

NOTICE OF MEETING

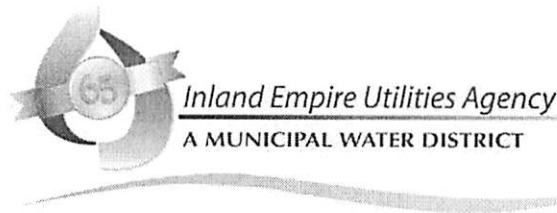
OF THE
**PUBLIC, LEGISLATIVE AFFAIRS,
AND WATER RESOURCES
COMMITTEE**

OF THE
BOARD OF DIRECTORS
OF THE



IS SCHEDULED FOR
**WEDNESDAY, DECEMBER 9, 2015
9:00 A.M.**

AT THE ADMINISTRATION HEADQUARTERS
6075 Kimball Avenue, Building A
Chino, CA 91708



**PUBLIC, LEGISLATIVE AFFAIRS, AND WATER RESOURCES
COMMITTEE MEETING
OF THE BOARD OF DIRECTORS
INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS, CHINO, CALIFORNIA**

**WEDNESDAY, DECEMBER 9, 2015
9:00 A.M.**

CALL TO ORDER

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form, which are available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

1. ACTION ITEMS

A. MINUTES

The Committee will be asked to approve the Public, Legislative Affairs, and Water Resources Committee meeting minutes of November 11, 2015.

2. INFORMATION ITEMS

A. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)

B. LEGISLATIVE REPORTS (WRITTEN)

1. West Coast Advisors
2. Innovative Federal Strategies
3. Agricultural Resources

C. CALIFORNIA STRATEGIES MONTHLY REPORT (WRITTEN)

D. FEDERAL LEGISLATION MATRIX (WRITTEN)

E. PLANNING AND ENVIRONMENTAL RESOURCES UPDATE (ORAL)

3. GENERAL MANAGER'S COMMENTS

4. COMMITTEE MEMBER COMMENTS

5. COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS

6. ADJOURN

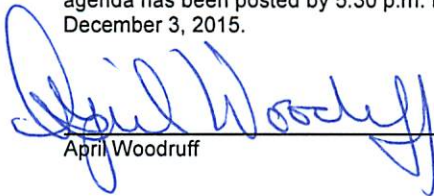
*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909-993-1736), 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

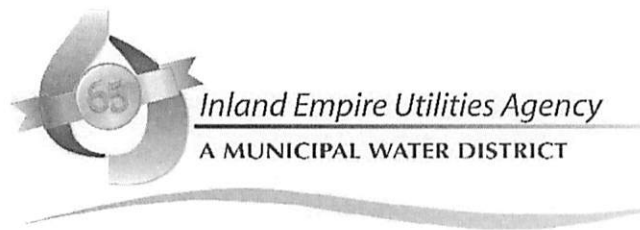
Proofed by: SR

DECLARATION OF POSTING

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Avenue, Building A, Chino on Thursday, December 3, 2015.


April Woodruff

**ACTION
ITEM
1A**



MINUTES

PUBLIC, LEGISLATIVE AFFAIRS, AND WATER RESOURCES COMMITTEE MEETING INLAND EMPIRE UTILITIES AGENCY* AGENCY HEADQUARTERS, CHINO, CA

WEDNESDAY, NOVEMBER 11, 2015
9:00 A.M.

COMMITTEE MEMBERS PRESENT

Steven J. Elie, Chair
Michael Camacho

STAFF PRESENT

P. Joseph Grindstaff, General Manager
Chris Berch, Executive Manager of Engineering/AGM
Martha Davis, Executive Manager of Policy Development/AGM
Christina Valencia, Chief Financial Officer/AGM
Kathy Besser, Manager of External Affairs
Warren Green, Manager of Contracts and Facility Services
Jason Gu, Grants Officer
Sylvie Lee, Manager of Planning and Environmental Resources
Lisa Morgan- Perales, Senior Water Resources Analyst
Jason Pivovaroff, Senior Engineer
Craig Proctor, Pretreatment and Source Control Supervisor
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT

None

The meeting was called to order at 9:07 a.m. There were no public comments received or additions to the agenda.

ACTION ITEMS

The Committee:

- ◆ Approved the Public, Legislative Affairs, and Water Resources Committee meeting minutes of September 9, 2015 and October 14, 2015.
- ◆ Recommended that the Board:
 1. Approve the Purchase and Sale Agreement with SLPR, LLC for the East Declez property; and
 2. Authorize the General Manager to execute the agreement;

as a Consent Calendar Item on the November 18, 2015 Board meeting agenda.

◆ Recommended that the Board:

1. Approve the Term Sheet between Inland Empire Utilities Agency (IEUA) and JCSD for the development of a RW Interconnection; and
2. Authorize the General Manager to make non-substantive changes and execute the final Term Sheet;

as an Consent Calendar Item on the November 18, 2015 Board meeting agenda.

◆ Recommended that the Board:

1. Approve an MOU for Sponsored CivicSpark Fellow with LGC; and
2. Authorize the General Manager to execute said MOU;

as a Consent Calendar Item on the November 18, 2015 Board meeting agenda.

INFORMATION ITEMS

The following information items were presented or received and filed by the Committee:

- ◆ Public Outreach and Communication Report
- ◆ Legislative Reports
- ◆ California Strategies, LLC Activity Report
- ◆ State Legislation Matrix
- ◆ Federal Legislation Matrix
- ◆ Annual Water Use Efficiency Programs Report
- ◆ Water Connection Fee Update
- ◆ 1st Quarter Planning and Environmental Compliance Update
- ◆ Recycled Water Annual Report
- ◆ Planning and Environmental Resources Update

GENERAL MANAGER'S COMMENTS

General Manager Joseph Grindstaff had no additional comments.

COMMITTEE MEMBER COMMENTS

There were no Committee member comments.

COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS

There were no Committee member requested future agenda items.

With no further business, Director Elie adjourned the meeting at 10:00 a.m. in honor of the Veterans of this great United States, who have committed themselves in protecting all of us, both living and deceased.

Respectfully submitted,

April Woodruff
Board Secretary/Office Manager

*A Municipal Water District

APPROVED: DECEMBER 9, 2015

**INFORMATION
ITEM
2A**

Date: December 16, 2015

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (12/9/15)

From: *for* P. Joseph Grindstaff *Joe*
General Manager

Submitted by: *for* Kathy Besser *Kathy*
Manager of External Affairs

Subject: Public Outreach and Communication

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

December

- December 16, Employee Holiday Luncheon, Los Serranos Country Club, 15656 Yorba Ave, Chino Hills, 11:00 a.m. – 3:00 p.m.

January

- January 14, Blood Drive, IEUA HQB Event Room, 10:00 a.m. – 2:00 p.m.

February

- February 25, Cypress Elementary GIES Dedication, 9751 Cypress Ave., Fontana, 5:00 p.m. – 6:30 p.m.

April

- April 20, IEUA Earth Day Event (Student Day), Chino Creek Park, 9:00 a.m. – 2:00 p.m.
- April 21, IEUA Earth Day Event (Community Day), Chino Creek Park, 4:00 p.m. – 7:00 p.m.
- April 22, Eagle Canyon Elementary GIES Dedication, 13435 Eagle Canyon Drive, Chino Hills, 11:30 a.m. – 1:00 p.m.

May

- May 5, Truman Middle School GIES Dedication, 16224 Mallory Drive, Fontana, 2:00 p.m. – 3:00 p.m.
- May 14-16, MWD Solar Cup Competition, Lake Skinner

- May 24, Cortez Elementary School GIES Dedication, 12750 Carissa Ave., Chino, 5:30 p.m. – 5:45 p.m.

Outreach/Education - Civic Publications Newspaper Campaign

- IEUA ran water softener rebate ads in the *Daily Bulletin* (11/26/15) and the *Fontana Herald News* (11/27/15).
- IEUA staff is working with Civic Publications to develop an email blast and display ads for outreach. The *Kick the Habit* campaign theme will be implemented within these outreach tools.

Media and Outreach

- IEUA staff is working with member agencies to distribute *Kick the Habit* mirror clings and vehicle magnets. To date, the city of Chino, city of Ontario and Fontana Water Company have requested vehicle magnets and clings. Internally, staff is working with Facilities Management on distribution and placement of vehicle magnets on all Agency vehicles.
- A *Kick the Habit* print advertisement ran in the *Chino Champion* on November 26, 2015.
- *Kick the Habit* bus advertisements began on October 5, 2015 and will run for six months. Mirror clings have been placed in restrooms at the Ontario Mills Mall for six months, and we are working with management at Victoria Gardens and the Chino Spectrum to do the mirror cling displays at these locations as well.

Education and Outreach Updates

- Water Discovery Program: 414 Girl Scout troop members, elementary, middle and high school students have taken part in the park field trip from July 1, 2015 through November 30, 2015. Twelve additional Water Discovery Field Trips for school year 2015/16 have been scheduled. The Water Discovery and Busing Mini-Grant funding was extended through December 2020 from the California Department of Parks and Recreation.
- Staff is currently working on scheduling principal meetings at the school districts within IEUA's service area to promote upcoming education programs and opportunities.
- IEUA staff is developing the FY 2014/15 Annual Report.
- Staff, in cooperation with member agencies, has recruited three teams for MWD's 2016 Solar Cup Competition to be held May 14-16, 2016. Final team names and contact information were submitted to MWD on October 1, 2015 for the 2016 program year: Chino High School (Chino), Chino Hills High School (Chino Hills) and Henry J. Kaiser High School (Fontana). Boat Building Workshops will be held at Three Valleys Municipal Water District on Saturday, November 7 and November 8, 2015.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The above-mentioned activities are budgeted in the FY 2015/16 Administrative Service Fund, External Affairs Services budget.

INFORMATION
ITEM
2B



November 25, 2015

To: Inland Empire Utilities Agency
From: Michael Boccadoro
President
RE: November Legislative Report

Overview:

Final action on legislation was taken in October leaving November and December with no formal legislative activity. When members return in January, they will have until the end of the month to move any two-year holdover bills out of their house of origin.

During the legislative break, there has been significant efforts to advance reform of Proposition 218. A group of organizations including the Association of California Water Agencies (ACWA) is working on a Constitutional Amendment strategy that would leave Prop 218 in Article XIII of the California Constitution unchanged, but would create a separate, optional, rate-making process in Article X of the Constitution. This amendment would redefine the definition of sewer service to include stormwater and flood water, expressly authorize low-income rates and set up a separate process to establish tiered, or conservation-based rates. The coalition is working with stakeholders on the final language and trying to gain the support of the Governor. The group is expecting to soon file an initiative for the November 2016 ballot and is also planning a legislative push seeing placement on the ballot, which requires a two-thirds vote.

In the midst of the dozens of initiatives trying to get on the November 2016 ballot, there are two, in addition to Jerry Meral's eight water bonds discussed in the October report, that are particularly interesting to the water community. Board of Equalization Vice Chairman George Runner and Senator Bob Huff (R, Diamond Bar) have filed an initiative that would take the remaining \$8 billion of high-speed rail bond funds and allocate it to water storage projects. Additionally, the "No Blank Checks" initiative, which has already qualified for the ballot, was proposed by San Joaquin Valley farmer Dean Cortopassi would require voter approval for any revenue bond over \$2 billion. While this initiative does not specifically state its target is the twin tunnels, it is very clear through prior Cortopassi opinions and publications, that the tunnels are a primary target along with his general concern regarding debt financing.

There were several legislative hearings on water in November. The Senate Natural Resources and Water Committee convened a hearing titled "California's Water Challenges in the 21st Century: Assessing California's Chronically Under Funded Water Needs" and the Assembly Select Committee on Water Consumption and Alternative Sources hearing titled "Overview of Water Consumption and Alternative Sources in California." Both hearings were general overviews of the California Water system, policy initiatives that are working, infrastructure needs, and new policy areas to be focused on in the coming months and years. Panelists had varying opinions on California's most pressing needs and where funding is most crucial. Both committees expect to have further hearings to have a more comprehensive discussion about where to focus in the future.

The Public Policy Institute of California released a report titled “Allocating California’s Water: Directions for Reform.” They highlighted three areas for reform that need to be addressed including: streamlining water rights administration; establishing environmental water budgets; and facilitating regional water sharing. They note that the report does not address all of California’s water challenges, but looks to provide important foundations for more efficient, anticipatory, and effective water management.

Inland Empire Utilities Agency Status Report – November 2015

Proposition 218 Reform

The conversation about reform of Proposition 218 increased significantly following the April appellate court ruling striking down San Juan Capistrano’s tiered water rate structure, and the Governor’s October message noting that Prop 218 is the biggest impediment to public water systems establishing low-income water rate assistance programs. The Governor further stated that Prop 218 is an obstacle to conservation pricing and stormwater improvements.

The Association of California Water Agencies (ACWA), the California League of Cities (League), and the California State Association of Counties (CSAC), are in the final stages of drafting a Constitutional Amendment to file with the Secretary of State for potential qualification for the November 2016 ballot. At the same time, they are working to get the amendment on the ballot through a legislative vote. It should be noted that ACWA’s board has not voted to authorize ACWA’s sponsorship at this time, but has authorized its Executive Director to continue participating in discussions and created a working group to seek input from ACWA members.

Their proposal would leave Article XIII of the California Constitution (the section that contains Prop 218) alone, and instead work within Article X. The proposal, would authorize, but not require, local agencies to utilize the alternate process. As currently proposed, the initiative would:

- Define “sewer service” to explicitly include the management of stormwater and flood water providing similar ratesetting processes as other water and sewer services.
- Explicitly authorize voluntary low-income rates.
- Establish a transparent procedural process to authorize new, conservation based or tiered rates.

An ACWA workgroup on the proposed reform met recently and gave participants opportunity to raise concerns about the proposal. The most significant concern is that participants want very explicit language prohibiting the State Water Resources Control Board, the Department of Water Resources, the Legislature, or any other body or official from conditioning any sort of State Revolving Fund, bond grants, or any other funding on an agency having conservation-based, or tiered rates in place. Additional language has been proposed to add these protections and ACWA

is considering the new language and whether or not to take it to the larger group with CSAC and the League.

ACWA is hoping to get the Constitutional Amendment on the ballot through the legislative process rather than having to rely on signature gathering to qualify. The coalition fully understands a commitment of support from the Governor is essential to passing a Constitutional Amendment through the Legislature, and are in constant contact with the Administration. It will be very challenging to pull together a two-thirds vote in an election year as many believe that it is unlikely all of the Democrats would be in favor of the amendment at this time, let-alone the handful of Republicans needed to achieve the super majority vote. Additionally, any legislative Constitutional Amendment must be completed by the early summer as the Secretary of State needs time to print ballots and mail them to overseas voters. This leaves a short window to get a measure passed.

To qualify via signatures, they will need close to 600,000 valid signatures (more than a regular ballot measure because it is a Constitutional Amendment).

West Coast Advisors is monitoring all workgroup discussions and will continue to work with IEUA staff to analyze draft language as it is released.

Runner/Huff Initiative

State Board of Equalization Vice Chairman George Runner and Senator Bob Huff (R, Diamond Bar) have submitted two ballot measures to the Secretary of State that would give the High-Speed Rail Authority another ten years to complete all the design, permitting, environmental review and other permits for the entire segment from Los Angeles to San Francisco with routes to San Diego and Sacramento. If the work is not completed the authority would be precluded from receiving any more bond funds.

The second measure would redirect \$8 billion from the voter-approved high-speed rail funds, and \$2.7 billion from the storage chapter of Proposition 1 and allocate it to the water projects, in order:

\$4.2 billion for Sites Reservoir and Temperance Flats

\$900 million for expansion of San Luis Reservoir and Shasta Dam

\$2 billion for groundwater storage

\$2.2 billion for modernizing existing groundwater and surface storage

\$1.7 billion for future local storage projects (only if there is leftover funding from the above funding priorities)

The measure has been submitted for title and summary and the proponents will next need to gather signatures to qualify for the crowded November 2016 ballot. It is unclear who is funding this proposal.

Cortopassi Initiative

San Joaquin Valley farmer Dean Cortopassi has qualified the "No Blank Checks" initiative for the November 2016 ballot. The initiative would require voter approval before any revenue bonds

over \$2 billion could be issued. He has already spent over \$3 million to get the measure qualified. Cortopassi has been very vocal in his opposition of state indebtedness in recent years and is seeking to impact not just the California WaterFix, but all large bond issuances.

While the initiative does not explicitly mention the tunnels project it is clear from Cortopassi's previous statements he wants to make sure any revenue bonds for the tunnels go before voters. However, the undefined use of the term "project" in the initiative could also pull in other types of large projects including the state university system and other large projects.

Legislative Hearings

The Senate Natural Resources and Water Committee and the Assembly Select Committee on Water Consumption and Alternative Sources both held hearings in November.

The Senate hearing titled "California's Water Challenges in the 21st Century: Assessing California's Chronically Under Funded Water Needs" was attended by Chair Fran Pavley (D, Agoura Hills) and Senator Lois Wolk (D, Davis). There was an overview of underfunded water needs by Lester Snow, Executive Director of the California Water Foundation and Ellen Hanak from the Public Policy Institute of California. Both gave a broad overview of the needs for California water infrastructure. Hanak specifically identified about \$3 billion in needs for safe drinking water systems in small rural systems, flood protection, stormwater management, aquatic ecosystem management and integrated water resources planning. She noted that California must go beyond bonds to address the "fiscal orphans" of California's water infrastructure. Her long-term funding options include a statewide surcharge on water, roads, chemicals and/or hydropower; developer fees; property assessments; and special, state or local taxes.

The second, and final, panel addressed specific underfunded needs. Laurel Firestone of the Community Water Center addressed safe and reliable drinking water needs. Kenneth Farfing from the City of Carson addressed stormwater management. Anthony Zampello from the Main San Gabriel Watermaster's office addressed groundwater recharge. Melinda Terry of the Central Valley Flood Control Association addressed flood protection. Xavier Arias from the American Society of Engineering addressed water infrastructure in general. Finally, Brian Stranko from the Nature Conservancy addressed restoration and stewardship.

All of the comments were fairly general and was mostly just a list of funding each stakeholder community wants and how the state can invest in each specific area of water management to help improve water quality, supply and reliability. Senator Pavley indicated that this hearing was just to hear about the issues and there would be more hearings in January to come up with actual solutions to these issues.

Assemblyman Richard Gordon's hearing was an "Overview of Water Consumption and Alternative Sources in California." His hearing was opened by a presentation from Dr. Elion Adar from Ben Gurion University in Israel. He gave a very interesting presentation on how Israel handles their water scarcity issues and offered some advice on how California could better take advantage of our drought by putting in place more comprehensive policies.

Jay Lund of the UC Davis Center for Watershed Sciences gave an overview of California water infrastructure, highlighting the weak points.

California Natural Resources Secretary John Laird stressed the importance of using a “portfolio-based’ approach to water management in which water managers rely on a diverse set of programs such as recycling, storage, desalination, and conservation as a way to secure local supplies. Laird added that water managers at the local level have “shown a tremendous amount of innovation” in ensuring secure and reliable water supplies.

Ellen Hanak, director of the Water Policy Center at the Public Policy Institute of California, said the new normal of climate change has resulted in an increased level of public awareness on water conservation. Hanak added that a lot of innovation in water management is taking place on the local and regional levels, however, local water agencies have been “boxed...into a small space as far as (water) pricing” by existing fiscal restrictions.

California Department of Water Resources Director Mark Cowin highlighted the Brown Administration’s California Water Action Plan, which lays out a comprehensive blueprint for water management across the state in the coming years.

Other speakers included Noah Diffenbaugh from the Stanford Woods Institute, Jonathan Bishop from the State Water Resources Control Board, Buzz Thompson also from the Stanford Woods Institute and Peter Gleick from the Pacific Institute.

This hearing was also billed as an information gathering hearing and members in attendance engaged in very little dialogue with panelists.

PPIC Report on Allocating California’s Water

The Public Policy Institute of California (PPIC) recently released a report titled “Allocating California’s Water: Directions for Reform.” The report states that California’s system for allocating water prevents it from meeting the state’s diverse needs, especially in times of scarcity. They highlight that it is fragmented, inconsistent and lacking transparency and clear lines of authority. They target three sectors of the water allocation system identified as weak and needing reform and offer suggestions to:

- **Streamline water rights:** The state has an unusually complex seniority-based system of surface water rights, characterized by fragmented and unclear oversight authority. Bringing all surface water users under the State Water Board’s permitting system would enable more efficient and transparent real-time management of water, including water trading. They state it would also reduce uncertainty for all rights holders. Other reforms include clarifying rules on groundwater pumping in key at-risk groundwater basins and improving the state’s water accounting system.
- **Clarify allocation of water for environmental uses:** The drought has caused an environmental crisis for native fish and waterbirds, which was aggravated in some places by the relaxation of environmental standards to allow for an increase in water for cities and farms. The report proposes a process to support ecosystems and species. The state water board would assign an environmental water budget for each river and stream

system, and local water users would develop procedures to meet and potentially modify these requirements. The report also recommends that the state encourage environmental water trading and that water users pay into an ecosystem fund when they benefit from a relaxation in environmental standards.

- **Facilitate water trading:** The volume of trading barely increased during the two most recent droughts, despite especially high demand from water users facing shortages. Several steps can be taken to reduce barriers to trading—including reforming the state’s complex and often opaque set of trading rules, and improving information needed to make trades easier. Flexibility can also be improved by consolidating permitting so that agencies in the same region no longer need multiple layers of review by multiple agencies each time they want to share water. Specific types of temporary water transfers could be pre-authorized because they are unlikely to cause harm—for example, those below a specific size threshold. A water transfer clearinghouse could make information about transactions and trading opportunities publicly available.

Legislation Update

The Governor’s actions in October were the final legislative actions for 2015, barring any unexpected call into special session. Official action on legislation will begin when the members return to Sacramento in January. Quick action must be taken on “two-year” bills introduced in 2015 and still in their original house. The house of origin deadline for two-year bills is January 31. The Governor must submit his fiscal year 2016-17 budget to the Legislature by January 10.

Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Joe Grindstaff and Kathy Besser, IEUA

From: Letitia White, Jean Denton, and Drew Tatum

Date: November 30, 2015

Re: November Monthly Legislative Update

Appropriations Process Nearing Deadline amid Refugee Controversy

The passage of the Bipartisan Budget Act of 2015 in early November set new topline spending numbers for FY16 and FY17, providing relief from sequestration for both defense and domestic spending programs. Even with a framework in place, Congress must still pass an appropriations package to fund government operations by December 11 when the current continuing resolution expires. Appropriations Subcommittee staff from the House and Senate have been working with their counterparts to work through as many policy and funding differences as possible. Before Thanksgiving, there were as many as 50 outstanding issues remaining to be resolved from some subcommittees. Many of those issues are policy riders, which many Democrats say are a non-starter for the omnibus appropriations bill. While some Democratic leaders are looking to avoid the inclusion of policy riders, Senate Minority Whip Dick Durbin (D-IL) recognized that at least some are likely to be included in the final package. He urged both Democrats and Republicans to put forth a list of desired riders in an effort to negotiate a final package. Policy riders that have had the most attention tend to fall into one of these categories: environment, foreign policy, labor, or finance.

Congress has given more scrutiny to President Obama's plan to bring up to 10,000 refugees from Syria and Iraq in the wake of the terrorist attacks in Paris, France. With many concerned that ISIS fighters may pose as refugees in order to come to the United States to carry out similar attacks, the House of Representatives passed a bill that would add additional security checks for Syrians and Iraqis hoping to enter the country. The President has promised to veto the legislation if it were to pass the Senate, but that did not stop 47 Democrats from supporting the legislation. Republicans hope that the large number of defections show they are on the winning side of the issue. Additionally, more than half of the country's governors oppose letting the refugees in their state, though the final say on this issue will come from the federal government. Since the Senate left for Thanksgiving without taking action on the bill, Speaker Paul Ryan (R-WI) said there is a possibility policy changes regarding refugees may be included in the omnibus package. Republicans view the funding bill as their best chance to force the White House to bend on this and a number of issues before the end of the year.

Lawmakers are also taking aim at Environmental Protection Agency (EPA) regulations. The Senate has already passed several resolutions of disapproval under the Congressional Review

Innovative Federal Strategies LLC

Act (CRA) targeting EPA carbon, emissions, and water regulations. Senate Republicans have opted to use the CRA since the resolution only requires a simple majority vote and cannot be filibustered. The House is expected to take up at least two of those resolutions after returning from Thanksgiving. The CRA requires either the president to sign the resolution, or calls for Congress to override a veto. Without supermajorities in either chamber, there is little chance Republicans will be able to override a certain veto from President Obama. With stand-alone legislation gaining little traction, Republicans are looking to potentially include policy riders in a final omnibus package.

In addition to the items listed above, there are several other potential controversial policy riders being discussed. Those include items like tweaking financial rules under the Dodd-Frank Wall Street reform, delaying Labor Department Rules regarding fiduciary duty for financial advisors, and changing National Labor Relations Board policies related to union election rules. Additionally, Senate Majority Leader Mitch McConnell (R-KY) has indicated he would like to see campaign finance reform included in the final omnibus package that relates to the amount of money political parties can give to candidates.

Even though there are a number of outstanding issues, lawmakers tend to have little appetite for staying in Washington around the holidays. There is talk that it could take an additional week to iron out the final details and pass an omnibus package. Under this scenario, Congress could pass a week-long continuing resolution and then leave town by December 18—the original target adjournment date for the year.

Lawmakers Continue Push for Long-Term Transportation Bill

House and Senate Transportation conferees still have not come to an agreement on a multi-year transportation deal despite optimism from Senate Environment and Public Works Chairman Jim Inhofe (R-OK). Conferees met the week before Thanksgiving, and even though lawmakers left town for the holiday, negotiations on the multiyear highway and transit plan continued in earnest amongst staff during the break. House Transportation and Infrastructure Committee Chairman Bill Shuster (R-PA) told reporters before Thanksgiving that the conference committee has a very ambitious schedule, and that lawmakers plan to finalize and file a conference report by November 30. If the conference report is filed on November 30, it will likely go to the Rules Committee on the same day, setting up potential consideration later in the week. House Majority Leader Kevin McCarthy (R-CA) has already told his colleagues that there will likely be consideration of a transportation patch in the first week back from Thanksgiving. House and Senate members have been at odds over the length of the authorization. Senate leaders would like to have a shorter authorization (approximately 5 years) that is completely paid for with offsets, but Chairman Shuster continues to insist that the authorization should run for the 6-year period approved in the House bill. The current short term authorization expires on December 4, meaning lawmakers will either have to pass another short term measure or finalize and pass an agreement before Thursday, as there are no votes expected on Friday.

As lawmakers attempt to cross the finish line on the transportation bill, the Department of Transportation has released its annual report on the state of bridges in the country. According to the report, the number of “structurally deficient” bridges in the United States has steadily declined since 2005. Despite that steady decline, roughly 60,000 still need critical repairs.

Innovative Federal Strategies LLC

Nationwide, 61,030 of 607,013 bridges were deemed structurally deficient as of last year, according to the Transportation Department's "State Transportation Statistics" report issued earlier this month. That is a drop from the 75,621 of 592,473 from the prior year. Classifying a bridge as structurally deficient does not mean it is on the verge of falling down, or that it's unsafe, but it can indicate that important components of the structure are in rough shape, typically requiring extra maintenance or repairs, and that heavy rehabilitation, or total replacement should be on the horizon.

Despite the drop in structurally deficient bridges, another classification is on the rise. "Functionally obsolete" bridges accounted for 13.7 percent of the bridges in the U.S., in 2014. That accounts for 83,399 of the nation's bridges. Simply put, the classification means that an overpass does not meet modern design standards. This could be for a variety of reasons, including changes the requirements for shoulder-widths. The Department of Transportation has given higher-priority to structurally deficient bridges than functionally obsolete bridges, as they are considered a more critical problem. Congress hopes to give the Department of Transportation more headroom to tackle the nation's crumbling infrastructure with the passage of a long-term transportation package. Though he remains optimistic, Transportation Secretary Anthony Foxx was hesitant to declare victory on the multi-year package before Thanksgiving saying there was still too much time for something to go wrong.

Even if Congress does buy time with an additional week-long extension, leaders from both parties in both chambers are determined to deliver a long-term bill before the end of the year. Negotiators had originally hoped to have a broad outline completed before now, but disagreements over rest rules for truckers and sorting through an additional \$78 billion in pay-fors has thus far delayed its announcement.

Outlook for December

Lawmakers hope to wrap up all legislative activity by December 11, but that may prove to be a tall order. There are several deadlines that lawmakers must meet in December, including passing a transportation bill by December 4, and appropriations package by December 11, and tax extender legislation before the end of the year if they hope to delay the start of the 2015 filing season. Other potential items up for consideration before Congress adjourns for the year are a rewrite of the Elementary and Secondary Education Authorization Act (No Child Left Behind) and resolutions challenging the Obama administration on environmental regulations. Additionally, the Senate hopes to pass a reconciliation package that largely guts the Affordable Care Act and defunds Planned Parenthood for a year. The package is Senate Republicans best chance to send a bill to President Obama that takes aim at his signature healthcare law. Democrats will be unable to filibuster the package, and final passage only requires a simple majority. Since the Senate will amend the House-passed package, it will require another vote in the House if it advances out of the Senate.

Agricultural Resources

635 Maryland Avenue, N.E.
Washington, D.C. 20002-5811
(202) 546-5115
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November 28, 2015

Legislative Report

TO: Joe Grindstaff
General Manager, Inland Empire Utility Agency

FR: David M. Weiman
Agricultural Resources
LEGISLATIVE REPRESENTATIVE, IEUA

SU: Legislative Report, November, 2015

If October became the month of the unexpected (given the upheaval in the House), then November became the month of “*back-to-business*.” That only lasted until Paris (Europe’s 9/11). Congress was out the last ten days of month for the Thanksgiving break.

Snapshot.

- The Ryan Speakership began with a return to “Regular Order” in the House. A long-delayed Highway bill was brought to the House Floor. Members were allowed to offer amendments (scores were considered). The process worked and the bill passed.
- A week later, post-Paris, the House rushed a bill to the Floor (no Members had seen, no hearings had been held) regarding Syrian refugees in the US. Highly contentious. The “Regular Order” standard was dropped creating confusion and resentment internally.
- As the House reconvenes in early December, “Regular Order” will be – internally within the House – an issue of significance.
- Overall, Ryan got high marks in his first month of the Speakership. Infighting was set-aside, at least for now. Ryan was comfortable in his new position – and it showed.

Ways and Means Gavel – New Chair

- When Ryan became Speaker, as reported last month, he resigned as Chair, House Committee on Ways and Means.

- Rep. Brady of Texas was selected over a challenge by Rep. Pat Tiberi of Ohio.
- This gives Texas seven House Chairmanships. Power in the House has shifted from OH to TX.
- Brady instantly made it clear that “Tax Reform” was his highest priority and could well be considered in 2016.
- Legislatively, precisely what that means is still unclear. Piece-meal, partial or comprehensive tax reform – not known yet (and almost every industry is scrambling to find out).
- As reported last month, the Ways and Means Committee is important (as is the new chairmanship) to IEUA because of pending tax “reform” legislation that could (might) threaten to the deductibility of municipal bonds – the funding mechanism for local governments finance (for, in addition to water supply and waste water investments, airports, hospitals, schools, energy investments, highways – and every other kind of local infrastructure).
- The Municipal Bonds Coalition of America is watching this closely, given the new developments. As a result, the informal coalition is undertaking an effort to “beef up” its efforts.
- If you recall, a policy and legislative effort is underway to reduce tax RATES. In order to get down to tax rates of 25% personal and 25% corporate, hundreds (if not thousands) of tax code provisions would have to be eliminated – which includes a very real threat to the financial integrity of municipal bonds.

House Rules – To Be Changed or Not (A Proxy for Control of the House)

- Speaker Ryan, in response to the Freedom Caucus, established a review of House and R Caucus rules.
- To have such a review in the middle of a congressional session is most unusual.
- The first phase of that review is underway and a report to the House R Leadership is reportedly to be readied in December.

Government Funding – Talk of Shut Down Again

- Speaker Boehner, in one of his last acts as House Leader negotiated a short-term spending agreement with the House-Senate Leadership (D and R) and the Administration. As part of the agreement, all parties agreed to add \$80 billion in Federal Spending for the current fiscal year and the same bill also statutorily raised the debt limit (averting a financial default AND a government shutdown).

- Based on that agreement, a short-term Continuing Resolution (CR) was approved – that funded all Federal Departments and Agencies until December 11.
- A threatened government-wide shut-down was averted (for now).
- When Congress returns from the Thanksgiving break, the major issue to be addressed will be funding the Federal Government (enactment of the 12 annual funding bills).
- A number of highly contentious issues (Syrian refugees, Planned Parenthood, environmental riders) will be advanced setting the stage for another possible shutdown. And negotiating all this will be an early “test” of Ryan’s leadership.
- Washington is becoming weary of the constant stare-down and is weary of another possible shutdown.

Water/Weather/Drought

Water/Drought – Senate Action on Boxer-Feinstein Drought Bill

- Senate Energy Committee held a drought hearing in early October. The plan – proceed to a Committee markup in early November.
- Chairwoman Murkowski, at the October hearing, publicly urged all parties to work together.
- Murkowski also stated, numerous times, that this will NOT be a California-only bill, but it was the Committee’s preference to markup a “westwide” bill – of which California would be a part.
- A westwide bill has yet to be introduced.
- Early November came and went without the anticipated markup.
- Senator Feinstein caused a near-panic telling the media that markup might take place just before the Thanksgiving break. Again, it didn’t happen.
- A group of Californians (H-S, R-D) are meeting on the drought bill, led by Senator Feinstein and Majority Leader Kevin McCarthy (R-CA), but reports from Members, House and Senate offices and Committees indicate that, to date, little or no progress has been made in these closed-door meetings.
- The Boxer-Feinstein bill proposed authorizing \$1.2 billion for recycling, desal and storage, but requires “offsets.” So far, based on reports to date, offsets have yet to be identified.
- Reports on what has been occurring are all over the map. From “a deal is imminent” to

“it will never happen” bookends this November report.

El Nino

- The first effects of El Nino are now being felt.
- The same critical question remains – how far “up the map” with El Nino hit (i.e. does it extend to Northern California; and if so, does the precip come down as rain or snow?). Does California get any snow-pack from this storm system and if so, how much? The answer to those key questions not only impact 2016, but 2017 as well.
- Early indications suggest that the Sierras are/will get some snow (how much remains the unanswered question).

Unanticipated Drought-Related Federal Tax Issue

- Last month, I reported on an “unintended tax penalty” resulting from the Governor’s Drought Orders.
- In short, grants received to remove laws from local utilities are considered taxable income. That such grants would be considered as taxable income were unanticipated. Compliance with the statewide order and receiving a grant to implement created a potential tax burden – which became known only after the fact.
- MWD has been in discussions with the Senate Finance Committee in an effort obtain a statutory fix eliminating such a tax. Senators Feinstein and Boxer have been told that to get the relief, an “offset” will be required.
- The search for a solution is presently underway.

IEUA Washington Trip Follow-Up

- As previously reported, in October Director Steve Elie and an IEUA delegation came to Washington for meetings with the delegation, committees and the Interior Department.
- At the Interior Department and BuRec, IEUA requested reconsideration of a previous decision to reject a Title XVI IEUA-Cucamonga Valley Water District water recycling proposal.
- BuRec preliminarily signaled that they were unwilling to modify their position.
- IEUA is reviewing the entire authorization and the file on this matter.
- The objective is to submit additional justification to DOI and BuRec so that the authorization can be acted upon (and allow IEUA apply for grants).

Drought Status – CA and Rest of the West

- ***Drought Conditions – California.*** The drought profile, for California, remains substantially the same as the last several months. At the close of November, all 58 counties were in drought. My monthly report, a month ago stated, “*according to the NOAA/USDA’s well-visited Drought Monitor web site, 100% of California remains in various levels of drought and the Monitor’s weekly update reported that more than 90% of the entire State was in severe, extreme or exceptional drought. This condition has remained static for months.*” Nothing’s changed.
- ***El Nino.*** Presumably, the drought map may begin to modify as El Nino storms mature.
- ***Drought Conditions – Rest of the West.*** The report from last month is all but identical. “*Coastal states (CA, OR, and WA plus NV) remain in severe drought with some relief in the northwest corner of Washington. Same with Idaho and western Montana. Drought is subsiding in UT and Arizona. The middle part of the West – Eastern Montana, Wyoming, Colorado, the Dakotas, Kansas, Nebraska and Oklahoma, most of NM and almost all of Texas are largely drought free at this time.*” Little has changed.

Looking Into December

- December 11 is a key date – CR must be acted upon by that date.
- There may be a short-term extension to December 21-23 to act on the funding bills (unclear at this time).
- Other big ticket legislative issues – the highway bill, tax extenders are also pending.
- Ways and Means Chair – Ryan moved up to Speaker and Brady (R-TX) is now putting his own mark on the Committee.
- Ryan’s Speakership will be tested (shutdown or no shutdown).
- Drought legislation continues to be watched – markup timing remains uncertain.
- External factors, domestically and internationally, are impacting the political and legislative agenda (including Paris – France’s 9/11, the International Climate Conference in Paris, Colorado Springs, ISIS and Syria).
- December is the last month of the calendar year. A presidential election year is but 30 days away. The first voting – the Iowa Caucus, followed by the New Hampshire primary is almost here. It will impact everything here in Washington.

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CALIFORNIA STRATEGIES, LLC

Date: November 30, 2015
To: Inland Empire Utilities Agency
From: John Withers, Jim Brulte
Re: November Activity Report

Listed below is the California Strategies, LLC monthly activity report. Please feel free to call us if you have any questions or would like to receive any more information on any of the items mentioned below.

- Met with IEUA Executive Management Team to review priority issues and to discuss activities for November that they wanted accomplished. Specifically discussed concept of Water Governance Committee.
- Participated in discussions with staffs of San Bernardino and IEUA to discuss coordination of County and District legislative and public policy issue agendas that Executive Staff wanted.
- Received the recently released LAFCO report and updated strategy and approach to MSR including references to LAFCO consultants and specific review of scopes of work
- Discussed County flood control and IEUA issues.
- Continue to monitor statewide water issues including the BDCP, water bond, and drought relief act activities.
- Outreach to Board Directors as needed on issues of interest
- Monitor Santa Ana Regional Board agenda and issues of interest to IEUA.
- Followed up with San Bernardino County per Mr. Grindstaff's request and reported back to him the results of the communication.

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Federal Legislation of Significance

Bill Number	Sponsor	Summary	Status
H.R.1314	Former Speaker John Boehner (amendment)	The bipartisan budget agreement suspends the debt ceiling through March of 2017, and provides \$40 billion in relief from the Budget Control Act caps for defense and domestic spending in Fiscal Years 2016 and 2017.	President Obama has signed the bipartisan agreement. It provides relief from sequestration in FY16 and FY17, providing additional funding for both defense and domestic spending priorities.
S.1894	Sen. Dianne Feinstein	Feinstein introduced legislation in the final days of the month to combat drought in California. Specifically for IEUA, it contains a title on recycled water. It also removed the requirement for Congress to authorize Title XVI projects.	<p>First Legislative Committee Hearing was held in early October. Staff from the Senate Energy and Natural Resources Committee and the House Natural Resources Committee are attempting to preconference a bill with compromise language between the Senate and House drought bills, but proposals are not being traded back and forth. Additionally, a compromise bill is expected to be West-wide, not just include California.</p> <p>With several “must pass” pieces of legislation on the floor before the end of the current session, there is growing concern that a markup may not be held this year. Lawmakers have had to find funding and offsets for several major pieces of legislation already this year, so coming up with an additional funding source would be a tall order in the final two weeks of session.</p>
H.R.2898	Rep. David Valadao	Western Drought Legislation introduced by California House Republicans that would ease environmental regulations provide for easier permitting for water storage projects.	<p>Passed the House.</p> <p>First Legislative Committee Hearing was held in early October. Staff from the Senate Energy and Natural Resources Committee and the House Natural Resources Committee are attempting to preconference a bill with compromise language between the Senate and House drought bills, but proposals are not being traded back and forth. Additionally, a compromise bill is expected to be West-wide, not just include California.</p> <p>With several “must pass” pieces of legislation on the floor before the end of the current session, there is growing concern that a markup may not be held this year. Lawmakers have had to find funding and offsets for several major pieces of legislation already this year, so coming up with an additional funding source would be a tall order in the final two weeks of session.</p>

S.1140	Senator John Barrasso	Requires the Secretary of the Army and the Administrator of the Environmental Protection Agency to propose a regulation revising the definition of the term “waters of the United States”.	<p>The Senate considered the legislation during the first week of the month, but it was blocked by a Democratic filibuster. Republicans instead introduced and passed a resolution of disapproval under the Congressional Review Act (CRA) that only required a simple majority to pass. The House may take up the resolution before the current session ends, but it will certainly be vetoed by President Obama.</p> <p>Republicans are pushing for a policy rider in the omnibus appropriations package expected to be passed before December 11.</p>
H.R.1732	Rep. Bill Shuster	Requires the Secretary of the Army and the Administrator of the Environmental Protection Agency to withdraw their existing proposed rule regarding the waters of the United States and propose a new rule with additional stakeholder feedback.	This bill has passed the House. The Senate is currently considering their own version (mentioned above).
H.R. 2028 / S. ____	House and Senate Appropriations Committees	Energy and Water Appropriations Bills for FY16. The Senate bill contains an additional \$50 million for “Western Drought Relief” like last year’s bill. That money was used primarily for recycled water projects.	Both the House and Senate Committees have cleared their annual appropriations bills, but only the House has passed its version. With the CR set to expire on December 11 th , Congress will have to pass either full-year funding bills or another continuing resolution. We are watching for a two year deal to develop that could increase the budget caps, and therefore potentially made additional funding available for drought mitigation projects.
n/a	Possible Omnibus Appropriations Package	Monitoring the potential development of an omnibus appropriations package that would use the “new” budget numbers with additional funding negotiated in the bipartisan budget agreement.	Staff from the House and Senate Appropriations Committees have already started to meet to discuss creating an omnibus package. While we expect work will take place at the committee level this month—including distributing the subcommittee allocations—we anticipate that Congress will wait until early December to move an omnibus package. The current continuing resolution expires on December 11