorandum summarizing their evaluation and findings. In their memorandum, Raftelis concluded that the March 14, 2025 Member Agency Proposal – Annual Peak offer a reasonable balance between cost recovery principles and Metropolitan's broader objectives and priorities (see **Attachment 1**).

Alternatives Considered

The Financial Sub-Working Group developed and evaluated multiple alternatives for recovering treated water costs related to peaking and standby capacity (summarized in **Attachment 2**). While the concept of a regional drought reliability benefit was also analyzed, further discussion is needed. It is recommended that these discussions continue with the goal of incorporating potential changes into Metropolitan's rate structure prior to the FY 2028/29 budget process.

Hypothetical impact analyses were conducted for all proposed alternatives, along with sensitivity analyses illustrating year-over-year changes to fixed charges for Member Agencies under each scenario. Raftelis reviewed the alternatives and concluded that each presents a reasonable nexus to COS standards.

Recommendation

The Financial Sub-Working Group has concluded its technical evaluation of the treated water cost recovery proposals, including detailed assessments of implementation strategies, COS alignment, and legal compliance. Staff is recommending approval of the March 14, 2025 Member Agency Proposal – Annual Peak (Proposal).

7/1/2025

Katano Kasaine *Date*
Assistant General Manager/
Chief Financial Officer

7/1/2025

Deven Upadhyay *Date*
General Manager

Attachment 1 – Raftelis' Technical Memorandum & Presentation from June 23, 2025 Special FAAME Committee Meeting

Attachment 2 – Appendix A, Summary of Treated Water Cost Recovery Alternatives

Attachment 3 – Resolution of the Board of Directors of The Metropolitan Water District of Southern California Approving the Recommendation for a Treatment Capacity Charges and Implementation of a Treatment Capacity Charges

Ref# cfo12707109

TECHNICAL MEMORANDUM

To: Metropolitan Water District of Southern California
From: John Mastracchio, CFA, P.E., John Wright, CPA, Raftelis
Date: May 19, 2025

Re: Treatment Surcharge – Peaking Cost Recovery

Introduction

This memorandum was prepared for the Metropolitan Water District of Southern California ("Metropolitan"). It summarizes Raftelis' comments on Metropolitan using the annual maximum peak day demands of member agencies, as measured on a three-year trailing basis (Option 1) and using the summer maximum peak day demands of member agencies, as measured on a three-year trailing basis (Option 2) to calculate a new water treatment peaking capacity charge. We understand that Metropolitan is considering adopting one of these cost recovery options and desires input from Raftelis on how this alternative aligns with industry cost-of-service principles and Metropolitan's objectives.

Cost-of-Service Principles and Metropolitan Objectives

According to the American Water Works Association ("AWWA"), water utility rates are generally considered to be fair and equitable when they provide for full cost recovery from customers in proportion to the benefits received and the cost to serve each class of customer.[1] While recovery of the full revenue requirement in a fair and equitable manner is a key objective of the cost-of-service ratemaking process, it is often not the only objective. There are other objectives that can be considered in establishing cost-based rates, including the following:

- Effectiveness in yielding the total revenue requirements (full cost recovery)
- Revenue stability and predictability
- Stability and predictability of the rates themselves from unexpected or adverse changes
- Promotion of efficient resource use
- Fairness in the apportionment of total costs of service among different ratepayers
- Avoidance of undue discrimination (subsidies) within the rates
- Dynamic efficiency in responding to changing supply-and-demand patterns
- Simple and easy to understand and administer
- Legal and defensible

[1]AWWA, Manual of Water Supply Practices M1, Seventh Edition.

In considering alternatives for the treatment surcharge, Metropolitan has identified the following high priority objectives:

1. Be consistent with industry standard cost of service principles
    a. Provide a clear nexus between member agency cost responsibility and the benefits received.
    b. Establish rates that reflect the cost of having capacity reserved and available for member agencies.
2. Align treatment rates with treatment services received
    a. Align the treated water cost recovery with (1) the service commitments, and (2) infrastructure capital investments made by Metropolitan.
    b. Reflect the cost to maintain the treatment capacity and the treatment benefits received for average, peaking, and standby uses.
    c. Evaluate the portion of standby capacity that provides regional drought reliability.
3. Enhance rate stability and predictability
    a. Recover a portion of the treatment cost on fixed charge(s)
    b. Work closely with member agencies to continue to identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future operations and maintenance ("O&M") expenses and capital expenditures.
    c. Continue to obtain member agency commitment to utilize new or expanded future capacity.

Evaluation of Using a Three-year Trailing Maximum Annual Peak Day Demand as the Basis for the Water Treatment Peaking Capacity Charge

Several member agencies have proposed that Metropolitan utilize a three-year trailing maximum annual peak day demand (Option 1) as the basis or billing determinant for charging member agencies a water treatment peaking capacity charge. Raftelis has reviewed this option in comparison to the objectives described above and finds the option is acceptable from a cost-of-service principles standpoint and reasonably satisfies Metropolitan's other stated objectives. Our review comments are summarized below.

Consistency with Cost-of-Service Principles

Metropolitan has built water treatment capacity and has made this treatment capacity available to member agencies to utilize anytime throughout the year.[2] Under Option 1, those that use or benefit from the water treatment capacity to satisfy customer water use peaking throughout the year would help pay for the capacity. This directly aligns with the cost-of-service principles discussed above.

For example, some member agencies served by Metropolitan have their highest peak day use in the summer months whereas others have their highest peak day use in the winter months. Furthermore, Metropolitan has built more than sufficient water treatment capacity to satisfy customer peak demands regardless of whether they occur in the summer months or the winter months. Option 1 charges each member agency a

[2] The current capacity of Metropolitan's five water treatment plants is 2,360 million gallons per day (MGD) or 3,651 cubic feet per second (CFS). Metropolitan's peak treatment capacity usage estimated for the 2024/25 budget year is 1,859 CFS.

proportionate share of costs of the use of the system to satisfy its own peak day demands regardless of when the peak occurs. This is referred to as their non-coincident peak – the peak day usage of each member agency regardless of when the system as a whole peaks (i.e., when the total system coincident peak occurs).

Utilizing this approach results in a fair and equitable sharing of the cost of peak treatment capacity in proportion to each member agency's individual needs and how much they use the system overall. Using non-coincident peaking helps to ensure that all member agencies share in the cost of their use of peak treatment capacity fairly and avoids penalizing a group of member agencies just because their individual peak usage is aligned with the system's overall peak or allowing member agencies to use system peaking capacity without sharing in the cost. This outcome can occur if a peaking charge is based on a member agency's contribution to total system coincident peak but their actual agency specific peak occurs at a different time. For example, if the total system coincident peak occurs during the summer months but a member agency's actual peak usage occurs during the fall or winter months, they may receive a lower allocation of costs during the cost-of-service process.

Align Treatment Rates with Treatment Services Received

Option 1 aligns the peaking capacity charge with the treatment services received. Member agencies that utilize the peak treatment capacity, whenever it is used, share in the cost of infrastructure capital investments that have been made by Metropolitan to make and maintain the capacity available to customers.

Enhance Rate Stability and Predictability

Option 1, if implemented, would result in a fixed charge that would provide stable and predictable fixed revenues for Metropolitan and rate stability and predictability for member agencies. This is because the basis of billing, i.e., three-year trailing maximum annual peak day demand, incorporates three years of member agency water demand data. Peak day demand for a member agency over the trailing three-year period has the potential to stay consistent for up to three years. In addition, the treatment peaking charge would be set by Metropolitan annually and member agencies would know what their peaking charge will be in the upcoming year, providing them with predictability in their water treatment charges from Metropolitan.

Other Considerations

This option does not provide member agencies with an incentive to shift their peak usage of treatment capacity during off-peak usage periods, although such an incentive exists with the capacity charge. This incentive may be advantageous to minimize the cost of maintaining treatment capacity to satisfy demands during system peak periods by potentially allowing Metropolitan to decommission more unused capacity. However, Metropolitan's water treatment plants have more than sufficient treatment capacity to meet coincident peak capacity demands and it does not need to incentivize the use of capacity during non-peak periods to be able to accommodate peak usage of treatment capacity.

Evaluation of Using a Three-year Trailing Maximum Summer Peak Day Demand as the Basis for the Water Treatment Peaking Charge

Another member agency proposal is for Metropolitan to utilize a three-year trailing maximum summer peak day demand (Option 2) as the basis or billing determinant for charging member agencies a water treatment peaking charge. Raftelis has reviewed this option in comparison to the objectives described above and finds that the option is acceptable from a cost-of-service principles standpoint and reasonably satisfies Metropolitan's other stated objectives. Our review comments are summarized below.

Consistency with Cost-of-Service Principles

Utilizing this option results in full cost recovery of peak treatment capacity in proportion to the use of the capacity during the period when the system realizes its maximum period usage, i.e., during the summer. Using coincident peaking helps to recover costs from those that require Metropolitan to maintain sufficient treatment capacity to meet system peak demands and could help Metropolitan minimize future maintenance and capital expenses.

Align Treatment Rates with Treatment Services Received

Option 2 aligns the peaking capacity charge with the treatment services received. Member agencies that have their peak capacity demands during the periods when the system peaks share in the cost of infrastructure that has been maintained to make water treatment capacity available to customers during peak usage periods when the system experiences its maximum peak day demands.

Enhance Rate Stability and Predictability

Option 2, if implemented, would result in a fixed charge that would provide stable and predictable fixed revenues for Metropolitan and rate stability and predictability for member agencies. Peak day summer demand for a member agency over the trailing three-year period has the potential to stay consistent for up to three years. In addition, the treatment peaking charge would be set by Metropolitan annually and member agencies would know what their peaking charge will be in the upcoming year, providing them with predictability in their water treatment charges from Metropolitan.

Other Considerations

Some utilities charge their customers for their contribution to the use of capacity during the total system coincident peak. A capacity constrained utility may desire to send a price signal to customers to minimize their usage during the time of the total system coincident peak in order better manage limited system capacity. For example, Metropolitan has limited distribution capacity and has adopted a capacity charge that recovers the cost to provide peak capacity within the distribution system. It also provides a price signal to encourage agencies to reduce peak demands on the distribution system and shift demands that occur during the summer period to the winter period, resulting in the benefit of deferring capacity expansion costs.

In the case of Metropolitan's water treatment plants, it has more than sufficient treatment capacity to meet coincident peak capacity demands and it does not need to incentivize the use of water treatment capacity during other periods. Therefore, Option 2, while acceptable from a cost-of-service perspective, may not be the preferred approach if Metropolitan does not desire to incentivize the off-peak usage of the treatment capacity.

Conclusion

Based on a review of the member agency proposed options for recovery of water treatment peaking costs, both options are consistent with cost-of-service principles, would help to align member agency treatment rates with treatment services received, and provide an enhancement in rate stability and predictability over the existing method of recovery of Metropolitan's water treatment costs. Neither option is a perfect solution from a cost recovery principle standpoint. However, both options reflect a reasonable balance between cost recovery principles and Metropolitan's other objectives and priorities.

Review of New Treated Water Cost Recovery Alternatives for Peak Capacity Costs

June 10, 2025

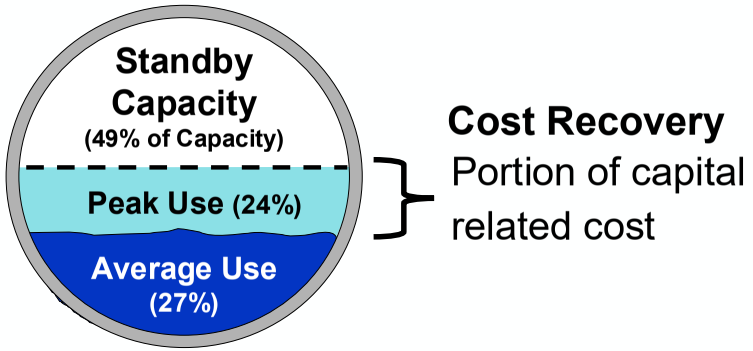
RAFTELIS

Review of the March 14, 2025 proposal w/ Annual Peak and w/ Summer Peak

Features	Option 1: Mar 14, 2025 Proposal w/ Annual Peak	Option 2: Alternative Mar 14, 2025 Proposal w/ Summer Peak
Peaking Capacity Charge	A fixed charge would be collected based on a 3-year trailing **maximum annual peak day** demand in cubic feet per second (CFS)	A fixed charge would be collected based on a 3-year trailing **maximum summer peak day** demand in CFS
	Treatment peaking capacity costs **~10%** of total treatment costs based on allocated revenue requirements	
Standby Capacity Charge	**Used Standby Capacity Charge**: A fixed charge for used standby capacity would be collected based on a 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in acre feet (AF) **Remaining Standby Capacity Charge**: A fixed charge for remaining standby capacity would be collected based on 5-year trailing maximum annual use in AF This charge inclusive of the Peaking and Used Standby Charge would add up to 30% of the Treatment Revenue Requirements, unless the allocated combined fixed costs are less than 30%.	
Volumetric	Remaining (~70%) of treatment costs	

What are the Treatment Surcharge Peaking Costs?

- Treatment peaking costs are a portion of capital-related costs. They are existing and ongoing costs associated with paying for and maintaining the treatment capacity to satisfy peak demand.
- These are not new costs incurred when peak demands occur or caused directly by the peaking usage today.
- These treatment capacity costs are segregated into categories:
  - Capacity available for standby or emergency use
  - Capacity used to satisfy peak demands
  - Capacity used for average demands



Cost of Service Guiding Principles

Full cost recovery in proportion to the benefits received and the cost to serve

May consider other objectives that result in a reasonable fit for the utility.

Metropolitan's Rate Structure Framework

Stability of revenue and coverage of cost	Fairness	Certainty and predictability	No significant economic disadvantage	Reasonably simple and easy to understand	Dry-year allocation should be based on need

Review of Proposed Options

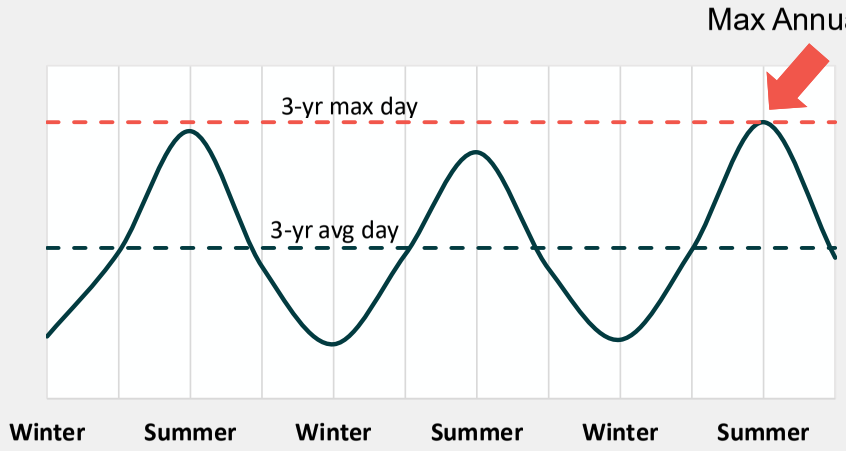
RAFTELIS

Proposal	Description	Comments
March 14th Option 1	3-Yr Trailing Annual Peak	• Customers that use MET's water treatment capacity shares in the cost, whenever it is used. • Avoids allowing MAs to utilize available treatment capacity without having to share in its costs. • Enhancement of rate and revenue stability and predictability over current treatment surcharge. • Since MET has excess treatment capacity available to meet all MA demands, there is no need to incentivize MAs to shift when their maximum use of the treatment capacity occurs. Incentive already exists with capacity charge.
March 14th Option 2	3-Yr Trailing Summer Peak	• Recovers costs from MA's that require MET to maintain sufficient treatment capacity to meet system peak demands. • Could help MET minimize future maintenance and capital expenses by allowing MET to decommission more unused capacity. • Enhancement of rate and revenue stability and predictability over current treatment surcharge. • Provides added incentivize for MAs to shift when their maximum use of the treatment capacity occurs.

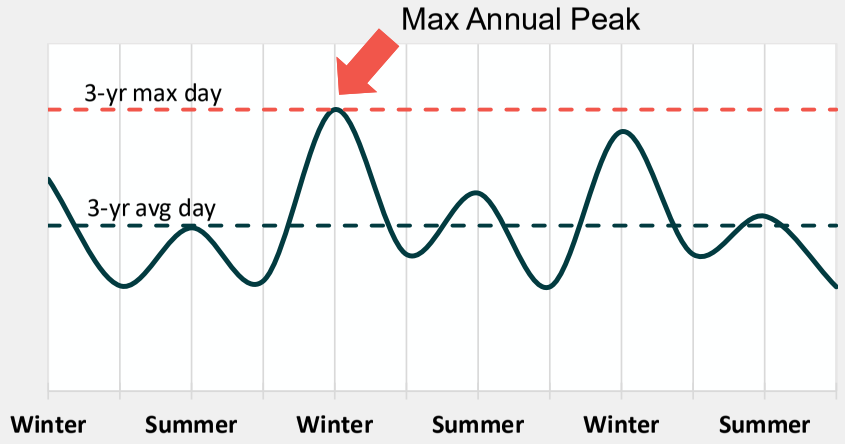
Option 1 - Annual Maximum Peak Day Demand Measured Over a Trailing 3-Year Period

Under Option 1, both Customers A and B would pay a peaking charge in accordance with their peak use of the system over a trailing three-year period.

Customer A (Summer Peak)

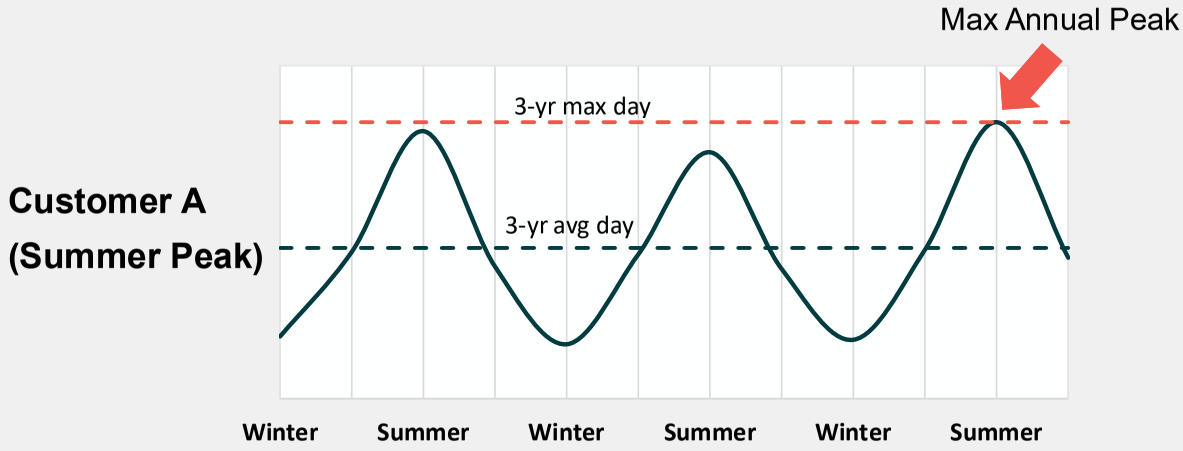


Customer B (Winter Peak)

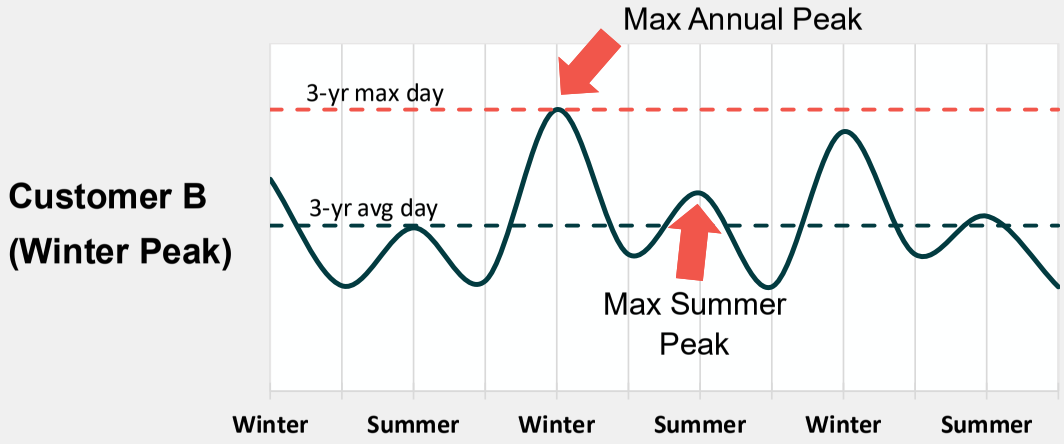


Option 2- Summer Maximum Peak Day Demands Measured Over a Trailing 3-Year Summer Period

Customer A (peaks in the summer) and would pay a peaking charge in accordance with their peak use of the system



Customer B (peaks in the winter) and would pay a peaking charge that does not reflect their full peak use



Raftelis Summary Comments on Options 1 & 2

1. Both options are consistent with cost-of-service principles
   - Both would help to align water treatment surcharges with treatment services received.
2. Both provide an enhancement in rate and revenue stability and predictability over the existing method of recovery of water treatment capacity costs.
3. There is no perfect option - both provide a reasonable balance between cost recovery and other objectives and priorities.
4. Suggest Option 1 (Annual Peak) if MET does not desire to further incentivize the use of treatment peak capacity during off-peak periods

Appendix A
Summary of Treated Water Cost Recovery Alternatives

This appendix summarizes the treated water cost recovery alternatives developed and evaluated by the sub-working group for peaking and standby use. Tables 1 and 2 present these alternatives and illustrate potential billing determinants under each option, supporting the discussions in the main report.

The alternatives were designed to explore different methods for recovering existing costs associated with providing treated water service, particularly for demands related to peaking and standby demands. The analysis included hypothetical impact assessments and a sensitivity analysis of year-over-year changes to Member Agency fixed charges.

Table 1 – Treatment Peaking Cost Recovery Alternatives Analyzed

	Billing Determinants	Units	Details	Descriptions
Alt 1	3-yr trailing maximum ***summer*** peak day demand	CFS	3-yr trailing max day **May-Sep**	Proposed in 2017 Treatment Capacity Charge (similar to the current Capacity Charge), represents member agencies' summer peak use.
Alt 2	3-yr trailing maximum ***annual*** peak day demand	CFS	3-yr trailing max day **Jan-Dec**	Represents member agencies' peak use throughout the year
Alt 3	3-yr trailing **annual incremental** peak demand	CFS	3-yr trailing max day Jan-Dec minus 3-yr avg day	Represents member agencies' ***incremental*** peak use throughout the year
Alt 4	3-yr trailing **summer incremental** peak demand	CFS	3-yr trailing max day May-Sep minus 3-yr avg day	Represents member agencies' ***incremental*** peak use during summer and supports local supply development
Alt 5	3-yr trailing **annual incremental seasonally adjusted** peak demand	CFS	3-yr trailing seasonal adjusted max day minus 3-yr avg day	Represents member agencies' ***incremental*** peak use with seasonal factors to reduce summer peak impact on MWD distribution system
Alt 6	3-yr trailing **average incremental** peak demand	CFS	3-yr **average** trailing of max day Jan-Dec minus avg day	Represents member agencies' **average** ***incremental*** peak use over the 3-year period
Feb 2025 MA Proposal - Peaking	3-yr trailing maximum ***annual*** peak day demand	CFS	3-yr trailing max day **Jan-Dec**	Recovers treatment peaking costs, capped at 10% of treatment costs, billing determinants same as Alt 2
Mar 2025 MA Proposal	3-yr trailing maximum ***annual*** peak day demand	CFS	3-yr trailing max day **Jan-Dec**	Same as Alt 2
Mar 14 2025 MA Proposal – Annual Peaking	3-yr trailing maximum ***annual*** peak day demand	CFS	3-yr trailing max day **Jan-Dec**	Same as Alt 2
Mar 14 2025 MA Proposal – Summer Peaking	3-yr trailing maximum ***summer*** peak day demand	CFS	3-yr trailing max day **May-Sep**	Same as Alt 1

Appendix A
Summary of Treated Water Cost Recovery Alternatives

Table 2 – Treatment Standby Cost Recovery Alternatives Analyzed

	Billing Determinants	Units	Details	Descriptions
Alt A	Max of TYRA or 1998-2007 Avg	AF	(TYRA= 10-yr rolling avg)	1998-2007 Represents the basis when MWD made major investments in treatment plants
Alt B	10-yr Trailing Max Year	AF	Max annual usage in the past 10 years	Represents MA's standby use in the past 10-yrs beyond seasonal peak
Alt C	10-yr Trailing Annual Standby Use	AF	10-yr max annual usage minus 10-yr average use	Represents MA's standby use in the past 10-yrs beyond seasonal peak and average use
Alt D	Treatment Connected Capacity	CFS	Sum of Member Agency treated connections	Potential Member Agency capacity to MWD's treatment system
Alt E	Treatment Capacity Reservation	CFS		Capacity requested by each Member Agency
Alt F	Treatment Connected Capacity available for Standby	CFS	Treatment connected capacity minus 3-yr trailing max day (Alt 2)	Potential Member Agency capacity to MWD's treatment system not used in the last 3-yrs but available for emergency use (standby)
Alt G	10-yr Trailing Standby Use	CFS	10-yr max day minus 3-yrs trailing max day (Alt 2)	Represents the standby use as incremental use above peak day flows in the past 10-yrs
Alt H	10-yr Trailing Max Day Flow	CFS	10-yr max day	Represents MA's max use in the past 10 years
Alt I	5-yr Average Annual Demand	AF	5-year rolling average of annual treated demand	Recovers all treatment standby costs, inclusive of Regional Drought Benefits, on fixed charge and offers member agencies greater rate stability and predictability
Jan 2025 MA Proposal	5-yr Average Annual Demand	AF	25% Fixed Charge on 5-yr average annual treated demand	Recovers 25% of Treatment Costs based on 5-year rolling average treated demand. Provides MWD with additional fixed cost recovery and offers member agencies greater rate stability & predictability.
Feb 2025 MA Proposal - Standby	10-yr Trailing Annual Standby Use	AF	10-yr max annual usage minus 10-yr average use	Recovers all treatment standby costs, capped at 20% of Treatment Costs
Mar 2025 MA Proposal	Treatment Fixed Charge	AF	Remaining 30% Treatment Fixed Charge based on a 5-yr average annual treated demand	This charge inclusive of the Peaking Charge adds up to 30% of the Treatment Revenue Requirements.
Mar 14 2025 MA Proposal - Standby	Used Treatment Standby Charge	AF	10-yr max annual usage minus 10-yr average use	Recovers used treatment standby costs based on 10-yr annual standby use (Alt C)
	Remaining Treatment Standby Charge	AF	5-yr Trailing Max Annual Demand	Recovers remaining treatment standby costs, up to 30% of treatment costs inclusive of peaking and used standby charges, based on 5-yr max annual demand

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA APPROVING THE TREATMENT PEAKING AND STANDBY CAPACITY CHARGES

WHEREAS, the Board of Directors ("Board") of The Metropolitan Water District of Southern California ("Metropolitan"), pursuant to Sections 133, 134 and 134.5 of the Metropolitan Water District Act (the "Act"), is authorized to fix such rate or rates for water as will result in revenue which, together with revenue from any water standby or availability of service charge or assessment, will pay the operating expenses of Metropolitan, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by Metropolitan, and provide for the payment of the interest and principal of its bonded debt, including payment of the interest and principal of Metropolitan's non-tax funded debt; and

WHEREAS, on April 9, 2024, the Board voted to direct Metropolitan to collaborate with member agency staff and the Climate Adaptation Master Plan for Water (CAMP4W) Task Force to review and analyze the treatment surcharge, including addressing any issues identified through that analysis, which may include, but are not limited to, revising the methodology used to calculate the charge; and

WHEREAS, a final methodology for treatment surcharge shall be prioritized within the discussions of the new business model and recommended for adoption as soon as practicable, but no later than the approval of the new business model; and

WHEREAS, on July 22, 2024, the Chair of the Board of Directors, Vice Chair for Finance and Planning, and Chair of the CAMP4Water Task Force (Board Leadership) commissioned an ad hoc working group comprised of the general managers of Metropolitan's 26 Member Agencies (Financial Sub-Working Group) to evaluate Metropolitan's business model and propose refinement, with direction to consider key factors:

1. Treated water cost recovery;
2. Metropolitan's role in Member Agency local supply development;
3. Potential Member Agency supply exchange program;
4. Proportion and components of fixed and volumetric charges; and
5. Conservation program and funding source(s).

WHEREAS, the current fully volumetric treatment rate structure is inconsistent with the Board's adopted Policy Principles on Treated Water; and

WHEREAS, Metropolitan engaged Raftelis Financial Consultants to conduct an independent review of the Proposal, which concluded that the proposed cost recovery structure provides a reasonable balance between cost-of-service principles and Metropolitan's broader financial objectives; and

WHEREAS, the development of the proposed charges was guided by principles including consistency with cost-of-service methodologies, alignment of cost responsibility with services received, and enhancement of revenue stability; and

WHEREAS, at the June 2025 Board meeting, the Finance Sub-Working groups analysis resulted in two (2) treatment capacity charge options:

1. March 14, 2025 Member Agency Proposal – Annual Peak; and
2. March 14, 2025 Member Agency Proposal – Summer Peak.

WHEREAS, the Board has directed and recommended proceeding with the adoption of the March 14, 2025 Member Agency Proposal – Annual Peak as the selected option for implementing the treatment capacity charge, which includes the following components:

1. Peaking Capacity Charge that would be allocated to member agencies based upon three-year trailing maximum peak day flow through treated water service connections throughout the year;

2. Used Standby Capacity Charge that would be allocated to member agencies based upon ten-year trailing annual standby capacity, calculated as the maximum annual use minum average use in acre feet;

3. Remaining Standby Capacity Charge that would be allocated to member agencies based upon five-year trailing maximum annual use in acre feet;

WHEREAS, the the Peaking, Used Standby, and Remaining Standby Capacity Charges are proposed to collectively recover up to 30% of the treatment revenue requirements, unless the total allocated fixed costs are less than 30%, with the remaining approximately 70% of treatment costs to be recovered through volumetric charges; and

WHEREAS, to allow member agencies adequate time to plan for the operational and financial impacts on their agencies and sub-agencies, the Proposal recommends phasing in the Peaking, Used Standby, and Remaining Standby Capacity Charges over three (3), ten (10), and five (5) years, respectively, and integrating these charges into Metropolitan's biennial cost of service process effective with rates and charges beginning Calendar Year 2027; and

WHEREAS, the FAAME Committee considered the Proposal at its regular June 2025 meeting, pursuant to informational presentations, review, and deliberation; and

WHEREAS, each of said meetings of the Board were conducted in accordance with the Brown Act (commencing at 54950 of the Government Code), at which due notice was provided and quorums were present and acting throughout; and

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. That the Board of Directors of Metropolitan hereby adopts the March 14, 2025 Member Agency Proposal – Annual Peak as the selected option for implementing the treatment capacity charges as part of a hybrid cost recovery structure that includes both fixed and volumetric charges:

1. Peaking Capacity Charge that would be allocated to member agencies based upon three-year trailing maximum peak day flow through treated water service connections throughout the year.

2. Used Standby Capacity Charge that would be allocated to member agencies based upon ten-year trailing annual standby capacity, calculated as the maximum annual use minum average use in acre feet.

3. Remaining Standby Capacity Charge that would be allocated to member agencies based upon five-year trailing maximum annual use in acre feet.

Section 2. That the Peaking, Used Standby, and Remaining Standby Capacity Charges are to collectively recover up to 30% of the treatment revenue requirements, unless the total allocated fixed costs are less than 30%, with the remaining approximately 70% of treatment costs to be recovered through volumetric charges.

Section 3. That the Peaking, Used Standby, and Remaining Standby Capacity Charges are phased in over three (3), ten (10), and five (5) years, respectively.

Section 4. That the Board acknowledges further work is needed to evaluate additional treatment-related cost recovery elements, including: potential regional drought reliability charges; considerations related to incremental peaking; refinements to the methodology for unused standby capacity; and identification of opportunities to partially or fully decommission unneeded treatment infrastructure. These items are to be considered for possible inclusion in future budget cycles.

Section 5. That the Board hereby directs the General Manager to integrate into Metropolitan's biennial cost of service process for the proposal of rates and charges a Treatment Capacity Charge effective January 1, 2027.

Section 6. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 7. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 8. That the Board Executive Secretary is hereby directed to transmit a certified copy of this Resolution to the presiding officer of the governing body of each member agency.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on July 8, 2025.

_____

Board Executive Secretary
The Metropolitan Water District
of Southern California

- **Board of Directors**
  Finance, Affordability, Asset Management, and Efficiency (FAAME)

7/8/2025 Board Meeting

7-7

Subject

Approve Revisions to Metropolitan's Reserves Policy and Direct Staff to Implement Specific Sales Projections for the proposed FY26/27 and 27/28 Biennial Budget; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In response to the Board's April 2024 directive to review the Treatment Surcharge and broader business model issues, Metropolitan established an Ad Hoc Working Group of member agency general managers. This group formed a Financial Policies Business Model Support Sub-Working Group (the "Financial Sub-Working Group") to focus on financial matters, while other sub-working groups were established to address water resources and engineering matters.

The Financial Sub-Working Group discussed potential revisions to Metropolitan's Unrestricted Reserve Policy, originally adopted in 1999, which provides rate protection during revenue shortfalls caused by declines in water transaction revenues. While the policy aims to provide 3.5 years of rate protection at the target level, it lacks a clear policy mechanism to ensure reserves reach and maintain that target level. In addition, climate change, which has exacerbated the volatility of both demand and supply and the associated risks over the years, has highlighted the need for refinements.

Based on the review and recommendations of the Financial Sub-Working Group, staff recommends the following technical refinements to strengthen the reserve policy:

- **Link reserve percentage to water demand exceedance levels:** Adjust reserve percentage based on budgeted exceedance level, with the following assumptions:
  - 80 percent exceedance = 15 percent reserve percentage;
  - 70 percent exceedance = 19 percent reserve percentage;
  - 50 percent exceedance = 25 percent reserve percentage; and
  - Establish a policy to set water demand at 70 percent exceedance for rate setting with a long-term target of 80 percent, without relying on one-time revenues or reserve draws.
- **Recognize the disconnect between supplies and sales and exclude variable costs from reserve calculations.**
- **Incorporate protection for treated water sales volatility:** Treatment revenue requirements will be incorporated into the Unrestricted Reserves Minimum and Target levels to provide enhanced protection against treated sales volatility. The Treatment Surcharge Stabilization Fund will be consolidated into Unrestricted Reserves to streamline fund management and increase flexibility.
- **Exclude uncertain revenues:** Unpredictable revenue sources, such as unawarded grants and one-time revenues, should be excluded from reserve calculations to protect against revenue shortfall risks.

The Financial Sub-Working Group also recommends modifying language in the Metropolitan Administrative Code for the Reserve Policy:

- Reserves, by nature, are one-time funds, fiscal prudence dictates that they should not be used to cover ongoing expenditures.
- Funds in excess of the target level shall be utilized as directed by the Board for:
    - Funding capital expenditures to avoid additional debt issuance;
    - Redemption or defeasance of outstanding bonds or commercial paper;
    - Addressing pension and Other Post-Employment Benefits liabilities, including the potential creation of a pension/retiree healthcare trust fund; and/or
    - Meeting other legal or financial obligations as necessary.

In support of the revised reserve strategy, the Financial Sub-Working Group recommends that Metropolitan establish a policy to set water demands projections at 70 percent exceedance for rate setting, with a long-term target of 80 percent. This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes.

Under the 70 percent exceedance scenario, the calculated minimum reserve would increase from $229 million to $415 million, while the calculated target reserve would rise from $645 million to $1.065 billion. These figures are based on the application of the revised reserve methodology using Fiscal Year 2025 data. The Board is not being asked to approve these specific figures. Rather, the Board is approving the methodology for setting reserve levels, which will be incorporated into the development of the FY 2026/27 and FY 2027/28 Biennial Budget. Staff will apply these assumptions in preparing the next biennial budget, including rates and charges, and all associated revenues and expenditures that determine Metropolitan's revenue requirement. The revised reserve levels and projections will not take effect until July 1, 2026, with the start of the new fiscal year.

Notably, if additional fixed revenues are approved by the Board (e.g., standby and peaking treatment fixed revenues, property taxes, etc.), the methodology will adjust the minimum and target reserve levels accordingly. Additionally, the reserve methodology incorporates all exchange deliveries outlined in the SDCWA/MWD settlement agreement. To reflect these changes formally, updates to the Metropolitan Administrative Code will be required. A redline version of the proposed code amendments is included as **Attachment 2** to this report for reference and future Board consideration.

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

Staff Recommendation: Option #1

Option #1

Approve revisions to Metropolitan's Reserves Policy and direct staff to implement specific sales projections for the proposed FY 26/27 and 27/28 Biennial Budget.

Fiscal Impact: The Board is approving the methodology for setting reserve levels, which will serve as a foundation for developing the FY 2026/27 and FY 2027/28 Biennial Budget. Staff will apply these assumptions in preparing the next biennial budget, including rates and charges, and all associated revenues and expenditures that determine Metropolitan's revenue requirement. The revised reserve levels and projections will take effect on July 1, 2026, aligned with the start of the new fiscal year. Furthermore, the recommended refinements to Metropolitan's Reserves Policy will not have an immediate impact; however, they are designed to improve Metropolitan's long-term financial stability. The proposed changes focus on refining reserve targets, improving alignment with demand forecasting practices, and establishing clearer guidelines for reserve use, without requiring new funding or immediate reserve contributions. By linking reserve targets to conservative water demand projections and excluding variable costs and uncertain revenues from reserve calculations, the policy enhances Metropolitan's ability to manage financial risk.

Business Analysis: The action will adopt the proposed resolution approving revisions that refine Metropolitan's Reserves Policy (**Attachment 1**) and approve the redline amendments to the Administrative Code (**Attachment 2**), along with providing the sales projections direction to staff. Over time, the revised policy framework will serve as a guide for future budget planning and rate-setting decisions, providing a more disciplined and transparent approach to reserve management without affecting current operating budgets or planned expenditures.

Option #2

Do not approve revisions to Metropolitan's Reserves Policy, nor direct staff to implement specific sales projections for the proposed FY 26/27 and 27/28 Biennial Budget.

Fiscal Impact: This would not result in any fiscal changes.

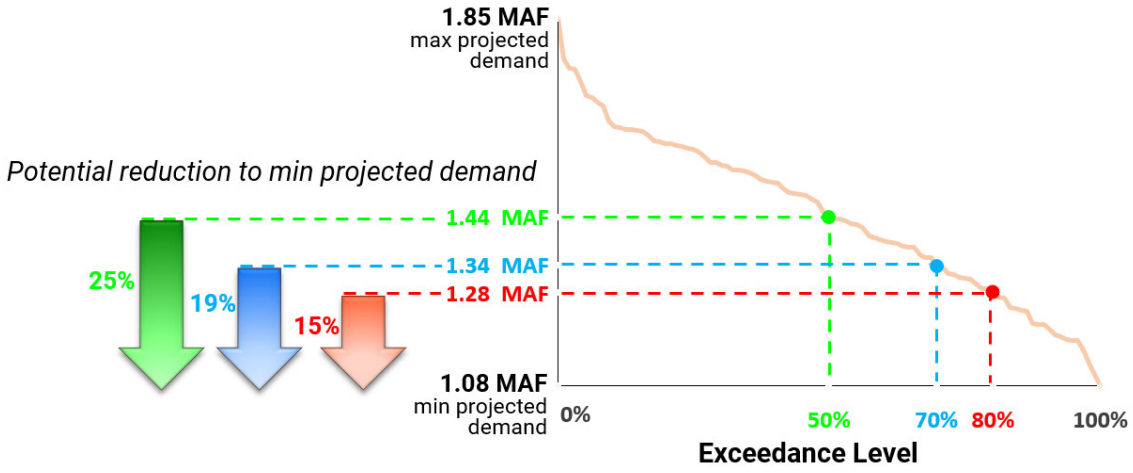
Business Analysis: This would continue the status quo: Metropolitan's Reserves Policy would not change, and staff would continue utilizing the existing sales projections.

Alternatives Considered

Metropolitan reviewed the calculations for determining the portion of the net revenue requirement that is collected by volumetric water rates. Certain line items that were deducted from the net revenue requirement were no longer appropriate due to climate-related volatility, the uncertain nature of the assumed revenues, and the disconnect between supplies and sales. The reserve percentage was also analyzed in light of recent water transactions and potential demand variability.

Historical data indicated that actual water transactions were consistently lower than budgeted projections for eight of the past nine years. By correlating this trend with a revised reserve percentage, the Financial Sub-Working group recommended aligning the reserve percentage with the budgeted exceedance level – the higher the exceedance level, the lower the volatility, allowing for a lower reserve percentage in the calculation, as shown in Figure 1 below.

Figure 1: Projected Demand Variability for Calendar Year 2025



Gradually implementing a higher exceedance level (i.e., 80 percent) in rate-setting would help reduce risk associated with sales variability, increasing the likelihood that Metropolitan meets its budgeted water transaction projections. This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes and emergency rate adjustments.

Applicable Policy

Metropolitan Water District Act Section 124.5: Ad Valorem Tax Limitation

Metropolitan Water District Act Section 130: General Powers to Provide Water Services

Metropolitan Water District Act Section 133: Fixing of Water Rates

Metropolitan Water District Act Section 134: Adequacy of Water Rates; Uniformity of Rates

Metropolitan Water District Act Section 134.5: Water Standby or Availability of Service Charge

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates

Metropolitan Water District Administrative Code Section 5202: Fund Parameters

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

April 9, 2024	Board approved the Biennial Budget for FY 2024/25 and FY 2025/26, Rates and Charges, and Ten-Year Financial Forecast

Summary of Outreach Completed

The following list outlines the steps taken in regard to Metropolitan's Reserve Policy. In addition to the formal Board process, staff also provided updates to Metropolitan's member agencies during the monthly Financial Sub-Working Group meetings.

July 24, 2024	Subcommittee on LTRPPBM
February 11, 2025	FAM Committee
April 22, 2025	Subcommittee on LTRPPBM
June 23, 2025	Special FAAME Committee

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4).)

CEQA determination(s) for Option #2:

None required

Details and Background

Background

On July 22, 2024, Metropolitan's Chair of the Board of Directors, Vice Chair of the Board of Directors for Finance and Planning, and Chair of the CAMP4Water Task Force (Board Leadership) commissioned an Ad Hoc Working Group comprised of the general managers of Metropolitan's 26 member agencies (Ad Hoc Working Group) to analyze Metropolitan's business model and propose business model refinement options, where appropriate. In its July 22nd letter, Board leadership directed the Ad Hoc Working Group to ensure that it considers five factors and opportunities: (1) treated water cost recovery; (2) Metropolitan's role in member agency local supply development; (3) potential member agency supply exchange program; (4) proportion and components of fixed and volumetric charges; and (5) conservation program and funding source(s). The Ad Hoc Working Group formed three sub-working groups to focus on specific factors. The Financial Sub-Working Group took on the financial factors directed for review.

In accordance with Board leadership direction and following a series of Ad Hoc Working Group workshops, the Financial Sub-Working Group has developed and reviewed four key proposals aimed at promoting financial stability, ensuring equitable cost recovery, and aligning with previously adopted Policy Principles. These proposals—centered on Treated Water Cost Recovery, Unrestricted Reserve Policy, Conservative Water Demand Projections, and Other Fixed Revenues—reflect an ongoing collaborative effort with member agencies to refine and modernize Metropolitan's financial framework.

Current Unrestricted Reserve Policy

The current unrestricted reserve policy, originally adopted with the 1999 Long Range Finance Plan, is governed by Metropolitan Administrative Code § 5202. It is designed to cover revenue shortfall resulting from declines in water transactions, ensuring a minimum of 18 months and up to 42 months of rate protection at the target level. The policy has been generally effective, as Metropolitan has not required emergency rate increases outside of its regular rate-setting process. Unrestricted reserves exceeding the target level may be used for any lawful purpose as determined by the Board. Although the policy aims to provide 3.5 years of rate protection at the target level, it currently lacks a clear policy mechanism to ensure reserves reach and maintain that target level.

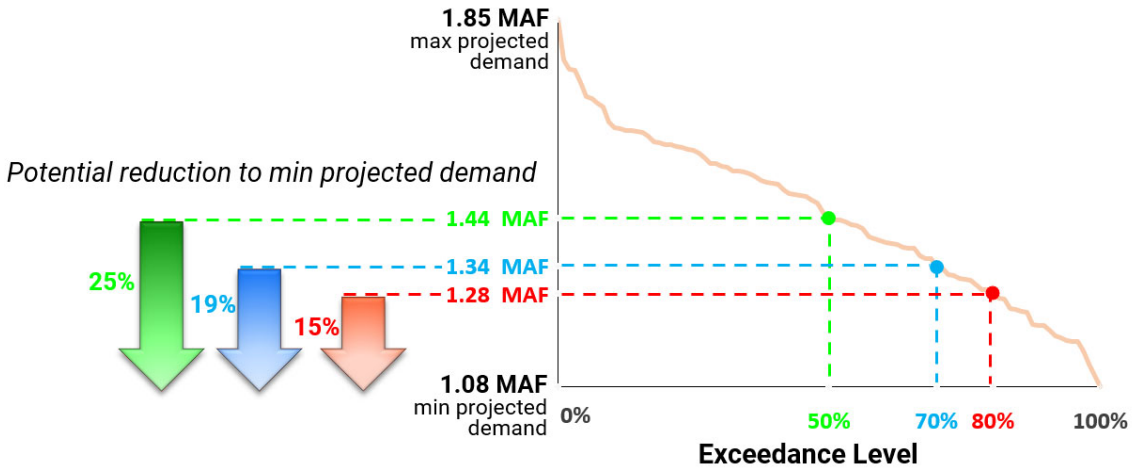
The existing reserve calculation is based on hydrologic risk estimates from the 1999 Long Range Finance Plan. However, climate change, which has exacerbated the volatility of both demand and supply, and the associated risks over the years, has highlighted the need for refinements. The minimum reserve level is set to cover 18 months of reserves, comprising the next fiscal year's reserve amount plus half of the subsequent fiscal year's reserve. The target reserve level extends this calculation by an additional two years, totaling 42 months (3.5 years) of reserve coverage.

The current policy assumes that variable supply and power costs decrease when water demand is low, but this is not always the case. During wet years with low demand, power costs may actually increase due to the need to move and store excess water. Additionally, the policy does not account for revenue shortfalls from the Treatment Surcharge during periods of low treated water sales. The Treatment Surcharge Stabilization Fund, which currently has no fund balance, lacks defined minimum and target levels, limiting its effectiveness in providing rate protection.

The reserve policy's minimum and target levels are based on the revenue risk associated with lower water sales. Reserves, however, have been used to address all unforeseen cash shortages, including shortfalls in treated system revenues and to add water to storage during years of surplus. In addition, the policy will lose its effectiveness if rates are not adopted to fully cover costs, such as setting rates based on planned draws from reserves or setting rates based on one-time revenues.

Metropolitan reviewed the calculations for determining the portion of the net revenue requirement that is collected by volumetric water rates. Certain line items that were deducted from the net revenue requirement were no longer appropriate due to climate-related volatility, the uncertain nature of the assumed revenues, and the disconnect between supplies and sales. The reserve percentage was also analyzed in light of recent water transactions and potential demand variability. Historical data indicated that actual water transactions were consistently lower than budgeted projections for eight of the past nine years. By correlating this trend with a revised reserve percentage, the sub-working group recommended aligning the reserve percentage with the budgeted exceedance level—the higher the exceedance level, the lower the volatility, allowing for a lower reserve percentage in the calculation, as shown in Figure 1 below.

Figure 1: Projected Demand Variability for Calendar Year 2025



To enhance financial stability and better address evolving risks, the Financial Sub-Working group recommends the following technical refinements to the reserve policy:

- **Link reserve percentage to water demand exceedance level**: Adjust reserve percentage based on budgeted exceedance level, with the following assumptions:
  - 80 percent exceedance = 15 percent reserve percentage;
  - 70 percent exceedance = 19 percent reserve percentage;
  - 50 percent exceedance = 25 percent reserve percentage; and
  - Establish a policy to set water demand at 70 percent exceedance for rate setting with a long-term target of 80 percent, without relying on one-time revenues or reserve draws.
- **Recognize the disconnect between supplies and sales and exclude variable costs from reserve calculations.**
- **Incorporate protection for treated water sales volatility**: Treatment revenue requirements will be incorporated into the Unrestricted Reserves Minimum and Target levels to provide enhanced protection against treated water sales volatility. The Treatment Surcharge Stabilization Fund will be consolidated into Unrestricted Reserves to streamline fund management and increase flexibility.
- **Exclude uncertain revenues**: Revenue sources that are unpredictable, such as unawarded grants and one-time revenues, should be excluded from reserve calculations to protect against revenue shortfall risks.

Gradually implementing a higher exceedance level (i.e., 80 percent) in rate setting would help reduce the risk associated with sales variability, increasing the likelihood that Metropolitan meets its budgeted water transaction projections. This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes and emergency rate adjustments.

Under the 70 percent exceedance scenario, the calculated minimum reserve would increase from $229 million to $415 million, while the calculated target reserve would rise from $645 million to $1.065 billion. These figures are based on the application of the revised reserve methodology using Fiscal Year 2025 data. The Board is not being asked to approve these specific figures. Rather, the Board is approving the methodology for setting reserve levels, which will be incorporated into the development of the FY 2026/27 and FY 2027/28 Biennial Budget. Staff will apply these assumptions in preparing the next biennial budget, including rates and charges, and all associated revenues and expenditures that determine Metropolitan's revenue requirement. The revised reserve levels and projections will not take effect until July 1, 2026, with the start of the new fiscal year.

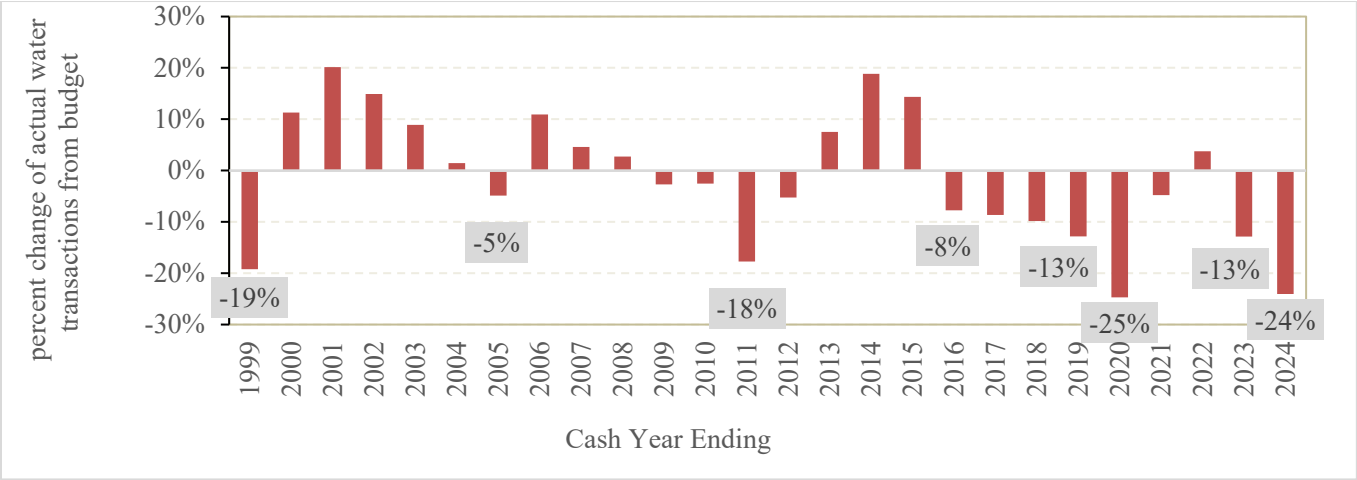
Notably, as additional fixed revenues are approved by the Board (e.g., standby and peaking treatment fixed revenues, property taxes, etc.), the methodology will adjust the minimum and target reserve levels accordingly. Additionally, the reserve methodology incorporates full exchange deliveries outlined in the SDCWA/MWD settlement agreement. To reflect these changes formally, updates to the Metropolitan Administrative Code will be required. A redline version of the proposed code amendments is included as **Attachment 2** to this report for reference and future Board consideration.

Conservative Water Transactions in Rate Setting

The Financial Sub-Working group developed a recommendation for adopting a more conservative approach to forecasting water transactions for rate-setting purposes. This proposal is in response to significant and persistent variability in Metropolitan's actual water sales, which have often fallen short of budgeted expectations.

Over the last 25 years, Metropolitan has experienced notable volatility in water transactions. This trend has become more pronounced in recent years, with actual sales in 2019, 2020, 2023, and 2024 falling short of projections by 13 percent to 25 percent. These recurring shortfalls have increased the strain on unrestricted reserves and raised the risk of unplanned revenue deficits, undermining the reliability of rate recovery and financial planning.

Figure 2: Variability of Metropolitan's Historic Water Transactions from Budget



Historically, Metropolitan's biennial budget, along with its rates and charges, has been based on average demand (aligned with a 50 percent exceedance level), meaning there is a 50 percent likelihood that actual demand will meet or exceed the forecast. While this approach was effective during periods of more stable demand, over the past decade, climate change and other factors have increased uncertainty in sales projections, resulting in revenue shortfalls when actual water transactions fall below budgeted levels. Since the exceedance level relies on historical hydrology, adopting a more conservative demand projection would help mitigate financial risk by reducing the likelihood of overestimating sales, thereby safeguarding revenue and reserves.

Together, these proposals represent a coordinated strategy to reduce Metropolitan's exposure to sales variability and better safeguard financial stability. Rather than standalone alternatives, they form a mutually reinforcing framework that integrates demand forecasting and reserve management to provide a more resilient foundation for rate-setting and long-term fiscal planning.

The Financial Sub-Working group recommends that Metropolitan establish a policy to use a minimum of 70 percent exceedance level for rate setting during biennial budget development, with a long-term target of 80 percent exceedance level, ensuring financial stability without relying on one-time revenues or reserve draws. Gradually reaching the target of 80 percent exceedance will mitigate sales volatility and create a mechanism for building and maintaining reserves at the target levels, providing additional protection against rate spikes while minimizing the potential initial impacts. This proposal aligns with recommendations on the unrestricted reserve policy and other fixed revenue strategies.

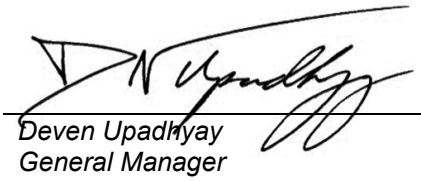
By incorporating exceedance-based demand forecasting and aligning reserve targets with evolving supply and revenue risks, these recommendations represent a forward-looking, data-informed approach to financial planning. They also support Metropolitan's Policy Principles while reinforcing the Metropolitan's ability to respond flexibly and sustainably to the demands of an increasingly unpredictable climate.

This coordinated set of reforms marks an important step in refining Metropolitan's business model to ensure operational and financial stability, safeguard water ratepayers, and enhance long-term resource planning throughout Southern California.



7/8/2025

Katano Kasaine *Date*
Assistant General Manager/
Chief Financial Officer



7/8/2025

Deven Upadhyay *Date*
General Manager

Attachment 1 – Resolution of the Board of Directors of the Metropolitan Water District of Southern California Approving the Recommendations for Reserve Policy Revisions and Implementation of Specific Sales Projections

Attachment 2 – Redline Administrative Code

Ref# cfo12700267

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA APPROVING THE RECOMMENDATIONS FOR RESERVE POLICY REVISIONS AND IMPLEMENTATION OF SPECIFIC SALES PROJECTIONS

WHEREAS, the Board of Directors ("Board") of The Metropolitan Water District of Southern California ("Metropolitan"), pursuant to Sections 133, 134 and 134.5 of the Metropolitan Water District Act (the "Act"), is authorized to fix such rate or rates for water as will result in revenue which, together with revenue from any water standby or availability of service charge or assessment, will pay the operating expenses of Metropolitan, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by Metropolitan, and provide for the payment of the interest and principal of its bonded debt, including payment of the interest and principal of Metropolitan's non-tax funded debt; and

WHEREAS, on April 9, 2024, the Board voted to direct Metropolitan to collaborate with member agency staff and the Climate Adaptation Master Plan for Water (CAMP4W) Task Force to review and analyze the treatment surcharge, including addressing any issues identified through that analysis, which may include, but are not limited to, revising the methodology used to calculate the charge; and

WHEREAS, on July 22, 2024, the Chair of the Board of Directors, Vice Chair for Finance and Planning, and Chair of the CAMP4Water Task Force (Board Leadership) commissioned an ad hoc working group comprised of the general managers of Metropolitan's 26 Member Agencies (Financial Sub-Working Group) to evaluate Metropolitan's business model and propose refinement, with direction to consider key factors:

1. Treated water cost recovery;
2. Metropolitan's role in Member Agency local supply development;
3. Potential Member Agency supply exchange program;
4. Proportion and components of fixed and volumetric charges; and
5. Conservation program and funding source(s).

WHEREAS, the current Unrestricted Reserves Policy, originally adopted in 1999, targets 3.5 years (42 months) of rate protection but lacks a clear mechanism to ensure reserves are built to and maintained at that level; and

WHEREAS, climate change has increased volatility in both water demand and supply, exposing gaps in the current reserves framework and increasing financial risk from revenue shortfalls; and

WHEREAS, analysis of historical data showed that actual water sales were lower than budgeted in eight of the past nine years, reinforcing the need for more conservative forecasting and that high variability in sales has led to repeated draws on reserves, undermining long-term rate stability; and

WHEREAS, the Financial Sub-Working Group recommended revising the reserve calculation to link reserve percentage targets to demand exceedance levels, thereby better aligning reserve levels with sales volatility; and

WHEREAS, the proposed linkage assigns a 15% reserve target at 80% exceedance, 19% at 70% exceedance, and 25% at 50% exceedance, creating a dynamic structure that responds to forecast risk and hydrologic variability; and

WHEREAS, the updated reserve methodology would exclude variable supply and power costs, which do not scale directly with water sales, and would also exclude one-time or uncertain revenues such as unawarded grants; and

WHEREAS, to improve treatment-related revenue stability, the Treatment Surcharge Stabilization Fund will be consolidated into the Unrestricted Reserves and the associated treatment revenue requirement incorporated into the reserve targets; and

WHEREAS, the Financial Sub-Working Group also recommended language clarifying that reserves are one-time funds and should not be used to support ongoing operational expenditures, and that any funds exceeding the reserve target be allocated to capital, debt reduction, or long-term liabilities at the Board's discretion; and

WHEREAS, the proposed policy includes a transition to using a 70% exceedance level for rate-setting demand forecasts, with a long-term goal of adopting an 80% exceedance level to reduce reliance on reserve draws and promote stable revenues; and

WHEREAS, this integrated reform approach aligns with Metropolitan's Policy Principles and supports long-term fiscal resilience and ratepayer protection across the service area; and

WHEREAS, the FAAME Committee considered the proposed policy refinements at its regular June 2025 meeting, pursuant to informational presentations, review, and deliberation; and

WHEREAS, each of said meetings of the Board were conducted in accordance with the Brown Act (commencing at 54950 of the Government Code), at which due notice was provided and quorums were present and acting throughout; and

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. That the Board of Directors of Metropolitan hereby approves the technical refinements to Metropolitan's Unrestricted Reserves Policy as recommended by the Financial Sub-Working Group and summarized in the July 8, 2025 Board Letter. These refinements are designed to improve alignment between reserve targets and projected water sales volatility, address risks associated with uncertain revenues and costs, and enhance Metropolitan's long-term financial stability.

Section 2. That the revised Reserves Policy shall include the following key provisions:

1. Reserve percentages shall be tied to the level of exceedance used in demand forecasting, with the following targets:
   - 80% exceedance = 15% reserve
   - 70% exceedance = 19% reserve
   - 50% exceedance = 25% reserve

2. Metropolitan shall use a minimum of a 70% exceedance level for water demand projections when setting rates and preparing biennial budgets, with a long-term policy target of 80%.

3. Treatment-related revenue requirements shall be incorporated into the minimum and target levels of Unrestricted Reserves. The Treatment Surcharge Stabilization Fund shall be consolidated into the Unrestricted Reserves to streamline fund management and provide greater flexibility.

4. Reserve calculations shall exclude variable costs (e.g., power and supply costs not directly tied to demand) and uncertain revenues such as unawarded grants or other non-recurring sources.

5. Funds in excess of the target level may only be used, subject to Board direction, for:
   - Capital expenditure to avoid debt issuance
   - Redemption or defeasance of bonds or commercial paper
   - Funding pension or Other Post-Employment Benefits (OPEB) liabilities
   - Meeting legal or financial obligations deemed necessary by the Board

6. Reserve funds shall be treated as one-time resources and shall not be used to support ongoing operational expenditures, and that funds in excess of the target reserve level shall be allocated only by Board direction for specified long-term obligations or investments.

Section 3. That the Board hereby directs the General Manager to incorporate these policy refinements and sales projections beginning with the FY 2026/27 and FY 2027/28 Biennial Budget process, and ensure all financial planning, rate-setting, and reserve reports reflect these policy changes.

Section 4. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 5. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 6. That the Board Executive Secretary is hereby directed to transmit a certified copy of this Resolution to the presiding officer of the governing body of each member agency.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on July 8, 2025.

_____

Board Executive Secretary
The Metropolitan Water District
of Southern California

§ 5107. Biennial Budget Process.

(a) There shall be prepared each even-numbered year, under the direction of the General Manager, a proposed biennial budget covering District operations for the following two fiscal years. The proposed biennial budget shall be submitted to the Board no later than the date of the regular Board meeting in June immediately preceding the first fiscal year of the biennium to which the budget applies. The proposed biennial budget shall indicate by fund all anticipated expenses and required reserves and the source of revenues to be used to meet such expenses and provide such reserves. The proposed biennial budget will at a minimum include a five-year financial forecast. At least one Board Workshop on the proposed biennial budget will be conducted prior to submission of the proposed biennial budget for Board approval. The FAAME Committee shall review the proposed biennial budget in its entirety, together with the recommendations from the Board workshop, and report its recommendations to the Board.

(b) After considering the proposed biennial budget and making any revisions thereto that it may deem advisable, the Board shall adopt the biennial budget before the beginning of the biennial period to which the budget applies. The amounts provided in the adopted budget for the biennial period for total expenses for operations and maintenance, including minimum and variable operations and maintenance charges under water or power contracts with the State, for capital charges under such contracts, and for debt service shall be deemed to be appropriated from the funds indicated in the budget.

(c) The adoption of the budget shall have no effect upon appropriations for capital projects and continuing expenditures not susceptible to immediate direct allocation, as described in Section 5108 hereof, and shall not establish any limitations on expenditures for such purposes.

(d) The total operations and maintenance budget shall be measured against the regional rate of inflation as measured by the five-year rolling average change in the Consumer Price Index (CPI) for the Los Angeles-Riverside-range County area, not seasonally adjusted, for all items as reported by the U. S. Bureau of Labor Statistics. The budget will include explanations of increases greater than the CPI due to unique conditions, growth or expansion of services.

(e) Water demand forecasts used in the development of the biennial budget and the water rate setting process shall be based on a minimum exceedance level of seventy percent. The long-term planning objective shall be to transition toward an eighty percent exceedance level for water demand forecasting.

Ords. 127 and 129; repealed by Ord. 146; Section 471.8 added, as amended, by M.I. 32690 - April 10, 1979; amended by M.I. 36110 - June 10, 1986. Section 471.8 repealed and Section 5107 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; paragraph (a) amended by M.I. 36535 - March 10, 1987;

paragraph (a) amended by M.I. 40231 - May 11, 1993; paragraph (a) amended by M.I. 41755 - February 13, 1996; paragraphs (a) and (b) amended by M.I. 42060 - September 10, 1996; paragraph (a) amended by M.I. 42193 - December 10, 1996; paragraph (a) amended by M. I. 44095 – July 11, 2000; paragraph (a) amended by M. I. 44582 – August 20, 2001; paragraph (a) amended and paragraph (d) added by M. I. 45904 – September 14, 2004; paragraph (a) amended by M. I. 46064 – January 11, 2005; paragraph (a) amended by M.I. 46148 - March 8, 2005; paragraph (a) amended by M.I. 46983 - February 13, 2007; paragraph (a) amended by M.I. 48534- January 11, 2011; section title and paragraphs (a)-(b) amended by M.I. 48800 – September 13, 2011; paragraphs (a), (b), and (d) amended by M.I. 49187 - September 11, 2012; paragraph (a) amended by M.I. 53064 – December 13, 2022; paragraph (a) amended by M.I. 53528 – February 13, 2024; paragraph (a) amended by M.I 53408 - March 11, 2025.

§ 5200. Funds Established.

To provide for accountability of public moneys in accordance with applicable federal and state law and regulations and Board policies, the following funds active or prospectively active have been established in the Treasury of the District:

(a) General Fund (Fund No. 1001, established 1929). Moneys not specifically allocated or appropriated may be placed in this fund and used for general purposes of the District. Expenditures for reimbursable work and water conservation capital and indirect costs under the contract with Imperial Irrigation District are paid from this fund.

(b) Replacement and Refurbishment Fund (Fund No. 5001, established 1988). Used to finance certain capital program expenditures from current revenues in accordance with Section 5109, subject to the conditions contained in Section 5202(b).

(c) State Contract Fund (Fund No. 5701, established 1960). Used for the payment of capital charges under the State Water Contract, including the capital charges for off-aqueduct power facilities, subject to the conditions contained in Section 5201(d).

(d) Special Tax Fund (Fund No. 5702, established 1951). Annexation fees (cash payments and special tax collections) are deposited in this fund and transferred to the State Contract Fund to pay a portion of State Water Contract capital charges.

(e) Water Revenue Fund (Fund No. 1002, established 1975). Receipts from water transactions, including, but not limited to, sales, exchanges, and wheeling are deposited in this fund and are transferred to various other funds in accordance with revenue bond covenants and Board resolutions to pay in order of priority:

(1) Operation and maintenance expenditures;

(2) The interest on and bond obligation of Water Revenue Bonds and Parity Obligations issued pursuant to Master Resolution 8329 (the Master Resolution or Senior Debt Resolution) adopted by the Board on July 9, 1991 and any Supplemental Resolutions thereto, and any other obligations on a parity with the Water Revenue Bonds;

(3) All other payments required for compliance with the Master Resolution, and any Supplemental Resolutions;

(4) The interest on and bond obligation of Subordinate Water Revenue Bonds and Parity Obligations issued pursuant to Master Subordinate Resolution 9199 (the Master Subordinate Resolution) adopted by the Board on March 8, 2016 and any Supplemental

Resolutions thereto, and any other obligations on a parity with the Subordinate Water Revenue Bonds;

(5) All other payments required for compliance with the Master Subordinate Resolution, and any Supplemental Resolutions;

(6) Principal of and interest on Commercial Paper Notes and other amounts due a provider of a liquidity facility;

(7) Deposits into the Water Standby Charge Fund in accordance with resolutions imposing such charges; and

(8) Any other obligations which are charges, liens, or encumbrances upon or payable from net operating revenues.

Moneys remaining at the end of each month, after the foregoing transfers, are transferred to the Revenue Remainder Fund.

(f) Operation and Maintenance Fund (Fund No. 1003, established 1975). Used to pay all operation and maintenance expenditures, including State Water Contract operation, maintenance, power and replacement charges, subject to the conditions contained in Section 5201(f).

(g) Revenue Remainder Fund (Fund No. 1004, established 1975). Used to maintain working capital and may be used for any lawful purpose by the District, subject to the conditions contained in Section 5202.

(h) Water Rate Stabilization Fund (Fund No. 5501, established 1987). Used to reduce future water revenue requirements or, as directed by the Board, for other lawful purposes, in accordance with Section 5202.

(i) Revolving Construction Fund (Fund No. 5003, established 1988). Capital expenditures made from this fund are to be reimbursed from proceeds of security sales to the extent such expenditures are authorized uses of debt proceeds under the Act, subject to the conditions and restrictions contained in Section 5201(g).

(j) Iron Mountain Landfill Postclosure Maintenance and Corrective Action Trust Fund (Fund No. 6005, established 1990). Used as a trust fund to maintain moneys sufficient to cover the costs of postclosure maintenance and/or corrective action of the District's solid waste landfill facility at Iron Mountain, in accordance with regulations of the California Department of Resources Recycling and Recovery, and subject to the conditions contained in Section 5201(m).

(k) Water Standby Charge Fund (Fund No. 1005, established 1992). Used to separately hold revenues attributable to water standby charges; amounts deposited in this fund are used exclusively for the purpose for which the water standby charge was authorized.

(l) Water Transfer Fund (Fund No. 1007, established 1995). Used for moneys set aside for the purchase of water through transfers or similar arrangements, and for the costs of filling the Eastside Reservoir Project.

(m) Self-Insured Retention fund (Fund No. 1008, established 1999). Used to separately hold amounts set aside for emergency repairs and claims against the District as provided in Section 5201(o).

(n) Lake Mathews Multi Species Reserve Trust fund (Fund 6101, established 1997.) Used as set forth in agreement between Metropolitan and the Riverside County Habitat Conservation Agency for the Multi Species Reserve.

(o) There shall be established in the Treasury of the District such funds and accounts as are required pursuant to bond covenants, tax and non-arbitrage certificates, bond counsel letters of instruction and related documents, to provide for accountability of District funds and compliance with applicable federal and state law and regulations. Such funds and accounts shall be established for each issue of bonds, notes or other obligations of the district as required in the respective bond or note resolution and closing documents.

(p) Water Stewardship Fund (Fund No. 1009 established 2005). Used to collect revenue from the Water Stewardship Rate and to pay costs associated with water recycling, seawater desalination, conservation, brackish water desalination, or other demand management programs. These funds can also be used to fund administrative costs associated with these programs. Funds may be used as directed by the Board, for other lawful purposes, in accordance with Section 5201(p) and Section 5202(d).

(q) Reclamation Fund Trust Fund (Fund No.____, established 2023). Used as a trust fund to maintain moneys sufficient to cover the costs of reclamation activities related to the Metropolitan Reclamation Plan, in accordance with the Surface Mining and Reclamation Act of 1975, Public Resources Code section 2770 et al. and California Code of Regulations, Title 14, Division 2, Chapter 8, §3808.3.

(r) Reserve calculations shall exclude variable costs, such as power and supply costs that are not directly tied to water demand, and shall exclude uncertain or non-recurring revenue sources, such as unawarded grants or one-time revenues.

38241 - May 8, 1990; amended and paragraph (bb) added by M.I. 38305 - June 12, 1990; paragraphs (cc), (dd) and (ee) added by M.I. 38999 - June 11, 1991; amended and paragraphs (ff), (gg), (hh) and (ii) added by M.I. 39171 - August 20, 1991; paragraphs (jj), (kk), and (ll) added by M.I. 39785 - August 20, 1992; paragraph (k)(6) added, paragraph (jj) added, paragraphs (kk) - (mm) renumbered by M.I. 39925 - November 10, 1992; new paragraphs (nn) through (uu) added by M.I. 40272 - June 15, 1993; paragraph (bb) amended by M.I. 40273 - June 15, 1993; paragraphs (vv) through (bbb) added by M.I. 40388 - August 24, 1993; paragraphs (i) and (q) amended, paragraph (r) deleted and remainder of section renumbered by M.I. 40443 - September 21, 1993; paragraph (q) amended by M.I. 40976 - August 19, 1994; paragraph (bbb) added by M.I. 41581 - September 12, 1995; paragraphs (a) through (bbb) amended and new paragraphs (bbb) through (sss) added by M.I.42817 - February 10, 1998; paragraphs (ttt) through (aaaa) added April 1998, by authority granted to the General Counsel by M.I. 42817 - February 10, 1998; paragraphs (bbbb) through (jjjj) added September 1998, by authority granted to the General Counsel by M.I. 42817 - February 10, 1998; paragraph (kkkk) added by M.I. 43434 - March 9, 1999; paragraph (a) amended, old paragraphs (c), (g)-(J), (m), (n), (p), (q), (u)-(x), (z), (bb)-(hh), (jj)-(aaa), and (ccc)-(jjjj) deleted, remaining paragraphs renumbered, and new paragraphs (q) and (r) added by M. I. 45249 - March 11, 2003; paragraph (b) amended, paragraph (e) repealed and paragraphs (f) – (r) renumbered by M. I. 45904 – September 14, 2004; new paragraph (r) added by M. I. 46266 - June 14, 2005; paragraph (g) amended by M. I. 46838 – October 10 2006; deleted previous paragraph (e)(2), added paragraphs (e)(4) and (e)(5), and renumbered paragraphs (e)(2) through (e)(8) by M.I. 50498 – June 14, 2016; paragraph (e) amended by M.I. 51417 – December 11, 2018; paragraph (l) amended by M.I. 52328 – April 13, 2021; deleted paragraph (k) and renumbered letter paragraphs (k) – (q) by M.I. 53058 – December 13, 2022; new paragraph (r) added by M.I. 53441 - November 11, 2023.

§ 5202. Fund Parameters.

The minimum cash and securities to be held in the various ledger funds as of June 30 of each year shall be as follows:

(a) For the Revenue Remainder Fund cash and securities on hand of June 30 of each year shall be equal to the portion of fixed costs of the District estimated to be recovered by revenues from water transactions, including, but not limited to, sales, exchanges, and wheeling, for the eighteen months beginning with the immediately succeeding July, based on the level of demand exceedance used in the water rate process. Such funds are to be used in the event that revenues are insufficient to pay the costs of the District.

(1) At an eighty percent exceedance level, the reserve target shall be fifteen percent of the District's net revenue requirement;

(2) At a seventy percent exceedance level, the reserve target shall be nineteen percent;

(3) At a fifty percent exceedance level, the reserve target shall be twenty-five percent.

(4) The reserve target calculation shall incorporate treatment-related revenue requirements into the minimum and target levels of the Revenue Remainder Fund. This integration is intended to replace the previously separate Treatment Surcharge Stabilization Fund and streamline financial planning.

(b) For the Replacement and Refurbishment Fund, any unexpended monies shall remain in the Fund for purposes defined in Section 5109, or as otherwise determined by the Board. The end-of-year fund balance may not exceed $160 million. Available monies in excess of $160 million at June 30 shall be transferred to the Water Rate Stabilization Fund, unless otherwise determined by the Board.

(c) Amounts remaining in the Revenue Remainder on June 30 of each year after meeting the requirements set forth in Section 5202(a) shall be transferred to the Water Rate Stabilization Fund.

(d) After making the transfer of funds as set forth in Section 5202(c), a determination shall be made to substantially identify the portion, if any, of such transferred funds attributable to collections of treatment surcharge revenue in excess of water treatment cost and to collections of water stewardship rate revenue in excess of costs of the Conservation Credits Program, Local Resources Program seawater desalination and similar demand management programs, including the departmental operations and maintenance costs of administering these programs. Such funds shall be transferred to the Water Stewardship Fund to be available for the principal purpose of mitigating required increases in the water stewardship rates. If such determination indicates a deficiency in water stewardship rate revenue occurred during the fiscal year, a transfer of funds shall be made from the Water Stewardship Fund, as needed and appropriate, to reimburse funds used for the deficiency. Notwithstanding the principal purpose of the Water Stewardship Fund, amounts assigned to this fund shall be available for any other lawful purpose of the District.

(e) Amounts in the Water Rate Stabilization Fund shall be held for the principal purpose of maintaining stable and predictable water rates and charges. The amount to be held in the Water Rate Stabilization fund shall be targeted to be equal to the portion of the fixed costs of the District estimated to be recovered by revenues from water transactions, including, but not limited to, sales, exchanges, and wheeling, during the two years immediately following the eighteen-month period referenced in Section 5202(a).

Funds in excess of such targeted amount shall only be used at the direction of the Board and for the following purposes:

- Funding capital expenditures of the District in lieu of the issuance of additional debt;
- Redemption, defeasance, or purchase of outstanding bonds or commercial paper of the District;
- Funding of pension or Other Post-Employment Benefit (OPEB) liabilities, including contributions to a trust fund;
- Legal or financial obligations as determined by the Board.

Provided that the District's fixed charge coverage ratio is at or above 1.2 amounts in the Water Rate Stabilization Fund may be expended for any lawful purpose of the District, as determined by the Board of Directors, provided that any funds distributed to member agencies shall be allocated on the basis of water revenues during the previous fiscal year, such sales to include sales under the Interim Agricultural Water Program, Replenishment Service Program and all Full Service water sales.

(f) Variable costs not directly tied to water sales, including supply and power, and uncertain revenues such as unawarded grants or other non-recurring funding sources shall be excluded from Revenue Remainder Fund requirement calculation.

(g) Reserves shall be treated as one-time resources and shall not be used to support ongoing operational expenditures.

Notwithstanding the fund parameters set forth in this Section 5202, including, but not limited to, any minimum fund balances or specified uses and purposes, all amounts held in the foregoing funds shall be available to pay interest on and Bond Obligation (including Mandatory Sinking Account Payments) of Water Revenue Bonds issued pursuant to Resolution 8329 adopted by the Board on July 9, 1991, as amended and supplemented (the Master Resolution), and Parity Obligations, and Subordinate Water Revenue Bonds, issued pursuant to Resolution 9199 adopted by the Board on March 8, 2016, as amended and supplemented (the Master Subordinate Resolution). Capitalized terms not defined in this paragraph shall have the meanings assigned to such terms in the Master Resolution and the Master Subordinate Resolution.

Section 331.2 - M.I. 32735 - May 8, 1979, effective July 1, 1979 [Supersedes M.I. 30984 - August 19, 1975; M.I. 31826 - June 14, 1977 and M.I. 32292 - June 13, 1978]; amended by M.I. 35309 - September 11, 1984; amended by M.I. 35730 - July 9, 1985. Section 331.2 repealed and Section 5201 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; paragraph (a) amended and paragraph (b) added by M.I. 36676 - June 9, 1987; paragraph (a) amended by M.I. 36731 - July 14, 1987; paragraph (b) amended and paragraph (c) added by M.I. 37007 - February 9, 1988; amended by M.I. 37449 - December 13, 1988; paragraph (a) amended by M.I. 37679 - May 9, 1989; renumbered to Section 5202 by M.I. 38241 - May 8, 1990; paragraphs (c) and (d) amended by M. I. 38304 - June 12, 1990; paragraph (a) amended by M.I. 39794 - August 20, 1992; paragraph (e) added by M.I. 41581 - September 12, 1995; Section renamed and paragraphs (a)-(c) and (e) amended by M.I.43434 - March 9, 1999; paragraph (e) amended by M.I. 43587 - June 8, 1999; paragraph (b), (c) and (e) amended by M. I. 44907 – June 11, 2002; paragraph (b) amended by M. I. 45904 – September 14, 2004; paragraph (d) amended by M. I. 46266 - June 14, 2005; Paragraph (e) amended by M. I. 46838 – October 10, 2006; final paragraph added by M.I. 47286 - November 20, 2007; amended paragraph (b) by M.I.49734 – April 8, 2014; amended paragraph (e) by M.I. 50498 – June 14, 2016 paragraphs (a) and (e) amended by M.I. 51417 – December 11, 2018.

To: Board of Directors, *Municipal Water District of Orange County*
From: Natural Resource Results
RE: Monthly Board Report – July 2025

Appropriations

Congress is finally advancing the FY 2026 appropriations process, but it might be too late to be able to finalize a spending package before the end of the fiscal year. The House has passed most of its bills out of committee, with some passing off the House floor. The Senate has begun moving bills through committee and has also passed a few off the Senate floor. A major uncertainty remains the absence of an agreed-upon top-line discretionary spending cap for FY 2026, which has slowed subcommittee allocations and may complicate negotiations between the chambers.

House Republicans are proposing cuts across multiple accounts, while Senate Democrats are preparing to resist reductions and proposed rescissions of previously appropriated funds. If Congress does not finalize all 12 appropriations bills by the September 30 deadline, a continuing resolution will likely be needed to avoid a government shutdown. Below are some key Reclamation programs and the House proposed funding for those programs in the Energy and Water bill (the Senate's Energy and Water bill is not yet public):

- $65.3 million for the CVPIA Restoration fund (FY25 enacted = $48.5 million)
    - This is one of the potential funding sources for the habitat portion of the Voluntary Agreements
- $13.7 million for WaterSMART grants (FY25 enacted = $54 million)
- $50 million for the Lower Colorado River Drought Contingency Plan (FY25 enacted = $50 million)
- $41 million for Title XVI (FY25 enacted = $50 million)
- $25 million for WaterSMART Drought Response (FY25 enacted = $30 million)
- $32 million for CALFED (FY25 enacted = $33 million)
- $201 million for the WIIN Act Storage Account (FY25 enacted = $50 million)
    - Funding source for Sites Reservoir

The House Energy and Water bill also included the following report language, which are essentially non-binding directives to federal agencies:

Colorado River Basin Drought.—The Committee maintains interest in the long-term drought afflicting the Colorado River Basin and the Tribes, farmers, ecosystems, and communities that depend on reliable water and power deliveries from the system. Reclamation is encouraged to include in future budget submissions robust funding for activities that promote voluntary water

conservation and enhance water supply infrastructure throughout the basin. In addition, the Committee is aware of unavoidable deliveries of water to Mexico in excess of treaty obligations. Additional infrastructure in the Lower Basin could enable this water to be captured and utilized domestically. Reclamation is encouraged to continue to identify opportunities to support infrastructure development to reduce such excess water deliveries. Reclamation is directed to provide to the Committee not later than 90 days after the date of enactment of this Act a briefing on infrastructure needs, funding requirements, and other tools already available to Reclamation to reduce or eliminate these water deliveries to Mexico and ensure all such deliveries are accounted for within the Mexican entitlement.

WaterSMART Program.—While coordinating funding opportunities can maximize viable projects, make opportunities more accessible, and provide for a more holistic assessment of proposed work, Reclamation is reminded that the authorities for each program are controlling for those awards. Reclamation is further reminded of modifications to WaterSMART made by Public Law 117–58 and directed to consider the full range of applicants, as appropriate and as authorized in law. Further, Reclamation is reminded that applications to support infrastructure deployment related to precision irrigation, to include conveyance, pressurized systems, digital modernization for automation, are eligible to compete for WaterSMART grants. The Committee is also aware of existing, locally led programs to incentivize replacement of turf with less water intensive alternatives. To the extent authorized in law and that any such efforts may enhance Colorado River conservation objectives, Reclamation is encouraged to collaborate with local governments and public water agencies in support of these efforts.

Legislation

On July 15th, the House Natural Resources Committee marked up H.R. 831, a bipartisan bill introduced by Congressman Calvert (R-CA) that would enhance the financial structure of the Lower Colorado River Multi-Species Conservation Program (LCR MSCP) by authorizing the establishment of an interest-bearing account within the U.S. Treasury. This account would be used to hold non-federal contributions to the program—typically provided by state governments, water agencies, and other stakeholders—and allow those funds to accrue interest over time.

The LCR MSCP is a long-term, collaborative conservation initiative designed to balance the use of Colorado River water resources with the protection and enhancement of endangered and threatened species along the lower Colorado River. H.R. 831 would strengthen the program's financial sustainability by ensuring that contributed funds generate interest, thereby expanding the total resources available for habitat restoration, research, and other conservation efforts.

SDA
Government Relations

To:	MWDOC Workshop
From:	Syrus Devers
Date:	August 6th, 2025
Re:	State Legislative Report

Legislative/Administrative Report

This month's report is primarily an activity report since the Legislature has been in recess since July 18th. When it returns on August 18th, it will begin the busiest time of the year where all remaining business, including the budget, must be completed in 30 days.

Activity Summary:

The Delta Conveyance Project (DCP) Budget Trailer Bill

The DCP lobby day back on June 11th was successful, but the work continues. Advocates, including yours truly, are circling back with offices that did not sign on to the support letter in order to answer questions, or attempt to overcome objections. The work is slow going due to the number of staff and legislators who are out of the office for various reasons. The hope is to have another letter with more signatures ready by August 11th, and the State Water Contractors are planning a more targeted in-person lobbying effort on August 20th.

Golden Mussels

Stakeholders are still debating exactly what to ask for to address the threat of golden mussels. While that is being discussed, advocates have been asked to get information out to any office with whom they have a connection. MWD has provided a significant amount of material to use in the effort. A signature gathering campaign is anticipated in the near future and a lead author is being recruited.

Voluntary Agreements or "VA's" (aka…Healthy Rivers and Landscapes)

The State Water Contractors have initiated a final effort to influence the State Water Resources Control Board to support the VA's over the alternative "unimpaired flows" approach to water supply and quality management in the Bay Delta. Assembly Member Cecilia Aguiar-Curry (D-Napa, Davis, Winters) is the lead for a sign-on letter.

Legislature:

SB 707 (Durazo) - Open Meetings Act. SB 707 was not originally included in the Bill Matrix because it did not apply to special districts until it was amended on July 8th. Unfortunately, it has now become the main vehicle for amending the Open Meetings Act and it includes objectionable provisions. The

California Special District Association (CSDA) adopted an “oppose unless amended” position and ACWA followed suit soon after. MWDOC has been active on this issue and adopted a “support” position on AB 259 (Rubio) earlier this year, which dealt with the same subject. That bill has stalled and the provisions were incorporated into SB 707 against the wishes of Assembly Member Rubio. The opposition from special districts mainly concern unworkable requirements for districts in remote locations and/or with non-contiguous boundaries. SB 707 is in the Assembly Appropriations Committee but has not been assigned a hearing date.

Legal and Regulatory

August 6, 2025

1. **Ocean Color Change:** In case you have not noticed, the color of the ocean is changing. Around the poles, it is getting greener and around the equator it is getting bluer. A study has been released looking at the chlorophyll content of the ocean from 2003 to 2022. Chlorophyll is important as it absorbs sunlight and produces sugar. It is also the reason for growth in the ocean at the lowest level. This has a tremendous impact on the entire food chain. This in turn affects the fish populations all around the world and in particular California. It also has an impact on harmful algae blooms, which we will discuss later. The reason for this change is generally ocean temperature, weather conditions and many natural occurring events.

2. **Another Desal Idea:** We have previously discussed the various new developments in attempting to take salt out of ocean water for drinking water purposes. This is particularly important for remote areas who do not have the energy and resources to clean water the old-fashioned way. This researcher has come up with another sponge like material to get the salt out of salt water. They are using carbon nanotubes and cellulose nanofibers and 3D printers to develop a mechanism which runs on sunlight. This machine contains several layers of the tubes and fiber material which are frozen and put on top of another. The process produces a sponge like material which when exposed to sunlight, evaporates the water, and leaves the salt behind. It uses natural materials and is inexpensive. The test always is whether it can be scalable and useful in the long term. I noted with interest that this study was funded by the National Natural Science Foundation of China.

3. **Water Cleaners:** A Czechoslovakian scientist from Prague has developed a new process he refers to as “urban mining”. This technique extracts rare metals such as neodymium and dysprosium from used magnets. It employs a new type of chelator, which is a molecule that binds metal ions from the magnets. The key is that it operates in water and avoids the hazardous materials and waste which are generally employed in this process. Again, as we have seen in other new developments in this area, this use of natural processes and natural elements to achieve the desired result.

4. **Tulare Lake Lives?:** Tulare Lake used to be an active lake 100 years ago before it was drained by farmers to increase the amount of farmland in the area. As we have seen in the last few wet years, nature is trying to reincarnate Tulare Lake. Currently a coalition of tribes, community activists and environmentalists are trying to make that movement permanent. Their proposal would restore a portion of the lake to its natural condition. However, the task of securing funds, acquiring the property, and then obtaining water that would provide a consistent flow to the lake is still up in the air. The largest landowner of the impacted property is the Los Angeles County Sanitation District. The estimated cost of $1 billion or more seems to be somewhat of a stumbling block. They have mentioned attempting to use remaining funds from Prop 1 as a source. Stay tuned.

5. **Dogs V Mussels:** Quagga mussels, zebra mussels and now the newly discovered golden muscles are creating problems in California's water system. A new effort by the Humboldt Bay Municipal Water District and the Ruth Lake Community Service District has come up with a new solution. We all knew that dogs had a keen sense of smell. However, they have now discovered that certain dogs can smell these mussels and are being used in a canine mussel detection effort. We will soon know if these dogs are as successful at getting mussels as they are bad guys and drugs.

6. **California Recharge Effort:** A recent report from the state has shown that our recharge efforts for groundwater is starting to show progress. The last 12-month reporting period showed an increase in aquifer recharge to the tune of 2.2-million-acre feet. While this is small compared to the 8.7-million-acre feet of recharge we experienced during the 2023 wet year, it is still a good sign of improvement. We are still behind the curve as the drawdown during the same time was approximately 11.5-million-acre feet across the 98 basins being considered. Over 80% of this ground water pumping has occurred in the Central Valley. Many people say this report shows the increased need for the Delta Conveyance project to decrease the reliance on groundwater.

7. **Dams Cause Earth to Tilt:** The resulting "true polar wander" is being studied by scientists at Harvard University. There are over 7000 dams that have been constructed throughout the world and the last 200 years. Actively, they hold enough water to fill the Grand Canyon two times over. As a result of the mass of this water not being in its normal position, North and South poles have deviated approximately 3 feet. The study also concludes that sea level is affected by the amount of water being stored and not reaching the ocean. The scientists are concerned because of this study as to what will happen when some major glaciers and ice sheets start to melt. Where the dams are built certainly increases the amount of movement. Early dam building occurred primarily in North America and Europe. However, recently the major dams have been built in Africa and Asia. The study also concludes that approximately 1/4 of the sea level rise amount is being held behind dams.

8. **Major Floods in California?:** We have recently experienced serious flood conditions in Texas and other states around the United States. The question is being considered whether this can occur in California. A UCI professor says it definitely could particularly in the Los Angeles area, the Central Valley, and the Central Coast. The local topography and its relationship to rivers and creeks and natural water flow are important considerations. History shows that the 1860 floods in the Sacramento area and the Los Angeles floods of 1934 and more recently, the debris flow in Montecito in 2018 shows that it can and has happened here. One of the main differences between our status and that of 100 years ago is that building codes have definitely improved. There have been significant restrictions on building in flood areas in California and other states. Much of the death and destruction in Texas occurred in areas and buildings developed before the significant building code changes.

9. **Drinking Water Problem?:** Colombia has recently concluded a study about the levels of arsenic in drinking water. The EPA limit is 10 micrograms per liter or less. Significant discussion is occurring as to whether this limit is too high. Serious health risk has been discovered in drinking water containing 5 micrograms per liter. While some people suggest a level of zero, this is practically impossible. Arsenic is commonly found in our daily life, including many foods. Most of the problems with high arsenic levels in water are in areas where treatment discharge minimums are not as efficient levels. One area where this is very evident is Sacramento County. California has

higher levels of arsenic than other states. One reason is that, as we have mentioned, arsenic is found in soil, sediments, and groundwater. A good portion of water in the city of Los Angeles comes from the Owens Valley, which has a very high arsenic content. Many countries and certain states such as New Jersey and New Hampshire, have set the water standards at 5 micrograms per liter. This discussion will continue.

10. **White Sturgeon Decline:** White sturgeon, which is a native California species, is on the decline. This ugly dinosaur looking fish, which can grow up to 20 feet in length and live for more than 100 years, is on the sharp decline. In a five year period, its total population has decreased from 30,000 to around 6500. The average size of this fish in California is 40 to 60 inches long. While no one knows the exact cause of this , it is presumed that it is partially from harmful algae blooms, poaching, poor river and delta conditions. The state has shut down fishing for these species numerous times.

11. **Algae-Good or Bad?;** The PPIC has just completed a study of algae, particularly in California. Algae is very important for our continued existence and those organisms constitute the basis of many marine food chains. Algae is very important for the production of oxygen, the absorption of carbon dioxide and feeding the various food chains we discussed. Some algae blooms have been described as harmful and they are. However, it is not their fault. Some algae naturally produce toxins that are harmful to humans, fish and birds. This demonic acid, which we have reported on in the past, can be very deadly. However, this is a natural occurring event. Normally when additional nutrients are produced in the stream, lake or ocean, the harmful algae blooms are created. Unfortunately, many of these recent toxic blooms have occurred in Central and Southern California. Efforts are being made to control the amount of nutrients going out to the water, such as agricultural restrictions on fertilizer.

12. **Cloud Seeding Fake News:** The recent devastating floods in Texas have created a whirlwind of fake news regarding cloud seeding. A few days before the floods and devastation occurred, a cloud seeding operation was taking place approximately 100 miles from the flood site. Conspiracy theories rose quickly that the cloud seeding caused the overstating floods. Those conspiracy theories were quickly put to rest by every expert in the area. Cloud seeding, at its best produces small volumes of water. The flood that hit Texas was caused by over a trillion gallons of precipitation in a short period of time. It would be physically impossible for any cloud seeding effort to reach that level.

WHITTINGHAM
PUBLIC AFFAIRS ADVISORS

TO: MWDOC Board of Directors

FROM: Whittingham Public Affairs Advisors

DATE: August 6, 2025

SUBJECT: August 2025 Local Legislative Report

Following are a few of the more notable developments and issues that have transpired in Orange County over the last several weeks:

- A recent examination of the number of employees working for each of the 469 cities in California found that the City of Laguna Woods, with 13 employees and 17,189 residents, had the highest ratio of employees to residents (1:1,321.8), and Rancho Santa Margarita, with just 39 employees, was next at 1:1,188.2. The Orange County city with the lowest ratio was Laguna Beach, ranking 15th statewide, at 1 employee per 40.7 residents. It should be noted that many Orange County cities contract for both fire and police services and thus require fewer City employees.

- County officials are investigating the cause of a massive fish die-off at Lake Laguna Niguel, a year-round fishing lake located in Laguna Niguel Regional Park. OC Parks officials have said the preliminary cause is most likely warm waters from recent heat waves, resulting in a drop in the level of oxygen dissolved in the water and causing the death of an estimated 1,000-plus fish, mostly bass, especially in the shallower south end of the lake.

- The Orange County Registrar of Voters just completed a series of 15 community meetings designed to receive public input on key areas of the Election Administration Plan, or EAP, as the agency prepares to review and update the current 2021-2025 Final Election Administration Plan. The EAP is the guiding document for how voting in elections is administered under the Voter's Choice Act (VCA) and addresses the Registrar of Voters' voter education and outreach program, operation of Vote Centers and Ballot Drop Boxes, provision of language and accessibility services, security measures, and contingency plans.

- Advocates for the long-awaited Orange County Veterans Cemetery at Gypsum Canyon celebrated the passage of Assembly Bill 571, which exempts the cemetery site from future unnecessary environmental reviews that could delay the

project. The Federal Veterans Administration deemed Gypsum Canyon the only site that conforms for a veterans cemetery in Orange County. The project, which has received $55 million in state and county funding, now needs to secure placement on the Federal VA priority list.

- The latest announced city leadership change is in the City of Newport Beach, where City Manager Grace Leung announced that she will be retiring at the end of 2025. The Newport Beach City Council has named Assistant City Manager & Community Development Director Seimone Jurjis as its next City Manager, starting in January 2026. In Fullerton, former Westminster City Manager Eddie Manfro will serve as interim City Manager upon the departure of current City Manager Eric Levitt on August 4.

- Orange County Supervisor Don Wagner, who will be termed out at the conclusion of his current term in 2028, has announced his campaign for CA Secretary of State. Supervisor Wagner has previously served in the State Assembly and as Mayor of the City of Irvine. Current Secretary of State Shirley Weber was appointed to the position by the Governor in 2021, succeeding Senator Alex Padilla, and was elected to the position in 2022.

- County management staff met with representatives from the State Natural Resources Agency to discuss funding through Proposition 4, the $10 billion water, wildfire, and climate project bond passed by voters in 2024. Proposition 4 will fund projects which prevent and mitigate the impacts of droughts, flooding, wildfires, extreme heat, sea level rise, and carbon pollution; the Governor and State Legislature are currently developing the criteria and process for grant applications for local government agencies, including water districts.

- The Coastal Rail Resiliency Study (CRRS) is evaluating strategies to protect for up to 30 years the railroad tracks in place along seven miles of critical coastal alignment between Dana Point and San Clemente, at the San Diego County line. The Orange County Transportation Authority (OCTA) is currently seeking community input on short- to mid-term draft alternative concepts.

As part of our scope of work, Whittingham Public Affairs Advisors has continued to monitor the various District and City Council agendas of each MWDOC member agency. We also continue to monitor activities at the South Coast Air Quality Management District and South Orange County Wastewater Authority.

It is a pleasure to work with you and to represent the Municipal Water District of Orange County.

Sincerely,



Peter Whittingham

MWDOC Workshop

Bill Matrix - August, 2025

Prepared by SDA Government Relations

A. High

AB 259 (**Rubio, Blanca, D**) **Open meetings: local agencies: teleconferences.**

Location: 07/17/2025 - Senate 2 YEAR

Summary: The Ralph M. Brown Act, requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. Current law, until January 1, 2026, authorizes the legislative body of a local agency to use alternative teleconferencing if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda that is open to the public and situated within the boundaries of the territory over which the local agency exercises jurisdiction, and the legislative body complies with prescribed requirements. Current law requires a member to satisfy specified requirements to participate in a meeting remotely pursuant to these alternative teleconferencing provisions, including that specified circumstances apply. Current law establishes limits on the number of meetings a member may participate in solely by teleconference from a remote location pursuant to these alternative teleconferencing provisions, including prohibiting such participation for more than 2 meetings per year if the legislative body regularly meets once per month or less. This bill would extend the alternative teleconferencing procedures until January 1, 2030. (Based on 04/21/2025 text)

Position: support

Priority: A. High

Notes:

Support - March 5th Workshop; Provisions folded into SB 707

AB 523 (**Irwin, D**) **Metropolitan water districts: proxy vote authorizations.**

Location: 06/19/2025 - Senate THIRD READING

Summary: Under the Metropolitan Water District Act, the board of a metropolitan water district is required to consist of at least one representative from each member public agency, as prescribed. The act authorizes each member public agency to appoint additional representatives not exceeding one additional representative for each 5% of the assessed valuation of property taxable for district purposes within the entire district that is within the boundaries of that member public agency. This bill would, until January 1, 2030, authorize a representative of a member public agency that is entitled to designate or appoint only one representative to the board of directors to assign a proxy vote authorization to a representative of another member public agency to be exercised when the assigning representative is unable to attend a meeting or meetings of the board, as provided. The bill would require the proxy vote authorization to be memorialized by a written instrument, as specified. The bill would prohibit a proxy vote authorization from authorizing the assumption of the assigning representative's officer position at the designated meeting and would limit a proxy vote authorization's effectiveness to no more than 6 board meetings in a calendar year. (Based on 05/05/2025 text)

Position: B. Watch

Priority: A. High

AB 532 (**Ransom, D**) **Water rate assistance program.**

Calendar: 08/18/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 07/16/2025 - Senate Appropriations

Summary: Current federal law, the Consolidated Appropriations Act, 2021 requires the federal Department of Health and Human Services to carry out a Low-Income Household Drinking Water and Wastewater Emergency Assistance Program, which is also known as the Low Income Household Water Assistance Program, for making grants to states and Indian tribes to assist low-income households that

pay a high proportion of household income for drinking water and wastewater services, as provided. Current law requires the Department of Community Services and Development to administer the Low Income Household Water Assistance Program in this state, and to receive and expend moneys appropriated and allocated to the state for purposes of that program, pursuant to the above-described federal law. The Low Income Household Water Assistance Program was only operative until March 31, 2024. This bill would repeal the above-described requirements related to the Low Income Household Water Assistance Program. (Based on 07/17/2025 text)

Position: B. Watch
Priority: A. High

AB 580 (**Wallis, R**) **Surface mining: Metropolitan Water District of Southern California.**

Calendar: 08/18/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 07/16/2025 - Senate Appropriations

Summary: The Surface Mining and Reclamation Act of 1975 prohibits a person, with exceptions, from conducting surface mining operations unless a permit is obtained from, a specified reclamation plan is submitted to and approved by, and financial assurances for reclamation have been approved by, the lead agency for the operation of the surface mining operation. Current law authorizes the Metropolitan Water District of Southern California (MWD) to prepare a master reclamation plan, as provided, that identifies each individual surface mining operation in specified counties and satisfies all reclamation plan requirements for each individual surface mining site. Current law requires the State Mining and Geology Board to act as the lead agency for surface mining operations conducted by the MWD and authorizes the board to conduct an inspection of an individual surface mining operation once every 2 calendar years during a period when that individual surface mining operation is idle or the site has no mineral production. Current law requires the MWD to be the lead agency for any environmental review of the master reclamation plan. Current law repeals the provisions authorizing the preparation and approval of the master reclamation plan for the MWD on January 1, 2026. This bill would extend the operation of those provisions until January 1, 2041. (Based on 07/17/2025 text)

Position: support
Priority: A. High
Notes:
Support - March 5th Workshop

SB 31 (**McNerney, D**) **Water quality: recycled water.**

Location: 07/01/2025 - Assembly Appropriations

Summary: The Water Recycling Law generally provides for the use of recycled water. Current law requires any person who, without regard to intent or negligence, causes or permits an unauthorized discharge of 50,000 gallons or more of recycled water in or on any waters of the state to immediately notify the appropriate regional water board. This bill would, for the purposes of the above provision, redefine “recycled water” and provide that water discharged from a decorative body of water during storm events is not to be considered an unauthorized discharge if recycled water was used to restore levels due to evaporation. (Based on 06/09/2025 text)

Position: B. Watch
Priority: A. High
Notes:
Sponsored by WateReuse

SB 72 (**Caballero, D**) **The California Water Plan: long-term supply targets.**

Location: 07/16/2025 - Assembly APPR. SUSPENSE FILE

Summary: Current law requires the Department of Water Resources to update every 5 years the plan for the orderly and coordinated control, protection, conservation, development, and use of the water resources of the state, which is known as “The California Water Plan.” Current law requires the department to include a discussion of various strategies in the plan update, including, but not limited to, strategies relating to the development of new water storage facilities, water conservation, water recycling,

desalination, conjunctive use, and water transfers, that may be pursued in order to meet the future needs of the state. Current law requires the department to establish an advisory committee to assist the department in updating the plan. This bill would revise and recast certain provisions regarding The California Water Plan to, among other things, require the department to expand the membership of the advisory committee to include, among others, tribes, labor, and environmental justice interests. The bill would require the department, as part of the 2033 update to the plan, to update the interim planning target for 2050, as provided. The bill would require the target to consider the identified and future water needs for all beneficial uses, including, but not limited to, urban uses, agricultural uses, tribal uses, and the environment, and ensure safe drinking water for all Californians, among other things. The bill would require the plan to include specified components, including a discussion of the estimated costs, benefits, and impacts of any project type or action that is recommended by the department within the plan that could help achieve the water supply targets. (Based on 04/10/2025 text)

Position: support
Priority: A. High
Notes:
Support position taken on 2/5

SB 394 (**Allen, D**) **Water theft: fire hydrants.**

Location: 07/10/2025 - Senate CONCURRENCE

Summary: Current law authorizes a utility to bring a civil action for damages against any person who commits, authorizes, solicits, aids, abets, or attempts certain acts, including, diverting or causing to be diverted, utility services by any means whatsoever. Current law creates a rebuttable presumption that there is violation of these provisions if, on premises controlled by the customer or by the person using or receiving the direct benefit of utility service, certain actions occur, including that there is an instrument, apparatus, or device primarily designed to be used to obtain utility service without paying the full lawful charge for the utility. This bill would add to the list of acts for which a utility may bring a civil cause of action under these circumstances to include tampering with a fire hydrant, fire hydrant meter, or fire detector check, or connecting to, diverting water from, or causing water to be diverted from, a fire hydrant without authorization from the utility that owns the fire hydrant, except as provided. (Based on 07/03/2025 text)

Position: support
Priority: A. High
Notes:
Support - March 5th Workshop

SB 601 (**Allen, D**) **Water: waste discharge.**

Location: 07/16/2025 - Assembly Appropriations

Summary: The State Water Resources Control Board and the 9 California regional water quality control boards regulate water quality and prescribe waste discharge requirements in accordance with the Porter-Cologne Water Quality Control Act (act) and the National Pollutant Discharge Elimination System (NPDES) permit program. Under the act, the State Water Resources Control Board is authorized to adopt water quality control plans for waters for which quality standards are required by the federal Clean Water Act, as specified, and that in the event of a conflict, those plans supersede regional water quality control plans for the same waters. This bill would authorize the state board to adopt water quality control plans for nexus waters, which the bill would define as all waters of the state that are not also navigable, except as specified. The bill would require any water quality standard that was submitted to, and approved by, or is awaiting approval by, the United States Environmental Protection Agency or the state board that applied to nexus waters as of May 24, 2023, to remain in effect, as provided. (Based on 07/10/2025 text)

Position: oppose
Priority: A. High
Notes:
Oppose adopted May 7th.

SB 707 (**Durazo, D**) **Open meetings: meeting and teleconference requirements.**

Location: 07/17/2025 - Assembly Appropriations

Summary: (1)Existing law, the Ralph M. Brown Act, requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. This bill would, until January 1, 2030, require an eligible legislative body, as defined, to comply with additional meeting requirements, including that, except as specified, all open and public meetings include an opportunity for members of the public to attend via a 2-way telephonic service or a 2-way audiovisual platform, as defined, and that the eligible legislative body take specified actions to encourage residents to participate in public meetings, as specified. (Based on 07/17/2025 text)

Position: B. Watch

Priority: A. High

B. Watch

AB 93 (**Papan, D**) **Water resources: data centers.**

Calendar: 08/18/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 07/16/2025 - Senate Appropriations

Summary: Would require a person who owns or operates a data center, prior to applying to a city or a county for an initial business license, equivalent instrument, or permit, to provide its water supplier, under penalty of perjury, an estimate of the expected water use. When applying to a city or county for an initial business license, the bill would require a person who owns or operates a data center to self-certify, under penalty of perjury, on the application that the person has provided its water supplier an estimate of the expected water use. When applying to a city or county for a renewal of a business license, equivalent instrument, or permit, the bill would require a person who owns or operates a data center to self-certify, under penalty of perjury, on the application, that they have provided the data center's water supplier with a report of the annual water use. By expanding the crime of perjury, the bill would impose a state-mandated local program. Beginning one year after the Department of Water Resources develops any efficiency guidelines or best management practices relevant to the data centers, the bill would require that a person who owns or operates a data center, as a condition for obtaining or renewing a business license, self-certify that the data center will meet guidelines and best practices to maximize the efficient use of natural resources. The bill would define terms for purposes of these provisions. (Based on 07/17/2025 text)

Position: B. Watch

Priority: B. Watch

AB 367 (**Bennett, D**) **Water: County of Ventura: fire suppression.**

Calendar: 08/18/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 07/09/2025 - Senate Appropriations

Summary: Would, beginning July 1, 2027, require a water supplier, as defined, to have access to sufficient backup energy sources to operate critical fire suppression infrastructure, as defined, needed to supply water for at least 24 hours for the purpose of fire suppression in high or very high fire hazard severity zones in the County of Ventura, as provided. The bill would require the water supplier to take various actions, including annually inspecting critical fire suppression infrastructure and backup energy sources and notifying the Ventura County Office of Emergency Services within 3 business days of any reduction in its water delivery capacity that could substantially hinder firefighting operations or significantly delay the replenishment of reservoirs. The bill would require, if any fire damages and makes uninhabitable more than 10 residential dwellings within the service area of a water supplier, a report be made by the Ventura County Fire Department in cooperation with the water supplier, as specified. By levying new requirements on the Ventura County Fire Department, this bill would create a state-mandated local program. This bill would make legislative findings and declarations as to the necessity of a special statute for County of Ventura. (Based on 07/10/2025 text)

Position: B. Watch

Priority: B. Watch

AB 615 (**Davies, R**) **Power facilities: emergency response and action plans.**

Calendar: 08/18/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 07/07/2025 - Senate Appropriations

Summary: Current law requires an application to be filed with the State Energy Resources Conservation and Development Commission for certification of a site and related facility that includes an electrical transmission line or thermal powerplant, or both. Current law requires the application to contain, among other information, a description of any electrical transmission lines, a map of the proposed route and existing transmission lines, justification for the proposed route, and a preliminary description of the effect of the proposed electrical transmission lines on the environment, ecology, and scenic, historic, and recreational values, as specified. This bill would remove the requirement that the application include the information described above, and would require that the application also contain an emergency response and action plan, to be paid for by the applicant, that incorporates impacts to the surrounding areas in the event of an emergency and that would be conducted and coordinated with local emergency management agencies, unified program agencies, and local first response agencies. (Based on 07/14/2025 text)

Position: B. Watch

Priority: B. Watch

AB 794 (**Gabriel, D**) **California Safe Drinking Water Act: emergency regulations.**

Location: 06/12/2025 - Assembly INACTIVE FILE

Summary: The California Safe Drinking Water Act (state act) requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. The state board's duties include, but are not limited to, enforcing the federal Safe Drinking Water Act (federal act) and adopting and enforcing regulations. Current law authorizes the state board to adopt as an emergency regulation, a regulation that is not more stringent than, and is not materially different in substance and effect than, the requirements of a regulation promulgated under the federal act, with a specified exception. This bill would provide that the authority of the state board to adopt an emergency regulation pursuant to these provisions includes the authority to adopt requirements of a specified federal regulation that was in effect on January 19, 2025, regardless of whether the requirements were repealed or amended to be less stringent. The bill would prohibit an emergency regulation adopted pursuant to these provisions from implementing less stringent drinking water standards, as provided, and would authorize the regulation to include monitoring requirements that are more stringent than the requirements of the federal regulation. The bill would prohibit maximum contaminant levels and compliance dates for maximum contaminant levels adopted as part of an emergency regulation from being more stringent than the maximum contaminant levels and compliance dates of a regulation promulgated pursuant to the federal act. (Based on 04/10/2025 text)

Position: B. Watch

Priority: B. Watch

AB 1146 (**Papan, D**) **Water infrastructure: dams and reservoirs: water release: false pretenses.**

Calendar: 08/18/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 07/16/2025 - Senate Appropriations

Summary: Would prohibit the release of stored water from a reservoir owned and operated by the United States in this state if the release is done under false pretenses, which the bill would define to mean a release of water from a reservoir owned and operated by the United States in a manner that is knowingly, designedly, and intentionally under any false or fraudulent representation as to the purpose and intended use of the water. The bill would authorize the State Water Resources Control Board or the Attorney General, as provided, to bring an action for injunctive relief for a violation of the above-described prohibition. By expanding the scope of a crime, the bill would impose a state-mandated local program. (Based on 06/23/2025 text)

Position: B. Watch

Priority: B. Watch

AB 1413 (**Papan, D**) **Sustainable Groundwater Management Act: groundwater adjudication.**

Calendar: 08/18/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 07/15/2025 - Senate Appropriations

Summary: The Sustainable Groundwater Management Act requires all groundwater basins designated as high- or medium-priority basins by the Department of Water Resources to be managed under a groundwater sustainability plan or coordinated groundwater sustainability plans, except as specified. Current law requires the department to periodically review the groundwater sustainability plans developed by groundwater sustainability agencies pursuant to the act to evaluate whether a plan conforms with specified laws and is likely to achieve the sustainability goal for the basin covered by the plan. Current law authorizes a groundwater sustainability agency that adopts a groundwater sustainability plan to file a court action to determine the validity of the plan no sooner than 180 days following the adoption of the plan, as provided. Current law provides that actions by a groundwater sustainability agency are subject to judicial review, except as provided. This bill would instead authorize groundwater sustainability agencies to file those actions within 180 days following the adoption of the plan. The bill would also authorize, for any groundwater basin in which a comprehensive groundwater adjudication was filed prior to January 1, 2025, a party that has timely appeared in that adjudication to file an action on or before March 2, 2026, under specified circumstances. (Based on 07/17/2025 text)

Position: B. Watch

Priority: B. Watch

SB 224 (**Hurtado, D**) **Department of Water Resources: water supply forecasting.**

Location: 07/15/2025 - Assembly Appropriations

Summary: Current law requires the Department of Water Resources to gather and correlate information and data pertinent to an annual forecast of seasonal water crop. Current law also requires the department to update every 5 years the plan for the orderly and coordinated control, protection, conservation, development, and use of the water resources of the state, which is known as “The California Water Plan.” This bill would require the department, on or before January 1, 2027, to update its water supply forecasting models and procedures to address the effects of climate change and implement a formal policy and procedures for documenting the department’s operational plans and the department’s rationale for its operating procedures, including the department’s rationale for water releases from reservoirs. The bill would also require the department to establish, and publish on the department’s internet website, the specific criteria that it will employ to determine when its updated water supply forecasting model has demonstrated sufficient predictive capability to be ready for use in each of the watersheds. The bill would require the department, on or before January 1, 2028, and annually thereafter, to prepare and submit to the Legislature a report on its progress toward implementing the new forecasting model and to post the report on the department’s internet website. The bill would also require the department, on or before January 1, 2028, and annually thereafter, to prepare and submit to the Legislature a report that explains the rationale for the department’s operating procedures specific to the previous water year. (Based on 07/17/2025 text)

Position: B. Watch

Priority: B. Watch

SB 239 (**Arreguín, D**) **Open meetings: teleconferencing: subsidiary body.**

Location: 06/05/2025 - Senate 2 YEAR

Summary: The Ralph M. Brown Act requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. The act generally requires for teleconferencing that the legislative body of a local agency that elects to use teleconferencing post agendas at all teleconference locations, identify each teleconference location in the notice and agenda of the meeting or proceeding, and have each teleconference location be accessible to the public. Current law also requires that, during the teleconference, at least a quorum of the members of the legislative body participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as specified. Current law, until January 1, 2026, authorizes specified neighborhood city councils to use alternate teleconferencing provisions related to notice, agenda, and public participation, as prescribed, if, among other requirements, the city council has

adopted an authorizing resolution and 2/3 of the neighborhood city council votes to use alternate teleconference provisions, as specified This bill would authorize a subsidiary body, as defined, to use alternative teleconferencing provisions and would impose requirements for notice, agenda, and public participation, as prescribed. The bill would require the subsidiary body to post the agenda at each physical meeting location designated by the subsidiary body, as specified. The bill would require the members of the subsidiary body to visibly appear on camera during the open portion of a meeting that is publicly accessible via the internet or other online platform, as specified. (Based on 04/07/2025 text)

Position: B. Watch
Priority: B. Watch

SB 614 (**Stern, D**) **Carbon dioxide transport.**

Location: 07/14/2025 - Assembly Appropriations

Summary: Under the Elder California Pipeline Safety Act of 1981, the State Fire Marshal exercises safety regulatory jurisdiction over intrastate pipelines used for the transportation of hazardous or highly volatile liquid substances. The act imposes various requirements in relation to the regulation of these intrastate pipelines. The California Global Warming Solutions Act of 2006 establishes the State Air Resources Board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. The act requires the state board to ensure that statewide greenhouse gas emissions are reduced to at least 40% below the statewide greenhouse gas emissions limit, as defined, no later than December 31, 2030. This bill would revise the definition of “pipeline,” for purposes of the act, to include intrastate pipelines used for the transportation of carbon dioxide. The bill would require the State Fire Marshal, by April 1, 2026, to adopt regulations governing the safe transportation of carbon dioxide in pipelines that are equivalent to certain draft regulations issued by the federal Pipeline and Hazardous Materials Safety Administration on January 10, 2025. The bill would authorize the State Fire Marshal to amend those regulations, as provided. The bill would authorize the State Fire Marshal, for a pipeline transporting carbon dioxide, to order a pipeline shutdown for violations of state or federal laws, or if continued pipeline operations present an immediate danger to the public health, welfare, or the environment. Because a violation of the above provisions would be a crime, this bill would impose a state-mandated local program. The bill would require the State Fire Marshal, at least once every 5 years, to assess the additional safety standards and to amend the regulations to increase the safety standards. (Based on 07/10/2025 text)

Position: B. Watch
Priority: B. Watch

SB 742 (**Pérez, D**) **Water systems and water districts.**

Location: 02/21/2025 - Senate Rules

Summary: The California Water District Law provides for the establishment of water districts, and grants a district the power to acquire, plan, construct, maintain, improve, operate, and keep in repair the necessary works for the production, storage, transmission, and distribution of water for irrigation, domestic, industrial, and municipal purposes. This bill would state the intent of the Legislature to enact subsequent legislation related to the regulation of water systems and water districts. (Based on 02/21/2025 text)

Position: B. Watch
Priority: B. Watch

Total Measures: 19
Total Tracking Forms: 19

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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
AB 259 **B. Rubio** **(D – Baldwin Park)** Sponsors: California Special Districts Association, Three Valleys Municipal Water District	Amended in Assembly Local Government Committee on 4/21/2025. Senate Local Government Committee	**Open meetings: local agencies: teleconferences.** This bill eliminates the sunset on provisions added to the Brown Act by AB 2449, a bill that provided additional flexibility with Brown Act meeting procedures in the event of a board member's physical absence in connection with a "just cause" or "emergency circumstances," allowing those members to participate in the meeting remotely consistent with the process detailed in the bill.	**Support** Based on 2025 Legislative Policies and Principles.	By removing the sunset on the Brown Act provisions, AB 259 preserves flexibility for Metropolitan and Member Agency board members to meet remotely and continue providing the public with essential services.
AB 532 **R. Ransom** **(D – Stockton)** Sponsor: California Municipal Utilities Association	Amended in Senate Environmental Quality Committee on 6/19/2025. Senate Environmental Quality Committee	**Water rate assistance program** This bill seeks to revamp the State's Low Income Household Water Assistance Program (LIHWAP), upon appropriation by the Legislature, to provide water rate assistance to ratepayers of water systems with under 3,000 connections, or systems serving disadvantaged communities. The bill also would expressly allow urban retail water suppliers to establish a local low-income rate assistance (LIRA) program using voluntary contributions or other non-ratepayer funds.	**Support** Based on 2025 Legislative Policies and Principles.	This bill would provide clarity in existing law to ensure that water agencies are able to establish local LIRA programs without fear of legal consequences given the provisions of Proposition 218. The bill would also establish a path to revamp the LIHWAP program to ensure statewide resources are provided for small and disadvantaged communities.

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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
AB 580 **G. Wallis** **(R – Bermuda Dunes)** Sponsor: Metropolitan Water District of Southern California	Amended in Assembly Water, Parks, and Wildlife Committee on 3/26/2025. Senate Natural Resources and Water Committee	**Surface Mining: Metropolitan Water District of Southern California** This bill extends the sunset date for 25 years or until January 1, 2051, on Metropolitan's ability to operate under a single Master Reclamation Plan for repairs using earth-moving activities under the Surface Mining and Reclamation Act for the maintenance of the Colorado River Aqueduct (CRA).	**Sponsor** Based on December 2024 Board Action.	Ensuring Metropolitan can continue operating under a single Master Reclamation Plan will maintain environmental oversight without delays and prevent duplicative compliance.
AB 794 **J. Gabriel** **(D – Encino)** **Sponsors:** Clean Water Action, Environmental Working Group	Amended in Assembly Environmental Safety and Toxic Materials Committee on 4/10/2025. Assembly Inactive File	**California Safe Drinking Water Act: emergency regulations** This bill would authorize the State Water Resources Control Board (SWRCB) to adopt an emergency regulation for water quality based on federal regulations in effect on January 19, 2025, regardless of whether the requirements were repealed or amended to be less stringent. The bill would prohibit an emergency regulation adopted pursuant to these provisions from implementing less stringent drinking water standards, as provided, and would authorize the regulation to include requirements that are more stringent than the requirements of the federal regulation. The bill would require, on or before January 1, 2026, the SWRCB to adopt an emergency regulation and to initiate a primary drinking water standard for perfluoroalkyl and polyfluoroalkyl substances (PFAS).	**Oppose Unless Amended** Based on 2025 Legislative Policies and Principles.	While AB 794 aims to protect public health, its approach circumvents the established regulatory process for setting Maximum Contaminant Levels (MCLs). Metropolitan's Legislative Priorities and Principles call for using the best available science to protect public health and improve water quality when setting MCLs. The broad scope of this bill, which would allow the SWRCB to set through emergency action primary and secondary MCLs for any chemical with a federal MCL, sets a dangerous precedent and fails to align with well-established regulatory principles.

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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
AB 1146 **D. Papan (D – San Mateo)**	Amended in Assembly Water, Parks, and Wildlife Committee on 5/1/2025. Senate Natural Resources and Water Committee	**Water infrastructure: dams and reservoirs: water release: false pretenses** This bill adds language to the Water Code prohibiting the release of stored water from a reservoir in California if the release is done under false pretenses and would authorize the State Water Resources Control Board to issue an interim relief order to prohibit such release of stored water. This bill would define "false pretenses" as a release of water from a reservoir in a manner that is knowingly and designedly under a false or fraudulent representation or assumption as to the purpose and intended use of the water.	**Oppose** Based on 2025 Legislative Policies and Principles.	This bill would create uncertainty for both Metropolitan and the Member Agencies that own and operate reservoirs. The releases are often based on water supply needs, operational flexibility, and constraints, as well as scheduled and emergency maintenance and/or inspection. The bill's definition of "false pretenses" is unclear and does not specify what would qualify as "false or fraudulent representation," nor does it indicate how intent would be determined. Therefore, this definition would make it difficult to understand when a reservoir release could result in an interim relief order.

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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
AB 1319 **N. Schultz (D – Burbank)**	Amended in Assembly Appropriations Committee on 5/23/2025. Senate Natural Resources and Water Committee	**Protected species: California Endangered Species Act.** This bill would amend the California Endangered Species Act (CESA) to authorize the California Fish and Game Commission (Commission) to adopt an emergency regulation that adds a federally listed species that is native to California to the list of endangered or threatened species on an emergency basis if it finds, in consultation with the California Department of Fish and Wildlife (CDFW), that a federal action that occurs after January 19, 2025, results in a decrease in protection for that species and listing under CESA could provide protection for that species. If the Commission lists a species by emergency regulation, CDFW would be required to promptly commence a status review, and the Commission would be required to determine whether to list the federally listed species beyond the duration of the emergency. This bill would provide that in authorizing the take of any species listed during the emergency regulation, the Commission or CDFW may apply the protections provided by federal terms of the Endangered Species Act (ESA) unless the Commission or CDFW determines that those protections do meet CESA standards.	**Oppose Unless Amended** Based on 2025 Legislative Policies and Principles.	This bill could have profound impacts on Metropolitan's activities and its State Water Project and Colorado River imported supplies. The time and cost to get CESA permits after emergency listings would be high, and while permit applications are pending, opponents could litigate to halt or modify projects, including ongoing operations of the State Water Project and Colorado River water deliveries and power production. Metropolitan is seeking amendments to limit the applicability of this bill to species that are federally delisted. The proposed amendments also add a permit shield from liability for project proponents seeking an incidental take authorization, or who are complying with an existing federal take authorization. This immunizes a good-faith actor from civil or criminal liability under CESA so long as it complies with its federal take authorization and is pursuing a state take authorization.

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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
SB 31 **J. McNerney** **(D – Stockton)** **Sponsor:** WateReuse California	Amended in Assembly Water, Parks, and Wildlife Committee on 6/9/2025. Assembly Environmental Safety and Toxic Materials Committee	**Water quality: recycled water** SB 31 aims to enhance California's water sustainability by increasing the use of recycled water in non-potable applications. This bill modernizes outdated regulations and expands the permissible uses of recycled water to reduce dependence on potable sources. The bill would make updates to Title 22 of the Code of Regulations to expand the use of recycled water in parks, schools, and food handling and processing facilities.	**Support** Based on 2025 Legislative Policies and Principles.	Supporting the use of recycled water in non-potable applications such as irrigation, decorative water features, and industrial processes reduces the demand for potable water while enhancing drought resilience.
SB 72 **A. Caballero** **(D – Merced)** **Sponsor:** California Municipal Utilities Association	Amended in Senate Appropriations Committee on 4/10/2025. Assembly Water, Parks, and Wildlife Committee	**The California Water Plan: long-term supply targets** This measure would revise the California Water Plan to require the Department of Water Resources (DWR) to update the California Water Plan by December 31, 2028, and every five years after, to include a long-term water supply target for 2050 and discussion on the development of specified water supply sources to meet demand.	**Support** Based on 2025 Legislative Policies and Principles.	The intent of this bill is to help modernize California's water management practices and provide long-term reliable supplies in response to the current climate challenges. Metropolitan supported a similar version of this bill in 2024, SB 366 (Caballero), which passed the Legislature and was vetoed by the Governor.

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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
SB 394 **B. Allen** **(D – Santa Monica)** **Sponsor:** Las Virgenes Municipal Water District	Amended in Assembly Local Government Committee on 6/9/2025. Assembly Judiciary Committee	**Water theft: fire hydrants** SB 394 would allow a local agency that provides water service the ability to increase fines and penalties for water theft from fire hydrants. The bill also adds tampering with a fire hydrant, fire hydrant meter, or fire detector check, or the unauthorized diversion of water from a fire hydrant to the list of acts for which a utility may bring a civil cause of action.	**Support** Based on 2025 Legislative Policies and Principles.	Metropolitan Member Agencies and subagencies that provide local water services could adopt ordinances with enhanced penalties for water theft from a fire hydrant.
SB 454 **J. McNerney** **(D – Stockton)** **Sponsor:** Association of California Water Agencies	Amended in Senate Appropriations Committee on 5/23/2025. Assembly Appropriations Committee	**State Water Resources Control Board: PFAS Mitigation Program** SB 454 would establish a PFAS Mitigation Fund to address PFAS contamination in California's drinking water and wastewater systems. Administered by the SWRCB, the fund will provide financial support through grants, loans, and contracts to water suppliers and wastewater operators to cover or reduce treatment and disposal costs, ensuring safe and clean water across the state with a focus on disadvantaged communities.	**Support** Based on 2025 Legislative Policies and Principles.	The proposed bill would be highly beneficial to Metropolitan, its Member Agencies, and other water and wastewater agencies currently grappling with increased PFAS-related regulations and source contamination issues. By allowing for grants, loans, and contracts through the PFAS Mitigation Fund, and the provision of assistance services, the bill provides much-needed financial relief and assistance to support treatment and mitigation efforts.

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July 7, 2025

Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
SB 601 **B. Allen** **(D – Santa Monica)** **Sponsors:** California Coastkeeper Alliance, Defenders of Wildlife	Amended in Senate Appropriations Committee on 5/23/2025. Assembly Judiciary Committee	**Water: waste discharge** The intent of this bill is to restore Clean Water Act protections in California that were removed per the U.S. Supreme Court's 2023 Sackett v. Environmental Protection Agency (EPA) decision. However, the bill goes beyond restoring statute and includes several provisions that expand regulatory requirements without the benefit of scientific analysis.	**Oppose** Based on 2025 Legislative Policies and Principles.	Currently, AB 601 poses risks to Metropolitan and its member agencies by: adopting EPA's drinking water standards for PFAS/PFOS, bypassing the state rulemaking process; increasing costs of waste discharge requirements (WDRs) permits for discharges of water when dewatering or operating water supply infrastructure, potentially requiring all such water to be recycled regardless of cost to comply; exposing Metropolitan and its Member Agencies to citizen suits in state court, and, for certain nexus waters, both state and federal court; and creating uncertainty in discharge permitting as the bill's ambiguous provisions and implications are likely to be litigated.

Item No. 4

INFORMATION ITEM
August 6, 2025

TO: **Board of Directors**

FROM: **Harvey De La Torre, General Manager**

Staff Contact: Melissa Baum-Haley, Assistant General Manager
Kevin Hostert, Senior Water Resources Analyst/Data Management
Jared Dawson, Water Resources Analyst

SUBJECT: **METROPOLITAN WATER DISTRICT (MET) ITEMS CRITICAL TO ORANGE COUNTY**

STAFF RECOMMENDATION

Staff recommends that the Board of Directors review and discuss this information.

DETAILED REPORT

This report provides a brief update on the current status of the following key MET issues that may affect Orange County:

a. MET's Finance and Rate Issues
b. Water Supply Condition Update
c. Water Quality Update
d. Colorado River Issues
e. Delta Conveyance Activities and State Water Project Issues

ISSUE BRIEF #A

SUBJECT: MET Finance and Rate Issues

RECENT ACTIVITY

Water Transactions for July 2025 (for water delivered in May 2025) totaled 104.8 thousand acre-feet (TAF), which was 6 TAF lower than the budget of 110.8 TAF and translates to $121.4 million in receipts for July 2025, which were $1.5 million lower than the budget of $122.9 million.

Year-to-date water transactions through July 2025 (for water delivered in May 2025 through May 2025) were 104.8 TAF, which was 6 TAF lower than the budget of 110.8 TAF.

Year-to-date water receipts through July 2025 were $121.4 million, which was $1.5 million higher than the budget of $122.9 million.

Month		Acre-Feet (AF)[1]		Variance		Revenue ($)[2]		Variance	
Delivered/ Billed In	To be Collected in	Budget	Actual	AF	%	Budget	Actual	$	%
May	July	110,834	104,883	(5,951)	-5%	122,873,000	121,413,402	(1,459,598)	-1%
YTD Total		**110,834**	**104,883**	**(5,951)**	-5%	**122,873,000**	**121,413,402**	**(1,459,598)**	-1%
June	August	117,893	-	-	0%	150,144,000	-	-	0%
July	September	130,799	-	-	0%	149,512,000	-	-	0%
August	October	133,060	-	-	0%	152,486,000	-	-	0%
September	November	125,227	-	-	0%	141,366,000	-	-	0%
October	December	126,161	-	-	0%	139,251,000	-	-	0%
November	January	128,056	-	-	0%	136,399,000	-	-	0%
December	February	107,621	-	-	0%	112,940,000	-	-	0%
January	March	90,739	-	-	0%	105,776,000	-	-	0%
February	April	78,856	-	-	0%	91,212,000	-	-	0%
March	May	84,484	-	-	0%	98,206,000	-	-	0%
April	June	110,200	-	-	0%	129,990,000	-	-	0%
FY Total		**1,343,930**	**104,883**	**N/A**	N/A	**1,530,155,000**	**121,413,402**	**N/A**	N/A

ISSUE BRIEF #B

SUBJECT: MET's Supply Condition Update

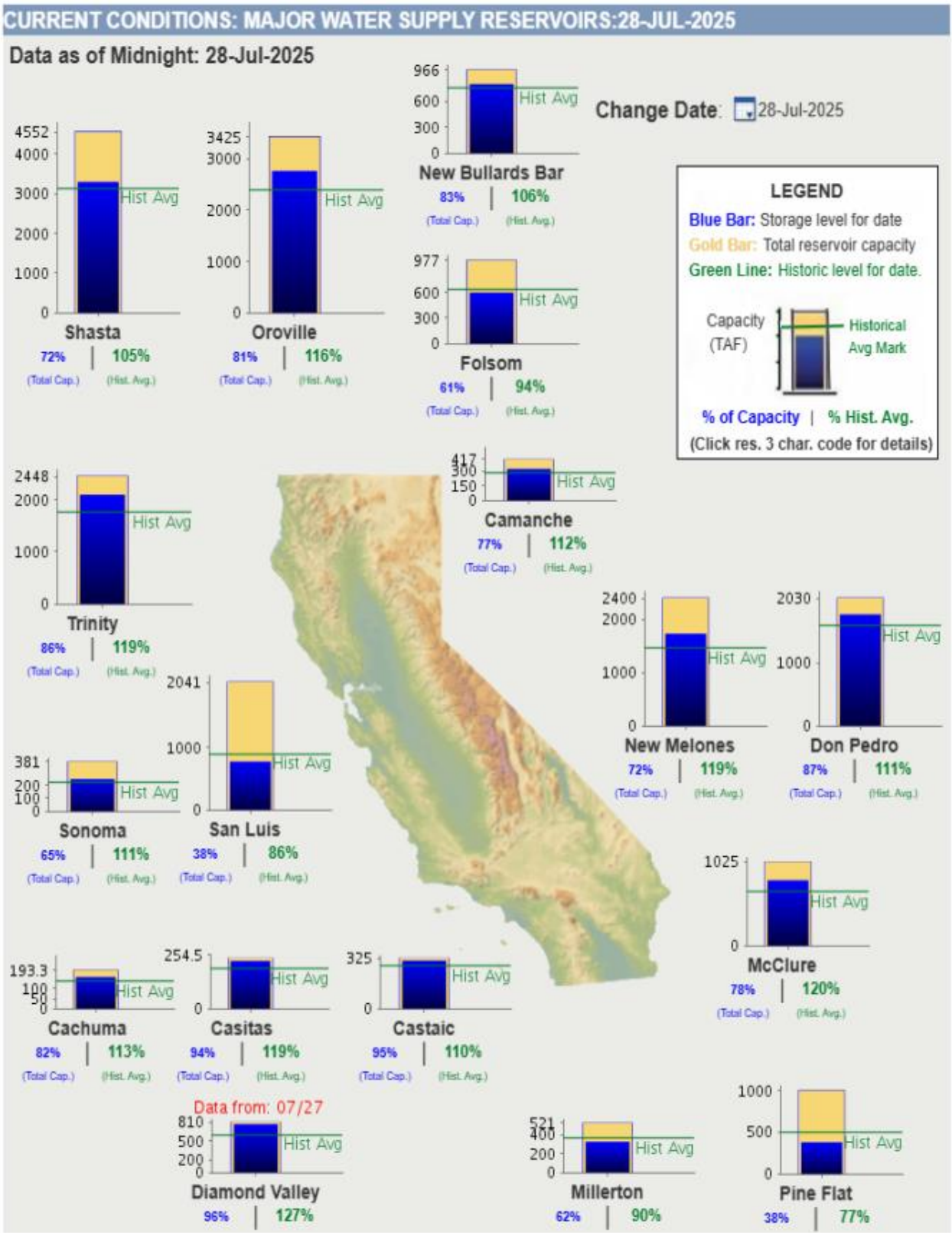
RECENT ACTIVITY

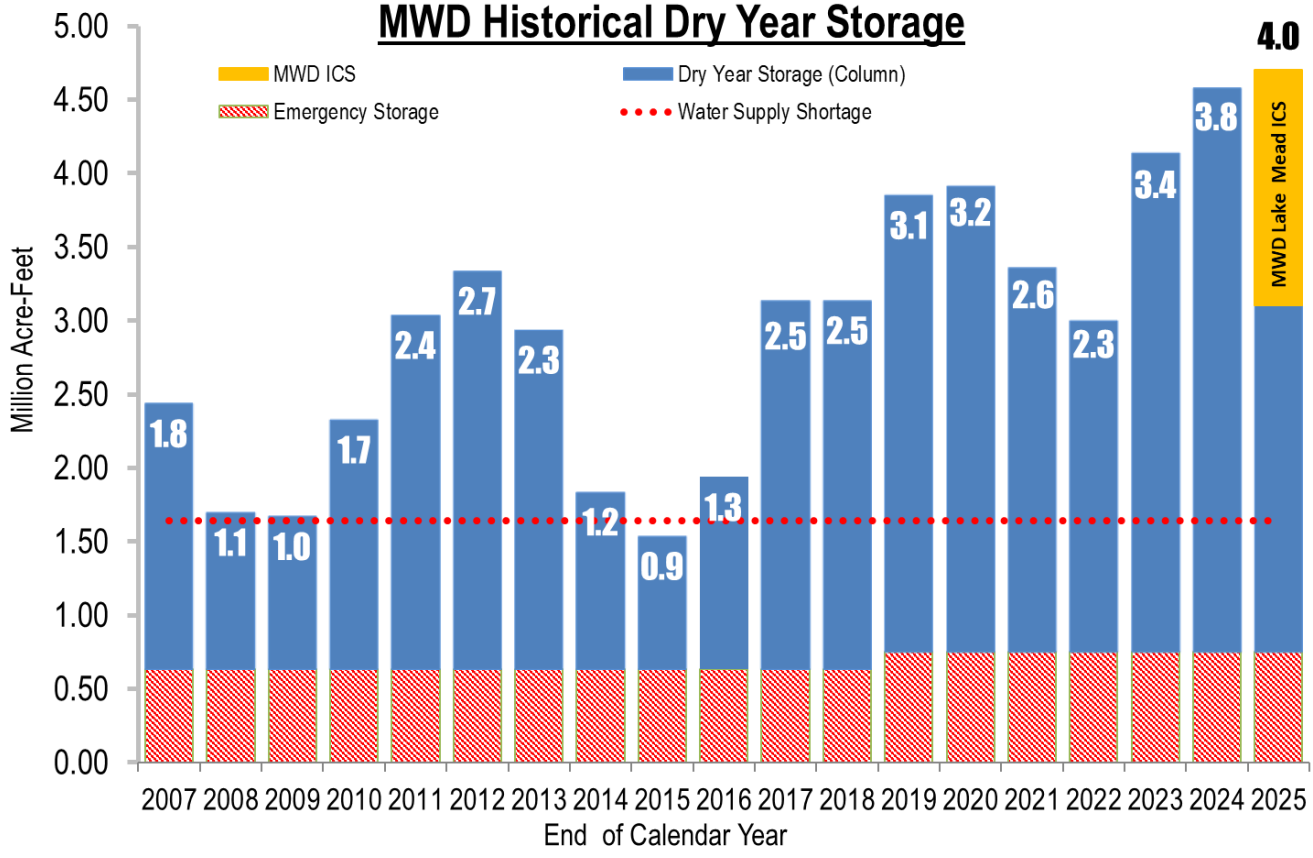
The 2024-25 Water Year (2024-25 WY) officially started on October 1, 2024. Thus far, Northern California accumulated precipitation (8-Station Index) reported ***55.2. inches or 113% of normal as of July 29th***. The Northern Sierra Snow Water Equivalent peaked at ***31.7 inches om April 4th***, which is ***112% of normal*** for that day. The Department of Water Resources (DWR) has increased the State Water Project (SWP) ***"Table A" allocation to 50% as of May 2025.***

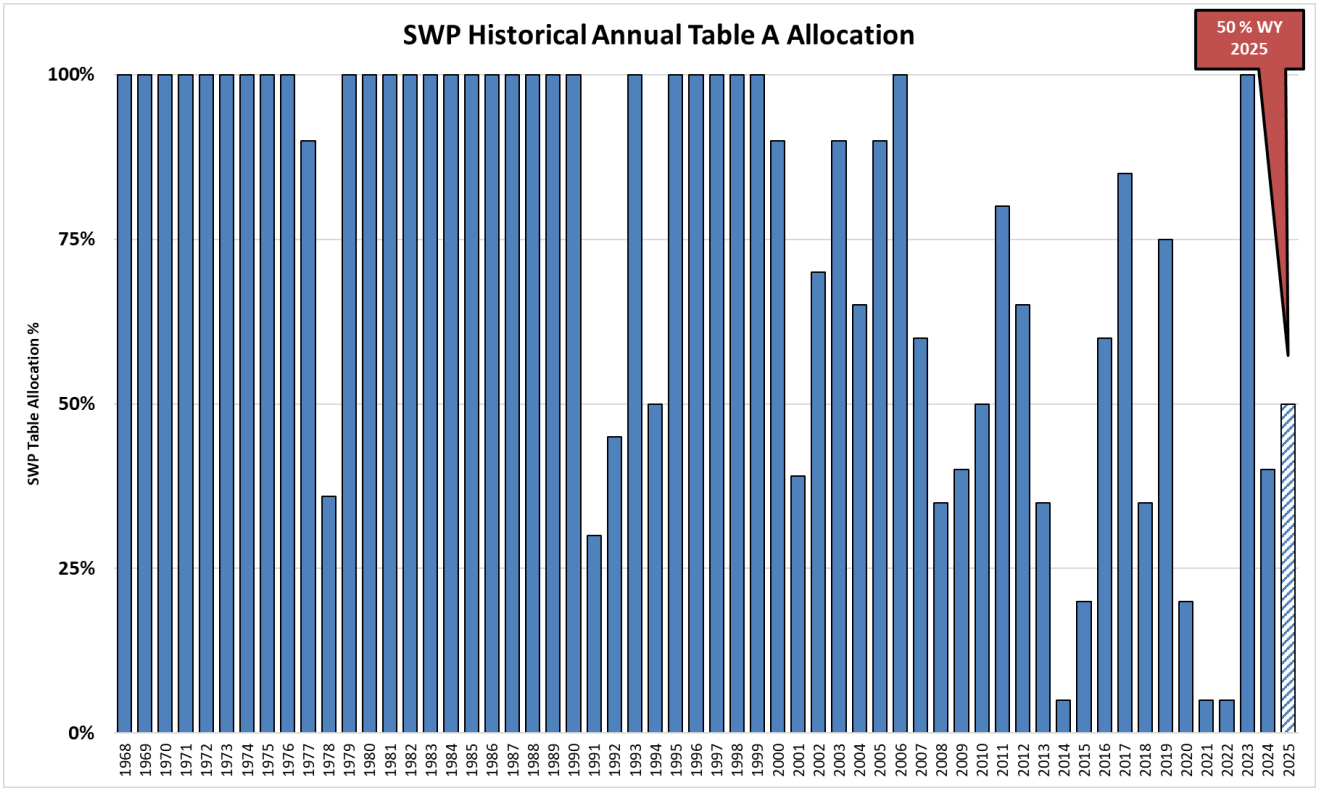
The Upper Colorado River Basin accumulated precipitation is reporting ***21.0 inches or 83% of normal as of July 27th***. On the Colorado River system, snowpack is measured across four states in the Upper Colorado River Basin. The Upper Colorado River Basin Snow Water Equivalent peaked at ***14.2 inches on March 24th***, which is ***98% of normal*** for that day. Due to the below-average inflows into Lake Powell over the past several years, the United States Bureau of Reclamation **declared a shortage at Lake Mead that has been ongoing since January 1st, 2022 (below 1,075 feet storage level)**. As of July 2025, **there is a 93% chance of shortage continuing in CY 2026, a 87% chance in CY 2027 and a 80% chance in CY 2028. In addition, there is a 3% chance of a California (below 1,045 feet storage level) shortage in 2027.**

As of July 28th Lake Oroville storage is at ***81% of total capacity and 116% of normal.*** As of July 28th San Luis Reservoir has a current volume of ***38% of the reservoir's total capacity and is 86% of normal.***

With CY 2025 estimated total demands and losses of 1.545 million acre-feet (MAF) and with a 50% SWP Table A Allocation, Metropolitan is projecting that supplies will exceed demand levels in Calendar Year (CY) 2025. Based on this, the estimated total dry-year storage for Metropolitan at the end of ***CY 2025 will remain at approximately 4.0 MAF.***
A projected dry-year storage supply of ***4.0 MAF would be approximately 3.0 MAF from a typical level where Metropolitan's goes into Water Supply Allocations.*** A large factor in maintaining a high water storage level are lower than expected water demands. We are seeing regional water demands reaching a 40-year low. **However, *with a majority of MWD's water supplies stored in Lake Mead and with still a 5-year shortage projection at Lake Mead, there remains a lot of uncertainty about where supply balances will be in the future. In addition, Colorado River Basin States have been meeting for months to negotiate new post-2026 operations at Glen Canyon Dam at Lake Powell and Hoover Dam at Lake Mead.***


CURRENT CONDITIONS: MAJOR WATER SUPPLY RESERVOIRS:28-JUL-2025
Data as of Midnight: 28-Jul-2025
Change Date: 28-Jul-2025
LEGEND
Blue Bar: Storage level for date
Gold Bar: Total reservoir capacity
Green Line: Historic level for date.
Capacity (TAF)
Historical Avg Mark
% of Capacity | % Hist. Avg.
(Click res. 3 char. code for details)
Shasta 72% 105%
Oroville 81% 116%
New Bullards Bar 83% 106%
Folsom 61% 94%
Trinity 86% 119%
Camanche 77% 112%
New Melones 72% 119%
Don Pedro 87% 111%
Sonoma 65% 111%
San Luis 38% 86%
McClure 78% 120%
Cachuma 82% 113%
Casitas 94% 119%
Castaic 95% 110%
Data from: 07/27
Diamond Valley 96% 127%
Millerton 62% 90%
Pine Flat 38% 77%
Hist Avg


MWD Historical Dry Year Storage
MWD ICS
Dry Year Storage (Column)
Emergency Storage
Water Supply Shortage
Million Acre-Feet
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1.8
1.1
1.0
1.7
2.4
2.7
2.3
1.2
0.9
1.3
2.5
2.5
3.1
3.2
2.6
2.3
3.4
3.8
4.0
MWD Lake Mead ICS
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
End of Calendar Year


SWP Historical Annual Table A Allocation
50 % WY 2025
SWP Table Allocation %
100%
75%
50%
25%
0%
1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

2025 WSDM Storage Detail

WSDM Storage	1/1/2025 Estimated Storage Levels [1]	CY 2025 Maximum Put Capacity [2]	2025 Total Storage Capacity
Colorado River Aqueduct Delivery System	**1,544,000**	**78,000**	**1,622,000**
Lake Mead ICS	1,544,000 [3]	78,000	1,622,000 [3]
SWP System	**1,163,000**	**311,000**	**2,338,000**
MWD & DWCV Carryover	380,000	149,000	529,000 [4]
MWD Articles 14(b) and 12(e)	3,000 [5]	0	0
Castaic and Perris DWR Flex Storage	219,000	0	219,000
Arvin-Edison Storage Program	100,000	0 [6]	350,000
Semitropic Storage Program	227,000	67,000	350,000
Kern Delta Storage Program	142,000	48,000	250,000
Mojave Storage Program	19,000	0	330,000
AVEK Storage Program	27,000	0	30,000
AVEK High Desert Water Bank Program	45,000	47,000	280,000
In-Region Supplies and WSDM Actions	**1,060,000**	**60,000**	**1,246,000**
Diamond Valley Lake	788,000	22,000	810,000
Lake Mathews and Lake Skinner	188,000	38,000	226,000
Conjunctive Use Programs (CUP)	84,000	0	210,000 [7]
Other Programs	**762,000**	**223,000**	**1,181,000**
Other Emergency Storage	381,000	0	381,000
DWCV Advanced Delivery Account	381,000	223,000	800,000
Total	**4,529,000**	**673,000**	**6,387,000**
Emergency	750,000	0	750,000
Total WSDM Storage (AF) [8]	**3,779,000**	**673,000**	**5,637,000**

[1] Preliminary start of year balances, subject to DWR adjustments and USBR final accounting in May 2025.

[2] Put capacity assumed under a 40 percent SWP Table A Allocation. Storage program losses included where applicable.

[3] This amount is net of the water Metropolitan stored for IID in Lake Mead in an ICS sub-account.

[4] Total storage capacity varies year-to-year as the contractual annual storage limit, based on the SWP Table A allocation, is combined with the remaining balance from the previous year. There is a potential risk that Metropolitan's stored water be converted to SWP contractor water if San Luis Reservoir approaches full capacity.

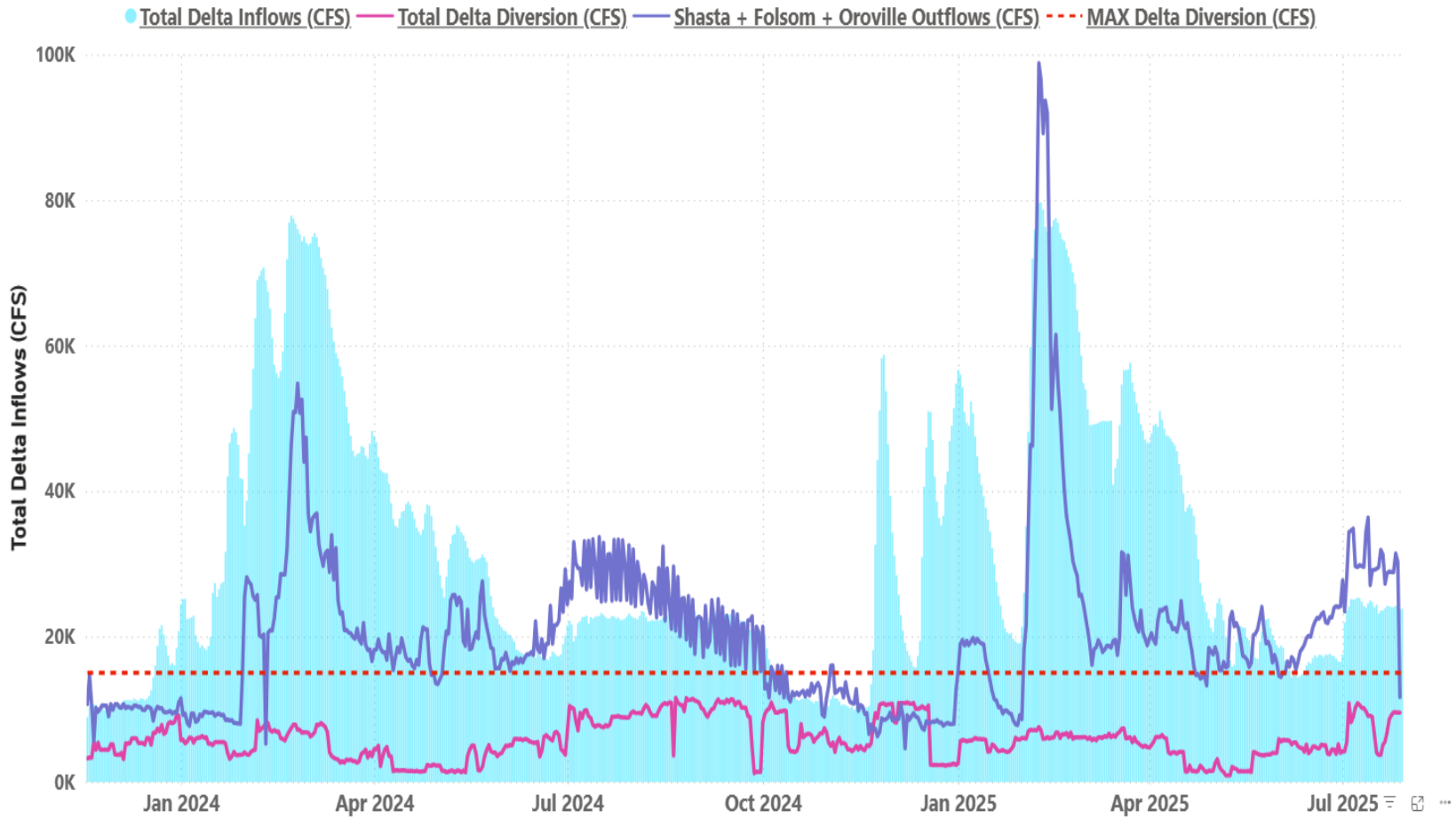
[5] DWR has approved carryover supplies under Article 14 (b) of the State Water Project Contract for delivery in 2025.

[6] Puts are limited due to water quality considerations.

[7] Total of all CUP programs including IEUA/TVMWD (Chino Basin); Long Beach (Central Basin); Long Beach (Lakewood); Foothill (Raymond and Monk Hill); MWDOC (Orange County Basin); Three Valleys (Live Oak); Three Valleys (Upper Claremont); and Western. On April 8, 2025, the Board authorized the termination of six inactive CUP agreements, effectively decreasing the CUP storage capacity to 115,000 AF by July 1, 2025. Future WSDM reports will reflect the decreased capacity once the termination agreements have been executed.

[8] Total WSDM Storage level subject to change based on accounting adjustments. Total may not sum due to rounding.

Bay Delta Daily Historical Water Operations



DATE

11/18/2023 7/29/2025

ISSUE BRIEF #C

SUBJECT: MET's Water Quality Update

RECENT ACTIVITY

Water System Operations

Metropolitan member agency water deliveries were 140,000 acre-feet (AF) for June, with an average of 4,700 AF per day, which was about 1,200 AF per day higher than in May. Treated water deliveries were 15,100 AF higher than May for a total of 74,800 AF, or 53 percent of total deliveries for the month. The Colorado River Aqueduct (CRA) pumped a total of 95,500 AF in June. State Water Project (SWP) imports averaged 2,900 AF per day, totaling about 85,700 AF for the month. The target SWP blend is currently 40% for Diemer, Weymouth, and Skinner.

Metropolitan has sufficient SWP, Colorado River supplies, and storage to meet demands in 2025. Water continues to be managed according to Water Surplus and Drought Management (WSDM) principles and operational objectives with an emphasis on positioning SWP supplies to meet future demands in the SWP-dependent area. The SWP Allocation is expected to remain at 50% for the calendar year. Metropolitan is continuing to manage Table A supplies to preserve supplies for the SWP dependent area. At the same time, Metropolitan has shifted operations to manage surplus supplies. With additional supplies, Metropolitan is delivering to member agency cyclic programs and to Desert Water Agency and Coachella Valley Water District in 2025.

Water Treatment and Distribution

The SWP target blend entering the Weymouth and Diemer plants increased from 25 to 40 percent in May 2025. The SWP target blend entering Lake Skinner also increased from 25 to 40 percent in June 2025. Flow-weighted running annual averages for total dissolved solids from April 2024 through March 2025 for Metropolitan's treatment plants capable of receiving a blend of supplies from the SWP and the CRA were 602 mg/L, 584 mg/L, and 575 mg/L for the Weymouth, Diemer, and Skinner plants, respectively.

The Metropolitan Water District of Southern California

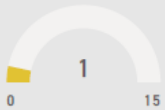
Weekly Operations Plan

For additional information, please contact Miluska Propersi at MPropersi@mwdh2o.com

07/24/2025 - 07/31/2025

Colorado River Aqueduct:
5-pump flow

Hydroelectric Generation:
5.0 MW
1 plant(s) in operation



Total System Demands
4,960 AF/Day

Change in Total System Demands*
▼ 600 AF/Day

Forecast
July
Deliveries
134 TAF

East Branch SPW Imports

Rialto Pipeline	1420 AF/day
Santa Ana Valley Pipeline	210 AF/day
Inland Feeder	660 AF/day

West Branch SPW Imports

Castaic Lake	820 AF/day
SCVWA (formerly CLWA)	100 AF/day

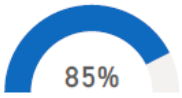
Water Quality

Plant Name	Targeted Blend (% SPW) As of 7/23/2025	TDS (mg/L) As of 7/23/2025	TTHMs (µg/L) As of 7/7/2025
Weymouth	100	231	22.0
Diemer	100	250	18.0
Skinner	40	500	37.0
Jensen	100	294	36.0
Mills	100	215	22.0

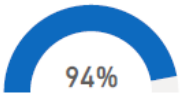
Terminal Reservoirs

as of 7/23/2025

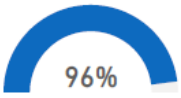
Lake Mathews
154,500 AF
▲ 3,600 AF*



Lake Skinner
41,200 AF
▲ 3,500 AF*



Diamond Valley Lake
775,300 AF
▼ -1,300 AF*



** = data from 7/9/2025*

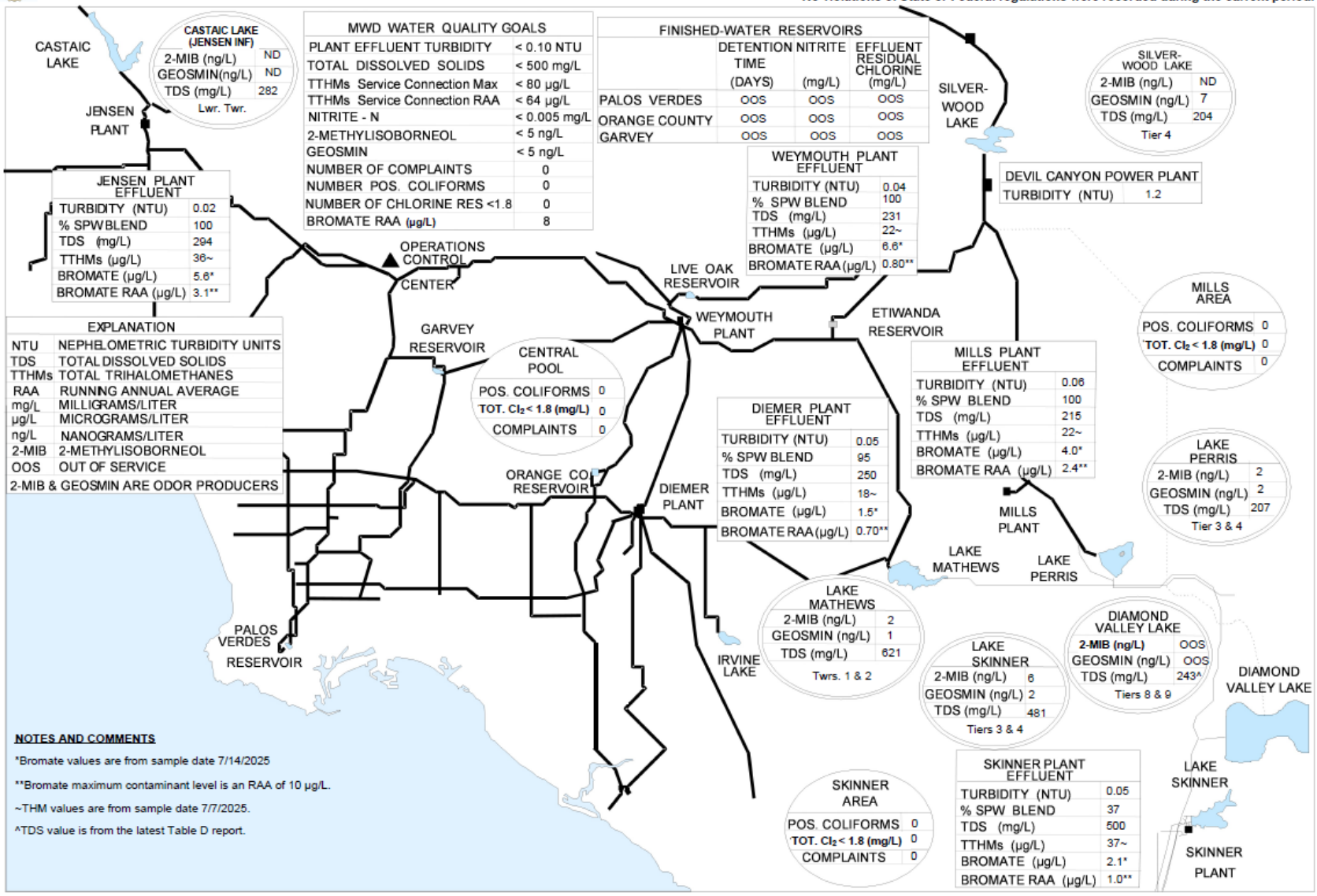
Weekly Water Quality System Status

Wednesday, July 23, 2025

Generated On:7/23/2025 11:52:53 AM

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

No violations of State or Federal regulations were recorded during the current period.



NOTES AND COMMENTS

*Bromate values are from sample date 7/14/2025

**Bromate maximum contaminant level is an RAA of 10 µg/L.

~THM values are from sample date 7/7/2025.

^TDS value is from the latest Table D report.

WATER QUALITY INFORMATION LINE: (800) 354-4420
VISIT MWD ON THE WEB AT http://www.mwdh2o.com

ISSUE BRIEF #D

SUBJECT: Colorado River Issues

RECENT ACTIVITY

U.S. Bureau of Reclamation Begins 2026 Annual Operating Plan Consultation

The U.S. Bureau of Reclamation (Reclamation) held the first of three annual consultation meetings regarding its Annual Operating Plan for Colorado River Reservoirs (AOP) for 2026 (The link is attached above). Each year, Reclamation prepares an AOP that reports on operations of Colorado River Reservoirs during the past year, and projects operations and releases for the current year based on current and projected reservoir elevations and hydrologic conditions throughout the Basin. The AOP provides Metropolitan with significant operational information regarding projected releases from Lake Powell to Lake Mead and whether the Lower Division States (California, Arizona, and Nevada) will be at normal, surplus, or shortage conditions. Metropolitan uses information in the AOP to plan diversions, ICS creation and/or delivery, interstate banking determinations, and Drought Contingency Plan (DCP) Contributions. The draft 2026 AOP forecasts annual Lake Powell releases of 7.48 million acre-feet, shortages, and DCP Contributions from Arizona and Nevada, and water savings contributions from Mexico.

Ted Cooke Nominated for Commissioner of Reclamation

On June 16, the former general manager of the Central Arizona Water Conservation District (CAWCD) was nominated by President Trump to lead the Bureau of Reclamation as its next commissioner. Metropolitan has a long-standing working relationship with Mr. Cooke and his former agency. He was general manager of CAWCD, which operates the Central Arizona Project, from 2016 through 2023.

Salinity Control Forum Activities

In early June, Metropolitan staff participated in the Colorado River Basin Salinity Control Forum meeting in Utah. The meeting included a one-day retreat to discuss potential reforms to the Salinity Control Program. Those potential reforms include consideration of including a water conservation component to the Program, changing the cost-share formula so that Arizona pays its fair share, and exploring new opportunities to reduce salinity through non-point source control by capturing salt from several saline springs in the Basin. The salinity of the Colorado River has been stable for the last several years, but there is concern that climate change could increase the River's salinity if the flow continues to decrease, so long-term salinity planning is important to the Forum.

ISSUE BRIEF #E

SUBJECT: Delta Conveyance Activities and State Water Project Issues

RECENT ACTIVITY

Delta Conveyance

At the May 15th special board meeting, the Delta Conveyance Design and Construction Authority (DCA) Board authorized the Board President and/or Executive Director to issue letters of support for Governor Newsom's proposed trailer bills. These bills are intended to advance the modernization of critical water infrastructure through the Delta Conveyance Project by streamlining targeted state-level administrative processes, confirming funding authority, minimizing litigation delays, and facilitating construction efforts.

The DCA Finance Committee is currently reviewing the draft budget for fiscal year 2025/26. The proposed budget totals $65.0 million, which includes $5.1 million in unallocated reserves. The final budget is expected to be presented for DCA board approval at their June board meeting.

Sites Reservoir

At the Joint Reservoir Committee and Sites Authority Board meeting on May 16, 2025, the Executive Director was authorized to sign the National Historic Preservation Act Section 106 Programmatic Agreement as an invited signatory.

The Reservoir Committee and Authority Board also authorized the Executive Director to sign the Master Lake and Streambed Alteration Agreement with the California Department of Fish and Wildlife (CDFW) for the Sites Reservoir Project.

Delta Island Activities

Metropolitan staff participated in interagency seed collection activities in preparation for the Webb Tract Wetland Restoration Project. Metropolitan staff received confirmation that Webb Tract's Wetland Restoration Statutory Exemption for Restoration Projects concurrence application has completed CDFW regional staff review and has been forwarded to CDFW Director Bonham for review and approval.

Metropolitan staff completed zooplankton and carbon sampling of the floating wetlands on Bouldin Island.

Summary Report for The Metropolitan Water District of Southern California Board Meeting July 8, 2025

CONSENT CALENDAR ITEMS – ACTION

Approved amendments to the Metropolitan Administrative Code Division VI (Personnel Matters) to create a Principal Assistant position to the Ethics Officer. **(Agenda Item 7-1)**

Awarded a $1,718,000 construction contract to Myers and Sons Construction, LLC to refurbish a washwater reclamation plant basin at the Joseph Jensen Water Treatment Plant. **(Agenda Item 7-2)**

Authorized a new on-call five-year professional services agreement with ProcureAmerica, LLC, for a not-to-exceed total amount of $1.25 million for retail electric utility rate analysis and reduction. **(Agenda Item 7-4)**

Authorized an increase of $700,000 in change order authority to an existing contract with Power Engineering Construction Co. for urgent diving services at Lake Mathews. **(Agenda Item 7-5)**

Approved a Treated Water Cost Recovery Rate Structure to be included with the staff proposal for the Fiscal Years 26/27 and 27/28 Biennial Budget and Calendar Years 27 and 28 Rates and Charges. **(Agenda Item 7-6)**

Approved revisions to Metropolitan's Reserves Policy and directed staff to implement a 70% exceedance level sales projections for the proposed Fiscal Years 26/27 and 27/28 Biennial Budget, 80% for the FYs 28/29 and 29/30 Biennial Budget, and 80 % for subsequent budgets. Also directed staff to provide the budget analysis for an 80% analysis for the FYs 26/27 and 27/28 Biennial Budgets. **(Agenda Item 7-7)**

Authorized the General Manager to execute a license agreement with the California Department of Fish and Wildlife to allow the continuance of the Department's Nutria Eradication Program on Metropolitan's Bay Delta Islands located in Contra Costa and San Joaquin Counties. **(Agenda Item 7-8)**

Approved amendments to the Metropolitan Water District Administrative Code to conform to current policy, law, and practice, and to make other minor, non-substantive changes. **(Agenda Item 7-9)**

Authorized an increase in the maximum amount payable under contract with Thompson Coburn LLP for legal advice on state and federal energy regulatory and contractual matters by $300,000 to a maximum amount payable of $600,000. **(Agenda Item 7-10)**

OTHER BOARD ITEMS - ACTION

Authorized an increase in maximum amount payable under contract for legal services with Internet Law Center, Ltd. in the amount of $250,000 for a total amount not to exceed $500,000; and authorized an increase in maximum amount payable under contract for legal services with Kronenberger Rosenfeld, LLP in the amount of $250,000 for a total amount not to exceed $500,000. **(Agenda Item 8-1)**

Authorized an amendment to an existing design-build agreement with J.F. Shea Construction Inc. for design-build services to initiate Phase 2 of the Sepulveda Feeder Pump Stations project, including an increase of $52.96 million for a new not-to-exceed amount of $103.36 million; authorized an increase of $810,000 to an existing agreement with Carollo Engineers Inc. for a new not-to-exceed amount of $3.3 million to serve as the owner's advisor through the Phase 2 design-build agreement; and authorized an increase of $296,000 to an existing agreement with Parametrix Inc. for a new not-to-exceed amount of $545,000 for cost estimating and scheduling services through Phase 2. **(Agenda Item 8-2)**

Approved amendments to the Metropolitan Administrative Code Section 2416(f)(5) to update procedures for addressing Equal Employment Opportunity allegations against members of the Board and direct reports to the Board. **(Agenda Item 8-3)**

THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.

All current month materials, and materials after July 1, 2021 are available on the public website here: https://mwdh2o.legistar.com/Calendar.aspx

This database contains archives from the year 1928 to June 30, 2021: https://bda.mwdh2o.com/Pages/Default.aspx

The Metropolitan Water District of Southern California

Agenda

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

Board of Directors - Final - Revised 1

August 19, 2025

2:00 PM

Tuesday, August 19, 2025 Meeting Schedule
08:30 a.m. FAAME 11:30 a.m. BREAK 12:00 p.m. OPE 02:00 p.m. BOD

Written public comments received by 5:00 p.m. the business day before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here: https://mwdh2o.legistar.com/Legislation.aspx.

The listen-only phone line is available at 1-877-853-5257; enter meeting ID: 891 1613 4145.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 815 2066 4276 or to join by computer click here.

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012
Teleconference Locations:
City Hall • 303 W. Commonwealth Avenue, Chambers • Fullerton, CA 92832
Conference Room • 1545 Victory Boulevard, 2nd Floor • Glendale, CA 91201

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1. Call to Order

a. Invocation: TBD

b. Pledge of Allegiance: TBD

2. Roll Call

3. Determination of a Quorum

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

5. OTHER MATTERS AND REPORTS

A. Report on Directors' Events Attended at Metropolitan's Expense **21-4872**

Attachments: 08192025 BOD 5A Report

Boardroom

B. Chair's Monthly Activity Report **21-4873**

C. General Manager's summary of activities **21-4874**

D. General Counsel's summary of activities **21-4875**

E. General Auditor's summary of activities **21-4876**

F. Ethics Officer's summary of activities **21-4877**

G. Presentation Commendatory Resolution for Director Russell Lefevre representing City of Torrance **21-4858**

H. Report on list of certified assessed valuations for fiscal year 2025/26 and tabulation of assessed valuations, percentage participation, and vote entitlement of member agencies as of August 19, 2025. [REVISED SUBJECT 7/25/2025] **21-4893**

**** CONSENT CALENDAR ****

6. BOARD ITEMS (DIRECT)

A. Approval Minutes of the Special Joint Meeting of the Board of Directors and Organizational Personnel, and Effectiveness Committee for June 13, 2025 and the Special Joint meeting of the Board of Directors and Executive Committee and Workshop on Engineering, Operations, and Technology Committee for June 24, 2025 **21-4878**

B. Approve Committee Assignments

7. BOARD ITEMS (THROUGH COMMITTEE)

7-1 Authorize an agreement with Kaygen, Inc., in an amount not to exceed $473,640 for MyWarehouse Shopping Cart Replacement project; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4884**

7-2 Authorize an on-call professional services agreement with Allied Reliability, Inc. for a not-to-exceed total amount of $1.75 million for asset reliability services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4885**

7-3 Award a $1,454,000 construction contract to MMC Inc. to replace the San Jacinto Diversion Structure slide gates; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4886**

7-4 Award a $370,900 construction contract to American Wrecking Inc. for the removal of three existing gate frames in support of the San Gabriel Tower Improvements; the General Manager has determined that the proposed action is exempt or not subject to CEQA **21-4887**

Attachments: 08192025 EOT 7-4 B-L

7-5 Review and consider the California Public Utilities Commission Final Subsequent Environmental Impact Report and adopt the Commission's findings, and authorize the General Manager to grant a permanent easement to Southern California Edison for overhead electrical transmission purposes on Metropolitan fee-owned property in the County of Riverside and identified as Assessor Parcel Number 189-110-011 and 189-120-005; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4891**

7-6 Conversion of Recurrent Category E Employment to Regular Part Time Status; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4898**

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

8. BOARD ITEMS (ACTION)

8-1 Adopt resolution establishing the Ad Valorem tax rate for fiscal year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4888**

8-2 Authorize an increase of $300,000 to an agreement with HydroFocus, Inc. for a new not-to-exceed total amount of $455,000 for environmental monitoring services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4879**

8-3 Authorize the Local Supply Exchange Framework and amend Metropolitan Administrative Code to facilitate exchanges; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA **21-4896**

8-4 Authorize the General Manager to enter into a new three-year sole source agreement with WaterWise Consulting, Inc. for inspection and verification services for Metropolitan's Conservation Programs, for a total agreement not to exceed $4,500,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4897**

8-5 Adopt a resolution declaring approximately 5,497 acres of Metropolitan-owned real property in the Sacramento-San Joaquin Delta, commonly known as Webb Tract, also identified as Contra Costa County Assessor Parcel Numbers: 026-070-001-8, 026-080-006-5, 026-080-009-9, 026-080-007-3, 026-080-008-1, 026-080-004-0, 026-008-005-7, 026-070-006-7, 026-070-013-3, 026-070-012-5, 026-070-011-7, 026-070-010-9, 026-060-019-2, 026-060-018-4, 026-060-008-5, 026-090-007-7, 026-060-003-6, 026-060-015-0, 026-060-016-8, 026-060-017-6, and 026-060-005-1 as exempt surplus land under the Surplus Land Act; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4889**

8-6 Authorize a new agricultural lease agreement with Bouldin Farming Company for rice farming and related uses on portions of Metropolitan-owned real property in the Sacramento-San Joaquin Bay Delta known as Webb Tract; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with real property negotiators; properties totaling approximately 2,159 gross acres in the area commonly known as Webb Tract, also identified as Contra Costa County Assessor Parcel Numbers: 026-070-001-8, 026-080-006-5, 026-080-009-9, 026-080-007-3, 026-080-008-1, 026-080-004-0, 026-008-005-7; agency negotiators: Steven Johnson, Kevin Webb, and Kieran Callanan; negotiating parties: John Winther dba Bouldin Farming Company; under negotiation: price and terms; to be heard in closed session pursuant to Government Code Section 54956.8] **21-4890**

8-7 Authorize a new agricultural lease agreement with Lundberg Family Farms for rice farming and related uses on portions of Metropolitan-owned real property in the Sacramento-San Joaquin Bay Delta known as Bacon Island;[Conference with real property negotiators; properties totaling approximately 5,600 gross acres in the area commonly known as Bacon Island, also identified as San Joaquin County Assessor Parcel Numbers: 129-050-01, 129-050-02, 129-050-03, 129-050-04, 129-050-05, 129-050-06, 129-050-07, 129-050-08, 129-050-09, 129-050-11, 129-050-12, 129-050-13, 129-050-14, 129-050-15, 129-050-16, 129-050-17, 129-050-18, 129-050-19, 129-050-24, 129-050-25, 129-050-26, 129-050-27, 129-050-28, 129-050-52, 129-050-54, 129-050-55, 129-050-56, 129-050-60; agency negotiators: Steven Johnson, Kevin Webb, and Kieran Callanan; negotiating parties: Anders Lundberg dba Lundberg Family Farms; under negotiation: price and terms; to be heard in closed session pursuant to Government Code Section 54956.8]; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [REVISED SUBJECT 7/25/2025] **21-4892**

9. BOARD ITEMS (INFORMATIONAL)

9-1 Report on Conservation Program **21-4880**

9-2 2024 Combined Annual Benefits Financial Report **21-4860**

9-3 Report on Proposed Agreement for Water Services with the Barona Band of Mission Indians, San Diego County Water Authority, and Ramona Municipal Water District **21-4895**

10. OTHER BOARD ITEMS

10-1 Consider authorizing cost of living salary adjustments for the General Manager, General Counsel, General Auditor, and Ethics Officer the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA **21-4881**

10-2 Consider authorizing merit-based salary increases for the General Manager, General Counsel, General Auditor and Ethics Officer; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA **21-4882**

10-3 Public Employment - General Manager [To be heard in closed session pursuant to Gov. Code Section 54957] **21-4859**

12. FOLLOW-UP ITEMS

NONE

13. FUTURE AGENDA ITEMS

14. ADJOURNMENT

NOTE: Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item, e.g. (EOT). Board agendas may be obtained on Metropolitan's Web site https://mwdh2o.legistar.com/Calendar.aspx

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site https://mwdh2o.legistar.com/Calendar.aspx.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.