

CALLEGUAS MUNICIPAL WATER DISTRICT

2100 Olsen Road, Thousand Oaks, California 91360

www.calleguas.com

Remote teleconference location
[Government Code 54953(b)(3)]:

Four Points Sheraton Downtown San Diego
1617 First Ave.,
San Diego, CA 92101

Written communications from the public must be received by 8:30 a.m. on the Thursday preceding a regular Board meeting in order to be included on the agenda and considered by the Board at that meeting. Government Code Section 54954.2 prohibits the Board from taking action on items not posted on the agenda except as provided in Subsection 54954.2(b).

BOARD OF DIRECTORS MEETING

March 20, 2024, 4:00 p.m.

AGENDA

1. CALL TO ORDER, PLEDGE OF ALLEGIANCE, AND ROLL CALL

BOARD OF DIRECTORS

Scott H. Quady, President
Andy Waters, Vice-President
Raul Avila, Secretary
Jacquelyn McMillan, Treasurer
Thibault Robert, Director

2. PUBLIC COMMENTS

This portion of the agenda may be utilized by any member of the public to address the Board of Directors on any matter within the jurisdiction of the Board that does not appear on the agenda. Depending on the subject matter, the Board of Directors may be unable to respond at this time, or until the specific topic is placed on the agenda at a future CMWD Board Meeting, in accordance with the Ralph M. Brown Act. Please limit remarks to three minutes.

To participate:

https://us06web.zoom.us/j/84561392448?pwd=H99iPlpQqxn_tyHwp4l9crNoDyA5og.9Lxwf-xOnu0Y39_z

Phone # +1 (720) 707-2699 *825427# (Denver)
Webinar ID: 845 6139 2448
Passcode: 930807

3. PRESENTATION

4. ITEMS TO BE ADDED TO THE AGENDA – GOVERNMENT CODE 54954.2(b)

Consideration of any items that require addition to the agenda due to the existence of an emergency situation, the need to take immediate action, and requests for remote participation due to emergency circumstances.

5. CONSENT CALENDAR

Consent Calendar items are to be approved or accepted by vote on one motion unless a Board member requests separate consideration. If any Board member requests that an item be removed from the Consent Calendar for further discussion, it will be moved to the first item on the Action Items portion of the Agenda.

- A. Approve the Minutes of the March 06, 2024 Regular Board Meeting

6. ACTION ITEMS

Action Items call for separate discussion and action by the Board for each agenda topic.

- A. Discussion of a notice to set the date, time, and place of a public hearing to consider amending Calleguas Ordinance No. 15, Setting Directors' Compensation

7. REPORTS

Report items are placed on the agenda to provide information to the Board and the public and no Board action is sought.

A. GENERAL MANAGER AND STAFF REPORTS

1. Update on Delta Conveyance Project – Carrie Buckman, Environmental Program Manager for Delta Conveyance, Department of Water Resources, and Graham Bradner, Executive Director, Delta Conveyance Design and Construction Authority
2. Update on Proposed Metropolitan Water Rates – Dan Smith, Manager of Finance, and Henry Graumlich, Executive Strategist
3. General Manager's Report

4. February 2024 Water Use and Sales, January 2024 Power Generation, and February 2024 Investment Summary Reports – Dan Smith, Manager of Finance

B. GENERAL COUNSEL REPORT

1. General Counsel's Report

C. BOARD OF DIRECTORS REPORTS

1. Board Member Reports on Ancillary Duties

Reports on ancillary duties are placed on the agenda to provide a forum for discussion concerning the activities of external entities to which Calleguas Board members are assigned in a representative capacity.

- a. Report of ACWA Region 8 Director
- b. Report of ACWA Joint Powers Insurance Authority Representative
- c. Report of Association of Water Agencies of Ventura County Representative
- d. Report of Fox Canyon Groundwater Management Agency Representative
- e. Report of Metropolitan Water District Director
- f. Report of Ventura LAFCo Commissioner
- g. Report of Ventura County Regional Energy Alliance Representative
- h. Report of Ventura County Special Districts Association Representative

2. Directors' List of Administrative Code Reimbursable Meetings Other than Ancillary Duties

Reimbursable meetings reports are placed on the agenda to comply with statutory and Calleguas Administrative Code requirements for members of a legislative body who attend a meeting at the expense of the local agency to provide a report of the meeting.

3. Discussion regarding upcoming meetings to be attended by Board members
4. Request for Future Agenda Items

8. INFORMATION ITEMS

A. WRITTEN COMMUNICATION

1. Water Supply Conditions Report
2. Memorandum from Rutan & Tucker, LLP regarding alternatives for staffing the Fox Canyon Groundwater Management Agency

9. CLOSED SESSION

- A. Pursuant to Government Code Section 54956.9(d)(1) Conference with Legal Counsel – Existing Litigation, Las Posas Valley Water Rights Coalition, et.al., v. Fox Canyon Groundwater Management Agency, et.al., Santa Barbara Superior Court Case No. VENCI00509700.

10. ADJOURNMENT to Board Meeting April 03, 2024 at 4:00 p.m.

Note: Calleguas Municipal Water District conducts in-person meetings in accordance with the Brown Act. The District has also established alternative methods of participation which permit members of the public to observe and address public meetings telephonically and/or electronically. These methods of participation can be accessed through the internet link provided at the top of this agenda.

In addition to the above referenced methods of participation, members of the public may also participate by submitting comments by email to info@calleguas.com by 5:00 p.m. on the calendar day prior to the public meeting. Email headers should refer to the Board meeting for which comments are offered. Comments received will be placed into the record and distributed appropriately.

Agendas, agenda packets, and additional materials related to an item on this agenda submitted to the Board after distribution of the agenda packet are available on the District website at www.calleguas.com

Pursuant to Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and applicable federal rules and regulations, requests for disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting, should be made to the Secretary to the Board in advance of the meeting to ensure the availability of the requested service or accommodation. Notices, agendas, and public documents related to the Board meetings can be made available in appropriate alternative format upon request.

CALLEGUAS MUNICIPAL WATER DISTRICT
BOARD OF DIRECTORS MEETING
March 06, 2024

MINUTES

The meeting of the Board of Directors of Calleguas Municipal Water District was held in-person at 2100 E. Olsen Road, Thousand Oaks CA 91360. The District also provided telephonic and electronic methods of participation for the public as noted on the meeting agenda.

The meeting was called to order by Scott Quady, President of the Board, at 4:00 p.m.

1. CALL TO ORDER, PLEDGE OF ALLEGIANCE, AND ROLL CALL

Directors Present at District Headquarters:	Scott Quady, President Andy Waters, Vice-President Thibault Robert, Director
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Directors via Videoconference:	Raul Avila, Secretary Jacquelyn McMillan, Treasurer At the start of the meeting, Director McMillan notified the Board of her need to participate remotely for “just cause” pursuant to Government Code 54953(f)(2)(A)(i) and provided a general description of the circumstances establishing that need. This meeting is Director McMillan’s second use of the “just cause” videoconference exception for the 2024 calendar year.
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Staff Present at District Headquarters:	Kristine McCaffrey, General Manager Ian Prichard, Deputy General Manager Fernando Baez, Manager of Engineering Grant Burton, Manager of Human Resources and Risk Management Tricia Ferguson, Assistant Manager of Human Resources and Risk Management Henry Graumlich, Executive Strategist Maya Holcomb, Management Analyst Charlotte Holifield, Manager of External Affairs Jennifer Lancaster, Manager of Water Resources Rob Peters, Manager of Operations and Maintenance Dan Smith, Manager of Finance Steve Sabbe, IT Specialist Kara Wade, Clerk of the Board
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Staff Present via Videoconference: Kayde Wade, Administrative Assistant

Legal Counsel Present at District Headquarters: Walter Wendelstein, Wendelstein Law Group, PC, District Counsel

2. PUBLIC COMMENTS

Nichol Richardson, Legislative Services Team, Metropolitan Water District of Southern California, introduced herself to the Board.

3. PRESENTATION

None

4. ITEMS TO BE ADDED TO THE AGENDA– GOVERNMENT CODE 54954.2(b)

None

5. CONSENT CALENDAR

- A. Approve the Minutes of the February 21, 2024 Special Board Meeting
- B. Receive and affirm the Payment Register for the District’s activities from January 29, 2024 to February 26, 2024
- C. Reject All Bids for Crew Building Improvements and Networking Center Relocation (Project No. 603)
- D. Adopt Resolution No. 2084, Approving the Plans and Specifications and Calling for Bids for Crew Building Improvements and Networking Center Relocation (Project No. 603R)

A RESOLUTION OF THE BOARD OF DIRECTORS OF CALLEGUAS
MUNICIPAL WATER DISTRICT
APPROVING THE PLANS AND SPECIFICATIONS
AND CALLING FOR BIDS FOR CREW BUILDING IMPROVEMENTS AND
NETWORKING CENTER RELOCATION

- E. Adopt Resolution Nos. 2085 and 2086, authorizing investments in the Local Agency Investment Pool and the Ventura County Investment Pool

RESOLUTION NO. 2085
A RESOLUTION OF THE BOARD OF DIRECTORS
OF CALLEGUAS MUNICIPAL WATER DISTRICT
AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY
INVESTMENT FUND

RESOLUTION NO. 2086
A RESOLUTION OF THE BOARD OF DIRECTORS
OF CALLEGUAS MUNICIPAL WATER DISTRICT
AUTHORIZING INVESTMENT OF CALLEGUAS MUNICIPAL WATER DISTRICT
MONIES IN VENTURA COUNTY'S INVESTMENT POOL

On a motion by Director Waters, seconded by Director Robert, the Board of Directors voted 5-0 to approve the Consent Calendar.

AYES: Directors Robert, McMillan, Avila, Waters, Quady
NOES: None

6. ACTION ITEMS

None

7. REPORTS

A. GENERAL MANAGER AND STAFF REPORTS

1. Monthly Status Report

Henry Graumlich, Executive Strategist, and Dan Smith, Manager of Finance, discussed the initial rates proposed by Metropolitan and upcoming opportunities for public comments. The presentation they provided is attached and made a part of these minutes.

2. February 2024 Financial Report – Dan Smith, Manager of Finance

The Manager of Finance presented the reports and responded to questions from the Board.

3. Quarterly Consultants Report – Dan Smith, Manager of Finance

The Manager of Finance presented the reports and responded to questions from the Board.

4. Quarterly Capital Projects Report – Dan Smith, Manager of Finance

The Manager of Finance presented the reports and responded to questions from the Board.

5. ACWA DC 2024 Conference Report – Ian Prichard, Deputy General Manager, and Charlotte Holifield, Manager of External Affairs

Charlotte Holifield, Manager of External Affairs, gave a presentation on the ACWA DC 2024 conference, February 26 – March 1, 2024. In addition to attending productive conference programming, she and the Deputy General Manager engaged in meetings with Congresswoman Julia Brownley and her staff and legislative staff members from the offices of Congressman Salud Carbajal and U.S. Senator Laphonza Butler. They also met with staff from the U.S. Bureau of Reclamation.

6. O&M Storm Preparation and Response – Rob Peters, Manager of Operations & Maintenance

Rob Peters, Manager of Operations and Maintenance, gave a presentation on Calleguas's preparations for and responses both during and after the recent storms.

7. Change Order Summaries – Fernando Baez, Manager of Engineering

The Manager of Engineering said that Change Order summaries were provided for the following projects:

- LVMWD-CMWD Interconnection (Project No. 450)
- TOD Pump Station Rehabilitation (Project No. 590)
- Lake Sherwood Pump Station Rehabilitation (Project No. 591)

The LVMWD-CMWD Interconnection and TOD Pump Station Rehabilitation had new change orders during the reporting period. Lake Sherwood Pump Station Rehabilitation (Project No. 591) did not have any new change orders during the reporting period.

8. Construction Update – Fernando Baez, Manager of Engineering

Fernando Baez, Manager of Engineering, gave a construction update on the LVMWD-Calleguas Interconnection.

B. GENERAL COUNSEL REPORT

1. General Counsel's Report

None

C. BOARD OF DIRECTORS REPORTS

1. Board Member Reports on Ancillary Duties

Reports on ancillary duties are placed on the agenda to provide a forum for discussion concerning the activities of external entities to which Calleguas Board members are assigned in a representative capacity.

a. Report of ACWA Region 8 Director

President Quady reported that the ACWA Committee meetings were held on March 6. He attended the meetings of the Water Quality and Water Management Committees.

b. Report of ACWA Joint Powers Insurance Authority Representative

No report

c. Report of Association of Water Agencies of Ventura County Representative

No report

d. Report of Fox Canyon Groundwater Management Agency Representative

Director Avila said he attended the FCGMA meeting on February 28. He said that the City of Oxnard made public comments about the relative cost of groundwater versus purchasing imported water from Calleguas.

e. Report of Metropolitan Water District Director

Director McMillan referenced her written report on the Metropolitan meetings she attended from February 22 to March 06. She noted that she chaired the Ad Hoc Committee on Bay-Delta virtually on February 23. Director McMillan's report is attached and made part of these minutes.

f. Report of Ventura LAFCo Commissioner

No report

g. Report of Ventura County Regional Energy Alliance Representative

No report

h. Report of Ventura County Special Districts Association Representative

No report

2. Directors' List of Administrative Code Reimbursable Meetings Other than Ancillary Duties

Reimbursable meetings reports are placed on the agenda to comply with statutory and Calleguas Administrative Code requirements for members of a legislative body who attend a meeting at the expense of the local agency to provide a report of the meeting.

Board members provided reports on various meetings that they attended which are subject to the District's reimbursement policy.

3. Discussion regarding upcoming meetings to be attended by Board members

None

4. Request for Future Agenda Items

None

8. INFORMATION ITEMS

A. WRITTEN COMMUNICATION

1. Letters to State Elected Officials that represent the Calleguas Service Area, January 4, 2024 LAO Report Questions Efficacy of Proposed Water Use Efficiency Requirements, February 20, 2024.
2. Association of California Water Agencies Coalition Letter, California Water Infrastructure Funding, February 27, 2024.
3. Water Supply Conditions Report

9. CLOSED SESSION

- A. Pursuant to Government Code Section 54956.9(d)(1) Conference with Legal Counsel – Existing Litigation: United States, et al. v. J-M Manufacturing Co; Case No. CV-06-00055-GW (PJWx)

At 5:53 p.m., Director Quady adjourned to Closed Session to discuss Item 9A as stated on the agenda. Closed Session began at 6:00 p.m.

CLOSED SESSION CONTINUING

At 6:02 p.m., Director Quady reconvened to Open Session.

Regarding 9A, Legal Counsel stated an update was given to the Board, direction was given to Counsel and staff, and no action was taken.

10. ADJOURNMENT

Director Quady declared the meeting adjourned at 6:02 p.m.

Respectfully submitted,

Raul Avila, Board

Metropolitan Rate Update

Special Purveyor Update
Calleguas Municipal Water District

March 8, 2024

Outline

- Metropolitan's initial proposed rates for two-year budget
- Rate context
- Treatment surcharge
- Impacts to Calleguas rates
- Rate alternatives under discussion
- Calleguas staff engagement
- Opportunities for public comment
- Next steps

Proposed FY 2024/25 & FY 2025/26 Budget

Projected Water Rates and Charges

Rates & Charges Effective January 1st	2024*	2025	2026	2027**	2028**	2029**	2030**	2031**	2032**	2033**	2034**
Supply Rate (\$/AF)	332	353	375	485	532	572	625	659	687	709	729
System Access Rate (\$/AF)	389	463	491	551	616	663	707	752	798	841	884
System Power Rate (\$/AF)	182	190	203	216	216	216	216	216	216	219	224
Treatment Surcharge (\$/AF)	353	459	518	518	518	518	518	518	522	543	560
Full Service Untreated Volumetric Cost (\$/AF)	\$903	\$1,006	\$1,069	\$1,252	\$1,364	\$1,451	\$1,548	\$1,627	\$1,701	\$1,769	\$1,837
Full Service Treated Volumetric Cost (\$/AF)	\$1,256	\$1,465	\$1,587	\$1,770	\$1,882	\$1,969	\$2,066	\$2,145	\$2,223	\$2,312	\$2,397
Readiness-to-Serve Charge (\$M)	\$167	\$167	\$185	\$194	\$220	\$228	\$231	\$235	\$246	\$255	\$271
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$13,200	\$15,300	\$15,600	\$15,600	\$15,600	\$15,800	\$15,800	\$15,900
Overall Rate Increase	5%	13%	8%	12.0%	8.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

** rates for 2027 through 2034 includes a preliminary estimate of the PWSC project but do not include other projects that will be considered through the CAMP4W process

Rate Context (Met Board Letter, 2.13.24)

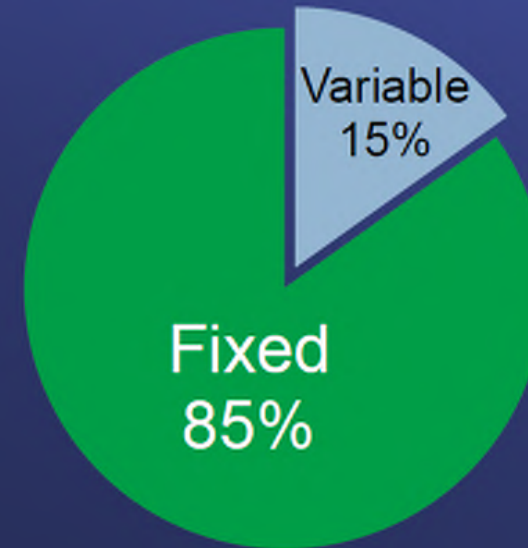
- Cost containment on expenditures (3.5% per year)
- Imperative to maintain reserve minimums (debt capacity)
- Historically low water sales
- Inflation, increased labor costs, debt financing costs
- Pending large capital investments necessary to maintain reliability
- Business model that is not sustainable

Most Treatment Surcharge Costs are Fixed

2025 Treatment Surcharge Revenue Requirement

	\$M
O&M less variable costs	137
Variable Treatment cost (1)	48
Capital Costs (debt service & PAYGO)	109
Operating Equipment	3
Revenue Offsets (2)	(7)
Admin. & General	28
Treatment Revenue Requirement	317

- (1) chemical, power & sludge removal
- (2) property tax and interest income



Treated Water
Full-Service
Rate Increase
17% year one
8% year two

Question: What proportion of treatment is recovered by fixed revenues?

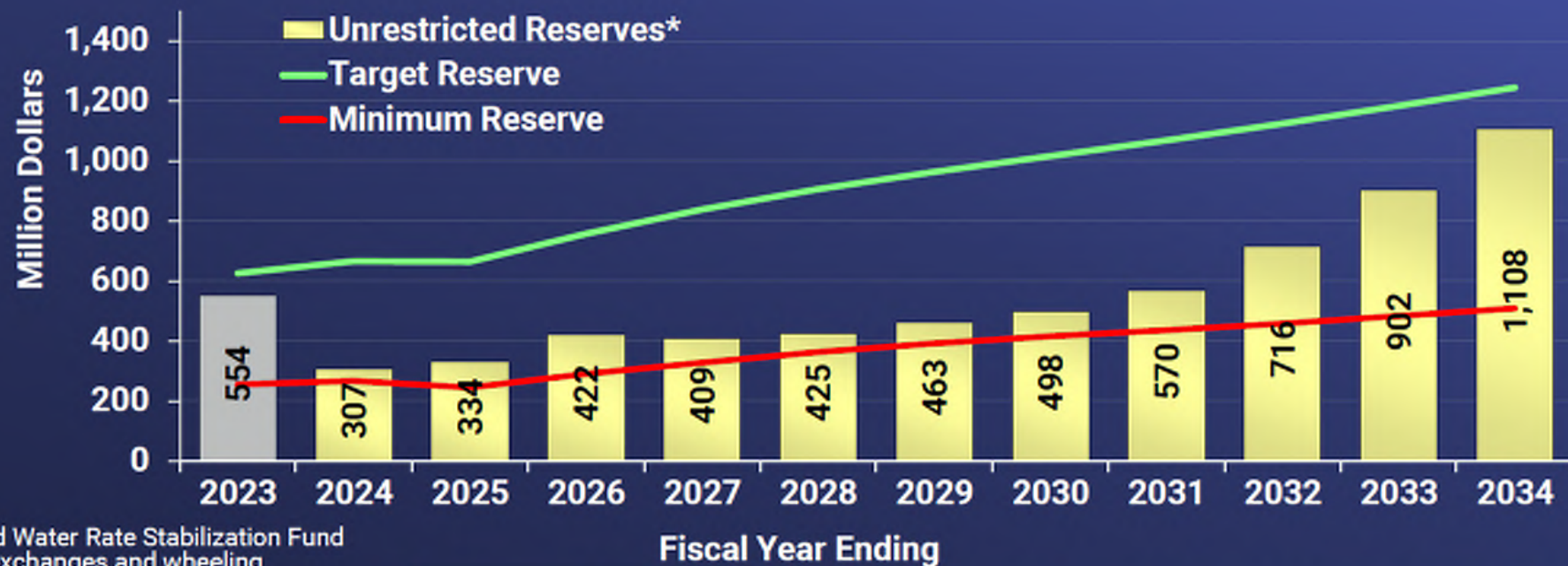
Answer: None, as it's 100% volumetric. Creating a fixed charge to recover a portion of MWD's treatment costs has been discussed on many occasions. The last time was in 2017 when The Treatment Charge Workgroup brought a Treatment Capacity Charge to the Board. It was not adopted. (F&I 8-1 on 4/10/17)

Impacts to Calleguas Rates

- MWD is biggest impact to our Water rates
- Calleguas has historically tried to moderate larger MWD increases
- CMWD cannot absorb this increase
- Increase in Water treatment surcharge ~ additional 3.5% increase

Alt 2: Increase the existing Ad-Valorem Property Tax Rate

Increase FY2024/25 Ptax rate to 0.007% (100% increase from current 0.0035%)



* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Overall Rate Inc.	5%	5%	7.0%	6.0%	10.0%	10.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Water Transactions (MAF)**	1.42	1.17	1.44	1.44	1.44	1.45	1.46	1.46	1.47	1.49	1.51	1.53
Rev. Bond Cvg	1.5	1.1	1.7	1.9	1.7	1.8	1.8	1.7	1.7	1.7	1.7	1.6
CIP, \$M	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
PAYGO, \$M	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

Alternative 3: Increase the existing Ad-Valorem Property Tax Rate

Increase Ad-Valorem Property Tax Rate up to max to min water rate increases



* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Overall Rate Inc.	5%	5%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.0080%	.0090%	.0150%	.0180%	.0180%	.0180%	.0180%	.0180%	.0180%	.0180%
Water Transactions (MAF)**	1.42	1.17	1.44	1.44	1.44	1.45	1.46	1.46	1.47	1.49	1.51	1.53
Rev. Bond Cvg	1.5	1.1	1.7	1.7	1.8	1.9	1.8	1.7	1.6	1.5	1.6	1.6
CIP, \$M	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
PAYGO, \$M	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

Calleguas Staff Engagement

- Retail Purveyor Managers
- Calleguas Board of Directors
- Calleguas Metropolitan Director
- Other Metropolitan Member Agency Managers
- Other Metropolitan Member Agency Directors
- Metropolitan Finance and Executive Staff
- Base Rate
 - Property tax options
 - Future reliability priorities
- Treated Water Surcharge
 - Equitable relief
 - New cost of service approaches
 - Previous proposals
 - Business model solutions
 - Governance issues

Next Steps

- | | |
|-----------------|--|
| Mar 12, 2024 | FAIRP Committee, Workshop #3 |
| Mar 12, 2024 | Public hearing on proposed rates and charges |
| Mar 26, 2024 | FAIRP Committee, Workshop #4, if needed |
| Apr 8, 2024 | FAIRP Committee, Recommend Biennial Budget and Calendar Year rates and charges |
| April 9, 2024 | Board <u>action</u> regarding biennial budget and Calendar Year rates and charges |
| May 13, 2024 | Board <u>action</u> regarding continuation of Standby Charge for FY 2024/25 |
| August 20, 2024 | Board <u>action</u> regarding fixing ad valorem property taxes for FY 2024/25 |

SCOTT H. QUADY, PRESIDENT
DIVISION 2

RAUL AVILA, SECRETARY
DIVISION 1

THIBAUT ROBERT, DIRECTOR
DIVISION 4



ANDY WATERS, VICE PRESIDENT
DIVISION 3

JACQUELYN MCMILLAN, TREASURER
DIVISION 5

KRISTINE MCCAFFREY
GENERAL MANAGER

BOARD MEMORANDUM

Date: March 20, 2024

To: Board of Directors

From: Grant Burton, Manager of Human Resources and Risk Management

Subject: Discussion of a notice to set the date, time, and place of a public hearing to consider amending Calleguas Ordinance No. 15, Setting Directors' Compensation

Objective: Evaluate Board compensation in accordance with the District's Administrative Code.

Recommended Action: If the Board chooses to increase Directors' compensation, it is recommended that the Board set the date, time, and place of a public hearing to amend Ordinance No. 15 to authorize the increase pursuant to Water Code Sections 20201 and 20202.

Budget Impact: Up to a \$5.00 increase per day for each day's attendance at meetings of the Board.

Discussion:

Section 2.1.1 (b) of the Calleguas Administrative Code states: "Annually, the Board will review the compensation paid to Directors and may make changes to the established compensation rate by amending Ordinance No. 15 and setting a new compensation rate in accordance with applicable law." The last adjustment of Director compensation occurred on April 5, 2023, when Ordinance No. 15 was amended to increase the compensation to \$230.00 for each day's attendance at meetings of the Board.

Water Code Section 20200, et seq. authorizes an increase in compensation by an amount not to exceed 5% for each calendar year following the operative date of the last adjustment of the compensation received when the ordinance is adopted. Based on that requirement, the Board may increase its stipend by no more than \$5.00, for a maximum of \$235.00 for each day's attendance at meetings of the Board. Any increase would be effective 60 days from the date of approval.

The Board must follow a formal public notice and hearing process each time it intends to increase its compensation. If the Board proposes to adjust its compensation, it is recommended that the public hearing be set for April 17, 2024, at 4:00 p.m., at the District's headquarters located at 2100 Olsen Road, Thousand Oaks, California. The draft hearing notice and draft Ordinance No. 15 may be modified as directed by the Board.

Attachments:

- Section 2.11 of the Calleguas Administrative Code related to Board compensation and reimbursement
- Tables showing Board stipends at other water agencies and changes in the past year
- A chart of Calleguas Board stipends since 1984
- Draft Public Hearing Notice dated March 20, 2024
- Draft Ordinance No. 15 dated June 16, 2024

2.11 COMPENSATION AND REIMBURSEMENT

2.11.1 GENERAL RULES

- (a) Compensation and reimbursement of expenses for Directors is authorized by, and subject to, California Water Code Sections 71255 et seq. and 20200 et seq., and California Government Code Section 53232.
- (b) The Board's compensation rules and rates are set forth in District Ordinance No. 15. Annually, the Board will review the compensation paid to Directors and may make changes to the established compensation rate by amending Ordinance No. 15 and setting a new compensation rate in accordance with applicable law.
- (c) Subject to Ordinance No. 15 and applicable law, Directors may be compensated for each day's attendance at meetings of the Board and for each day's service to the District rendered at the request of the Board or the General Manager not exceeding a total of 10 days in any calendar month. Any Director who represents the District on the Metropolitan Board is also entitled to receive compensation and expense reimbursement from the District with respect to such service for a total of 10 additional days in any calendar month.
- (d) Subject to the requirements of California Government Code Sections 53232.2 and 53232.3, a Director may be reimbursed for any actual and necessary expenses incurred in the performance of duties required or authorized by the Board, including, without limitation, reimbursement for authorized travel and other expenses when on official duty or when acting on behalf of the Board.
- (e) Board Members shall provide a brief oral report on each compensable meeting attended at the next regularly scheduled Board meeting.

2.11.2 AUTHORIZED ACTIVITIES AND EXPENSES

The guidelines set forth below are provided to clarify activities by Directors that are authorized for compensation and reimbursement. However, such guidelines always remain subject to applicable law including, without limitation, California Government Code Sections 53232 et seq. and California Water Code Sections 20201, 20202, 71255 and 71256, as may be amended from time to time:

- (a) Only one-day's compensation may be paid for activities performed within a calendar day. Example: If a Director attends a Board meeting and another authorized meeting on the same date, the Director shall

only be entitled to compensation for one meeting. However, reimbursement for compensable mileage, meals, and other expenses may be paid for both meetings.

- (b) Directors are authorized to receive compensation and reimbursement for expenses for the following:
 - (1) Attending regular and special meetings of the Board.
 - (2) Performing necessary duties associated with, and required of, an elected official serving on the Board, including participation in required training, either in person or via remote means.
 - (3) Representing the District in any of their collateral assignments.
 - (4) Representing the District when requested by the Board, the President, or the General Manager, including attendance at other meetings or functions of government agencies (State, County, and City), purveyors, associations, committees, etc.
 - (5) Representing the District outside of the State with prior approval of the Board.
 - (6) Participating in activities related to the District's mission and purpose with prior approval of the President or Board.
 - (7) Participating in conference calls of more than one-half hour's duration which are for the purpose of any of the items listed above, subject to applicable approvals.
 - (8) Travel to or from an authorized activity when it is impractical to travel on the same day as the activity.
- (c) A Director may elect not to receive compensation and/or reimbursement for expenses for any authorized activity.
- (d) A Director may appeal to the Board any recommendation of the General Manager or decision by the President to deny authorization for compensation and reimbursement.
- (e) A Director shall secure prior approval of the Board before incurring expenses for hosting conferences, receptions, meetings, group meals, or other activities related to the duties of a Director, other than activities paid for at the Director's personal expense.
- (f) Agenda packets are sent by electronic means and the District will pay

for the following:

- (1) A District-owned laptop computer, electronic tablet device and necessary accessories. The District will not pay for any charges associated with a data service plan. When the Director leaves office, they may either return the aforementioned equipment to the District or reimburse the District for the depreciated value of the equipment.
- (2) A District-owned color ink jet printer or similar, paper, and ink cartridges so that the Director may print the packets at home. When the Director leaves office, they may either return the printer to the District or reimburse the District for the depreciated value of the printer.

Board Member Daily Stipend as of December 2023

MWD of Orange County	\$ 327.43	Per Meeting
Inland Empire Utilities Agency	\$ 312.00	Per Meeting
Western MWD	\$ 300.00	Per Meeting
West Basin MWD	\$ 270.70	Per Meeting
United Water Conservation District	\$ 260.00	Per Meeting
Upper San Gabriel MWD	\$ 255.00	Per Meeting
Eastern MWD	\$ 245.00	Per Meeting
Central Basin MWD	\$ 233.17	Per Meeting
Montecito Water District	\$ 231.00	Per Meeting
Calleguas MWD	\$ 230.00	Per Meeting
Santa Clarita Water Agency	\$ 228.15	Per Meeting
Las Virgenes MWD	\$ 220.00	Per Meeting
Casitas MWD	\$ 217.82	Per Meeting
Three Valleys MWD	\$ 200.00	Per Meeting
Camrosa Water District	\$ 200.00	Per Meeting
San Diego County Water Authority	\$ 180.00	Per Meeting
City of Moorpark	\$ 100.00	Per Meeting
City of Simi Valley	\$ 1,202.76	Per Month
City of Thousand Oaks	\$ 1,750.00	Per Month

Average (not including CMWD & Cities): \$ 245.35

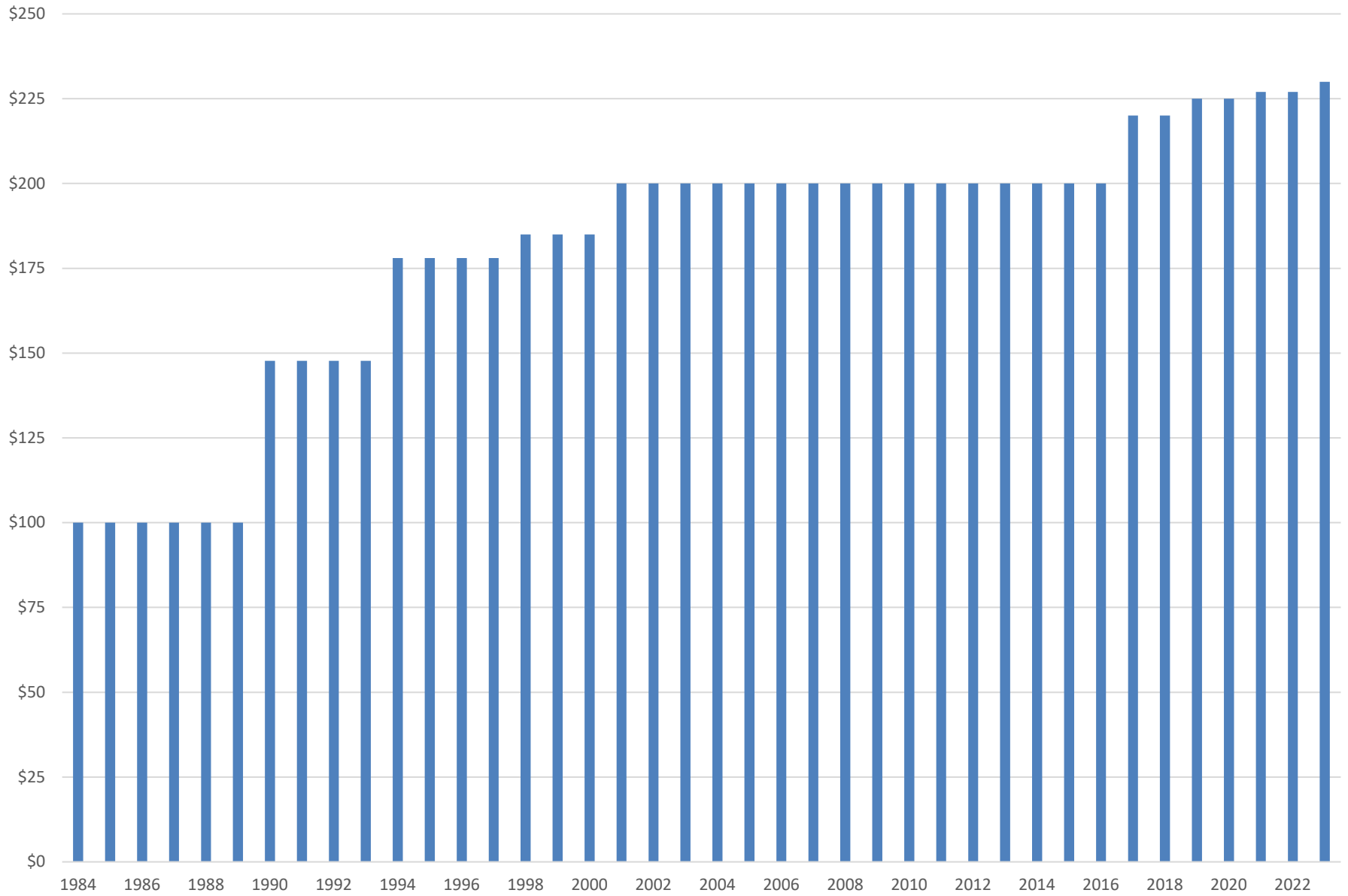
Median (not including CMWD & Cities): \$ 233.17

Indicates Stipend Increased from 2022 Comparison

Board Member Daily Stipend - 2 Year Comparison

	December 2023	December 2022	% Change	
MWD of Orange County	\$ 327.43	\$ 315.00	4%	Per Meeting
Inland Empire Utilities Agency	\$ 312.00	\$ 260.00	20%	Per Meeting
Western MWD	\$ 300.00	\$ 240.67	25%	Per Meeting
West Basin MWD	\$ 270.70	\$ 270.70	0%	Per Meeting
United Water Conservation District	\$ 260.00	\$ 248.00	5%	Per Meeting
Upper San Gabriel MWD	\$ 255.00	\$ 255.00	0%	Per Meeting
Eastern MWD	\$ 245.00	\$ 233.00	5%	Per Meeting
Central Basin MWD	\$ 233.17	\$ 233.17	0%	Per Meeting
Montecito Water District	\$ 231.00	\$ 170.00	36%	Per Meeting
Calleguas MWD	\$ 230.00	\$ 227.00	1%	Per Meeting
Santa Clarita Water Agency	\$ 228.15	\$ 228.15	0%	Per Meeting
Las Virgenes MWD	\$ 220.00	\$ 220.00	0%	Per Meeting
Casitas MWD	\$ 217.82	\$ 217.82	0%	Per Meeting
Three Valleys MWD	\$ 200.00	\$ 200.00	0%	Per Meeting
Camrosa Water District	\$ 200.00	\$ 200.00	0%	Per Meeting
San Diego County Water Authority	\$ 180.00	\$ 180.00	0%	Per Meeting
City of Moorpark	\$ 100.00	\$ 100.00	0%	Per Meeting
City of Simi Valley	\$ 1,202.76	\$ 1,202.76	0%	Per Month
City of Thousand Oaks	\$ 1,750.00	\$ 1,750.00	0%	Per Month

History of Board Stipends



NOTICE OF PUBLIC HEARING FOR CALLEGUAS MUNICIPAL WATER
DISTRICT TO CONSIDER AN AMENDMENT TO ORDINANCE 15
INCREASING COMPENSATION OF THE MEMBERS OF THE BOARD OF
DIRECTORS

The Calleguas Municipal Water District (District) Board of Directors (Board) will consider amending District Ordinance No.15, "An Ordinance of Calleguas Municipal Water District Setting Directors' Compensation."

Water Code Section 20200, et seq. authorizes an increase in compensation by an amount not to exceed 5% for each calendar year following the operative date of the last adjustment, of the compensation which is received when the ordinance is adopted. The last adjustment of the compensation of the District Board was April 5, 2023, when the compensation was increased to \$230.00 per meeting. The proposed change to the ordinance will increase the Directors' compensation from \$230.00 per meeting to an amount not-to-exceed \$235 per meeting.

A public hearing on this matter will be held on April 17, 2024 at 4:00 p.m., at the District's headquarters located at 2100 Olsen Road, Thousand Oaks, California. The public is invited to attend this hearing and encouraged to comment on this matter at that time. Methods of electronic access for the public will be noted on the meeting agenda. Written comments will be considered if delivered to the address above prior to the opening of the public hearing.

CALLEGUAS MUNICIPAL WATER DISTRICT

March 20, 2024

Kristine McCaffrey, General Manager

ORDINANCE NO. 15

AN ORDINANCE OF
CALLEGUAS MUNICIPAL WATER DISTRICT
SETTING DIRECTORS' COMPENSATION
(AMENDED)

BE IT ORDAINED BY THE BOARD OF DIRECTORS OF CALLEGUAS MUNICIPAL WATER DISTRICT AS FOLLOWS,

SECTION 1. AUTHORIZATION FOR COMPENSATION.

Each Director of Calleguas Municipal Water District (Calleguas) and the representative of Calleguas on the Board of Directors of the Metropolitan Water District of Southern California (Metropolitan) shall be paid for each day's attendance at meetings of the respective boards and committees thereof, and for each day's service rendered as Director by request of the Calleguas Board, not exceeding a total of 10 days in any calendar month for Calleguas Directors and not exceeding an additional total of 10 days in any calendar month for Calleguas' representative on the Metropolitan Board of Directors.

SECTION 2. INCREASE IN COMPENSATION.

Section 20200, et seq. of the Water Code permits Calleguas to increase the compensation received by members of the governing board by an amount not to exceed five percent (5%), for each calendar year following the operative date of the last adjustment, of the compensation received when the ordinance is adopted. The compensation paid to the members of the Calleguas Board of Directors was most recently adjusted by Ordinance No. 15 as amended on April 5, 2023.

The present compensation paid is \$230 per day for each day's attendance at meetings as set forth in Section 1 above. Pursuant to the authority of Water Code Section 20202, the compensation to be paid commencing with the effective day of this Ordinance shall be increased to _____ per day.

SECTION 3. EFFECTIVE DATE OF ORDINANCE.

This Ordinance shall supersede and replace any prior Ordinance establishing Director compensation and shall become effective sixty (60) days hereafter, at 12:01 a.m. on June 16, 2024.

ADOPTED, SIGNED AND APPROVED this 17th day of April 2024.

Scott H. Quady _____, President
Board of Directors

On motion by Director _____, and seconded by Director _____, the foregoing ordinance is adopted upon this 17th day of April 2024, by the following vote:

AYES:

NAYS:

ABSTAIN:

ABSENT:

I HEREBY CERTIFY that the foregoing Ordinance was adopted at a regular meeting of the Board of Directors of Calleguas Municipal Water District held on April 17, 2024 by the vote shown above.

ATTEST:

Raul Avila _____, Secretary
Board of Directors

SCOTT H. QUADY, PRESIDENT
DIVISION 2

ANDY WATERS, VICE PRESIDENT
DIVISION 3

RAUL AVILA, SECRETARY
DIVISION 1

JACQUELYN MCMILLAN, TREASURER
DIVISION 5

THIBAUT ROBERT, DIRECTOR
DIVISION 4

KRISTINE MCCAFFREY
GENERAL MANAGER



BOARD MEMORANDUM

Date: March 20, 2024
To: Board of Directors
From: Kristine McCaffrey, General Manager
Subject: Item 7.A.1 – Update on Delta Conveyance Project

Objective: The purpose of this item is to provide the Board with an update on the Delta Conveyance Project (DCP), which the Strategic Plan identifies as an important project for Calleguas.

Discussion:

As the Board knows, Calleguas receives all of its water from the Metropolitan Water District of Southern California (Metropolitan) and most of that water is from the State Water Project (SWP), which originates in the Sacramento-San Joaquin Bay-Delta (Delta). The changing climate and associated weather conditions are anticipated to result in more extreme variability and timing of annual precipitation, which would have significant impacts on the overall water supply reliability of the SWP. The DCP consists of new SWP diversion and conveyance facilities in the Delta to protect the reliability of this critical water supply. They would operate in coordination with the existing SWP facilities to create a dual-conveyance system.

Two new points of diversion in the north Delta would capture water during high flow weather events and a new single tunnel would move that water to existing distribution facilities in the south Delta. The two new intakes, equipped with state-of-the-art fish screens, would each have a maximum capacity of 3,000 cubic feet per second (cfs), with a combined maximum of 6,000 cfs.

The primary benefits of the DCP include:

- Protection Against Seismic/Levee Failure: According to the U.S. Geological Survey, in the next two decades, there is a 72% chance that an earthquake of magnitude 6.7 or greater will affect the San Francisco Bay Area, which includes the Delta. There are more than 1,100 miles of Delta levees, most of which were not engineered to withstand seismic

events and could not withstand significant shaking without failure. An earthquake could cause an outage on the SWP lasting from several months to several years while levee repairs are performed and salinity levels are restored so that the SWP could resume normal operations. Implementation of the DCP would significantly reduce the risk of interruption of the operation of the SWP due to a seismic event.

- Ability to Capture Stormwater Flows: The DCP would enable the SWP to capture more water and make the most of the larger storm events that are anticipated in the future. Capturing these flows is especially critical as the changing climate results in more precipitation falling as rain and less as snow. If the DCP had been in operation during the winter of 2021-22, an additional 236,000 acre-feet could have been captured, which would have doubled the SWP allocation from 5% to 10%, potentially avoiding the significant water use restrictions Calleguas and other agencies within the SWP dependent area experienced under Metropolitan's Emergency Water Conservation Program.

The DCP has recently passed several significant milestones. In December 2023, the Department of Water Resources (DWR) certified the Final Environmental Impact Report (EIR) and, in February 2024, DWR submitted a petition to the State Water Resources Control Board for a change to the water rights needed to add the diversion points in the north Delta. However, the project has encountered legal obstacles, including lawsuits that claim the EIR does not comply with the California Environmental Quality Act and challenges to DWR's bonding authority for the project.

Carrie Buckman, Environmental Program Manager for Delta Conveyance, DWR, and Graham Bradner, Executive Director, Delta Conveyance Design and Construction Authority will provide an update to the Board on this critical infrastructure project.

SCOTT H. QUADY, PRESIDENT
DIVISION 2

ANDY WATERS, VICE PRESIDENT
DIVISION 3

RAUL AVILA, SECRETARY
DIVISION 1

JACQUELYN MCMILLAN, TREASURER
DIVISION 5

THIBAUT ROBERT, DIRECTOR
DIVISION 4

KRISTINE MCCAFFREY
GENERAL MANAGER



BOARD MEMORANDUM

Date: March 20, 2024

To: Board of Directors

From: Dan Smith, Manager of Finance, and Henry Graumlich, Executive Strategist

Subject: Update on Proposed Metropolitan Water Rates

Objective: Update the Board on the current status of the Metropolitan Water District of Southern California (Metropolitan) rate development process.

Recommended Action: For discussion only

Budget Impact: Dependent on the rates ultimately adopted by Metropolitan

Discussion: As the Board knows, Metropolitan submitted an initial budget and rate proposal in February 2024, which proposes an increase of 13% for 2024/2025 and 8% for 2025/2026 for untreated water, in addition to a proposed 30% increase in the treatment surcharge. Water rates are going up primarily due to historic low water sales coupled with high fixed costs recovered predominantly on variable revenue based on the sale of water. The use of reserves to fund operations to compensate for budget shortfalls over the last two years has depleted Metropolitan's reserves. The current rate structure is unsustainable. In addition, Metropolitan is planning major capital investments to preserve water supply reliability in the face of climate change.

Attachments:

- Information Provided to Purveyors on March 11, 2024 Regarding Metropolitan's Rate Development Process
- Transcription of Comments by Metropolitan Director Jacque McMillan (Calleguas) at Metropolitan's Finance and Asset Management Committee's budget workshop March 12, 2024
- President Quady's March 12, 2024 Public Comments to the Metropolitan Board

- Remarks Made by General Manager Kristine McCaffrey at the March 12, 2024 Metropolitan Board Meeting

Information Provided to Purveyors on March 11, 2024 Regarding Metropolitan's Rate Development Process

Public Comment

Public comments may be made in person at Metropolitan's Board and committee meetings or by phone. Instructions for making public comment can be found on Metropolitan's Board agenda webpage, <https://mwdh2o.legistar.com/Calendar.aspx>. To provide comments by phone, please note that each meeting has a unique teleconferencing phone number and meeting ID. The information is found at the top of the specific meeting agenda. Public comments are limited to three minutes. Metropolitan committee and Board meetings are also streamed live at the link provided at Metropolitan's Board agenda webpage, but remote public comments can only be made via phone.

Upcoming meetings where Metropolitan Board and Committees are scheduled to discuss the budget and rates are as follows:

- March 12, 2024, 10:00 a.m., Finance and Asset Management Committee
- March 12, 2024, 1:30 p.m., Board of Directors, Public Hearing on Budget and Rates
- March 26, 2024, 8:30 a.m. Finance and Asset Management Committee
- April 8, 2024, TBD, Finance and Asset Management Committee recommended action
- April 9, 2024, TBD, Board of Directors action on budget and rates

Summary of Rate Issues

Metropolitan submitted an initial budget and rate proposal in February 2024, which proposes an increase of 13% for 2024/2025 and 8% for 2025/2026 for untreated water, in addition to a proposed 30% increase in the treatment surcharge. Water rates are going up primarily due to historic low water sales coupled with high fixed costs recovered predominantly on variable revenue based on the sale of water. The use of reserves to fund operations to compensate for budget shortfalls over the last two years has depleted Metropolitan's reserves. The current rate structure is unsustainable. In addition, Metropolitan is planning major capital investments to preserve water supply reliability in the face of climate change.

The biennial budget and rate proposals are discussed in detail in the February 13, 2024 Board letter available at the Metropolitan Board agenda page for the February 13, 2024 Finance Committee packet. The Board is actively considering alternatives to the initial proposal and some modified rate is anticipated for untreated water. There are no current alternatives proposed by Metropolitan staff for the treated water surcharge.

The rate issues fall into three categories.

1. **Untreated Water Rate:** The Board is considering a variety of structural changes to recover more of Metropolitan's fixed costs through its authority to implement property tax increases. Metropolitan's current tax rate appearing on property tax bills throughout its service area is 0.0035% of a property's value. An initial proposal considered was to double the rate to 0.007% to temper the rate increases. Other alternatives try to balance the tax rate with more consistent and moderate water rate increases.
2. **Treated Water Surcharge:** The treated water surcharge is an additional rate component layered on top of the untreated rate. Calleguas receives only treated water from Metropolitan, so this would be the applicable rate. This treated water rate component is

Information Provided to Purveyors on March 11, 2024 Regarding Metropolitan's Rate Development Process

proposed to increase by 30% from the previous year's rate. While 85% of the costs for treated water are fixed, the recovery of those costs is 100% on volumetric sales. Low sales are the dominant cost driver, exacerbated by the emergency water conservation program that limited water use in the State Water Project dependent areas. Reserves set aside to stabilize the treated rate variability are exhausted and the proposed rate leaves the rate stabilization fund at zero. No rate alternatives have been presented to address this issue. The treated water rate surcharge affects 15 of the member agencies, including Calleguas, but is less of a pressing issue for the larger agencies (such as the City of Los Angeles and the San Diego County Water Authority) that carry a large proportion of the vote.

3. Long-Term Financial Sustainability: The current rate issues reflect a structural problem that will persist without structural solutions. In looking ahead, Metropolitan needs to take a comprehensive approach to aligning who benefits, who pays, and who decides. In the current business model, Board decision making is governed by votes weighted by a member agency's assessed valuation. It remains to be seen whether that governance can address the structural problem of balancing fixed revenues with fixed costs, or whether individual member agency economic self-interest will prevail over the sustainability of the whole.

Talking Points

The suggested talking points reflect a framing of rate issues above. It is helpful for retail water agencies and cities to inform Metropolitan of the impact on their customers, finances, and planning. Be mindful that at this stage of the discussion the rate alternatives are still evolving. Comments based on general principles may be more helpful than specific comments on current proposals.

- Untreated Water Rates: Metropolitan member agency managers generally support property tax recovery of fixed costs at some level. The property tax basis reflects the value that reliable water service brings to property valuation and so there is a direct nexus for some share of the costs. This is an issue that is anticipated to draw extensive commentary. The City of Los Angeles has written a letter opposing increasing the property tax. Note that the City of Los Angeles has the largest weighted vote on the Metropolitan Board of Directors based on its assessed property valuation.
- Treated Water Surcharge: This is a topic where the Calleguas service area is particularly affected. Some possible talking points include:
 - Why are there no rate alternatives presented for the largest rate element increase in the overall rates?
 - How does the treated water surcharge recover the availability of treatment capacity for those agencies that only use Metropolitan's treatment for peaking or occasional use? Recovering fixed costs of 85% with a rate that is 100% volumetric is unbalanced and does not recover the benefit of the treatment capacity for occasional users.
 - If the cost of the treated water surcharge is increasing due to low sales, how does Metropolitan factor in the emergency water conservation it imposed in 2022, when Calleguas customers were unable to access water stored for the use of other parts

Information Provided to Purveyors on March 11, 2024 Regarding Metropolitan's Rate Development Process

of Metropolitan and were forced to reduce water use to one day a week outdoor watering?

- The treatment surcharge is only a particularly extreme example of Metropolitan's overall rate problem. The 30% increase in the treatment rate surcharge is an outlier in an outlier rate proposal that needs to be addressed consistent with the overall rate approach of balancing revenues.
- If Metropolitan cannot address the treatment surcharge prior to the scheduled April adoption of rates, it should consider suspending implementation until rate alternatives can be developed. This would show a good faith effort to address the situation and demonstrate to our ratepayers that Metropolitan is working toward a solution.

Director Jacque McMillan's Remarks at March 12, 2024 Metropolitan Finance and Asset Management Committee

Transcription of Comments by Metropolitan Director Jacque McMillan (Calleguas) at Metropolitan's Finance and Asset Management Committee's Budget Workshop March 12, 2024

Thank you. I really appreciate this robust discussion and I agree a lot with what's been said already.

But the one item that I really want to speak to is the ad valorem tax. I agree with LA that funding water infrastructure with ad valorem taxes means that the water rates will not reflect the true cost of water. I agree. And they can also be regressive and they can also be subject to fluctuations in property values and they do encourage debt. However, for centuries, local governments have used ad valorem taxes to pay for their infrastructure. And the reason is for the following reasons. It provides equity. They are calculated based on the value of property which ensures that the more valuable properties pay more tax which is a fairer system. Also, it provides a stable revenue stream unlike income or consumption, and property values tend to be less volatile. Also I want to say that they provide financial autonomy for local governments.

And fourthly the reason they are typically used to build education, public safety and infrastructure maintenance is because these have a direct correlation between the taxes that the people pay and the services they receive. And that means that the poor and disadvantaged communities do not bear a disproportionate burden of the water cost. And for that reason I do encourage that we use the ad valorem. And especially if you go back to slide 26. And if you look for each member agency and what their increase will be. We're talking a small amount of money per year versus what we're looking at is hundreds of dollars per acre-foot. And I think this is a better thing to do and provides us with steady revenue. I would like to encourage that we do increase that piece. Thank you.

Question: What would the Property Tax impact be for each member agency's service area?

Answer:

Note: Based on a sampling of median home values for cities located in each Member Agency service area (Source: American Community Survey, 5-Year Estimates, 2022)

Member Agency	Median Home Value (\$ thousands)	Current Annual MWD Property Tax	Double MWD Property Tax
Cities (Owner-Occupied) (@ 0.0035% / (@ 0.007%)			
1 Anaheim	\$714	\$25	\$50
2 Beverly Hills	\$2,000	\$70	\$140
3 Burbank	\$960	\$34	\$67
4 Compton	\$489	\$17	\$34
5 Fullerton	\$791	\$28	\$55
6 Glendale	\$992	\$35	\$69
7 Long Beach	\$710	\$25	\$50
8 Los Angeles	\$823	\$29	\$58
9 Pasadena	\$982	\$34	\$69
10 San Fernando	\$604	\$21	\$42
11 San Marino	\$2,000	\$70	\$140
12 Santa Ana	\$624	\$22	\$44
13 Santa Monica	\$1,655	\$58	\$116
14 Torrance	\$962	\$34	\$67
Municipal Water Districts & Water Authority (Owner-Occupied) (@ 0.0035% / (@ 0.007%)			
15 Calleguas MWD	\$704 - \$901	\$25 - \$32	\$49 - \$63
16 Central Basin MWD	\$472 - \$679	\$17 - \$24	\$33 - \$48
17 Eastern MWD	\$277 - \$568	\$10 - \$20	\$19 - \$40
18 Foothill MWD	\$991 - \$1,983	\$35 - \$69	\$69 - \$139
Inland Empire			
19 Utilities Agency	\$507 - \$776	\$18 - \$27	\$35 - \$54
20 Las Virgenes MWD	\$972 - \$2,000	\$34 - \$70	\$68 - \$140
21 MWDOC	\$863	\$30	\$60
22 Three Valleys MWD	\$525 - \$735	\$18 - \$26	\$37 - \$51
San Diego County			
23 Water Authority	\$725	\$25	\$51
Upper San Gabriel Valley MWD			
24 Valley MWD	\$553 - \$1,307	\$19 - \$46	\$39 - \$91
25 West Basin MWD	\$616 - \$2,000	\$22 - \$70	\$43 - \$140
26 Western MWD	\$384 - \$486	\$13 - \$17	\$27 - \$34

March 12, 2024 Finance and Asset Management Committee - Workshop #3 Item 9-2 Slide 26

President Quady's March 12, 2024 Public Comments to the Metropolitan Board

Chair Ortega, Director McMillan, members of the Board, my name is Scott Quady, I'm president of the Calleguas Municipal Water District Board of Directors. I appreciate the opportunity to address you today.

Calleguas delivers water to 19 retail agencies, most of which, as community water systems, must engage in a Proposition 218 process to set rates. As you've heard, a rate increase of this magnitude will almost certainly lead to rate protests. Rate protests, even when ultimately unsuccessful, have the effect of eroding trust in the institution seeking the increase. They can change the politics of the city or water agency, and often not in a good way.

Given the principle of transparency, so central to a Cost of Service Analysis, ratepayers will be able to clearly identify the drivers of the higher rates their suppliers will be seeking to collect.

While Metropolitan is not subject to Proposition 218, you have historically been fairly transparent about the rates. You have been fairly clear in defining what constitutes the capacity charge, for instance: the cost, apportioned on a pro rata share by each member agency, of providing and maintaining a distribution system with the capacity to meet peak demands.

Fifteen of your 26 member agencies—more than half—receive only treated water. There are other member agencies who receive both treated and untreated water, but depend on Metropolitan's treated water capacity when they need it. Metropolitan's capacity to distribute water to meet peak demands means the capacity to distribute **treated** water to meet peak demands.

Treatment capacity is part of the cost of Metropolitan's treatment service.

This isn't just my idea. Or Calleguas's perspective.

It is, in fact, Metropolitan policy.

On April 11, 2017, the Metropolitan Board of Directors adopted Resolution 9221, Approving the Treatment Charge Workgroup's Proposed Policy Principles. There were three principles. I'll read the first two.

1. *Treatment rates and charges shall align treatment costs with treatment services and benefits received consistent with cost of service principles.*
2. *Treatment services shall be recognized to include physical water treatment, **as well as operational benefits such as available treatment capacity** used by member agencies.*

Available treatment capacity—the ability for Metropolitan to treat all the water required even by its occasional customers—is part of Metropolitan's cost of service.

Calleguas urges the Board to create a rate that adheres with your own principles.

President Quady's March 12, 2024 Public Comments to the Metropolitan Board

Recognizing that it is unlikely you'll be able to do so before the rates need to be adopted next month, Calleguas encourages your Board to defer action on the treatment surcharge until the issue can be developed completely.

Thank you.

Remarks Made by General Manager Kristine McCaffrey at the March 12, 2024 Metropolitan Board Meeting

Good afternoon. Thank you for the opportunity to address the Metropolitan Board today.

As Director McMillan mentioned, my career at Calleguas has been focused on implementing collaborative and ambitious approaches to improving water supply reliability in Ventura County, such as our Salinity Management Pipeline, or SMP, which enables the construction of brackish groundwater desalters and potable reuse projects by providing a mechanism for brine disposal from the reverse osmosis treatment process. The SMP currently manages brine for desalters operated by three of our retailers. Las Virgenes' PureWater project will discharge its brine to the SMP when that important project comes online in the next few years.

Since Calleguas is a Metropolitan member agency, obviously Metropolitan's reliability is essential to our future water supply reliability. We serve approximately 640,000 people in southeastern Ventura County—about three quarters of the county's population—through 19 retailers, which include cities, water districts, mutual water companies, and investor owned utilities. Our service area includes the cities of Oxnard, Port Hueneme, Simi Valley, Thousand Oaks, Camarillo, and Moorpark, as well as surrounding unincorporated areas. With the exceptions of Oxnard and Port Hueneme, all of these cities were incorporated after Metropolitan signed its State Water contract, indicating the significance of the State Water Project to Ventura County's growth and economic vitality. Some of those retailers have access to other local water resources, while others have very limited options available to them.

Calleguas is unique among Metropolitan's member agencies in that we have a single point of connection – the one-mile long Santa Susana Tunnel in Chatsworth. We are also among the six agencies located in the State Water Project dependent area and one of the 15 member agencies that only has access to treated water, with no access to less expensive untreated water.

Appearing before the Board today is particularly significant when the agenda includes the public hearing for the proposed rates for 2024/2025 and 2025/2026. This is clearly a critical juncture for Metropolitan and its member agencies. The proposed untreated water rate increases of 13% and 8% have attracted a lot of attention and the Board is actively considering alternatives to the initial proposal for untreated water rates.

However, there are currently no alternatives proposed by Metropolitan staff for the treated water surcharge, for which a 30% increase is proposed. While 85% of the costs for treated water are fixed, the recovery of those costs is 100% on volumetric sales.

This proposal is of significant concern to Calleguas and our retailers, particularly when the reason given for the substantial increase is low water sales. Within our service area, those low water sales were driven by Metropolitan's Emergency Water Conservation Program, which necessitated draconian cutbacks in water usage within Calleguas, as part of the State Water Project dependent area. Just a year after our retail purveyors put forth incredible efforts and achieved conservation rates of over 30% as required by Metropolitan, they are being told that the reward is to be charged substantially more for water in the future. Based on recent conversations and a special

Remarks Made by General Manager Kristine McCaffrey at the March 12, 2024 Metropolitan Board Meeting

meeting we called last week with our retailers, the proposed rates are being met with a great deal of concern and frustration. It is likely you will hear more from them today and as this proposal progresses. I share their concern about how they will meet increased financial obligations, plan for the future, and potentially engage in Prop 218 processes as a result of these actions.

The concern isn't just that the treated water surcharge is increasing, but that the entire structure of the treated water surcharge is inconsistent with Metropolitan's principles regarding rates. While Metropolitan charges a capacity charge to ensure that member agencies that peak off of Metropolitan's distribution system pay their fair share of the costs associated with that infrastructure, there is currently no parallel rate structure for treated water, even though the same principle applies.

Metropolitan's Board recognized this problem in 2017 by adopting Resolution 9221, Approving the Treatment Charge Workgroup's Proposed Policy Principles stating that "Treatment rates and charges shall align treatment costs with treatment services and benefits received consistent with cost of service principles." And "Treatment services shall be recognized to include physical water treatment, as well as operational benefits such as available treatment capacity used by member agencies."

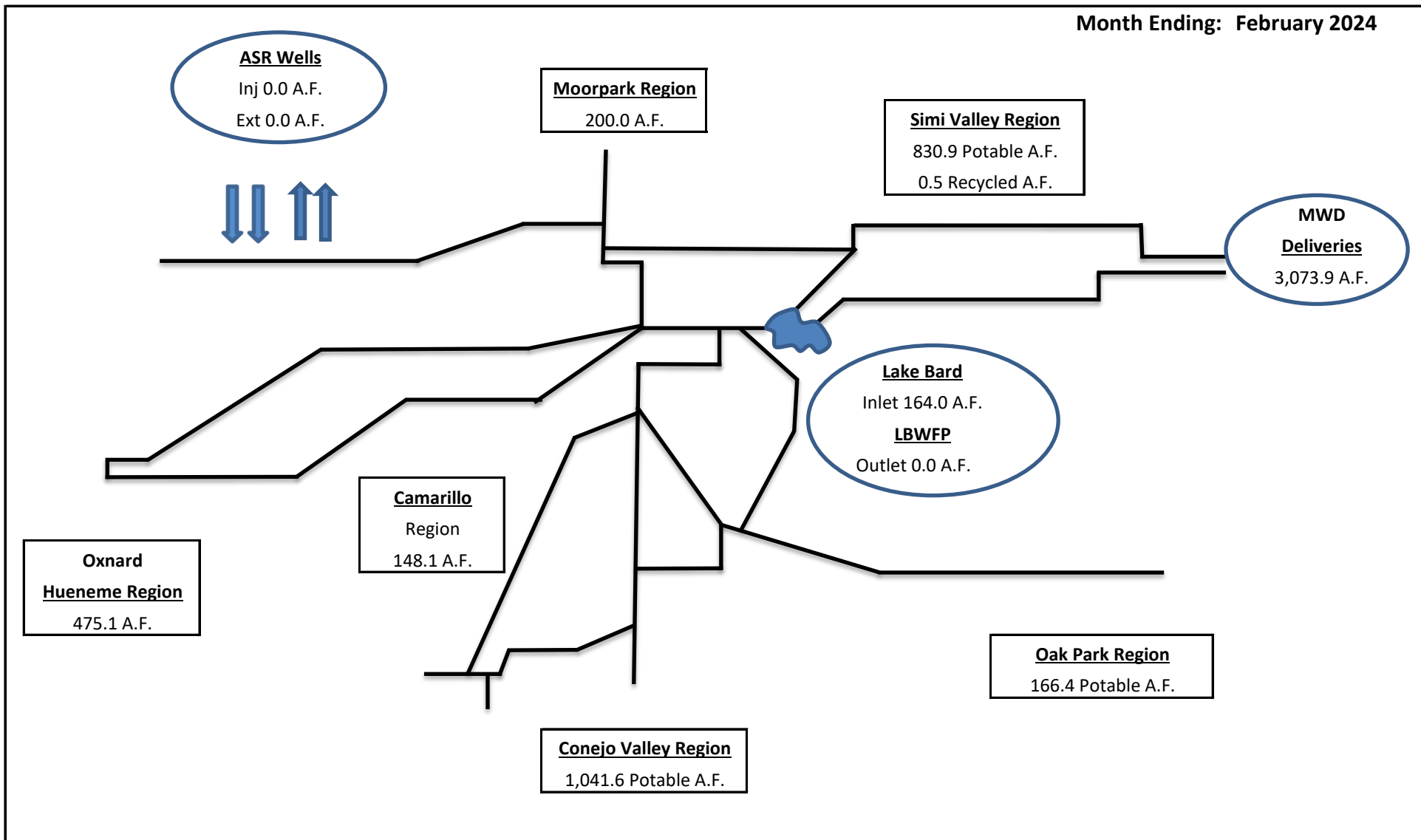
If Metropolitan cannot address the treatment surcharge prior to the scheduled April adoption of rates, it should consider suspending implementation until alternatives can be developed. This would show a good faith effort to address the situation and demonstrate to our ratepayers, who were so deeply affected during the 2022 drought, that Metropolitan is working toward a solution. This could take the form of a formal board call to action similar to that adopted by the Board in August 2022 regarding equitable access to Metropolitan supplies for the State Water Project dependent areas.

As you know, the current rate issues reflect a structural problem that will persist without structural solutions. In looking ahead, Metropolitan needs to take a comprehensive approach to aligning who benefits with who pays.

Thank you.

Calleguas Municipal Water District Water Use and Sales System Usage by Region

Month Ending: February 2024



Current Fiscal Year to Date:

45,038.5	A.F. Potable
44.5	A.F. Recycled
525.3	A.F. SMP Brine
-	A.F. SMP Non-Brine

As of Fiscal Year 02/28/23

41,284.0	A.F. Potable
47.4	A.F. Recycled
242.0	A.F. SMP Brine
-	A.F. SMP Non-Brine

As of Fiscal Year 02/28/22

59,945.9	A.F. Potable
41.7	A.F. Recycled

**Calleguas Municipal Water District
Revenues from Water Sales
For the Month of February 2024**

Organization	Water Use Acre Feet	Water Sales	RTS, CRC, Penalties & Pumping Charges	Billing Amount
Potable Water				
Berylwood Heights Mutual Water Co.	-	\$ -	\$ 150.00	\$ 150.00
Brandeis Mutual Water Co.	2.8	4,821.44	944.00	5,765.44
Butler Ranch	-	-	150.00	150.00
California American Water Co	556.7	963,135.92	217,715.00	1,180,850.92
Camarillo, City of	103.9	179,727.78	81,072.00	260,799.78
Camrosa Water District	44.2	76,436.13	79,180.00	155,616.13
Crestview Mutual Water Co.	-	-	1,752.00	1,752.00
Ventura Co WWD #38	23.3	40,271.35	17,064.67	57,336.02
Solano Verde Mutual Water	2.9	4,996.19	5,854.00	10,850.19
Oak Park Water Service	74.2	128,391.74	59,695.93	188,087.67
Oxnard, City of	475.1	821,904.89	178,968.92	1,000,873.81
Pleasant Valley Mutual Water Co.	-	-	3,826.00	3,826.00
California Water Service Co.	189.2	327,365.56	144,095.89	471,461.45
Simi Valley, City of	622.9	1,077,560.92	289,566.80	1,367,127.72
Golden State Water	205.2	355,047.15	75,075.00	430,122.15
Thousand Oaks, City of	361.7	625,691.28	149,692.00	775,383.28
Ventura Co WWD #1	200.0	346,000.00	132,880.62	478,880.62
Ventura Co WWD #19	-	-	3,842.00	3,842.00
Potable Total	2,862.1	\$ 4,951,350.35	\$ 1,441,524.83	\$ 6,392,875.18

Potable 2023	3,738.9
Potable 2022	6,251.8

Organization	Water Use Acre Feet	Water Sales	Pumping Charges	Billing Amount
Recycled Water				
Simi Valley, City of (Rec)	0.5	647.48	-	647.48
Recycled Sales Total	0.5	\$ 647.48	\$ -	\$ 647.48

Recycled 2023	2.3
Recycled 2022	4.8

**Calleguas Municipal Water District
Revenues from Other Water Sales & SMP
For the Month of February 2024**

Organization	Water Use Acre Feet	Water Sales	RTS, CRC, Penalties & Pumping Charges	Billing Amount
Construction Water Sales				
Environmental Construction		\$	\$	\$
		\$	\$	\$
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
Construction Water Sales Total		-	\$ -	\$ -

Organization	Discharge Acre Feet	Water Sales	Const Replacement, Maint Fee & Penalties	Billing Amount
SMP Brine Discharge				
Camrosa	19.5	\$ 13,365.57	\$ 1,082.00	\$ 14,447.57
Oxnard		\$ -	\$ -	\$ -
Camarillo	36.8	\$ 25,197.22	\$ 297.44	\$ 25,494.66
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
Total SMP Discharge		56.3	\$ 38,562.79	\$ 1,379.44
			\$	\$ 39,942.23

SMP Brine 2023

SMP Non-Brine Discharge				
Camrosa		\$ -	\$ -	\$ -
Oxnard		\$ -	\$ -	\$ -
Camarillo		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
Total SMP Discharge		-	\$ -	\$ -

SMP Non-Brine 2023

Calleguas Municipal Water District
MWD Invoice Reconciliation
For the Month of February 2024

Source-MWD			
Metropolitan Delivery		3,073.9	\$ 3,860,818.40

Sales			
Purveyor Sales		2,862.1	\$ 3,594,797.60
Construction Sales		-	-
		-	-
Total Sales Potable Water		2,862.1	\$ 3,594,797.60

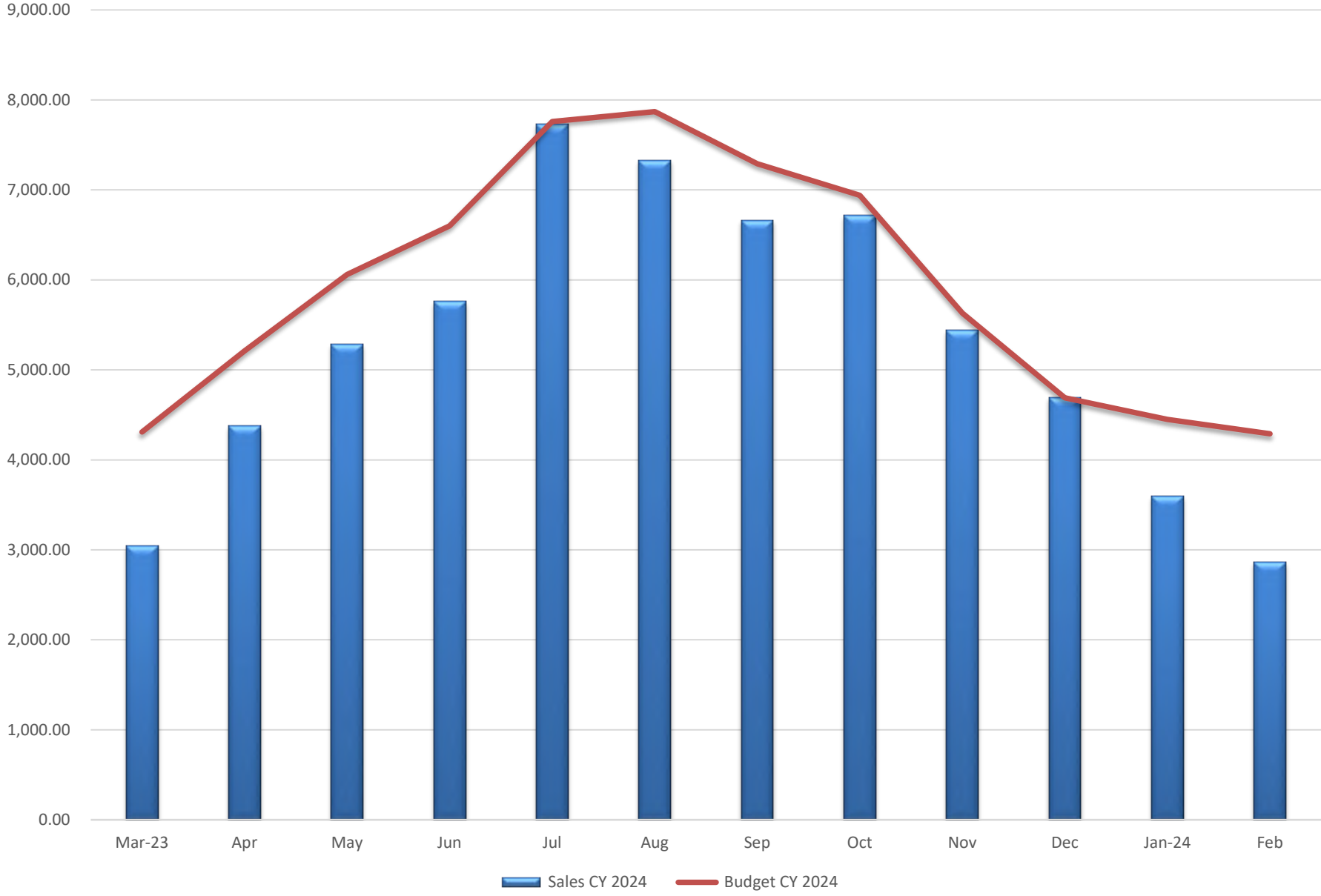
Storage			
Lake Bard Input (Storage)		164.0	205,984.00
Lake Bard Water Filter Plant Output (Use)		-	-
ASR Wells Input (Storage)		-	-
ASR Wells Output (Use)		-	-
ASR Cyclic Storage @ \$ 992 A.F.			-
ASR Reverse Cyclic Storage - Prepaid			-
Total Storage Activity		164.0	205,984.00

Total Water Sales & Use	3,026.1	3,800,781.60
Reconciliation Adjustment	47.8	60,036.80
Water Sales per MWD	3,073.9	3,860,818.40

CRC	176,960.00
RTS	725,718.00
LRP	(124,922.00)
Conservation Program Costs	620.71
Turf Replacement	7,335.00
Tier 2 Surcharge	-
RTS Adjustment for FY 2022/23	

Total MWD Invoice for February 2024 4,646,530.11

Sales vs Budget Last 12 Months



**Calleguas Municipal Water District
Record Of Power Generation
Revenue Summary
Fiscal Year 2023-24**

January 1, 2024 to January 31, 2024

Hours Possible Generating:	3,720
Hours On Line - Generating:	171
Hours Off Line - Flow Conditions:	3,333
Hours Off Line - Maintenance:	216
Hours Off Line - Power Loss:	0

Monthly Revenue - FY 2023-24

July - 2023	\$ 120,462.53
August	72,072.53
September	94,225.28
October	62,673.90
November	38,439.22
December	21,078.00
January - 2024	5,619.59
February	_____
March	_____
April	_____
May	_____
June	_____
FY 2023-24 Total	\$ 414,571.05

FY 2023-24 Budget 300,000.00

Monthly Revenue - FY 2022-23

July - 2022	\$ 37,070.98
August	2,062.47
September	164.63
October	753.05
November	(271.09)
December	(152.85)
January - 2023	(14.16)
February	_____
March	_____
April	_____
May	_____
June	_____
FY 2022-23 Total	\$ 39,613.03

ANNUAL REVENUE

FY 2022-23 Total	169,954.19
FY 2021-22 Total	456,746.87
FY 2020-21 Total	673,148.24

**Calleguas Municipal Water District
Record Of Power Generation
Conejo Pump Station
Fiscal Year 2023-24**

January 1, 2024 to January 31, 2024

Hours Possible Generating:	744
Hours On Line - Generating:	0
Hours Off Line - Flow Conditions:	744
Hours Off Line - Maintenance:	0
Hours Off Line - Power Loss:	0

Monthly Revenue - FY 2023-24		Estimated Monthly Cost Savings - FY 2023-24		Monthly Revenue - FY 2022-23	
July - 2023	\$ 3,652.18	July - 2023	\$ 5,944.00	July - 2022	\$ 0.00
August	4,894.15	August	13,003.00	August	0.00
September	2,253.54	September	3,858.00	September	0.00
October	69.98	October	0.00	October	0.00
November	0.00	November	0.00	November	0.00
December	0.00	December	0.00	December	0.00
January - 2024	0.00	January - 2024		January - 2023	0.00
February		February		February	1.68
March		March		March	0.00
April		April		April	0.00
May		May		May	0.00
June		June		June	890.68
FY 2023-24 Total	\$ 10,869.85	FY 2023-24 Total	\$ 22,805.00	FY 2022-23 Total	\$ 892.36

ESTIMATED COST SAVINGS		ANNUAL REVENUE	
FY 2022-23 Total	\$ 1,148.00	FY 2022-23 Total	\$ 892.36
FY 2021-22 Total	\$ 19,736.00	FY 2021-22 Total	\$ 7,828.83

**Calleguas Municipal Water District
Record Of Power Generation
East Portal
Fiscal Year 2023-24**

January 1, 2024 to January 31, 2024

Hours Possible Generating:	744
Hours On Line - Generating:	0
Hours Off Line - Flow Conditions:	744
Hours Off Line - Maintenance:	0
Hours Off Line - Power Loss:	0

Monthly Revenue - FY 2023-24	
July - 2023	\$ 91,842.59
August	81,508.92
September	75,779.41
October	46,029.29
November	29,014.78
December	14,452.02
January - 2024	0.00
February	
March	
April	
May	
June	
FY 2023-24 Total	\$ 338,627.01

Monthly Revenue - FY 2022-23	
July - 2022	\$ 23,451.74
August	0.00
September	0.00
October	0.00
November	0.00
December	0.00
January - 2023	0.00
February	0.00
March	0.00
April	6,649.17
May	33,050.31
June	66,214.03
FY 2022-23 Total	\$ 129,365.25

ANNUAL REVENUE

FY 2021-22 Total \$ 303,122.01

FY 2020-21 Total \$ 521,107.83

FY 2019-20 Total \$ 616,724.23

**Calleguas Municipal Water District
Record Of Power Generation
Santa Rosa
Fiscal Year 2023-24**

January 1, 2024 to January 31, 2024

Hours Possible Generating:	744
Hours On Line - Generating:	3
Hours Off Line - Flow Conditions:	741
Hours Off Line - Maintenance:	0
Hours Off Line - Power Loss:	0

Monthly Revenue - FY 2023-24	
July - 2023	\$ 2,706.07
August	3,011.62
September	1,892.42
October	2,239.12
November	708.17
December	13.29
January - 2024	41.23
February	
March	
April	
May	
June	
FY 2023-24 Total	\$ 10,611.92

Monthly Revenue - FY 2022-23	
July - 2022	\$ 776.98
August	352.99
September	0.00
October	825.30
November	99.94
December	0.00
January - 2023	62.46
February	0.00
March	0.00
April	106.80
May	0.00
June	124.23
FY 2022-23 Total	\$ 2,348.70

ANNUAL REVENUE	
FY 2021-22 Total	\$ 7,598.93
FY 2020-21 Total	\$ 14,115.14
FY 2019-20 Total	\$ 36,264.11

**Calleguas Municipal Water District
Record Of Power Generation
Springville
Fiscal Year 2023-24**

January 1, 2024 to January 31, 2024

Hours Possible Generating:	744
Hours On Line - Generating:	4
Hours Off Line - Flow Conditions:	524
Hours Off Line - Maintenance:	216
Hours Off Line - Power Loss:	0

Monthly Revenue - FY 2023-24		Revenues		Fees		Monthly Revenue - FY 2022-23	
July - 2023	\$ 8,311.68	\$ 8,478.94	\$ (167.26)	July - 2022	\$ 5,579.15		
August	(25,904.96)	5,381.35	(31,286.31)	August	1,697.42		
September	2,666.76	2,875.23	(208.47)	September	164.63		
October	6,199.89	6,736.56	(536.67)	October	(72.25)		
November	3,158.60	3,158.60	0.00	November	(371.03)		
December	92.18	721.92	(629.74)	December	(214.25)		
January - 2024	(336.50)	239.54	(576.04)	January - 2023	(167.72)		
February				February	(562.22)		
March				March	345.70		
April				April	940.45		
May				May	(234.54)		
June				June	2,440.64		
FY 2023-24 Total	\$ (5,812.35)	\$ 27,592.14	\$ (33,404.49)	FY 2022-23 Total	\$ 9,545.98		

ANNUAL REVENUE

FY 2021-22 Total	\$ 70,145.01
FY 2020-21 Total	\$ 60,788.34
FY 2019-20 Total	\$ 90,265.88

**Calleguas Municipal Water District
Record Of Power Generation
Grandsen Pump Station
Fiscal Year 2023-24**

January 1, 2024 to January 31, 2024

Hours Possible Generating:	744
Hours On Line - Generating:	164
Hours Off Line - Flow Conditions:	580
Hours Off Line - Maintenance:	0
Hours Off Line - Power Loss:	0

Monthly Revenue - FY 2023-24	
July - 2023	\$ 13,950.01
August	8,562.80
September	11,633.15
October	8,135.62
November	5,557.67
December	6,520.51
January - 2024	5,914.86
February	
March	
April	
May	
June	
FY 2023-24 Total	\$ 60,274.62

Monthly Revenue - FY 2022-23	
July - 2022	\$ 7,263.11
August	12.06
September	0.00
October	0.00
November	0.00
December	61.40
January - 2023	91.10
February	1,356.92
March	6,873.39
April	308.57
May	3,907.17
June	7,928.18
FY 2022-23 Total	\$ 27,801.90

ANNUAL REVENUE

FY 2021-22 Total	\$ 68,052.09
FY 2020-21 Total	\$ 76,711.53
FY 2019-20 Total	\$ 48,923.13

Calleguas Municipal Water District Cash & Investment Summary February 29, 2024

Account	Balance	Interest Rate
<u>Pooled Investment Accounts</u>		
LAIF	\$ 2,407,426.67	4.12%
Ventura County Pool	16,329.06	4.03%
Total Pooled Investments	\$ 2,423,755.73	
<u>Other Investments</u>		
Chandler Asset Management (US Bank)	\$ 169,372,581.15	5.00%
<u>Restricted Investments</u>		
US Bank - 2008 Series A	17,204.47	
Wells Fargo Bank - 2010 Series A & B Payment Acct	5,356.02	
US Bank - 2021 Payment Fund	903.43	
US Bank - 2014 Series A Payment Acct	0.10	
US Bank - 2016 Series A Payment Acct	1.04	
Total Restricted Investments	\$ 23,465.06	
Total - All Investments	\$ 171,819,801.94	
Cash Balance	2,446,228.18	
Total Cash and Investments	\$ 174,266,030.12	

Pooled Investment Summary

<u>Ventura County Pool</u>		
Balance as of January 31, 2024	\$	12,560.06
Current Month Activity:		
Interest Paid		3,769.00
Transfer to General Fund Checking		-
Balance on Hand as of February 29, 2024	<u>\$</u>	<u>16,329.06</u>

<u>Local Agency Investment Fund (LAIF)</u>		
Balance as of January 31, 2024	\$	407,426.67
Current Month Activity:		
Interest Paid		-
Transfer from General Fund Checking		2,000,000.00
Balance on Hand as of February 29, 2024	<u>\$</u>	<u>2,407,426.67</u>

All investments are in conformity with the Investment Policy of Calleguas Municipal Water District.
The cash & investments provide sufficient cash flow liquidity to meet all the estimated expenditures for the next six months.

**Calleguas Municipal Water District
Investment Listing
2/29/2024**

CUSIP	Issuer	Amount	Coupon Rate	Maturity	Cost	Book Value	Market Value	Accrued Balance	S&P Rating	Market YTM	Purchase	Duration	Security Type
91282CAB7	United States	4,000,000.00	0.25	7/31/2025	3,680,468.75	3,861,061.69	3,750,937.52	824.18	AA+	4.900	2.805	1.380	US Treasury
91282CBR1	United States	4,000,000.00	0.25	3/15/2024	3,830,625.00	3,996,543.37	3,992,094.52	4,615.38	AA+	6.720	2.553	0.040	US Treasury
91282CCX7	United States	4,000,000.00	0.375	9/15/2024	3,810,625.00	3,955,255.07	3,896,562.48	6,923.08	AA+	5.430	2.499	0.520	US Treasury
91282CDB4	United States	3,000,000.00	0.625	10/15/2024	2,855,976.56	2,963,915.00	2,916,093.75	7,069.67	AA+	5.330	2.610	0.610	US Treasury
91282CDH1	United States	3,700,000.00	0.75	11/15/2024	3,546,074.22	3,658,815.31	3,587,699.23	8,157.28	AA+	5.250	2.365	0.690	US Treasury
91282CDN8	United States	3,800,000.00	1	12/15/2024	3,546,320.31	3,709,265.56	3,678,875.00	7,994.54	AA+	5.200	4.171	0.770	US Treasury
91282CDS7	United States	1,500,000.00	1.125	1/15/2025	1,493,378.91	1,498,047.24	1,449,609.38	2,132.55	AA+	5.120	1.276	0.850	US Treasury
91282CDZ1	United States	3,000,000.00	1.5	2/15/2025	2,903,789.06	2,967,308.77	2,899,101.57	1,854.40	AA+	5.140	2.673	0.930	US Treasury
91282CED9	United States	3,000,000.00	1.75	3/15/2025	2,922,421.88	2,972,288.30	2,900,742.18	24,230.77	AA+	5.090	2.671	1.000	US Treasury
91282CEF4	United States	4,000,000.00	2.5	3/31/2027	3,698,593.75	3,729,599.66	3,782,187.52	41,803.28	AA+	4.440	4.910	2.890	US Treasury
91282CEU1	United States	3,100,000.00	2.875	6/15/2025	3,077,078.13	3,083,654.72	3,021,773.42	18,750.34	AA+	4.920	3.305	1.240	US Treasury
91282CFK2	United States	3,800,000.00	3.5	9/15/2025	3,726,968.75	3,761,999.45	3,726,820.32	61,384.62	AA+	4.840	4.192	1.450	US Treasury
91282CFW6	United States	3,600,000.00	4.5	11/15/2025	3,618,843.75	3,610,877.43	3,586,218.77	47,620.88	AA+	4.770	4.308	1.600	US Treasury
91282CGA3	United States	4,900,000.00	4	12/15/2025	4,836,246.09	4,847,682.94	4,840,089.86	41,234.97	AA+	4.750	4.632	1.690	US Treasury
91324PCW0	UnitedHealth Group Incorporated	2,200,000.00	3.45	1/15/2027	2,121,196.00	2,121,270.98	2,123,013.02	9,698.33	A+	4.770	4.796	2.680	Corporate
94975P405	Allspring Group Holdings LLC	500,587.62	5.18	2/29/2024	500,587.62	500,587.62	500,587.62	0.00	AAA	5.180	5.180	0.000	Money Market Fund
CCYUSD	Cash	19,073.31	0	2/29/2024	19,073.31	19,073.31	19,073.31	0.00	AAA	0.000	0.000	0.000	Cash

Investment Type	Code	Total	%	Allowed
Treasury Obligations	US Treasury	61,267,534.45	36%	100%
Municipal Securities	Municipal Bonds	-	0%	20%
Medium Term Corporate Notes	Corporate	41,498,526.50	24%	30%
Federal Agency Bonds	Agency	44,475,868.39	26%	100%
Negotiable CD	Negotiable CD	-	0%	30%
Suprational	Supranational	5,907,174.30	3%	10%
Commercial Paper	Commercial Paper	4,357,500.69	3%	25%
Asset Backed Securities	ABS	11,346,315.89	7%	15%
Money Market Funds	Money Market Fund	500,587.62	0%	20%
Investment Cash	Cash	19,073.31	0%	20%
	LAIF	2,407,426.67	1%	15%
	VC Pool	16,329.06	0%	15%
	Restricted Inv	23,465.06	0%	
		<u>171,819,801.94</u>	<u>100%</u>	

Upcoming Meetings

This table includes meetings that can be attended by all Board members.

In order to ensure Brown Act compliance, a majority of members should not discuss Calleguas specific issues at meetings other than designated Calleguas Board Meetings.

AWA Water Issues	Tues. 03/19, 8:00 a.m.	1701 Lombard Street, Oxnard Hybrid Event
Calleguas Board Meeting	Wed. 03/20, 4:00 p.m.	2100 Olsen Road, Thousand Oaks Hybrid Event
AWA WaterWise* “Delta Conveyance Update – Why Modernizing Infrastructure Will Benefit Our Future Water Supply”	Thu. 03/21, 8:00 a.m.	1701 Lombard Street, Oxnard Hybrid Event
Ventura County Coalition of Labor Agriculture and Business (CoLab)* “Busting Our 10-year Drought in 2023 – But the Regulatory Drought is Still a Threat”	Fri. 03/22, 11:00 a.m.	Las Posas Country Club 955 Fairway Drive, Camarillo
AWA CCWUC*	Wed. 03/27, 11:30 a.m.	The Orchid Professional Building 816 Camarillo Springs Rd. IN PERSON ONLY
Calleguas Purveyor Meeting	Thu. 03/28, 10:00 a.m.	2100 Olsen Road, Thousand Oaks IN PERSON ONLY
VCSDA* Guest Speaker: Kristine McCaffrey, Calleguas General Manager	Tue. 04/02, 5:30 pm	Camarillo Health Care District, 3639 Las Posas Rd. Suite 117, Camarillo
Calleguas Board Meeting	Wed. 04/03, 4:00 p.m.	2100 Olsen Road, Thousand Oaks Hybrid Event
ACWA Legislative Symposium*	Wed. 04/10, 1:00 p.m.	SAFE Credit Union Convention Center, K Street, Sacramento IN PERSON ONLY
Calleguas Board Meeting	Wed. 04/17, 4:00 p.m.	2100 Olsen Road, Thousand Oaks Hybrid Event
AWA Symposium*	Thu. 04/18, 8:00 a.m.	Courtyard Marriott Oxnard
Calleguas Purveyor Meeting	Thu. 04/25, 10:00 a.m.	2100 Olsen Road, Thousand Oaks IN PERSON ONLY

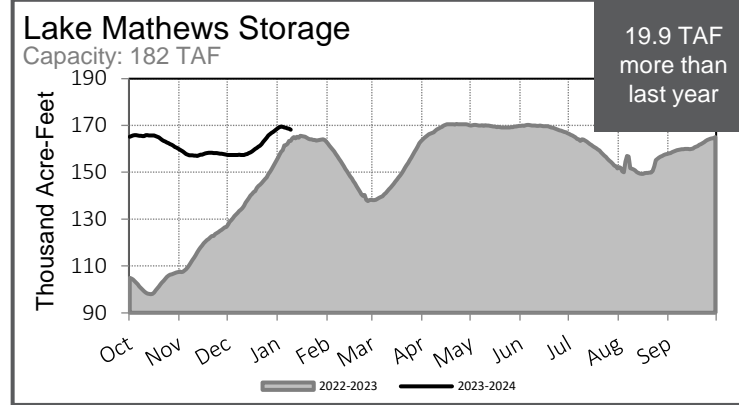
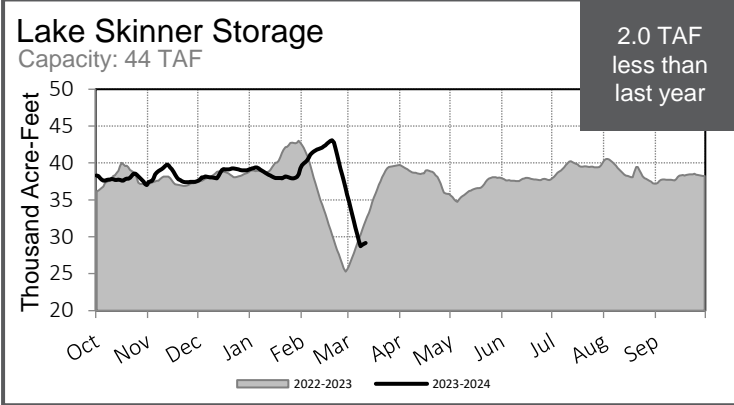
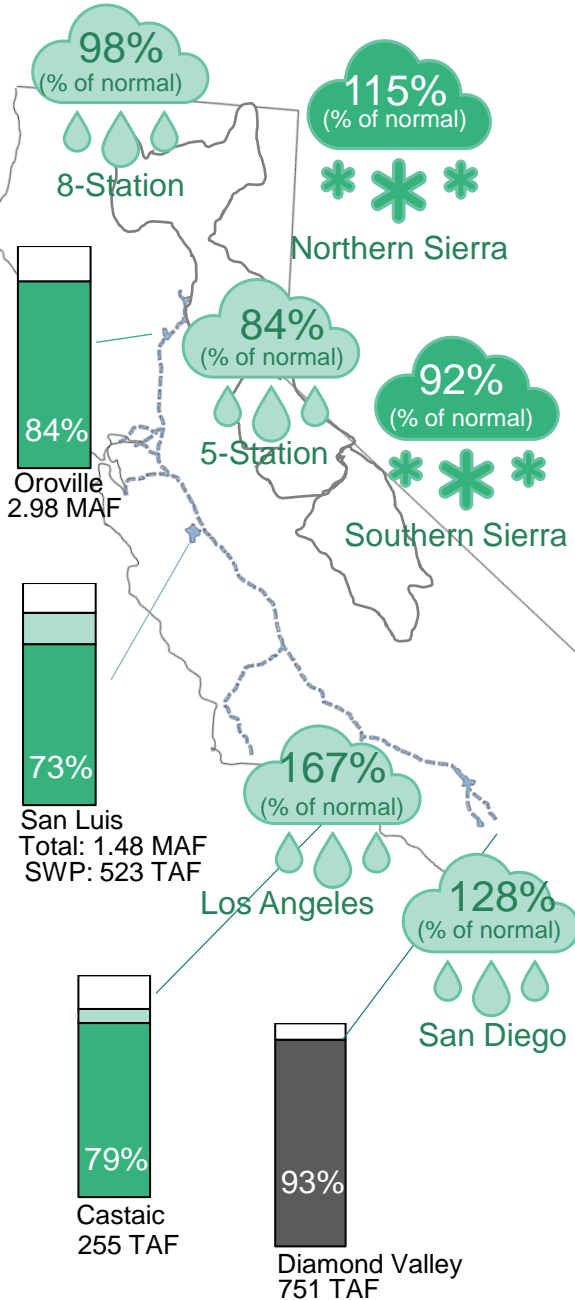
* Reservations required. Contact Kara if you would like to attend.



2024 SWP Table A – 15% - 286,725 AF

Projected 2024 CRA Diversions – 979,000 AF

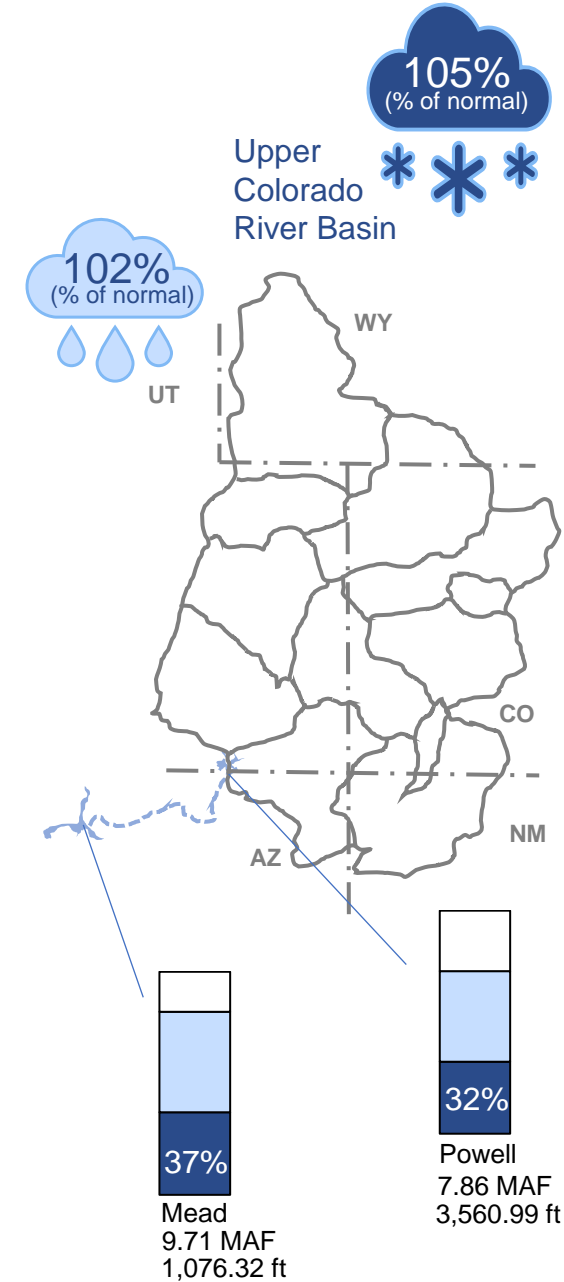
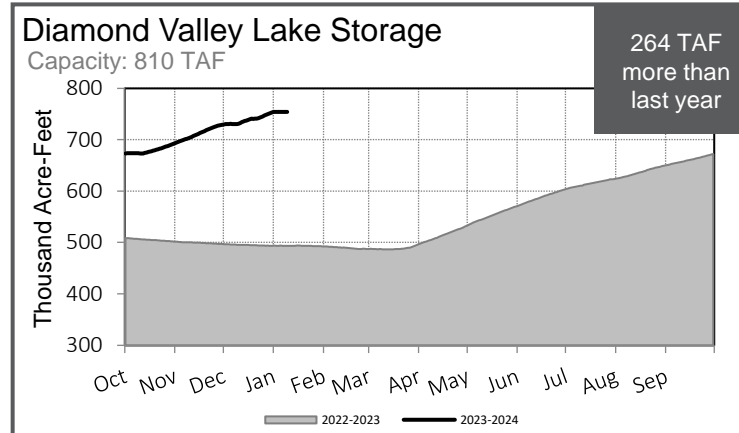
Metropolitan Resources



MWD WSDM Storage

Calendar Year 2024

	Take Capacity (2024)
Lake Mead ICS	130,000 acre-feet
State Water Project System	593,000 acre-feet
In-Region Supplies and WSDM Actions	635,000 acre-feet



Highlights

Learn more about imported supplies:

- State Water Project - <https://www.mwdh2o.com/state-water-project-map/>
- Colorado River Aqueduct - <https://www.mwdh2o.com/colorado-river-aqueduct-map/>



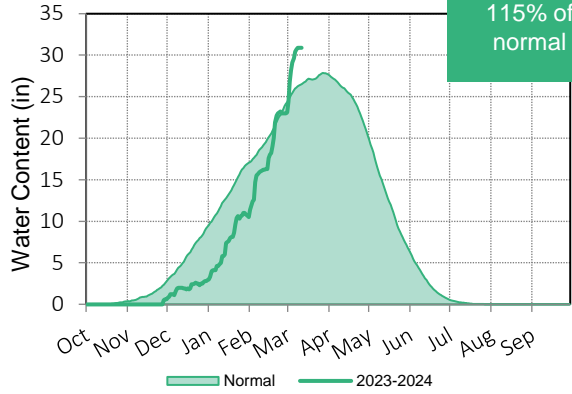
This report is produced by the Water Resource Management Group and contains information from various federal, state, and local agencies. The Metropolitan Water District of Southern California cannot guarantee the accuracy or completeness of this information. Readers should refer to the relevant state, federal, and local agencies for additional or for the most up to date water supply information. Reservoirs, lakes, aqueducts, maps, watersheds, and all other visual representations on this report are not drawn to scale. Questions? Email mferreira at mwdh2o dot com

State Water Project Resources

As of: 03/10/2024

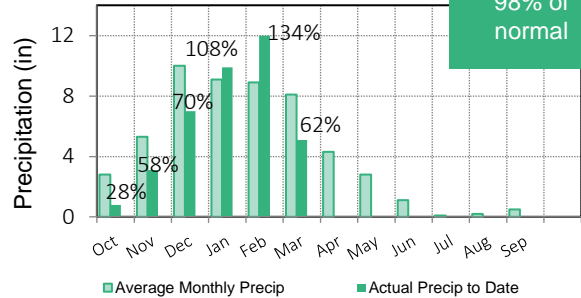
Northern Sierra Snowpack

30.9 in
115% of normal



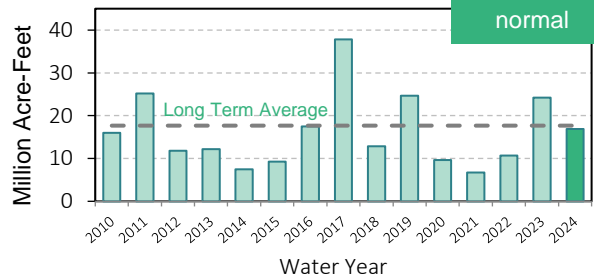
8 Station Index Precipitation

37.9 in
98% of normal



Sacramento River Runoff

Forecast:
96% of normal



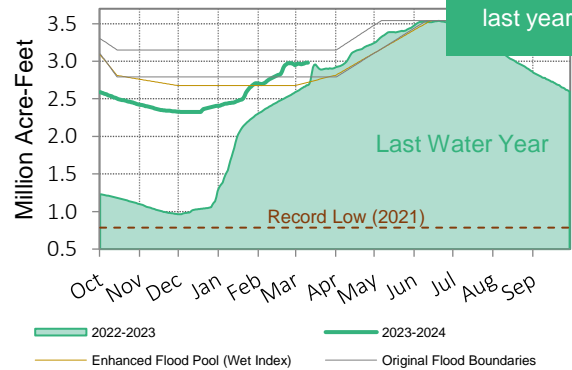
Other SWP Supplies - Carryover Calendar Year 2024

Article 56c 200,000 acre-feet
Article 12e 8,400 acre-feet
Article 14b 19,500 acre-feet

Oroville Reservoir Storage

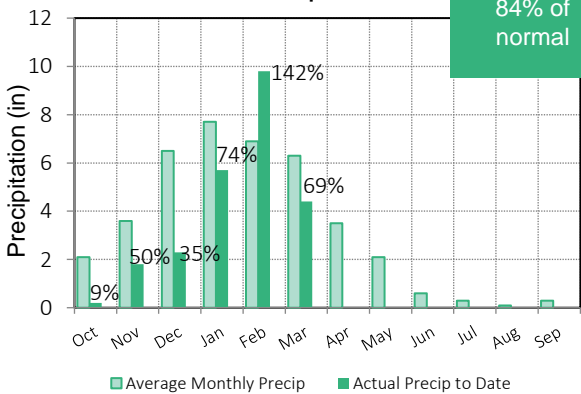
Capacity: 3.54 MAF

298 TAF
more than last year



5 Station Index Precipitation

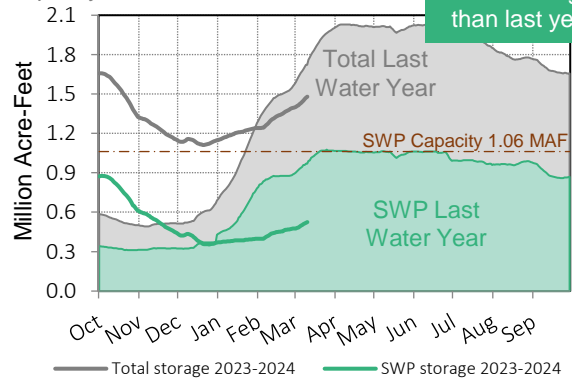
24.2 in
84% of normal



San Luis Reservoir Storage

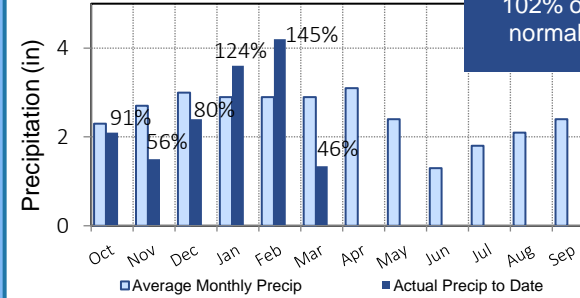
Capacity: 2.04 MAF

445 TAF less
SWP storage
than last year



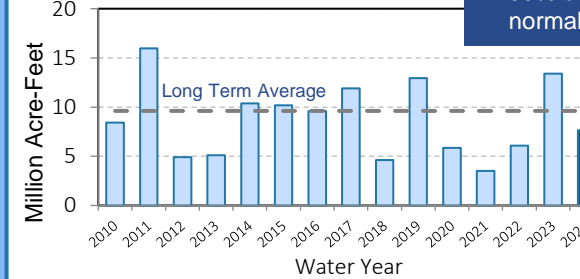
Upper Colorado Precipitation

15.1 in
102% of normal



Powell Unregulated Inflow

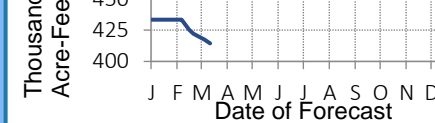
Forecast:
80% of normal



PVID/Yuma Agricultural Use

Annual Forecasted for 2024

Forecasted
Use for 2024:
414 TAF



Projected Lake Mead ICS

Calendar Year 2024

Put (+) / Take (-)
TBD

Lake Mead Surplus/Shortage Outlook

	2024	2025	2026
Surplus	0%	0%	0%
Shortage	100%	90%	83%
Metropolitan DCP*			10% 195 TAF

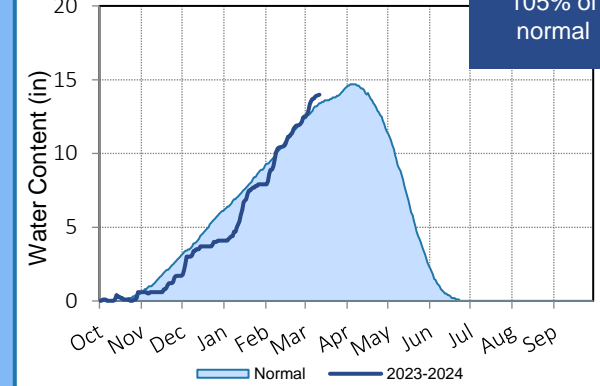
Likelihood based on results from the January 2024 CRMMS in Ensemble Model/CRSS model run. Includes DCP Contributions.
* Chance of required DCP contribution by Metropolitan. Volume is average contribution when needed.

Colorado River Resources

As of: 03/10/2024

Upper Colorado Snowpack

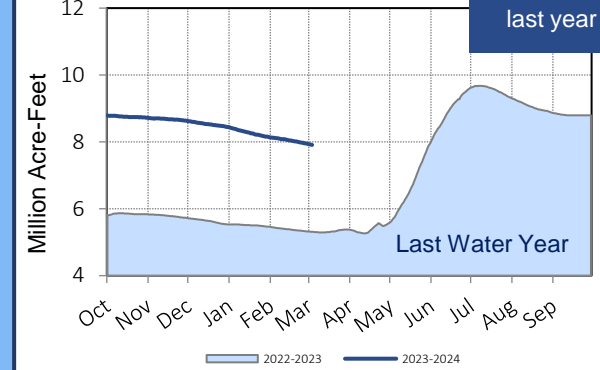
14.0 in
105% of normal



Lake Powell Storage

Capacity: 24.3 MAF

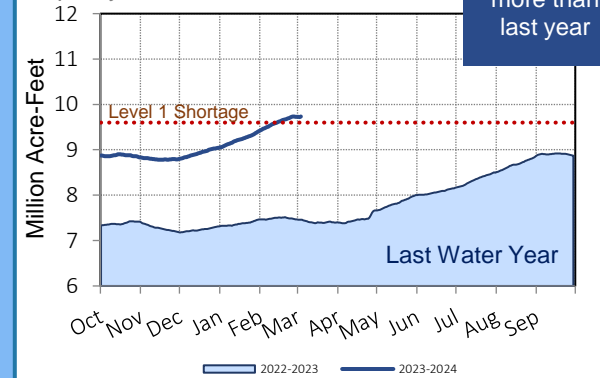
2.57 MAF
more than last year



Lake Mead Storage

Capacity: 26.1 MAF

2.31 MAF
more than last year





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A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

MEMORANDUM

**CONFIDENTIAL: ATTORNEY-CLIENT PRIVILEGED
 COMMUNICATION AND ATTORNEY WORK PRODUCT**

TO: BOARD OF DIRECTORS, FOX CANYON GROUNDWATER
 MANAGEMENT AGENCY

FROM: JOSEPH D. LARSEN, RUTAN & TUCKER, LLP

DATE: February 16, 2024

FILE NO.: 038564-0001

RE: ALTERNATIVES FOR STAFFING FOX CANYON GROUNDWATER
 MANAGEMENT AGENCY

I. BACKGROUND

The Fox Canyon Groundwater Management Agency (“FCGMA”) is a special act agency that was created by state law in 1982 to protect the groundwater resources in its area from seawater intrusion and overexploitation. The state law, also known as the Fox Canyon Groundwater Management Agency Act, is found in the Water Code Appendix §§ 121-102 - 121-1105 (the “Act”).¹ It grants FCGMA the power to implement various water management measures for agricultural, municipal, and industrial uses, as well as other powers that are necessary and proper to achieve its goals. (*See* Cal. Wat. Code App., §§ 121-102.)

FCGMA also has the authority of a groundwater sustainability agency (“GSA”) under the Sustainable Groundwater Management Act (“SGMA”) since it submitted a groundwater sustainability plan (“GSP”) to the Department of Water Resources (“DWR”) in 2017. SGMA,

¹ The need for FCGMA arose from a State Water Board investigation into seawater intrusion beneath the Oxnard Plain Basin. This investigation led to the Oxnard Plain Groundwater Study in 1979, revealing ongoing seawater intrusion despite local efforts, affecting 20 square miles of the basin. In response, the State Water Board initiated discussions on restricting groundwater pumping or implementing a physical solution to preserve the water quality of the basin. Simultaneously, the State Water Board supported a local approach to address seawater intrusion by approving an \$8 million grant for the construction of the Improved Vern Freeman Diversion and Pumping Trough Pipeline under the Clean Water and Water Conservation Bond Act of 1978. A condition for the grant required the County of Ventura (the “County”) and the United Water Conservation District (“United”) to seek legislative approval for the establishment of FCGMA.

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which is codified in the Water Code §§ 10720 - 10737.8, provides FCGMA with additional powers to manage groundwater and surface water conjunctively, exchange and distribute water, reclaim, and treat water, construct and operate works and improvements, and purchase and transfer water or water rights. (See Wat. Code §§ 10725 - 10726.8.)

In addition, FCGMA was appointed as the watermaster for the Las Posas Valley Groundwater Basin (the “LPV Basin”) by the Santa Barbara Superior Court on July 10, 2023, under a judgment in *Las Posas Valley Water Rights Coalition, et al. v. Fox Canyon Groundwater Management Agency*, Santa Barbara Sup. Ct. Case No. VENC100509700 (the “LPV Judgment”).² The LPV Judgment adjudicates all groundwater rights in the LPV Basin and provides for its sustainable management. As the watermaster for the LPV Basin, FCGMA is responsible for implementing and administering the LPV Judgment, as well as complying with SGMA and the FCGMA Act.

Since its inception, FCGMA has been contracting with the County of Ventura (the “County”) for staff and other services, as authorized by section 408 of the FCGMA Act (“Section 408”). (See Cal. Wat. Code App., §§ 121-408.) However, in late 2023, FCGMA board members discussed the possibility of hiring independent staff to meet the agency’s future staffing needs given its expanding duties. This discussion took place at a regular board meeting on September 27, 2023, and a special meeting on December 1, 2023. Following that meeting, this office was retained to opine on the issue.

II. QUESTIONS PRESENTED

What alternatives does FCGMA have for staffing considering its powers and responsibilities to implement and comply with the FCGMA Act, SGMA, and the LPV Judgment?

III. BRIEF ANSWERS

Based on the principles of statutory interpretation, the legislature likely intended Section 408 of the Act to permit FCGMA to contract for staff with other contractors beyond just the County or United. Moreover, the LPV Judgment, appointing FCGMA as watermaster, permits FCGMA to hire staff for LPV Basin management when acting in its capacity as a watermaster since the

² In addition to the LPV Basin, FCGMA’s jurisdictional area included portions of the following groundwater basins: Oxnard Subbasin, Pleasant Valley Basin, and Arroyo Santa Rosa Valley Basin. The Oxnard Subbasin and Pleasant Valley Basin are the subject of a pending adjudication action in *OPV Coalition v. Fox Canyon Groundwater Management Agency, et al.*, Santa Barbara Sup. Ct. Case No. VENCI00555357.

court has inherent authority in appointing watermasters to ensure effective groundwater management in compliance with constitutional and statutory obligations.

IV. ANALYSIS

A. Section 408 of the Act likely allows FCGMA to contract for staff with other contractors, not just with the County or United.

Public agencies created by statute can generally “exercise only those powers ‘which are conferred on them by the act under which they are incorporated, or such as are necessarily incidental to the exercise of their corporate rights, the performance of their corporate duties, and the accomplishment of the purposes for which they are created.’[Citation.]” (*Palmer v. West Kern County Water Dist.* (1961) 193 Cal.App.2d 41, 45.) “[T]he rule is well established that language purporting to define the powers of a municipal corporation is to be strictly construed, and ... the power is denied where there is any fair, reasonable doubt concerning the existence of the power. [Citation.]” (*Water Quality Ass’n v. County of Santa Barbara* (1996) 44 Cal.App.4th 732, 746.)

Here, the Act prescribes “the boundaries, organization, operation, management, financing, and other powers and duties of the agency.” (FCGMA Act (Stats. 1982, ch. 1023.) According to Section 102 of the Act, FCGMA “shall exercise the powers granted by this act for purposes of groundwater management within the boundaries of the agency, together with such other powers as are reasonably implied and necessary and proper to carry out the objectives and purposes of the agency.” (Cal. Wat. Code App., §§ 121-102.) With regards to staffing, Section 408 of the Act provides that FCGMA “may contract with the county or United for staff and other services and may hire such other contractors and consultants as it considers appropriate.”³ (Cal. Wat. Code App., §§ 121-408.)

³ In addition to its enabling legislation, FCGMA possesses the authority to enter into contracts for services under Government Code section 53060, which provides: “The legislative body of any public or municipal corporation or district may contract with and employ any persons for the furnishing to the corporation or district special services and advice in financial, economic, accounting, engineering, legal, or administrative matters if such persons are specially trained and experienced and competent to perform the special services required.” However, the authority granted by section 53060 is confined to contracting for “special services.” This particular grant of authority prohibits a public entity from contracting with a private entity for services that do not fall within the category of “special services,” as interpreted by the courts (*Costa Mesa City Employees’ Assn. v. City of Costa Mesa* (2012) 209 Cal.App.4th 298, 315–316). The term “special services” has been judicially defined to encompass services that are unique, unusual, and out of the ordinary (*Jaynes v. Stockton* (1961) 19 Cal.App.3d 47, 51). Determining whether services qualify as “special” involves assessing the qualifications of the person providing them and their

It should be noted that contracting for staff is not required in Section 408. Indeed, the use of the word “may” indicates permissive rather than mandatory conduct. (See e.g., Water Code § 15 [“‘Shall’ is mandatory and ‘may’ is permissive”].) However, if contracting for staff is desired, “it may only be done in the manner provided for by the statute. The mode prescribed is the measure of the power.” (57 Ops. Cal. Atty. Gen. 307, 310 (1974) citing *Reams v. Cooley* (1915) 171 Cal. 150, 154 [“Where the statute prescribes the only mode by which the power to contract shall be exercised the mode is the measure of the power”]; *Bear River Sand and Gravel Corp. v. County of Placer* (1953) 118 Cal. App. 2d 684, 689 [“When the power of a board or public officer is limited to a prescribed method of contracting, the mode prescribed becomes the measure of the power”]; see also *People v. Zamora* (1980) 28 Cal.3d 88, 98.)

Here, Section 408 of the Act grants a power to contract and prescribes the mode of its exercise. Specifically, FCGMA “may contract with the county or United for staff and other services and may hire such other contractors and consultants as it considers appropriate.” (Cal. Wat. Code App., §§ 121-408.) However, the language is not entirely clear as to whether the ability to contract “for staff” is limited to “the county or United” or may be extended to “other contractors and consultants as [FCGMA] considers appropriate.” Each interpretation settles but also raises textual questions.

According to the County, FCGMA has two distinct kinds of contracting power: (1) it can contract with the County or United for “staff and other services;” and (2) it can hire “other contractors and consultants.” According to the County, if section 408 were interpreted as permitting FCGMA to hire any “contractors and consultants” to do staff functions, it would render superfluous the previous provision that references FCGMA’s ability to contract with the County and United for staff. Generally, statutes should be interpreted so that every word in a statute has meaning and not be redundant. (*Tuolumne Jobs & Small Business Alliance v. Superior Court* (2014) 59 Cal.4th 1029, 1038; see also *Plantier v. Ramona Municipal Water Dist.* (2019) 7 Cal.5th 372, 386 [statutes should not be read in a way that makes meaningless the language that the Legislature has enacted]; *Larson v. State Personnel Bd.* (1994) 28 Cal.App.4th 265, 277 [every word, phrase, and sentence in a statute should, if possible, be given significance].)

availability from public sources (*Darley v. Ward* (1982) 136 Cal.App.3d 614, 627-628). Staff services, which pertain to the day-to-day operation of a public agency, do not meet the criteria of being unique, unusual, or extraordinary. Consequently, such services would not be considered the type of “special services” envisioned by section 53060. Regardless, Section 408, which specifically addresses FCGMA’s ability to contract for staffing would control over the more general provision of Gov. Code § 53060, which is a more general provision that relates to all municipal corporations. (*Turlock Irrigation Dist. v. Hetrick* (1999) 71 Cal.App.4th 948, 953 [“those provisions specifically addressing the powers and purposes of irrigation districts control over the more general provisions relating to all municipal corporations”].)

However, that interpretation does not account for the words “such other” – words that, under the County’s reading, would be rendered devoid of any meaning.⁴ The County’s reading of Section 408 suggests the statute could have been written to say that FCGMA “may contract with the county or United for staff and may hire contractors and consultants for other services as it considers appropriate.” Instead, section 408 uses the phrase “and may hire such other”, which is inherently relational. (*People v. Hubbard* (2016) 63 Cal.4th 378, 386-388.) The use of the words “such other” suggests that the previously referenced “county and United” share the same characteristic as the “contractors and consultants” mentioned thereafter—namely, that the ability to contract “for staff and other services” may be extended to “other contractors and consultants as [FCGMA] considers appropriate.” Under that reading, then, the word “such other” refers back to the ability to contract “for staff and other services”. This interpretation is also consistent with the general rule that the “[i]nclusion of catchall language in a statute or regulation indicates that a legislative body does not intend its enumerated provisions to be deemed exclusive.” (*Chase v. Wizmann* (2021) 71 Cal.App.5th 244, 256 citing *Moore v. California State Bd. of Accountancy* (1992) 2 Cal.4th 999, 1019.)

If the County’s interpretation is correct, then FCGMA’s authority to contract for “other services” would be similarly limited to “the county or United.” Indeed, there is no way to distinguish any limitation on the ability to contract for “staff and other services” under the language of Section 408. Thus, an interpretation that limits FCGMA’s ability to contract “for staff” to the County and United would similarly limit FCGMA’s ability to contract for “other services.” But if that be the case, the clause that permits FCGMA to “hire such other contractors and consultants as it considers appropriate” would be superfluous. For what type of “services” would FCGMA be able to hire a “contractor and consultant” if not for “other services”?

⁴ Notably, the enabling legislation for the Kings River East Groundwater Sustainability Agency (“KREGSA”) and North Fork Kings Groundwater Sustainability Agency (“NFKGSA”) include language that is apparently modified from the FCGMA Act with regards to contracts for staffing. For NFKGSA, it says: “The agency may contract with member entities or staff and other services. The agency may hire contractors and consultants as it considers appropriate.” For KREGSA, it says: “The agency may contract with either county or Alta for staff and other services. The agency may hire contractors and consultants as it considers appropriate.” Those provisions are themselves ambiguous. Regardless, they do not contain the “such other” language included in Section 408 of the FCGMA Act, are grammatically distinguishable, include different wording, and were adopted nearly 35 years after the FCGMA Act. Thus, we doubt their usefulness in ascertaining legislative intent with regard to Section 408 of the Act. If anything, the modified wording could show a different legislative intent existed concerning the different statutes. (*County of San Diego v. San Diego NORML* (2008) 165 Cal.App.4th 798, 825.)

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An interpretation that limits FCGMA’s authority to contract for “other services” to only County and United would also lead to absurd results since those entities likely do not have *all* the resources or expertise to competently provide technical or professional services needed for FCGMA to carry out its objectives and purposes in the Act, such as groundwater modeling expertise. (*See e.g.*, Cal. Wat. Code App., §§ 121-102, 121-601, *et seq.*) “Whenever one of two or more possible constructions of a statute leads to an absurdity, the appearance of the absurdity is an indication that the proposed construction is incorrect.” (*Remington Investments, Inc. v. Hamedani* (1997) 55 Cal.App.4th 1033, 1040.)

Moreover, if section 408 permits FCGMA to hire any “contractors and consultants” to do staff functions, it does not necessarily render meaningless the provision that references FCGMA’s ability to contract with the County and United for staff, as the County suggests. Rather, it emphasizes that the County and United “may” provide staffing services to FCGMA, even though they are defined in the Act as a “member agency” entitled to representation on the FCGMA board (Cal. Wat. Code App., § 121-314) and for which FCGMA cannot engage in activities for which they are otherwise responsible (Cal. Wat. Code App., § 121-402) or a defined “operator” that operated groundwater extraction facilities within FCGMA’s jurisdictional boundaries (Cal. Wat. Code App., §§ 121-317).⁵ Regardless, the rule against interpretations that make some parts of a statute surplusage is only a guide and will not be applied if it would defeat legislative intent or produce an absurd result. (*People v. Rizo* (2000) 22 Cal.4th 681, 687.) Again, the “such other contractors and consultants as it considers appropriate” is a “catchall provision” that appears to serve as the residuary clause in section 408 and “legitimizes a myriad of situations the Legislature may not have cared to spell out.” (*McNair v. City and County of San Francisco* (2016) 5 Cal.App.5th 1154, 1165; see also *Chase v. Wizmann, supra*, 71 Cal.App.5th at 256 [“Inclusion of catchall language in a statute or regulation indicates that a legislative body does not intend its enumerated provisions to be deemed exclusive”].)

There was nothing in the legislative history for Section 408 that gave additional insight into how the legislature intended that section to be interpreted. The proposal to add 408 to the Act first occurred in the first amended version of Assembly Bill 2995, dated April 19, 1982 (Assem. Amend. to Assem. Bill No. 2995 (1981-1982 Reg. Sess.) April 19, 1982, p. 8). No changes were

⁵ The County’s memorandum cites to the enabling legislation for Ojai Basin Groundwater Management Agency (“OBGMA”) for the proposition that the legislature knows how to express its intent on this subject and is significant to show that a different legislative intent existed concerning different statutes. With regards to staffing, the OBGMA provides: “The agency may contract for staff and other services and may hire other contractors and consultants.” However, unlike FCGMA, OBGMA does not have “member agencies” that include entities like the County or United. Thus, there would be no reason to emphasize that OBGMA could contract with any particular “member agency” for staffing.

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made to that section before being enacted into law (Stats. 1982, ch. 1023, p. 3739). Further, there was no discussion of Section 408 in any legislative committee reports and analysis, any Legislative Counsel opinions, reports and digests, or any other legislative sources.⁶

Though not entirely free from doubt, based on the above-referenced principals of statutory interpretation, we believe the interpretation that most likely reflects the Legislature’s intent with regards to Section 408 would allow contracting “for staff” with “other contractors and consultants as [FCGMA] considers appropriate,” not just “the county or United”.

C. The LPV Judgment permits FCGMA to hire staff to accomplish its purposes as the watermaster for the LPV Basin when acting as a watermaster.

A court-appointed watermaster serves as an arm of the court in managing a basin or adjudicated watershed. (*Dow v. Lassen Irrigation Co.* (2022) 75 Cal.App.5th 482, 489.) Trial courts have inherent authority to grant additional powers to a watermaster that may exceed those powers within the enabling act of the public agency that is appointed to serve as a watermaster as part of a physical solution. (*Water Replenishment Dist. of Southern California v. City of Cerritos* (2012) 202 Cal.App.4th 1063, 1072 [observing, in rejecting a challenge to the appointment of the special district as watermaster, that “the issue is not whether conduct engaged in by WRD exceeded the scope of its power, but whether the court has authority to appoint WRD as watermaster. If WRD were appointed watermaster, its conduct would be judicially authorized and therefore would not be ultra vires.”].)

The California Supreme Court has often recognized the “inherent powers of the court . . . to insure the orderly administration of justice.” (*Hays v. Superior Court* (1940) 16 Cal.2d 260,

⁶ There were some early drafts for a proposed bill found in the legislative bill file of the State Water Resources Control Board that included some alternative language for what became Section 408. Specifically, those early drafts read as follows: “The Agency may hire County or United for staff and other services and may hire such other employees, contractors and consultants as it considers appropriate.” However, there is no information as to who authored these drafts or why the language differs from that which was included in the Act, nor is there any indication that they were provided to or considered by the legislative branch. Thus, these early drafts found in “particular offices within the executive branch should not be considered in determining the intent of the legislative branch.” (*People v. Patterson* (1999) 72 Cal.App.4th 438, 444; *McDowell v. Watson* (1997) 59 Cal.App.4th 1155, 1161, fn. 3.) Further, without knowing who prepared these early drafts or whether they were provided to or even considered by the Legislature, we doubt their usefulness in ascertaining legislative intent. (*Jones v. Lodge at Torrey Pines Partnership* (2008) 42 Cal.4th 1158, 1172 [“we have no basis on which to conclude the document reflects the intent of the legislators who enacted the legislation”].)

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264; see also *Bank of America v. Superior Court* (1942) 20 Cal.2d 697, 702.) Some of the court’s inherent powers are set out by statute, but importantly the inherent powers of the court are derived from the Constitution and are not confined by, or dependent on, statute. (Cal. Const., art. III, § 3; *id.*, art. VI, § 1; *Walker v. Superior Court* (1991) 53 Cal.3d 257, 266–267; *Peat, Marwick, Mitchell & Co. v. Superior Court* (1988) 200 Cal.App.3d 272, 287–288.) A court’s inherent powers are potentially quite wide. (*Asbestos Claims Facility v. Berry & Berry* (1990) 219 Cal.App.3d 9, 19-24.) Article X, Section 2 of the California Constitution, which deals with water rights and conservation, declares that the state’s water resources should be used wisely and efficiently, any waste or unreasonable use of water should be prevented, and that the right to water or its use or flow is limited to what is reasonable and beneficial for the people and the public welfare.

Thus, it is well-settled that, when exercising its authority, a court has a constitutional duty to consider, and if necessary, impose a “physical solution” on the parties with regards to groundwater rights and conservation. (*City of Lodi v. East Bay Municipal Utility Dist.* (1936) 7 Cal.2d 316 [holding that “it is not only within the power but it is also the duty of the trial court to admit evidence relating to possible physical solutions, and if none is satisfactory to it to suggest on its own motion such physical solution.”]; Code Civ. Proc. § 849 [“The court shall have the authority and the duty to impose a physical solution on the parties . . .”].) “[A] physical solution is an equitable decree designed to implement the constitutional mandate and to maximize the beneficial use of water. . . . The court has power to enforce a physical solution regardless of whether the parties agree to it.” (*Central Basin Municipal Water Dist. v. Water Replenishment Dist. of Southern California* (2012) 211 Cal.App.4th 943, 950; citations omitted.) In short, a “physical solution” is a broad remedy that allows a court to make decisions as to the allocation of certain water rights and as to the use and management of water throughout a watershed. Courts often create a mechanism for the implementation of a physical solution and a process through which future disputes will be handled, in stipulated judgments through the appointment and supervision of a watermaster.

The litigation involving the Central and West Coast groundwater basins provides some of the most helpful and recent language from a reported appellate decision on the broad leeway given to courts in fashioning watermaster arrangements and assigning duties to the appointed watermaster under the Court’s inherent authority. (*Water Replenishment Dist. of Southern California v. City of Cerritos* (2012) 202 Cal.App.4th 1063.) That case had its genesis in 2009 when a group of pumpers and the Water Replenishment District of Southern California (“WRD”) filed a motion to amend a 1965 judgment to allocate storage space in the Central Basin. The challenge to the provisions of the proposed amended judgment included, among other things, the proposed appointment of WRD as a watermaster. (*Id.*) In an order dated July 7, 2010, the trial court concluded it was statutorily precluded from appointing WRD as a watermaster. (*Id.* at 1069.) The Court of Appeals disagreed, observing that the trial court had the authority to appoint WRD

watermaster—with or without statutory authorization. The court observed that the watermaster serves as an arm of the court to “assist the Court in the administration and enforcement of the provisions of this judgment” (*Id.* at 1072.) The Court continued:

“An agency that exceeds the scope of its statutory authority acts ultra vires and the act is void. [citations] For example, an irrigation district’s attempt to provide natural gas service was held ultra vires because the statutes governing the district limited it to providing water, electricity, and drainage. . . Thus, under the ultra vires doctrine, conduct by an agency lacking authority to engage in that conduct is void. [¶] But that doctrine is inapplicable here because the issue is not whether conduct engaged in by WRD exceeded the scope of its power, but whether the court has authority to appoint WRD as watermaster. If WRD were appointed watermaster, its conduct would be judicially authorized and therefore would not be ultra vires. The ultra vires doctrine does not support the conclusion that WRD cannot serve as watermaster.”

“The second amended judgment furnishes no support for respondents’ argument that WRD is prohibited from serving as watermaster. The retention of jurisdiction does not limit the court’s selection of watermaster. The court retained jurisdiction ‘[t]o remove any Watermaster appointed from time to time and appoint a new Watermaster; and to review and revise the duties, powers and responsibilities of the Watermaster and to make such other and further provisions and orders of the Court that may be necessary or desirable for the adequate administration and enforcement of the judgment.’”

(*Id.* at 1072-73, emphasis added.)

Thus, a watermaster appointed by the court has the authority to exercise powers and duties prescribed by the court (*see* Water Code § 4050(b)), which may exceed the powers and authorities specifically delineated in an agency’s organic statute. (*Water Replenishment Dist. of Southern California v. City of Cerritos, supra*, 202 Cal.App.4th at 1072-73.) That authority may include the ability to employ or contract for staff. (*See e.g., Dow v. Lassen Irrigation Co., supra*, 75 Cal.App.5th at 485 [“The watermaster may contract with or employ ‘one or more persons or firms to assist with the watermaster functions’”].)

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Here, the LPV Judgement designates FCGMA as the special watermaster for the court, entrusting it with the execution of powers, duties, and responsibilities outlined in the LPV Judgement. (LPV Judgement §§ 1.113, 5.1.) In furtherance of that designation, the LPV Judgment expressly provides that the FCGMA “shall have the discretion and authority to employ or contract with such administrative personnel, engineering, legal, accounting, or other specialty services and consulting assistants as may be deemed appropriate in carrying out the terms of the Judgment, including to employ or contract for its general manager, general counsel, or staff.” (LPV Judgement § 5.2.2, emphasis added.)

While the LPV Judgment further suggests that it does not modify or amend the existing law or authority for the FCGMA to contract for services under its enabling legislation (LPV Judgment §§ 3.5, 5.2.2), that does not mean that additional authority was not granted to FCGMA “when acting in the role as Watermaster” (LPV Judgment § 5.1) or in “its capacity as the watermaster.” (*Dow v. Lassen Irrigation Co.*, *supra*, 75 Cal.App.5th at 491.) If anything, the Act would only limit FCGMA’s contracting authority when it is acting under the Act – but not as the watermaster for the LPV Basin. If the LPV Judgment intended to limit the authority of FCGMA to contract for staff only to certain contractors when acting as the watermaster for the LPV Basin, there would have been no need to expressly grant FCGMA broad “discretion and authority” to employ staff “as may be deemed appropriate in carrying out the terms of the Judgment.” (LPV Judgment § 5.2.2.)

Thus, the FCGMA Act governs the FCGMA’s authority and power when it acts as the groundwater management agency under the Act. It does not address FCGMA’s role or authority as the watermaster for the LPV Basin, which is a distinct function from its role as the groundwater management agency under the Act. The FCGMA Act does not supersede or override the LPV Judgment, which is a court order that adjudicates the groundwater rights and obligations of the parties in the LPV Basin. It appoints FCGMA as the special watermaster for the court under its constitutional duty to consider, and if necessary, impose a “physical solution” on the parties with regard to groundwater rights and conservation. (LPV Judgment, §§ 1.1, 5.1, 7.1.) If the enabling act could limit FCGMA’s powers and duties as a watermaster, then it could prevent FCGMA from functioning as a watermaster altogether, since the LPV Judgement expanded the FCGMA’s duties and powers beyond those in the Act. Indeed, the LPV Judgement sets forth additional duties and powers that there not found in the Act, including additional authority to enforce the terms of the LPV Judgement. (See LPV Judgement § 5.2.6 [the authority to investigate and enforce granted to FCGMA under SGMA and the Act is only the “minimum”].) Therefore, the judgment’s provision that FCGMA “shall have the discretion and authority to employ or contract with such administrative personnel, engineering, legal, accounting, or other specialty services and consulting assistants as may be deemed appropriate in carrying out the terms of the judgment, including to employ or contract for its general manager, general counsel, or staff” (Judgment, § 5.2.2) likely

prevails over any conflicting language in Section 408 of the Act with regards to actions taken by FCGMA in its capacity as the watermaster of the LPV Basin.⁷

B. Nothing in SGMA explicitly provides any independent authority to FCGMA regarding staffing.

Although SGMA grants broad authority to GSAs for implementing its provisions, there is no explicit provision within SGMA that authorizes a GSA to hire or contract for staff. Thus, nothing in SGMA explicitly provides any independent authority to FCGMA regarding staffing. SGMA was amended in 2019 to permit a GSA to “enter into written agreements and funding with a private party to assist in, or facilitate the implementation of, a groundwater sustainability plan or any elements of the plan” (Cal. Wat. Code, §10726.5). However, it appears that the Legislature did not intend for section 10726.5 to grant authorization for a GSA to contract with a private party for staff services. Instead, the purpose of this provision is to enable a GSA to establish a public-private partnership, addressing, among other things, the need for additional capital that a GSA operating independently might be unable to secure (Assem. Com. On Water, Parks and Wildlife, com. on Assem. Bill No. 617 (2015-2016 Reg. Sess., Apr. 14, 2015), pp. 5-6).

* * *

If you have any questions regarding this memorandum, please feel free to contact me at (714) 641-3418.

⁷ The court may have good reasons for providing expanded authority to FCGMA to hire independent staff when acting as the watermaster on behalf of the court, given the County’s status as a water rights holder subject to the groundwater allocation outlined in the LPV Judgment. In its appointed capacity as watermaster, FCGMA is tasked with serving “as an arm of the court” in an impartial and unbiased manner. (*Dow v. Lassen Irrigation Co.*, *supra*, 75 Cal.App.5th at 489; LPV Judgment § 5.1 [“Watermaster shall, in carrying out its duties, powers, and responsibilities herein, act in an impartial manner without favor to prejudice to any Party”].) Having a water rights holder subject to the groundwater allocation under the LPV Judgment providing exclusive staffing to the watermaster for the LPV Basin management could raise potential conflict claims or undermine the watermaster’s perceived neutrality in carrying out its duties, powers, and responsibilities under the LPV Judgment.