AGENDA

SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY

REGULAR MEETING OF THE POLICY BOARD

CITY OF SOUTH GATE
AZALEA ROOM
AZALEA SHOPPING CENTER
4761 FIRESTONE BLVD.
SOUTH GATE, CA 90280

THURSDAY, FEBRUARY 4, 2016
7:00 P.M.

1. PLEDGE OF ALLEGIANCE

2. ROLL CALL

3. PUBLIC COMMENTS

4. CONSENT CALENDAR

**Consent Calendar items will be considered and approved in one motion unless removed by a Board Member for discussion.**

a. SEWC BOARD OF DIRECTORS MINUTES OF NOVEMBER 5, 2015

   Recommendation: Approve minutes as submitted.

b. WARRANT REGISTER

   Recommendation: Approve Warrant Register.

**End of Consent Calendar**

5. METROPOLITAN WATER DISTRICT / LOS ANGELES COUNTY SANITATION DISTRICT #2 OF LOS ANGELES COUNTY - POTENTIAL REGIONAL RECYCLED WATER SUPPLY PROGRAM
Adriana Figueroa, Chair, Administrative Entity
Recommendation: That the Board of Directors take the following action:

Receive and File an update on the proposed MWD and LA County Sanitation District Regional Recycled Water Supply Program.

6. CALIFORNIA STATE ASSOCIATION OF COUNTIES LOCAL WATER INITIATIVE - THE CALIFORNIA CONSERVATION, FLOOD CONTROL AND STORMWATER MANAGEMENT ACT OF 2016
Adriana Figueroa, Chair, Administrative Entity
Recommendation: That the Board of Directors take the following action:

Receive and File an update on the proposed California State Association of Counties ballot initiative regarding funding for water conservation, flood control and stormwater management projects.

7. THE EXTENSION OF CALIFORNIA DROUGHT REGULATIONS THROUGH OCTOBER 2016
Arturo Cervantes, Lead Agency, City of South Gate
Recommendation: That the Board take the following action:

Receive and File an update on the State's recent extension of the existing drought related regulations through October 2016.

8. EXTENSION OF SEWC’S ADMINISTRATIVE SUPPORT CONTRACT WITH KJSERVICES ENVIRONMENTAL CONSULTING ON A MONTH-TO-MONTH BASIS PENDING THE SELECTION OF A REPLACEMENT FIRM
Arturo Cervantes, Lead Agency, City of South Gate
Recommendation: That the Board take the following action:

Approve the extension of SEWC's current contract with KJServices Environmental Consulting, which expired December 31, 2015, for Administrative Support on a month-to-month basis pending the selection of a replacement firm.

9. PRESENTATION BY THE CENTRAL BASIN MUNICIPAL WATER DISTRICT ON THE RESULTS OF THEIR AUDIT BY THE STATE OF CALIFORNIA.
Kevin Hunt, General Manager, Central Basin Municipal Water District (CBMWD)
Recommendation: That the Board take the following action:

Receive and File an update on the current status of the State's audit of the Central Basin Municipal Water District.
10. BOARD OF DIRECTOR COMMENTS

11. CHAIR / ADMINISTRATIVE ENTITY COMMENTS

12. SECRETARY / LEAD AGENCY COMMENTS

13. ADJOURNMENT

AMERICANS WITH DISABILITIES ACT: In compliance with the Americans with Disabilities Act of 1990, the City of South Gate is committed to providing reasonable accommodations for a person with a disability. Please call Guillermo Petra with the City of South Gate at (323) 357-9614, if special accommodations are necessary and/or if information is needed in an alternative format. Special requests must be made in a reasonable amount of time in order that accommodations can be arranged.

The next meeting of the Southeast Water Coalition Joint Powers Authority Board of Directors is Thursday, April 7, 2016 at 7:00 p.m., at the City of South Gate, Azalea Room, Azalea Shopping Center, 4761 Firestone Blvd., South Gate, CA 90280.

I hereby certify, under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted at South Gate City Hall, Leland R. Weaver Library, and Hollydale Library which are available for the public to view.

Carmen Avalos
City Clerk

Date 2/1/16
SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
AGENDA REPORT

Date: February 4, 2016
To: Southeast Water Coalition Board of Directors
From: Adriana Figueroa, Administrative Entity Chair, City of Norwalk

Subject: Metropolitan Water District / County Sanitation District #2 of Los Angeles County - Potential Regional Recycled Water Supply Program

Recommendation: That the Board of Directors take the following action:

Receive and File an update on the Metropolitan Water District / County Sanitation District of Los Angeles County - Potential Regional Recycled Water Supply Program.

Discussion
A regional collaboration between the Metropolitan Water District (Metropolitan) and the Los Angeles County Sanitation District (Sanitation District) to jointly develop recycled water supplies has been under discussion for years. In March 2010, Metropolitan’s Board authorized staff to collaborate with the Sanitation District to study the feasibility of a regional indirect potable reuse program and to perform pilot-scale studies. The results of the pilot-scale studies indicated that advanced treatment for indirect potable reuse through groundwater replenishment is technically feasible.

Metropolitan and the Sanitation District have jointly prepared a proposed agreement to implement a demonstration project and to establish the framework of terms and conditions for development of a regional recycled water supply program.

Under this regional program, Metropolitan would purify the secondary effluent from the Sanitation District’s JWPCP using advanced treatment technologies to produce water that is near-distilled in quality and that would be equal or better than the quality of water currently used to replenish groundwater basins in the Southern California region. Up to 150 mgd of secondary effluent from the JWPCP, which is currently discharged to the Pacific Ocean, would be available for purification and reuse. Metropolitan would deliver the purified water annually to member agencies to meet their groundwater recharge and storage requirements.

The Sanitation District is a member of a partnership of 24 independent and special districts that provide wastewater and solid waste management for approximately 5.3 million people in Los Angeles County. These agencies currently treat an average of 440 mgd of wastewater at ten water reclamation plants and at the JWPCP located in
Carson, California. The JWPCP is the Sanitation District’s largest wastewater treatment plant, with a capacity of 400 mgd. It currently provides primary and secondary treatment to an average daily flow of approximately 270 mgd of wastewater before it is discharged through outfall tunnels to the Pacific Ocean. In consideration of recent wastewater flow reductions due to conservation, and regulatory compliance issues associated with brine discharge from the potential advanced water treatment facility, the Sanitation District estimates that there is sufficient secondary effluent available to produce approximately 150 mgd of purified water for reuse.

Proposed Demonstration Project
As an initial step, the demonstration project would serve as a proof of concept and would provide critical information needed for implementation of the potential regional recycled water supply program. The demonstration project would consist of three components:

1. **Demonstration Plant** – A 1-mgd demonstration-scale recycled water treatment plant would be planned and designed to verify criteria for the source quality of water from the JWPCP for the advanced water treatment facility; to confirm the treatment processes required for regulatory acceptance of the purified product water for groundwater recharge; and to characterize the brine and waste for disposal. The demonstration plant would be located within the operational boundary of the JWPCP.

2. **Feasibility Studies of the Delivery System** – Metropolitan would conduct feasibility studies of the delivery system that would distribute the purified water to member agencies for the recharge of groundwater basins within the service area.

3. **Financing Plan** – Metropolitan would also prepare a financing plan to assess the economic viability of a regional program. The financing plan would establish water sale arrangements with member agencies for the delivery of reuse water for recharge of groundwater basins; evaluate the potential for state and federal grants and loans; determine cost-sharing opportunities; and assess funding and rate impacts.

Attachment(s):
Potential Regional Recycled Water Supply Program

Water Planning & Stewardship Committee
Item 8-3
November 9, 2015
2010 IRP goals

- 150 TAF remaining to meet water use efficiency and local supply targets
- Projected groundwater production has dropped
  - Reduction of as much as ~250 TAF in a year
  - Focus on improving sustainable yield
- Diverse resource mix important for reliability
Northern California Runoff

8 of Last 10 Years Below Normal

Million Acre-Feet

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Normal 18.26
Agencies Are Projecting Lower Groundwater Production

Historical Production

2010 IRP Forecast

2015 IRP Forecast
Unique Opportunity

Regional Approach Meets Resource Needs

- Significant, reliable new supply
  - Up to 150 MGD
- Favorably located to meet multiple member agency needs
- Importance of timing

Addresses Uncertainty

- Climate change
- Variations in existing supplies
- Demographic & economic change
- Emergency & seismic events
Approach to the Program

- Demonstration Project
- Phased approach to full scale facilities
- Provisions for off-ramps, if necessary
Purpose of Demonstration Project

- Provide proof of concept:
  - Will provide for timely and cost effective implementation
- Provide for regulatory acceptance of program
Demonstration Project

Components

- Demonstration Plant (1 MGD)
- Feasibility & environmental studies
- Financing Plan

Duration

- November 2015 to December 2016
Demonstration Plant

**Purpose**
- To ensure quality of purified water for groundwater recharge

**Anticipated Activities**
- Provide water quality data for regulatory acceptance
- Coordinate operations with LACSD to ensure source quality/treatment & brine/waste disposal
- Optimize full-scale treatment process design
- Establish cost clarity for treatment
- Provide vehicle for public outreach & acceptance
Joint Water Pollution Control Plant
Feasibility Studies

Purpose
- Evaluate delivery system capability to recharge basins in Los Angeles, Orange and San Bernardino Counties

Anticipated Activities
- Develop program phasing and timing
- Coordinated groundwater modeling and operational assessments
- Regulatory and facility investigations
- Environmental studies
- Agency planning & coordination
Potential Full Program (up to 150 MGD)
Funding and Financing

**Purpose**
- Assess economic viability of program

**Anticipated Activities**
- Secure grant & loan opportunities
- Determine cost-sharing opportunities
- Determine approach to funding & rate impacts
- Develop refined capital and O&M estimates
- Develop overall financing plan
Term Sheet Summary: Demonstration Plant

**LACSD Responsibility:**
- Deliver secondary-treated water to demo plant
- Provide land & utilities
- Dispose of waste streams
- Perform influent lab analyses & maintain source quality control program

**Metropolitan Responsibility:**
- Fund, design, construct, operate & maintain 1 MGD AWT demo plant
- Conduct Feasibility Studies
Framework for Development of a Full-Scale Program

(if desired to proceed)

Objectives

- Pursue full-scale program per Board direction
- Fairly divide costs and investments
- Avoid conflicts with other recycled water plans
- Codify responsibilities of each agency
Additional Considerations

- Potential Funding Participation
  - Avoided capital costs, if any
- Potential State Funding
  - Grant funds & SRF low interest loans
  - Joint funding application
  - Phasing of requests to match progress of program
- CEQA Compliance for Full Scale Phase 1
  - AWT plant
  - Delivery system
Preliminary Program Timeline

Demonstration Plant

Feasibility Studies

Finance Plan

Construction

Operation

Phased Full Scale Program (if desired to proceed)

Legend

Demonstration Program
Full Scale Program
Const. & Operation
Board Action/info

November 9, 2015
## Requested Funds

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<td>Metropolitan Force Construction</td>
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<td>Professional/Technical services</td>
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<td><strong>Totals</strong></td>
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Board Options

Option #1
- Adopt CEQA determination that the proposed action is categorically exempt
- Authorize agreement with County Sanitation District No. 2 to develop demonstration-scale recycled water plant
- Appropriate $15,000,000

Option #2
- Do not proceed with the project at this time
Staff Recommendation

Option # 1
Date: February 4, 2016
To: Southeast Water Coalition Board of Directors
From: Adriana Figueroa, Administrative Entity Chair, City of Norwalk

Subject: California State Association of Counties Local Water Initiative - The California Conservation, Flood Control and Stormwater Management Act of 2016

Recommendation: That the Board of Directors take the following action:


Discussion
The California Association of Counties has submitted a proposed initiative to the California Office of the Attorney General (AG) and requested that the AG provide a title and summary for the proposed initiative as a first step in the process to get the initiative approved and placed on a future State-wide ballot.

The initiative includes a number of measures that would provide for additional funding for water conservation, flood control and stormwater programs and projects. The measure authorizes local agencies to:

1. Set rates for customers to encourage water conservation, prevent waste and discourages excessive use of water.

2. Levy fees and charges, subject to ratepayer protest, for flood control and for management of stormwater to protect coastal water, rivers, lakes, streams, groundwater and other sources of drinking water from contamination.

3. Use fees and charges to reduce water and sewer fees and charges for low-income customers.

Attachment(s):
1. CA Water Conservation, Floor Control and Stormwater Management Act of 2016
November 20, 2015

VIA PERSONAL DELIVERY

Ashley Johansson, Initiative Coordinator  
Office of the Attorney General  
1300 I Street, 17th Floor, P.O. Box 9442 5 5  
Sacramento, CA 95 814

Re: Request for Title and Summary for Proposed Initiative

Dear Ms. Johansson:

Pursuant to Article II, Section 10(d) of the California Constitution, we submit the attached proposed Initiative, entitled the "The California Water Conservation, Flood Control and Stormwater Management Act of 2016", to your office and request that your office prepare a title and summary. Included with this submission is the required proponent affidavit pursuant to sections 9001 and 9608 of the California Elections Code, along with a check for $200.00.

All inquiries or correspondence relative to this initiative should be directed to Lance H. Olson and Richard Miadich at Olson, Hagel & Fishburn, LLP, 555 Capitol Mall, Suite 1415, Sacramento, CA 95 814, (916) 442-2952.

Thank you for your assistance.

Sincerely,

Matthew Cate  
Executive Director, California State Association of Counties
November 20, 2015

VIA PERSONAL DELIVERY

Ashley Johansson, Initiative Coordinator
Office of the Attorney General
1300 I Street, 17th Floor, P.O. Box 944255
Sacramento, CA 95814

Re: Request for Title and Summary for Proposed Initiative

Dear Ms. Johansson:

Pursuant to Article II, Section 10(d) of the California Constitution, we submit the attached proposed Initiative, entitled the "The California Water Conservation, Flood Control and Stormwater Management Act of 2016", to your office and request that your office prepare a title and summary. Included with this submission is the required proponent affidavit pursuant to sections 9001 and 9608 of the California Elections Code, along with a check for $200.00.

All inquiries or correspondence relative to this initiative should be directed to Lance H. Olson and Richard Miadich at Olson, Hagel & Fishburn, LLP, 555 Capitol Mall, Suite 1415, Sacramento, CA 95814, (916) 442-2952.

Thank you for your assistance.

Sincerely

Timothy Quinn
Executive Director, Association of California Water Agencies
November 20, 2015

VIA PERSONAL DELIVERY

Ashley Johansson, Initiative Coordinator
Office of the Attorney General
1300 I Street, 17th Floor, P.O. Box 94425 5

Sacramento, CA 95814

Re: Request for Title and Summary for Proposed Initiative

Dear Ms. Johansson:

Pursuant to Article II, Section 10(d) of the California Constitution, we submit the attached proposed initiative, entitled the "The California Water Conservation, Flood Control and Stormwater Management Act of 2016", to your office and request that your office prepare a title and summary. Included with this submission is the required proponent affidavit pursuant to sections 9001 and 9608 of the California Elections Code, along with a check for $200.00.

All inquiries or correspondence relative to this initiative should be directed to Lance H. Olson and Richard Miadich at Olson, Hagel & Fishburn, LLP, 555 Capitol Mall, Suite 1415, Sacramento, CA 95814, (916) 442-2952.

Thank you for your assistance.

Sincerely

Christopher McKenzie
Executive Director, League of California Cities
SECTION 1. Title

This measure shall be known as the California Water Conservation, Flood Control and Stormwater Management Act 2016

SECTION 2. Findings, Declarations and Purposes

A. California’s historic drought and the likelihood that climate change will increase the severity of droughts and heavy floods mean California must provide local communities with the tools to further encourage conservation and discourage excessive use of water; to effectively manage and increase water supplies; to capture, clean and eliminate pollution from local water sources; and to better protect people and property from the dangers of floods.

B. Effective local management of water supplies includes authorizing local agencies to design rates to encourage water conservation and discourage excessive use of water.

C. Local agencies should also invest in infrastructure to capture and clean water polluted by toxic chemicals and trash; recycle and reuse rainwater and stormwater runoff; and to prevent toxic stormwater and urban runoff from contaminating sources of drinking water, including rivers, lakes, streams, and groundwater, and polluting beaches, coastal waters, and wetlands.

D. California must also improve local flood control by better capturing and managing storm and flood waters and upgrading storm drains, sewer and drainage systems to protect properties from floods and increase local supplies of water available for public use.

E. Existing state laws governing the funding of local water supplies, clean water, water conservation and resource management, and floodwater protection were not developed with California’s current water realities in mind.

F. An alternative method for funding critical local water supplies, water quality, water conservation and resource management, and flood protection projects is needed.

G. This measure establishes an alternative funding method that authorizes local agencies to:
i. Set rates for customers to encourage water conservation, prevent waste, and discourage excessive use of water.

ii. Levy fees and charges, subject to ratepayer protest, for flood control and for management of stormwater to protect coastal waters, rivers, lakes, streams, groundwater and other sources of drinking water from contamination.

iii. Use fees and charges to reduce water, and sewer fees and charges for low-income customers.

H. Any local agency that utilizes this alternative funding method for water service and sewer service should be required to adhere to strict accountability, transparency and ratepayer protections. This includes:

i. Providing local ratepayers with a description of the need for the proposed fee or charge and the projects and purposes projected to be funded by any proposed fee or charge in advance of any public hearing or consideration of the fee or charge;

ii. Posting the description of the proposal on the agency’s Internet website with all applicable exhibits;

iii. Providing local ratepayers a notice of the date and time of the public hearing the local agency will hold on the proposed fee and charges;

iv. If written protests against the fee or charge are presented by a majority of persons to whom the local agency sent the notice about the proposal then the local agency shall not impose, increase or extend the fee or charge;

v. All money must be spent for the local purpose for which the fee or charge was imposed and cannot be taken by state government;

vi. Revenues derived from the fee or charge shall not exceed the reasonable cost to the local agency of providing the water or sewer service or be used for any purpose other than that for which it was imposed;

vii. The manner in which the costs are allocated to a fee payor shall bear a fair or reasonable relationship to the fee payor’s burden on or benefits received from the water service or sewer service;

viii. The initiative power of voters may be used to repeal or reduce the fee or charge in the future with the filing of a petition calling for an election on the question;

ix. Independent annual audits shall be made available to the public showing how all funds are spent.

I. This new funding method will allow local agencies to invest in the water supplies, water quality, flood protection and water management and conservation programs we need, while guaranteeing a high level of accountability and ratepayer protections.
SECTION 3. Section 8 is hereby added to Article X of the California Constitution to read as follows:

SEC. 8 Water and Sewer Service

(a) Alternative funding method. This section provides alternative procedures and requirements for funding water service and sewer service independent of any other procedures and requirements in this Constitution for funding these services.

(1) A local agency that adheres to the procedures and requirements of this section, including the strict accountability requirements to protect local ratepayers, may use at its discretion, the provisions of this section instead of any other procedures or requirements in this Constitution for funding the cost of providing water service and sewer service only if undertaken voluntarily and at the sole discretion of the local agency.

(2) The revenues derived from the fees or charges imposed in accordance with this section may only be used by the local agency that imposed, increased or extended the fee or charge, and like other fees or charges imposed, increased or extended by local agencies, the Legislature is prohibited from reallocating, transferring, borrowing, appropriating, restricting the use of, or otherwise using the proceeds of such fees or charges.

(b) Definitions. As used in this section:

(1) “Fee” or “charge” means any levy other than an ad valorem tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for water service or sewer service having a direct relationship to property ownership.

(2) “Local agency” means any city, county, city and county, including a charter city or county, special district, or any other local or regional governmental entity.

(3) “Property ownership” shall be deemed to include tenancies of real property where tenants are directly liable to pay the fee or charge.

(4) “Sewer service” means any system of public improvements, facilities, projects, or services for the collection, conveyance, conservation, drainage, disposal, recycling or treatment of stormwater, flood water, dry weather runoff, sewage or waste to: (A) conserve and protect sources of drinking water, such as rivers, lakes, streams and groundwater, or the environment, such as beaches, coastal waters, and wetlands, from toxic chemicals, biological contaminants, and other pollutants; (B) protect public health and safety; (C) reduce the risk of flooding of public or private property; or (D) comply with federal or state laws, rules, and regulations.
(5) "Water service" means any system of public improvements, facilities, projects or services intended to provide for the production, management, storage, supply, treatment, recycling, conservation or distribution of water from any source.

(c) Requirements for new, increased or extended fees or charges. A fee or charge for water service or sewer service shall not be imposed, increased, or extended by a local agency pursuant to this section unless it meets all of the following requirements:

1. Revenues derived from the fee or charge shall not exceed the reasonable cost to the local agency of providing the water service or sewer service.

2. Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.

3. The manner in which the costs of the water service or sewer service are allocated to a fee payor shall bear a fair or reasonable relationship to the fee payor's burden on or benefits received from the water service or sewer service.

(d) Conservation fee or charges; low-income households. A local agency that imposes, extends, or increases a fee or charge pursuant to this section may do either or both of the following:

1. Allocate the cost of water service or sewer service through a rate structure reasonably designed to encourage water conservation and resource management in furtherance of the policy established in section 2;

2. Increase the amount of a fee or charge to derive revenues that do not exceed the reasonable cost of reducing such fee or charge for lower-income households.

(e) Notice, public hearing and majority protest. A local agency shall comply with the procedures of this subdivision in imposing, increasing, or extending a fee or charge for water service or sewer service pursuant to this section:

1. The local agency shall provide written notice by mail of the new fee or charge or the proposed increase in or extension of an existing fee or charge to the fee payor listed in the local agency's billing, or customer service records or other appropriate records. If the fee or charge is or will be imposed on a parcel, the local agency shall provide written notice to the record owner as provided in paragraph (4). The local agency may include the notice in the agency's regular billing statement for the fee or charge to the person at the address to which the agency customarily mails the billing statement for water service or sewer service. If the customer is billed only electronically, the agency shall provide notice by mail.
(2) The notice required by paragraph (1) shall include the amount of the fee or charge proposed to be imposed on the recipient of the notice or the basis upon which the amount of the fee or charge will be calculated, together with the date, time and location of the public hearing on the fee or charge. The notice also shall state that if written protests against the fee or charge are presented by a majority of persons to whom the local agency sent the notice required by paragraph (1), then the local agency shall not impose, increase or extend the fee or charge.

(3) The notice required by paragraph (1) shall include a general description of the services, facilities and improvements projected to be funded with the proceeds derived from the new fee or charge or proposed increase in, or extension of the fee or charge. A more complete description of the projected services, facilities and improvements, including any applicable exhibits, shall be made available at an accessible location and on the local agency's Internet website.

(4) If the local agency desires to preserve any authority it may have to record or enforce a lien on the parcel to which service is provided, the local agency shall also mail notice to the record owner's address shown on the last equalized assessment roll if that address is different than the billing address.

(5) The local agency shall conduct a public hearing upon the proposed fee or charge not less than 45 days after mailing the notice required by paragraph (1). At the public hearing, the local agency shall consider all oral and written protests against the fee or charge. If written protests against the fee or charge are presented by a majority of persons to whom the local agency sent the notice required by paragraph (1), then the local agency shall not impose, increase or extend the fee or charge. One written protest per service address shall be counted in calculating a majority protest pursuant to this paragraph.

(f) Burden of proof. The local agency bears the burden of proving by a preponderance of the evidence that the amount of a fee or charge for water service or sewer service is no more than necessary to cover the reasonable costs of the water service or sewer service, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burden on, or benefits received from, the water service or sewer service. A fee or charge levied pursuant to and in compliance with this section is not a tax.

(g) Initiative power for fees or charges. Notwithstanding any other provision of this Constitution, including, but not limited to Sections 8 and 9 of Article II, the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any fee or charge for water service or sewer service adopted, increased or extended pursuant to this section. The power of the initiative to affect such fees or charges shall be applicable to all local agencies and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.
(h) Mandatory audit. Any local agency that approves a fee or charge for water
service or sewer service in accordance with this section shall cause to be prepared
an independent financial audit of the receipt and expenditure of the revenues
derived from the fee or charge. Such an audit may be part of a comprehensive audit
of the agency's finances, but the audit shall identify the revenues received and
expended in accordance with this section with sufficient clarity to help ratepayers
compare the use of the funds to the description provided in paragraph (3) of
subdivision (e).

SECTION 4. Severability

If the provisions of this act, or any part thereof, are for any reason held to be invalid
or unconstitutional, the remaining provisions shall not be affected, but shall remain
in full force and effect and to this end the provisions of this act are severable.

SECTION 5. Conflicting Measures

It is the intent of the people that in the event that this measure and another measure
relating to the establishment of an alternative method of imposing, increasing, or
extending fees or charges to fund water service or sewer service appear on the same
statewide election ballot, the provisions of the other measure or measures shall be
deemed to be in conflict with this measure, and if approved by the voters, this
measure shall take effect notwithstanding.

SECTION 6. Liberal Construction

The provisions of this act shall be liberally construed in order to effectuate its
purposes and the intent of the voters to provide local agencies alternative
procedural and substantive requirements for imposing fees and charges for water
service and sewer service from those otherwise found in the Constitution.
Date: February 4, 2016  
To: Southeast Water Coalition Board of Directors  
From: Arturo Cervantes, Lead Agency, City of South Gate  

Subject: Extension of California Drought Regulations through October 2016  

Recommendation: That the Board of Directors take the following action:  

Receive and File an update on the Governor's Executive Order to Extend California Drought Regulation through October 2016.  

Discussion  

On May 5, 2015, the State Water Board adopted an emergency conservation regulation in accordance with the Governor's directive. The provisions of the emergency regulation went into effect on May 18, 2015.  

On November 13, 2015, Governor Brown issued Executive Order B-36-15 (EO B-36-15) that calls for an extension of restrictions to urban potable water usage until October 31, 2016, should drought conditions persist through January 2016. EO B-36-15 is the fifth in a series of Executive Orders by Governor Brown on actions necessary to address California's severe drought conditions, the last of which directed the State Water Board to implement mandatory water reductions in urban areas to reduce potable urban water usage by 25 percent statewide.  

On February 2, 2016, the State Water Board will consider a resolution to extend the existing May 2015 Emergency Regulation as directed in the November 2015 executive order. The proposed resolution will extend the existing May 2015 Emergency Regulation to October 31, 2016.  

Attachment(s):  
1. California Water Boards Fact Sheet - Extending the Emergency Water Conservation Regulation  
2. Executive Order B-36-15  
3. Executive Order B-29-15  

ITEM NO. 7
Extending the Emergency Water Conservation Regulation

Proposed Regulatory Changes to Achieve Statewide Reductions in Urban Potable Water Usage

On November 13, 2015, Governor Edmund G. Brown Jr. issued Executive Order B-36-15 calling for an extension of urban water use restrictions until October 31, 2016, should drought conditions persist. Given the severity of the water deficits over the past four years many of California’s reservoirs and groundwater basins remain depleted and the need for continued water conservation persists. The November executive order directs the State Water Resources Control Board (State Water Board) to consider modifying the restrictions on water use and incorporate insights gained from the existing restrictions.

The State Water Board’s adoption of Resolution No. 2015-0032 and its May 2015 Emergency Regulation addressed specific provisions of Executive Order B-29-15, including mandating a 25 percent statewide reduction in potable urban water use between June 2015 and February 2016. To reach the statewide 25 percent reduction mandate and consistent with Executive Order B-29-15, the Emergency Regulation identified a conservation tier for each urban water supplier, between four percent and 36 percent, based on residential per capita water use for the months of July - September 2014. As directed under Resolution No. 2015-0032, State Water Board staff worked with stakeholders to develop and consider a range of factors that contribute to water use, including climate, growth and investment in drought-resilient supplies, to devise options for refining the proposed extended emergency regulation.

The proposed Emergency Regulation extends the requirements of the existing May 2015 Emergency Regulation and offers modest adjustments to help to respond to some of the reasonable concerns suppliers have raised to the State Water Board since it first considered the May 2015 Emergency Regulation.

Executive Order B-36-15 directs the State Water Board to extend restrictions to achieve a statewide reduction in urban potable water usage through October 2016, based on drought conditions known through January 2016. While the state has experienced some much-needed snow and rainfall in December and January, surface storage remains at or near historic lows, precipitation has been inconsistent, and snowpack is about average.
It is too early to tell whether or not additional rain and snowfall will put the State in the position where the existing restrictions are no longer necessary, or could be further tempered. State Water Board staff is committed to monitoring and evaluating available data on snowpack, reservoir storage levels and groundwater basin levels, and intends report back to the State Water Board in March and April 2016. If conditions warrant, State Water Board staff will promptly bring a proposal before the State Water Board to adjust or eliminate the Emergency Regulation.

Stakeholder Involvement
In the summer and fall of 2015, State Water Board staff convened a small workgroup, comprised of representatives from the water community, to receive preliminary input on issues to be considered should the emergency conservation regulation be extended due to continuing drought conditions into 2016. The State Water Board subsequently conducted a public workshop on December 7, 2015, and used the input it received from that workshop, the workgroup, and other available stakeholder input and insights gained since the May 2015 Emergency Regulation was adopted, to release a proposed regulatory framework for extending and adjusting the Emergency Regulation on December 21, 2015. The State Water Board solicited and received further public input on that framework; stakeholders - including water suppliers, local government, businesses, individuals, and non-governmental organizations - submitted more than 200 comments on the framework. The text of the proposed Emergency Regulation released on January 15, 2016, is part of a Notice of Proposed Emergency Regulation that will be released on January 22, 2016, which initiates the formal emergency rulemaking process. Formal public comments are due by January 28 and may be submitted as explained below. If approved, the State Water Board expects suppliers and their customers will save more than one million acre-feet of water, or about as much water as is currently in Lake Oroville, in response to the regulation. This savings will be in addition to the 1.2 million acre-feet the State is on track to have saved from June 2015 through February 2016.

What’s Next
Release of the Notice of Proposed Emergency Rulemaking begins a formal comment period that will conclude just prior to the State Water Board’s consideration of adoption of the proposed Emergency Regulation at its February 2, 2016, public meeting. During this formal notice period, all comments must be received by 12 p.m. on Thursday, January 28, 2016, and will not be accepted after that time. Submittals are to be sent via e-mail to the Clerk to the State Water Board at commentletters@waterboards.ca.gov. Please indicate in the subject line, “2/2/16 BOARD MEETING (Conservation Extended Emergency Regulation)” All received comments will be immediately provided to the Board Members and posted on the State Water Board’s webpage.
Proposed Emergency Regulation - Key Provisions

The proposed Emergency Regulation will essentially extend the existing May 2015 Emergency Regulation and maintain many of the same requirements that apply now.

Proposed changes to the May 2015 Emergency Regulation include, but are not limited to:

- Credits and adjustments to urban water suppliers’ conservation standards that consider the differences in climate affecting different parts of the state; growth experienced by urban areas; and significant investments that have been made by some suppliers toward creating new, local, drought-resilient sources of potable water supply;
- Penalties for homeowners' associations or community service organizations impeding homeowners from reducing or eliminating the watering of vegetation or lawns during a declared drought emergency, as described in existing Civil Code provisions;
- Further defining what agricultural uses may be subtracted from a supplier’s potable water production total; and
- Updates to compliance and reporting timelines.

Conservation Standard for Urban Water Suppliers

As drought conditions persist, all water suppliers will need to continue to meet their individual conservation standards. Since June 2015, cumulative statewide conservation has eclipsed the 25 percent target. Everyone must continue to conserve, and the greatest opportunities to meet the conservation standards are in the warmer months when outdoor landscape irrigation typically increases. Often, but not always, water suppliers with higher per capita users are located in areas where the majority of water use is directed to outdoor irrigation due to lot size, climate and other factors; thus outdoor irrigation will continue to present the greatest opportunity for the highest reductions. The proposed Emergency Regulation maintains the current tiers of required water reductions, though with additional adjustments in response to stakeholders’ concerns.

Overview of Conservation Tiers

The conservation standards for all urban water suppliers continue to be allocated across nine tiers of increasing levels of residential gallons per capita per day (R-GPCD) water use. This approach considers the relative per capita water usage of each water suppliers' service area and requires that those areas with high per capita use achieve proportionally greater reductions than those with low use, while lessening the disparities in reduction requirements between agencies that have similar levels of water consumption but fall on different sides of dividing lines between tiers. Suppliers have been assigned a conservation standard that ranges between eight percent and 36 percent based on their R-GPCD for the months of July - September, 2014. These three months reflect the amount of water used for summer outdoor irrigation, which provides the greatest opportunity for conservation savings. The proposed Emergency Regulation continues the reserved
four percent conservation tier for those suppliers meeting specific criteria relating to not experiencing drought conditions.

The larger urban water suppliers (serving more than 3,000 customers or delivering more than 3,000 acre feet of water per year), which account for more than 90 percent of urban water use, have previously been assigned a conservation standard, as shown in the following table:

<table>
<thead>
<tr>
<th>Tier</th>
<th>R-GPCD Range</th>
<th># of Suppliers in Range</th>
<th>Conservation Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>reserved</td>
<td>4</td>
<td>4%</td>
</tr>
<tr>
<td>2</td>
<td>0</td>
<td>27</td>
<td>8%</td>
</tr>
<tr>
<td>3</td>
<td>65</td>
<td>22</td>
<td>12%</td>
</tr>
<tr>
<td>4</td>
<td>80</td>
<td>42</td>
<td>16%</td>
</tr>
<tr>
<td>5</td>
<td>95</td>
<td>61</td>
<td>20%</td>
</tr>
<tr>
<td>6</td>
<td>110</td>
<td>45</td>
<td>24%</td>
</tr>
<tr>
<td>7</td>
<td>130</td>
<td>81</td>
<td>28%</td>
</tr>
<tr>
<td>8</td>
<td>170</td>
<td>62</td>
<td>32%</td>
</tr>
<tr>
<td>9</td>
<td>215</td>
<td>67</td>
<td>36%</td>
</tr>
</tbody>
</table>

Adjustments to the Conservation Standards
The proposed Emergency Regulation allows urban water suppliers to update their conservation standards under certain situations, as explained below.

1. Climate Adjustment
   The proposed Emergency Regulation allows a climate adjustment that, where applicable, will reduce a water supplier’s conservation standard by up to four percentage points for those water suppliers located in the warmer regions of the State. The climate adjustment will be based on each urban water supplier’s average service area evapotranspiration (ETo) for the months of July through September, as compared to the statewide average for the same months. Statewide average ETo will be calculated as the arithmetic mean of all urban water suppliers’ service area ETo for those months. The adjustment will range from a two to four percentage point decrease in an urban water supplier's conservation standard as follows:

<table>
<thead>
<tr>
<th>Deviation of Urban Water Supplier Service Area’s ETo from the Statewide Average ETo</th>
<th>Reduction in Conservation Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;20%</td>
<td>4%</td>
</tr>
<tr>
<td>10 to 20%</td>
<td>3%</td>
</tr>
<tr>
<td>5 to &lt;10%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Default service area average ETos are based on the California Irrigation Management Information System (CIMIS) Mapped ETo Zone for which the supplier’s service area has the greatest overlap. In lieu of using the default service area ETo, each urban water supplier will have the opportunity to refine its service area ETo by using data from CIMIS stations within its service area, provided that each station used has a continuous period of record of at least five years. To qualify for the in-lieu climate adjustment, the supplier will be required to submit the following data for each CIMIS station used to the State Water Board by March 15, 2016: CIMIS station ID, CIMIS station location, and monthly ETo in inches per month for July, August and September, for the five-year continuous period of record. The table below provides an example of the climate adjustment calculation, using the default service area average ETo.

<table>
<thead>
<tr>
<th>Example Calculation of Climate Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Conservation Standard</td>
</tr>
<tr>
<td>Statewide Average ETo July-September</td>
</tr>
<tr>
<td>Service Area Average ETo July-September (Zone 17)</td>
</tr>
<tr>
<td>Service Area % Deviation from Average ETo = (8.4-6.33)/6.33</td>
</tr>
<tr>
<td>Climate Adjustment</td>
</tr>
<tr>
<td><strong>Adjusted Conservation Standard</strong></td>
</tr>
</tbody>
</table>

2. **Growth Adjustment**

The proposed Emergency Regulation provides a mechanism to adjust urban water supplier conservation standards to account for water efficient growth since 2013. The adjustment is calculated as the product of the supplier’s conservation standard and the supplier’s reasonable percentage change in total potable water production since 2013, using a specific formula to calculate the percentage change, rounded to the nearest whole percentage point. To qualify for the growth adjustment a supplier will have to provide, at a minimum, the following data to the State Water Board by March 15, 2016: the number of new permanent residents added since January 1, 2013; the area of new residential landscaping, in square feet, served since January 1, 2013; the number of new commercial, industrial and institutional (CII) connections added since January 1, 2013; and the average volume of water served to each CII account from February 1, 2015 to October 31, 2015.

The volume of water added due to growth is calculated as the sum of:

1. Number of new permanent residents added since 2013 multiplied by 55 (the currently-identified per-person reasonable indoor water use standard) multiplied by 270 days; (the duration of the regulation);
2. Area of new residential landscaped area (square feet) served by new residents since 2013 multiplied by 55 percent of total service area ETo (inches) for the months of February through October multiplied by a conversion factor of 0.623 (converting inches to gallons); and
3. Number of new CII connections added since 2013 multiplied by the average CII water use per connection during February through October 2015.

The table below provides an example of the growth adjustment calculation.

<table>
<thead>
<tr>
<th>Example Calculation of Growth Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1: Gather information needed for calculation</strong></td>
</tr>
<tr>
<td>a. Number of new permanent residents added since January 1, 2013</td>
</tr>
<tr>
<td>b. Residential landscaped area served by new residents since January 1, 2013</td>
</tr>
<tr>
<td>c. Total ETo February 2015 through October 2015</td>
</tr>
<tr>
<td>d. Number of new CII connections added since January 1, 2013</td>
</tr>
<tr>
<td>e. Average use per CII connection February-October 2015</td>
</tr>
<tr>
<td><strong>Step 2: Calculate volume of water attributable to new permanent residents</strong></td>
</tr>
<tr>
<td>= [1,300 * 55 * 270] + [10,000,000 * 44 * 0.55 * 0.623]</td>
</tr>
<tr>
<td><strong>Step 3: Calculate volume of water from new CII connections</strong></td>
</tr>
<tr>
<td>= 700 * 900,000</td>
</tr>
<tr>
<td><strong>Step 4: Calculate total volume of water attributable to growth since 2013</strong></td>
</tr>
<tr>
<td>Add together results from steps 2 + 3:</td>
</tr>
<tr>
<td>= 170,071,000 + 630,000,000</td>
</tr>
<tr>
<td><strong>Step 5: Percentage of water attributable to growth since 2013</strong></td>
</tr>
<tr>
<td>Baseline 2013 total water production February-October</td>
</tr>
<tr>
<td>Gallons of water attributable to growth</td>
</tr>
<tr>
<td>Percentage change in potable water production due to growth</td>
</tr>
<tr>
<td><strong>Step 6: Adjust conservation standard</strong></td>
</tr>
<tr>
<td>Original Conservation Standard</td>
</tr>
<tr>
<td><strong>Adjusted Conservation Standard = 0.36 * [1 - 0.05]</strong></td>
</tr>
</tbody>
</table>

3. **New Local Drought-Resilient Supply Credit**

Under the proposed Emergency Regulation, any urban water supplier that obtains at least four percent of its total potable water production from a qualifying new local, drought-resilient water supply will be eligible for a four to eight percent reduction to its conservation standard. This credit will be equal to the urban water supplier’s actual percentage of total potable water production that comes from a qualifying new local, drought-resilient water supply up to a maximum of eight percent.

The State Water Board continues to encourage every effort by suppliers to ensure a safe and reliable water supply for their customers, especially through improving security of local water supply sources. However, under the proposed Emergency Regulation, the credit will apply only to urban water suppliers that certify the percentage of their total potable water production comes from a local, drought-resilient source of supply developed after 2013, and that the use of that supply does
not reduce the water available to another legal user of water or the environment (e.g., indirect potable reuse of wastewater in coastal regions where the water would not have otherwise been discharged into a water body that others use as a source of supply). To qualify for the drought-resilient source credit a supplier will have to submit its certification to the State Water Board by March 15, 2016. The table below provides an example of the local drought-resilient supply credit calculation.

<table>
<thead>
<tr>
<th>Example Local Drought-Resilient Supply Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Conservation Standard</td>
</tr>
<tr>
<td>Baseline 2013 total water production February-October</td>
</tr>
<tr>
<td>Total potable water production comes from a drought resilient-source of supply (developed after January 1, 2013)</td>
</tr>
<tr>
<td>Percent of total potable water production from a drought-resilient source of supply</td>
</tr>
<tr>
<td>Adjusted Conservation Standard</td>
</tr>
</tbody>
</table>

The maximum reduction in a water supplier’s conservation standard through combined climate, growth and new resilient drought supplies adjustments described above is proposed to be capped at an eight percentage point reduction from any one supplier’s otherwise applicable conservation standard, with no suppliers dropping below an eight percent conservation standard.

Total monthly water production and specific reporting on residential use and enforcement as laid out in the May 2015 Emergency Regulation will remain in effect.

**Commercial Agriculture Exclusion**
Under the May 2015 Emergency Regulation, urban water suppliers are allowed to subtract water delivered for commercial agriculture from total potable water production if the supplier meets certain conditions and submits the agricultural water use certification to the State Water Board. The proposed Emergency Regulation extends and modifies the eligibility requirements for the commercial agricultural exclusion. Suppliers will be allowed to subtract the water delivered for commercial agriculture from total potable water production only for those users that produced at least $1,000 of revenue in the previous year, or who would have but for circumstances beyond their control.

**Self-Supplied Commercial, Industrial and Institutional (CII) Users**
The proposed Emergency Regulation continues to require self-supplied CII users to either reduce their usage by 25 percent or restrict outdoor irrigation to no more than two days per week. CII facilities with an independent source of supply (i.e., not served by a water supplier) are still not required to submit a report. However, these facilities should be prepared to demonstrate their compliance with the two day per week watering restriction, or the 25 percent reduction in water use if requested to do so by the State Water Board.
Conservation Standard for All Other Water Suppliers
The proposed Emergency Regulation continues to require small water suppliers (serving 3,000 or fewer customers) to either achieve a 25% conservation standard, or restrict outdoor irrigation to no more than two days per week through October 2016. These suppliers will again be required to submit a small water supplier report that either (a) identifies total potable water production, by month, from December 2015 through August 2016, or (b) confirms compliance with the maximum two day per week outdoor irrigation restriction. The small water supplier report will be due to the State Water Board by September 15, 2016.

End-User Requirements
The proposed Emergency Regulation maintains the current prohibitions on water use. These include:

- Irrigation with potable water of ornamental turf on public street medians is prohibited; and
- Irrigation with potable water outside of newly-constructed homes and buildings not in accordance with emergency regulations or other requirements established in the California Building Standards Code is prohibited.
- Using potable water to wash sidewalks and driveways;
- Allowing runoff when irrigating with potable water;
- Using hoses with no shutoff nozzles to wash cars;
- Using potable water in decorative water features that do not recirculate the water;
- Irrigating outdoors during and within 48 hours following measurable rainfall; and
- Restaurants from serving water to their customers unless the customer requests it.

Additionally, hotels and motels must offer their guests the option to not have their linens and towels laundered daily, and prominently display this option in each guest room.

It continues to be very important that while these provisions are in effect existing trees remain healthy and do not present a public safety hazard. Trees and other non-turf vegetation within street medians may continue to be watered. Information on how to maintain trees while reducing outdoor water use is available at: www.saveourwater.com/trees.

Compliance Assessment
The State Water Board will continue to assess compliance on a cumulative basis, using suppliers’ monthly reported data. Each month, State Water Board staff will reassess compliance based on the supplier’s cumulative savings since June 2015. Cumulative tracking means that conservation savings will be added together from one month to the next and compared to the amount of water used during the same months in 2013.

The State Water Board will continue to use informational orders to request information from suppliers not meeting their conservation standards and, as appropriate, conservation orders that direct specific actions to correct non-compliance. Both tools are tailored to the
emergency circumstances that the State finds itself in as a result of continuing drought conditions. Violation of an informational order or conservation order carries a penalty of up to $500 per day.

The State Water Board will continue to work with water suppliers along the way that are not meeting their targets to implement actions to get them back on track. These actions could include changes to rates and pricing, restrictions on outdoor irrigation, public outreach, rebates and audit programs, leak detection and repair and other measures. The State Water Board may use its enforcement tools to ensure that water suppliers are on track to meet their conservation standards at any point during the 270 days that the emergency regulation is in effect.

The alternative compliance process the State Water Board identified in Resolution No. 2015-0032 is not proposed to be modified.

**Conclusion**

No one knows how the future will unfold. While the State may return to “normal,” or even to above average hydrologic water conditions in 2016 or 2017, such an outcome is far from certain, nor is it certain that one year of average or above-average water conditions will relieve the State from these historic drought conditions. Continued water conservation is imperative. Moving forward, the State Water Board is committed to working with water suppliers on implementing the Emergency Regulation, assessing water conditions throughout the spring, and adapting requirements as appropriate based on water supply conditions in April.

The State is meeting the Governor’s 25 percent cumulative statewide conservation goal because Californians have risen to the occasion. As the State Water Board acts on the Governor’s Executive Order B-36-15, it will consider the lessons learned from the implementation of the current executive order and make adjustments to the Emergency Regulation as needed. The State Water Board will also begin to work with other agencies and stakeholders to develop longer term measures to ensure water continues to be used efficiently.

*(This fact sheet was last updated on January 15, 2016)*
EXECUTIVE ORDER B-36-15

WHEREAS on January 17, 2014, I proclaimed a State of Emergency throughout the State of California due to severe drought conditions, which persist after four years; and

WHEREAS California is experiencing a range of extreme weather events such that the state must simultaneously prepare for a fifth year of drought and the possibility of major winter storms driven by the warming trend in the Pacific Ocean known as El Niño; and

WHEREAS the ongoing drought continues to affect water supplies, agriculture, businesses, and communities, and is further stressing California’s fish and wildlife; and

WHEREAS wildfires have damaged critical infrastructure, including power plants, and hundreds of thousands of acres are and continue to be vulnerable to debris and mudslides due to scarring from significant wildfires in recent years; and

WHEREAS the magnitude of the severe drought conditions and wildfires continues to present threats beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to combat; and

WHEREAS under the provisions of section 8558(b) of the Government Code, I find that conditions of extreme peril to the safety of persons and property continue to exist in California due to water shortage, drought conditions, and wildfires; and

WHEREAS under the provisions of section 8571 of the Government Code, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay the mitigation of the effects of the drought and wildfires.

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with the authority vested in me by the Constitution and statutes of the State of California, in particular sections 8567 and 8571 of the Government Code, do hereby issue this Executive Order, effective immediately.

IT IS HEREBY ORDERED THAT:

1. The orders and provisions contained in my January 17, 2014 Proclamation, my April 25, 2014 Proclamation, and Executive Orders B-26-14, B-28-14, and B-29-15 remain in full force and effect except as modified herein.
2. To demonstrate the feasibility of projects that can use available high water flows to recharge local groundwater while minimizing flooding risks, the State Water Resources Control Board and California Regional Water Quality Control Boards shall prioritize temporary water right permits, water quality certifications, waste discharge requirements, and conditional waivers of waste discharge requirements to accelerate approvals for projects that enhance the ability of a local or state agency to capture high precipitation events this winter and spring for local storage or recharge, consistent with water rights priorities and protections for fish and wildlife.

3. If drought conditions persist through January 2016, the Water Board shall extend until October 31, 2016, restrictions to achieve a statewide reduction in urban potable water usage. The Water Board shall consider modifying its existing restrictions to address uses of potable and non-potable water, as well as to incorporate insights gained from existing restrictions. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.

4. Of the $15 million appropriated in Item 3940-101-0679 of the Budget Act of 2015, the State Water Resources Control Board shall use up to $5 million for permanent solutions that provide safer, cleaner, and more reliable drinking water to households served by water systems serving less than 15 drinking water connections or households served by domestic wells or other individual water supplies. The Water Board shall prioritize funds to public agencies and other entities eligible for funding under Water Code section 13442, but the Water Board may provide direct assistance to well owners without water for alternative safe drinking water supplies, if an entity eligible under Water Code section 13442 is unable or unwilling to provide assistance.

5. The Energy Commission shall expedite the processing of all applications or petitions for amendments to power plant certifications issued by the Energy Commission for the purpose of remediating any wildfire damage and to restore power plant operation by authorizing emergency construction activities including demolition, alteration, replacement, repair or reconstruction necessary for power plant operation. Title 20, section 1769 of the California Code of Regulations is hereby waived for any such petition, and the Executive Director of the Energy Commission shall approve such petitions as he deems necessary. The Energy Commission shall give timely notice to all relevant local, regional, and state agencies of any petition subject to this directive, and shall post on its website any such petition.
6. For purposes of carrying out directives in this Executive Order, Division 13 (commencing with section 21000) of the Public Resources Code and regulations adopted pursuant to that Division are hereby suspended. This suspension applies to any actions taken by state agencies, and for actions taken by local agencies where the state agency with primary responsibility for implementing the directive concurs that local action is required, as well as for any necessary permits or approvals required to complete these actions. This suspension, and those specified in paragraph 26 of Executive Order B-29-15 and any similar suspension specified in any of the orders listed in Paragraph 1 shall remain in effect until the drought state of emergency, or wildfire state of emergency with respect to directive 16, is terminated.

7. For purposes of carrying out directive 5, Chapter 3.5 (commencing with section 11340) of Part 1 of Division 3 of the Government Code is suspended for the development and adoption of regulations or guidelines needed to carry out the provisions in this Order.

This Executive Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this order be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 13th day of November 2015.

EDMUND G. BROWN JR.
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State
Executive Department
State of California

EXECUTIVE ORDER B-29-15

WHEREAS on January 17, 2014, I proclaimed a State of Emergency to exist throughout the State of California due to severe drought conditions; and

WHEREAS on April 25, 2014, I proclaimed a Continued State of Emergency to exist throughout the State of California due to the ongoing drought; and

WHEREAS California’s water supplies continue to be severely depleted despite a limited amount of rain and snowfall this winter, with record low snowpack in the Sierra Nevada mountains, decreased water levels in most of California’s reservoirs, reduced flows in the state’s rivers and shrinking supplies in underground water basins; and

WHEREAS the severe drought conditions continue to present urgent challenges including: drinking water shortages in communities across the state, diminished water for agricultural production, degraded habitat for many fish and wildlife species, increased wildfire risk, and the threat of saltwater contamination to fresh water supplies in the Sacramento-San Joaquin Bay Delta; and

WHEREAS a distinct possibility exists that the current drought will stretch into a fifth straight year in 2016 and beyond; and

WHEREAS new expedited actions are needed to reduce the harmful impacts from water shortages and other impacts of the drought; and

WHEREAS the magnitude of the severe drought conditions continues to present threats beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to combat; and

WHEREAS under the provisions of section 8558(b) of the Government Code, I find that conditions of extreme peril to the safety of persons and property continue to exist in California due to water shortage and drought conditions with which local authority is unable to cope; and

WHEREAS under the provisions of section 8571 of the California Government Code, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay the mitigation of the effects of the drought.

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with the authority vested in me by the Constitution and statutes of the State of California, in particular Government Code sections 8567 and 8571 of the California Government Code, do hereby issue this Executive Order, effective immediately.
IT IS HEREBY ORDERED THAT:

1. The orders and provisions contained in my January 17, 2014 Proclamation, my April 25, 2014 Proclamation, and Executive Orders B-26-14 and B-28-14 remain in full force and effect except as modified herein.

SAVE WATER

2. The State Water Resources Control Board (Water Board) shall impose restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016. These restrictions will require water suppliers to California’s cities and towns to reduce usage as compared to the amount used in 2013. These restrictions should consider the relative per capita water usage of each water suppliers’ service area, and require that those areas with high per capita use achieve proportionally greater reductions than those with low use. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.

3. The Department of Water Resources (the Department) shall lead a statewide initiative, in partnership with local agencies, to collectively replace 50 million square feet of lawns and ornamental turf with drought tolerant landscapes. The Department shall provide funding to allow for lawn replacement programs in underserved communities, which will complement local programs already underway across the state.

4. The California Energy Commission, jointly with the Department and the Water Board, shall implement a time-limited statewide appliance rebate program to provide monetary incentives for the replacement of inefficient household devices.

5. The Water Board shall impose restrictions to require that commercial, industrial, and institutional properties, such as campuses, golf courses, and cemeteries, immediately implement water efficiency measures to reduce potable water usage in an amount consistent with the reduction targets mandated by Directive 2 of this Executive Order.

6. The Water Board shall prohibit irrigation with potable water of ornamental turf on public street medians.

7. The Water Board shall prohibit irrigation with potable water outside of newly constructed homes and buildings that is not delivered by drip or microspray systems.
8. The Water Board shall direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees, and penalties, to maximize water conservation consistent with statewide water restrictions. The Water Board is directed to adopt emergency regulations, as it deems necessary, pursuant to Water Code section 1058.5 to implement this directive. The Water Board is further directed to work with state agencies and water suppliers to identify mechanisms that would encourage and facilitate the adoption of rate structures and other pricing mechanisms that promote water conservation. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.

INCREASE ENFORCEMENT AGAINST WATER WASTE

9. The Water Board shall require urban water suppliers to provide monthly information on water usage, conservation, and enforcement on a permanent basis.

10. The Water Board shall require frequent reporting of water diversion and use by water right holders, conduct inspections to determine whether illegal diversions or wasteful and unreasonable use of water are occurring, and bring enforcement actions against illegal diverters and those engaging in the wasteful and unreasonable use of water. Pursuant to Government Code sections 8570 and 8627, the Water Board is granted authority to inspect property or diversion facilities to ascertain compliance with water rights laws and regulations where there is cause to believe such laws and regulations have been violated. When access is not granted by a property owner, the Water Board may obtain an inspection warrant pursuant to the procedures set forth in Title 13 (commencing with section 1822.50) of Part 3 of the Code of Civil Procedure for the purposes of conducting an inspection pursuant to this directive.

11. The Department shall update the State Model Water Efficient Landscape Ordinance through expedited regulation. This updated Ordinance shall increase water efficiency standards for new and existing landscapes through more efficient irrigation systems, greywater usage, onsite storm water capture, and by limiting the portion of landscapes that can be covered in turf. It will also require reporting on the implementation and enforcement of local ordinances, with required reports due by December 31, 2015. The Department shall provide information on local compliance to the Water Board, which shall consider adopting regulations or taking appropriate enforcement actions to promote compliance. The Department shall provide technical assistance and give priority in grant funding to public agencies for actions necessary to comply with local ordinances.

12. Agricultural water suppliers that supply water to more than 25,000 acres shall include in their required 2015 Agricultural Water Management Plans a detailed drought management plan that describes the actions and measures the supplier will take to manage water demand during drought. The Department shall require those plans to include quantification of water supplies and demands for 2013, 2014, and 2015 to the extent data is available. The Department will provide technical assistance to water suppliers in preparing the plans.
13. Agricultural water suppliers that supply water to 10,000 to 25,000 acres of irrigated lands shall develop Agricultural Water Management Plans and submit the plans to the Department by July 1, 2016. These plans shall include a detailed drought management plan and quantification of water supplies and demands in 2013, 2014, and 2015, to the extent that data is available. The Department shall give priority in grant funding to agricultural water suppliers that supply water to 10,000 to 25,000 acres of land for development and implementation of Agricultural Water Management Plans.

14. The Department shall report to Water Board on the status of the Agricultural Water Management Plan submittals within one month of receipt of those reports.

15. Local water agencies in high and medium priority groundwater basins shall immediately implement all requirements of the California Statewide Groundwater Elevation Monitoring Program pursuant to Water Code section 10933. The Department shall refer noncompliant local water agencies within high and medium priority groundwater basins to the Water Board by December 31, 2015, which shall consider adopting regulations or taking appropriate enforcement to promote compliance.

16. The California Energy Commission shall adopt emergency regulations establishing standards that improve the efficiency of water appliances, including toilets, urinals, and faucets available for sale and installation in new and existing buildings.

INVEST IN NEW TECHNOLOGIES

17. The California Energy Commission, jointly with the Department and the Water Board, shall implement a Water Energy Technology (WET) program to deploy innovative water management technologies for businesses, residents, industries, and agriculture. This program will achieve water and energy savings and greenhouse gas reductions by accelerating use of cutting-edge technologies such as renewable energy-powered desalination, integrated on-site reuse systems, water-use monitoring software, irrigation system timing and precision technology, and on-farm precision technology.

STREAMLINE GOVERNMENT RESPONSE

18. The Office of Emergency Services and the Department of Housing and Community Development shall work jointly with counties to provide temporary assistance for persons moving from housing units due to a lack of potable water who are served by a private well or water utility with less than 15 connections, and where all reasonable attempts to find a potable water source have been exhausted.

19. State permitting agencies shall prioritize review and approval of water infrastructure projects and programs that increase local water supplies, including water recycling facilities, reservoir improvement projects, surface water treatment plants, desalination plants, stormwater capture, and greywater systems. Agencies shall report to the Governor’s Office on applications that have been pending for longer than 90 days.
20. The Department shall take actions required to plan and, if necessary, implement Emergency Drought Salinity Barriers in coordination and consultation with the Water Board and the Department of Fish and Wildlife at locations within the Sacramento-San Joaquin Delta estuary. These barriers will be designed to conserve water for use later in the year to meet state and federal Endangered Species Act requirements, preserve to the extent possible water quality in the Delta, and retain water supply for essential human health and safety uses in 2015 and in the future.

21. The Water Board and the Department of Fish and Wildlife shall immediately consider any necessary regulatory approvals for the purpose of installation of the Emergency Drought Salinity Barriers.

22. The Department shall immediately consider voluntary crop idling water transfer and water exchange proposals of one year or less in duration that are initiated by local public agencies and approved in 2015 by the Department subject to the criteria set forth in Water Code section 1810.

23. The Water Board will prioritize new and amended safe drinking water permits that enhance water supply and reliability for community water systems facing water shortages or that expand service connections to include existing residences facing water shortages. As the Department of Public Health’s drinking water program was transferred to the Water Board, any reference to the Department of Public Health in any prior Proclamation or Executive Order listed in Paragraph 1 is deemed to refer to the Water Board.

24. The California Department of Forestry and Fire Protection shall launch a public information campaign to educate the public on actions they can take to help to prevent wildfires including the proper treatment of dead and dying trees. Pursuant to Government Code section 8645, $1.2 million from the State Responsibility Area Fire Prevention Fund (Fund 3063) shall be allocated to the California Department of Forestry and Fire Protection to carry out this directive.

25. The Energy Commission shall expedite the processing of all applications or petitions for amendments to power plant certifications issued by the Energy Commission for the purpose of securing alternate water supply necessary for continued power plant operation. Title 20, section 1769 of the California Code of Regulations is hereby waived for any such petition, and the Energy Commission is authorized to create and implement an alternative process to consider such petitions. This process may delegate amendment approval authority, as appropriate, to the Energy Commission Executive Director. The Energy Commission shall give timely notice to all relevant local, regional, and state agencies of any petition subject to this directive, and shall post on its website any such petition.
26. For purposes of carrying out directives 2–9, 11, 16–17, 20–23, and 25, Division 13 (commencing with section 21000) of the Public Resources Code and regulations adopted pursuant to that Division are hereby suspended. This suspension applies to any actions taken by state agencies, and for actions taken by local agencies where the state agency with primary responsibility for implementing the directive concurs that local action is required, as well as for any necessary permits or approvals required to complete these actions. This suspension, and those specified in paragraph 9 of the January 17, 2014 Proclamation, paragraph 19 of the April 25, 2014 proclamation, and paragraph 4 of Executive Order B-26-14, shall remain in effect until May 31, 2016. Drought relief actions taken pursuant to these paragraphs that are started prior to May 31, 2016, but not completed, shall not be subject to Division 13 (commencing with section 21000) of the Public Resources Code for the time required to complete them.

27. For purposes of carrying out directives 20 and 21, section 13247 and Chapter 3 of Part 3 (commencing with section 85225) of the Water Code are suspended.

28. For actions called for in this proclamation in directive 20, the Department shall exercise any authority vested in the Central Valley Flood Protection Board, as codified in Water Code section 8521, et seq., that is necessary to enable these urgent actions to be taken more quickly than otherwise possible. The Director of the Department of Water Resources is specifically authorized, on behalf of the State of California, to request that the Secretary of the Army, on the recommendation of the Chief of Engineers of the Army Corps of Engineers, grant any permission required pursuant to section 14 of the Rivers and Harbors Act of 1899 and codified in section 48 of title 33 of the United States Code.

29. The Department is directed to enter into agreements with landowners for the purposes of planning and installation of the Emergency Drought Barriers in 2015 to the extent necessary to accommodate access to barrier locations, land-side and water-side construction, and materials staging in proximity to barrier locations. Where the Department is unable to reach an agreement with landowners, the Department may exercise the full authority of Government Code section 8572.

30. For purposes of this Executive Order, chapter 3.5 (commencing with section 11340) of part 1 of division 3 of the Government Code and chapter 5 (commencing with section 25400) of division 15 of the Public Resources Code are suspended for the development and adoption of regulations or guidelines needed to carry out the provisions in this Order. Any entity issuing regulations or guidelines pursuant to this directive shall conduct a public meeting on the regulations and guidelines prior to adopting them.
31. In order to ensure that equipment and services necessary for drought response can be procured quickly, the provisions of the Government Code and the Public Contract Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements, are hereby suspended for directives 17, 20, and 24. Approval by the Department of Finance is required prior to the execution of any contract entered into pursuant to these directives.

This Executive Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 1st day of April 2015.

EDMUND G. BROWN JR.
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State
Date: February 4, 2016  
To: Southeast Water Coalition Board of Directors  
From: Arturo Cervantes, Lead Agency, City of South Gate  
Subject: Extension of SEWC’s Administrative Support Contract with KJServices Environmental Consulting on a Month-to-Month Basis Pending the Selection of a Replacement Firm  

Recommendation: That the Board of Directors take the following action:

Approve a month-to-month contract with KJServices Environmental Consulting for Administrative Support Services pending the Selection of a Replacement Firm, in an amount not to exceed $1,500 monthly.

Discussion  
Since approximately 2008, the Southeast Water Coalition has used the services of a consultant to assist with the administrative activities of the JPA. The current contract with SEWC’s consultant ended on December 31, 2015.

The Administrative Entity established an Ad Hoc Committee at their January 21, 2016 meeting to develop an RFP for Administrative Support Services and is in the process of identifying and notifying potential respondent firms. The Ad Hoc Committee will review the proposals and interview potential firms, as necessary, prior to making a recommendation of a new consultant to the Administrative Entity. The selected firm will then be submitted to the Policy Board for review and approval.

In the interim, the Administrative Entity requests that the Board approve a month-to-month contract with KJServices Environmental Consulting to continue to provide necessary administrative support. KJServices will continue to bill at their established hourly rates.

Fiscal Impact:  
These services are budgeted. The estimated monthly cost will not exceed $1,500.

Attachment(s):  
1. Letter Proposal
Date: February 4, 2016
To: Southeast Water Coalition Board of Directors
From: Arturo Cervantes, Lead Agency, City of South Gate
       Kevin Hunt, General Manager, Central Basin Municipal Water District
Subject: The California State Auditor's Report of the Central Basin Municipal Water District

Recommendation: That the Board of Directors take the following action:

Receive and File a report from Mr. Kevin Hunt, the General Manager of the Central Basin Municipal Water District (CBMWD) on the Results of the California State Auditor's Audit of the CBMWD.

Discussion
At the request of Assembly Members Rendon and Garcia and Senators Hernandez and Lara, the Joint Legislative Audit Committee, at its March 4, 2015 meeting instructed the California State Auditor to begin an audit of CBMWD. The audit focused on a five-year period between 2010 and 2015.

In December 2015, the California State Auditor completed the audit and released a report of its findings. The following findings are taken from the Report Summary.

"Our audit of the Central Basin Municipal Water District (district) revealed the following:

• The district’s board of directors’ (board) poor leadership has impeded the district's ability to effectively meet its responsibilities:
  • The board has not maintained stability in the district's key executive management position.
  • It has not established essential policies to safeguard the district's long-term financial viability.
  • The board's actions caused the district to lose its liability insurance coverage, resulting in higher costs for less coverage.

• The board violated state law when it improperly approved the establishment of a legal trust fund without adequate public disclosure. Further, it lacked a means of ensuring the expenditures made from the $2.75 million trust fund were appropriate.
• The district consistently engaged in questionable contracting practices by avoiding competitive bidding and inappropriately using amendments to extend and expand contracts.

• The district spent funds on purposes unrelated to its mission that likely constitute gifts of public funds.

• The district did not always follow its policies for hiring employees - it hired unqualified staff and created an unnecessary position.

• Some of the benefits the district offers to its board members may be overly generous. For example, it provides full health benefits and a generous automobile allowance, even though board members essentially work part-time.

• The district paid for unreasonable travel and meal expenses for both its board members and staff.

• Although the district has made changes to improve its ability to operate efficiently and effectively, it could benefit from a different governance structure."

Attachment(s):
1. California audit summary.
2. State auditor fact sheet.
Summary

HIGHLIGHTS

Our audit of the Central Basin Municipal Water District (district) revealed the following:

- The district’s board of directors’ (board) poor leadership has impeded the district’s ability to effectively meet its responsibilities:
  - The board has not maintained stability in the district’s key executive management position.
  - It has not established essential policies to safeguard the district’s long-term financial viability.
  - The board’s actions caused the district to lose its liability insurance coverage, resulting in higher costs for less coverage.

- The board violated state law when it improperly approved the establishment of a legal trust fund without adequate public disclosure. Further, it lacked a means of ensuring the expenditures made from the $2.75 million trust fund were appropriate.

- The district consistently engaged in questionable contracting practices by avoiding competitive bidding and inappropriately using amendments to extend and expand contracts.

- The district spent funds on purposes unrelated to its mission that likely constitute gifts of public funds.

- The district did not always follow its policies for hiring employees—it hired unqualified staff and created an unnecessary position.
• Some of the benefits the district offers to its board members may be overly generous. For example, it provides full health benefits and a generous automobile allowance, even though board members essentially work part-time.
• The district pays for unreasonable travel and meal expenses for both its board members and staff.
• Although the district has made changes to improve its ability to operate efficiently and effectively, it could benefit from a different governance structure.

Results in Brief

The Central Basin Municipal Water District (district) was established by a vote of the people in 1952 to help mitigate the overpumping of groundwater in southeast Los Angeles County. The district wholesales imported water from the Metropolitan Water District of Southern California (Metropolitan) to cities, other water districts, mutual water companies, investor-owned utilities, and private companies in southeast Los Angeles County. In addition, it operates a system for obtaining and distributing recycled water. A publicly elected board of five directors (board) governs the district. The board appoints a general manager who oversees the district’s day-to-day operations and its staff.

In recent years, the district’s actions have called into question the efficiency and effectiveness of its operations. News reports have focused public attention on a number of issues at the district, some of which we explore in detail in this report. Because of these issues and others, the County of Los Angeles Department of Public Works (Public Works) published a report in October 2014 that outlined the concerns it identified with the district’s operations. As a result of these concerns, the report explored the steps necessary to dissolve the district and transfer its work elsewhere. However, the report stopped short of making such a recommendation and instead recommended this audit.

Our audit found that the board’s poor leadership has impeded the district’s ability to effectively meet its responsibilities. For example, the board failed to ensure that it provided the district with stability in its key executive management position. The district’s administrative code establishes the general manager as the district’s chief executive and notes that hiring the general manager is a critical function of the board. Nonetheless, between 2010 and 2015, six different individuals filled this role. Lack of agreement among the board members was a factor contributing to the instability in this position. The district’s current general manager is on a two-year contract and is contemplating retiring at the end of the contract term in May 2017. However, the district does not have a formal policy for recruiting and hiring a general manager in the future. If the board does not fill the general manager position either prior to the current general manager’s retirement or within a reasonable amount of time thereafter, the board will likely hinder the district’s ability to effectively meet its responsibilities.

In addition, the board has not established the essential policies necessary to safeguard the district’s long-term financial viability. Contrary to a recommendation directed to all government agencies from a national organization that promotes the professional management of governmental resources, the district has not engaged in long-term financial planning to help it develop strategies to overcome financial challenges and...
achieve long-term sustainability. In addition, the district has not performed the study necessary to ensure that its water rate structure is appropriate and that it will collect sufficient revenues to meet its costs. In fact, in planning its annual budgets, the district overestimated its revenues in four of the past five years, and consequently its expenditures exceeded its revenues in three of those years.

Also, the district’s debt coverage ratio, which measures its ability to produce enough cash to cover its debt payments, has fallen below the level required by its debt agreements twice in the past five fiscal years. This is partly because the board has not ensured that the district has a formal debt management policy, despite the district’s external auditors’ recommendations that it implement one. Various factors contributed to the decline in the district’s debt coverage ratio—including that the district faced sustained high legal costs and a decline in water revenues—and the credit rating on the district’s debt was downgraded in August 2013 and again in October 2015. According to a former general manager’s memo, because of the August 2013 downgrade, the district could face an increase in total interest costs when it issues new debt to restructure its outstanding debt. The current general manager stated that as a result of the October 2015 downgrade, the district will likely incur additional costs when it restructures its debt.

Further, the board’s actions caused the district to lose its insurance coverage. Specifically, in 2014 the board did not respond to the conditions required by its then-insurer in a timely manner, and consequently the insurer canceled the district’s insurance coverage, including its general liability and employment practices liability coverage. Subsequently, in September 2014, after the district had obtained new insurance coverage from private insurance companies, the district’s insurance broker warned the district that any changes to senior staff could adversely impact the district’s employment practices liability insurance coverage. Despite this warning, the board subsequently fired the district’s then-general manager, and the insurance company did not renew the district’s insurance coverage in 2015. As a result, the district had to obtain new coverage yet again and currently pays thousands more for $1 million less general liability and employment practices liability insurance coverage than previously.

The board also violated state law in 2010 when it approved the establishment of a legal trust fund (trust fund) without adequate public disclosure. State law requires the district to hold open and public meetings, although it makes some exceptions to this requirement. For example, the board may meet in closed session to discuss ongoing litigation or pending litigation if public deliberation on the matter would prejudice its litigation position. The board relied on its outside legal counsel’s advice and cited this exception when it met in a closed session in June 2010, reporting that its discussion and actions were related to pending litigation. However, a later investigation by an external law firm found reason to believe that the board used the discussion and vote in that closed meeting to create a programmatic environmental impact report pertaining to groundwater storage, to finance many other nonlitigation expenses, and to avoid criticism. State law does not allow public entities to use the litigation exception as a subterfuge to reach nonlitigation-oriented policy decisions.

Further, the district did not disclose to the public the $2.75 million in transfers it made to the trust fund. In addition, because the board did not approve the expenditures the district’s outside legal counsel made from the fund, the board lacked assurance that all of the trust fund expenditures related to the purposes for which the fund was established.
Moreover, the board's actions caused the district to incur more than $500,000 in ongoing costs for the subsequent investigation into the trust fund and for a lawsuit that a current board member filed to recover, in part, the money the board transferred to the fund.

Additionally, the district often inappropriately avoided its competitive bidding processes when it awarded contracts to vendors during the period we audited. According to its procurement policy, the district is committed to obtaining the best value for the services it purchases and to using a competitive bidding process to procure these services. However, for 13 of the 20 contracts we reviewed that the district executed between July 2010 and June 2015, we determined that the district did not use its competitive bidding process. We further determined that the district did not adequately justify why it failed to competitively bid for 11 of these contracts, although its policies suggest using such justifications. When the district does not clearly identify and justify its reasons for avoiding its competitive bidding process, it leaves itself vulnerable to allegations of favoritism or conflicts of interest. For instance, in early 2015 the Fair Political Practices Commission fined a former general manager and a former board member for accepting gifts in excess of applicable limits from a contractor doing business with the district. By circumventing its competitive bidding process, the district cannot demonstrate that it obtained the best value for the services it purchased with public funds.

In addition to failing to follow its contracting practices, the district spent thousands of dollars of district money on purposes unrelated to its underlying authority, some of which very likely constitute gifts of public funds. Allowable district expenditures include those that serve a public purpose and are within the scope of the district's jurisdiction and specific purposes. However, it did not appear that the district met this criteria when it gave $9,000 to outside organizations for holiday turkeys in fiscal year 2012–13. It also currently allocates $3,000 in community outreach funds to each board member annually, which various board members had the district donate on their behalf to golf tournaments, a legislative member's breakfast panel, religious organizations, local high school sports programs, local pageants, and car shows. The district also spent unreasonable amounts of money on installation ceremonies for its board members and does not expressly limit the amounts that can be spent on these ceremonies. We found no clear correlation between any of these expenditures and the district's mission.

Finally, on several occasions during our period of review, the district failed to follow its policies for hiring employees. Its administrative code states that the district must use a competitive process for hiring employees based on their qualifications and ability. Further, it outlines the use of an interviewing panel for senior manager positions. The district also maintains job descriptions that detail the minimum qualifications applicants must possess before being hired. Nevertheless, we noted that the district did not follow its policies for hiring four individuals into senior manager positions. Despite the fact that the district's general manager is responsible for hiring, the board hired one of these employees—an assistant to the general manager who earned about $98,000 annually—without first authorizing the position. The district also hired two individuals who did not possess the required minimum levels of education for their positions as specified in their job descriptions. Further, the district chose to prepay $22,000 in college tuition, registration, and fees so that one of these individuals could earn the degree required for the position. The district authorized this payment, even though its policies limit payment for educational expenses to 90 percent of the cost of college courses and allows such payments only after
employees complete their coursework. The district ultimately terminated this employee before he completed his coursework. When the district fails to follow its hiring policies, it risks not hiring the most qualified individuals for the job and unnecessarily spending the district’s funds.

As we previously mentioned, Public Works explored the possibility of dissolving the district in its 2014 report. We believe such an extreme action might be viewed as premature given that the district and the board have recently made some changes to the district’s policies and practices that, if followed, will improve the district’s ability to operate efficiently and effectively. Nonetheless, the magnitude of the problems we found suggests that the district could benefit from a different governance structure. Specifically, because the board is publicly elected, it is not directly accountable to its customers, which are the various entities that sell water throughout the district. Other water agencies in the region, including Metropolitan and the San Diego County Water Authority, have boards composed of members appointed by their customers. If the Legislature chose to change the district’s governance structure modifying the structure to increase the board members’ accountability to the entities they serve would help to ensure that the board makes decisions that reflect the district’s best interest.

Recommendations

To ensure the efficient and effective delivery of imported and recycled water in southeastern Los Angeles County, the Legislature should pass special legislation to preserve the district as an independent entity but modify the district’s governance structure. In doing so, the Legislature should consider a governance structure that ensures the district remains accountable to those it serves; for example, the district’s board could be changed from one elected by the public at large to one appointed by the district’s customers.

To ensure the stability of the district’s operations, by June 2016 the district’s board should establish a formal policy for hiring for the general manager position. Because the current general manager is on a contract set to expire in May 2017, the board should initiate the hiring process for a new general manager or begin the process of renegotiating the contract with the current general manager in the fall of 2016.

To ensure its long-term financial sustainability, the board should complete a long-term financial plan no later than December 2016.

To ensure its water rate structure is appropriate to provide the revenue necessary to cover its legitimate costs, the district should complete its planned water rate study no later than the spring of 2017.

To ensure that it continues to take steps to improve its financial condition and avoids additional costs due to downgrades of its debt credit ratings, the district should immediately create a formal debt management policy. This policy should clearly define its credit objectives and provide guidelines for suitable debt agreements. This policy should
also require the district to periodically monitor the specific financial ratios, such as its debt coverage ratio, that are relevant to its credit rating.

To help it maintain its current insurance coverage and better position it to negotiate for more cost-effective and appropriate coverage in the future, the board should review the district’s insurance coverage annually and renegotiate costs and coverage amounts as necessary, particularly as the district resolves outstanding legal claims against it.

To ensure it holds itself accountable to the public, the district should follow the law and operate in an open and transparent manner by, among other things, disclosing to the public the true nature and purpose of all of its expenditures.

To make better use of the funds it spends on services, the district should amend its administrative code by June 2016 to limit its sole-source contracts to emergency circumstances and circumstances in which only one vendor can meet the district’s needs. Further, before executing any sole-source contracts, the district should require written justification demonstrating the reasons for not competitively bidding the services.

To ensure its expenditures do not constitute gifts of public funds, the district should do the following:

- Immediately eliminate its allocation of funds to individual board members for community outreach.
- Develop policies that specify limitations on the types of activities it will provide funds for in the future to ensure that it benefits only those organizations whose activities have a direct link to its authorized purposes.
- Revise its administrative code by June 2016 to include more specific guidance as to what constitutes a reasonable and necessary use of public funds. The guidance should establish restrictions on the amount spent for board member installation ceremonies.

To ensure it considers the most qualified candidates for positions, the district should follow its established hiring policies. Specifically, it should use a competitive hiring process and ensure that its board first formally approves all positions for which the district recruits. Further, the district should consider for employment only individuals who meet the established minimum qualifications for the positions for which they have applied.

**Agency Comments**

The district generally agreed with our recommendations and indicated that it plans to take various actions to implement them. However, the district disagreed with our recommendation to the Legislature that it should modify the district’s governance structure.
The California State Auditor released the following report today:

Central Basin Municipal Water District  
Its Board of Directors Has Failed to Provide the Leadership Necessary for It to Effectively Fulfill Its Responsibilities

BACKGROUND  
Serving a population of more than two million people in 24 cities in southeast Los Angeles County and some unincorporated areas, the Central Basin Municipal Water District (district) acquires, sells, and conserves imported and other water that meets its customers’ needs. A five-member board of directors (board) governs the district and, among other duties, is responsible for setting the district’s policies, approving its annual budget, and appointing its chief executive—the general manager.

KEY FINDINGS  
During our review of various aspects of the district’s operations from July 2010 through June 2015, we noted the following:

• The board’s poor leadership, decision-making and oversight hinder the district’s ability to meet its responsibilities.
  ✓ Six different individuals have served as chief executive and five different individuals and one financial services firm have served as the finance director or an equivalent position.
  ✓ It has an ineffective structure for investigating complaints regarding its members’ or district staff’s violations of laws and district codes related to ethics.
  ✓ Until recently, the board had not approved a strategic plan for several years and it did not require the district to create a long-term financial plan—the district has endured revenue shortfalls for years, has averaged a $2.9 million operating deficit in three of the past five fiscal years and suffered two credit rating downgrades.
  ✓ Because of the board’s inaction and poor decisions, the district is paying more for less general liability and employment practices liability insurance coverage.

• The board violated state law by creating a legal trust fund without adequately disclosing it to the public. It also allowed its outside legal counsel to make payments from this $2.75 million fund without ensuring funds were used appropriately.

• The district inappropriately avoided competitively bidding 11 of the 20 contracts we reviewed and it used amendments to extend and expand contracts—over a three-year period, it executed a total of 134 amendments to 65 contracts, increasing the total cost of the associated contracts from roughly $14 million to nearly $30 million.

• The district did not follow best practices in managing its contracts—most of the contracts we reviewed lacked critical elements of a scope of work and the district paid certain consultants before the work was performed.

• The district hired some unqualified staff, created a new position without proper approval, and incurred unnecessary expenses. We noted four hires in which the district did not comply with its policies, two of which resulted in legal disputes and another caused the district to incur unnecessary expenses.

• Some of the benefits it gives board members may be too generous—a $600 monthly automobile or transportation allowance, a $200 monthly allowance for personal communication devices, and up to $2,000 per month for health benefits even though they are not full-time employees.

KEY RECOMMENDATIONS  
We made one recommendation to the Legislature and several to the board including the following:

• The Legislature should preserve the district as an independent entity but modify its governance structure to ensure it remains accountable to those it serves—it could change the district’s board from one elected by the public at large to one appointed by the district’s customers.

• The board should set a formal policy for hiring the general manager for the stability of the district’s operations; complete a long-term financial plan for financial sustainability; and negotiate cost-effective and appropriate insurance coverage.

Additionally, we made numerous recommendations to the district aimed at improving its revenue estimates, setting water rates, improving its financial condition and avoiding additional costs due to downgrades of its debt credit ratings, amending contracting policies, and ensuring expenditures are appropriate and align with the district’s mission. Other recommendations were geared toward improving district hiring and compensation practices.