



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

**WEDNESDAY, AUGUST 10, 2016
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 July 13, 2016.

B. AWARD OF CONTRACT WITH CALIFORNIA STRATEGIES, LLC

It is recommended that the Committee/Board:

1. Approve a five-year contract with California Strategies, LLC to provide state legislative consulting services, for a monthly retainer fee of \$8,000, plus approved expenses; and
2. Authorize the General Manager to finalize and execute the contract.

C. PROPOSITION 53 "CALIFORNIA VOTE ON PUBLIC BONDS INITIATIVE"

It is recommended that the Committee/Board oppose Proposition 53, "California Vote on Public Bonds Initiative" that will appear as an initiated constitutional amendment on the November 8, 2016 ballot.

D. RECOMMENDED POSITIONS ON STATE LEGISLATION

It is recommended that the Committee/Board:

1. Adopt a position of "watch" for the following Bills; and
 - a. SB 32 (Pavley)
 - b. SB 1298 (Hertzberg)
2. Adopt a position of "oppose" for AB 2835 (Cooper)

2. INFORMATION ITEMS

A. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)

B. LEGISLATIVE REPORTS (WRITTEN)

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

C. CALIFORNIA STRATEGIES MONTHLY REPORT (WRITTEN)

D. FEDERAL LEGISLATION MATRIX (WRITTEN)

E. STATE LEGISLATION MATRIX (WRITTEN)

F. PLANNING & ENVIRONMENTAL RESOURCES SALINITY UPDATE (POWERPOINT)

G. CHINO BASIN WATER STORAGE AND RECOVERY

3. GENERAL MANAGER'S COMMENTS


4. COMMITTEE MEMBER COMMENTS

5. COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS

6. ADJOURN

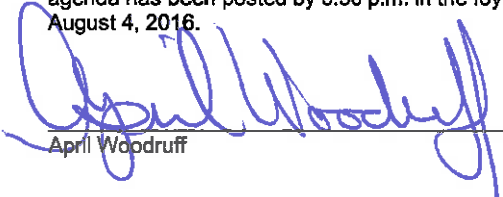
*A Municipal Water District

meeting so that the Agency can make reasonable arrangements.

Proofed by: 

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, August 4, 2016.



April Woodruff

**ACTION
ITEM
1A**



MINUTES

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

**WEDNESDAY, JULY 13, 2016
9:00 A.M.**

COMMITTEE MEMBERS PRESENT

Michael Camacho
Jasmin A. Hall

COMMITTEE MEMBERS PRESENT

Steven J. Elie, Chair

STAFF PRESENT

P. Joseph Grindstaff, General Manager
Christina Valencia, Chief Financial Officer/AGM
Joshua Aguilar, Senior Engineer
Kathryn Besser, Manager of External Affairs
Andy Campbell, Deputy Manager of Planning and Environmental Resources
Jason Gu, Grants Officer
Sally Lee, Administrative Assistant I
Sylvie Lee, Manager of Planning and Environmental Resources
Andy Campbell, Deputy Manager of Planning and Environmental Resources
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT

None.

The meeting was called to order at 9:12 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 June 8, 2016.
- ◆ Recommended that the Board:
 1. Approve a three-year contract with two additional one-year extensions with West Coast Advisors to provide state legislative consulting services, for a monthly retainer fee of \$9,800, plus approved expenses; and
 2. Authorize the General Manager to finalize and execute said contract and potential one-year extensions;

as a Consent Calendar Item on the July 20, 2016, Board meeting agenda.

◆ Recommended that the Board:

1. Approve a three-year contract with two additional one-year extensions with Innovative Federal Strategies, LLC to provide federal legislative consulting services for a monthly retainer fee of \$8,000, plus approved expenses; and
2. Approve a three-year contract with two additional one-year extensions with Agricultural Resources to provide federal legislative consulting services or a monthly retainer fee of \$6,000 through December 31, 2016, and \$3,500 thereafter, plus approved expenses; and
3. Authorize the General Manager to finalize and execute said contract and potential one-year extensions;

as a Consent Calendar Item on the July 20, 2016, Board meeting agenda.

◆ Recommended that the Board:

1. Adopt the California Environmental Quality Act (CEQA) Initial Study/Mitigated Negative Declaration and Mitigation Monitoring, and reporting Program for the IEUA-Pomona-MVWD Intertie; and
2. Authorize the General Manager to file the Notice of Determination (NOD) with the San Bernardino County and Los Angeles County Clerk of the Board;

as a Consent Calendar Item on the July 20, 2016, Board meeting agenda.

INFORMATION ITEMS

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

- ◆ Public Outreach and Communications
- ◆ Legislative Reports
- ◆ California Strategies, LLC Activity Report
- ◆ Federal Legislative Matrix
- ◆ State Legislative Matrix
- ◆ 4th Quarter Planning & Environmental Compliance Update

GENERAL MANAGER'S COMMENTS

General Manager Joseph Grindstaff mentioned that there is a tour scheduled for next Friday (July 22) to the Central Valley, which the Executive Manager of Engineering/AGM Chris Berch and General Manager Grindstaff will be attending, along with MVWD, CVWD, and Ontario. The tour will be visiting different agencies and their water banks to see how they operate, and how we might incorporate a water bank in the Chino Basin.

Mr. Grindstaff also mentioned that Secretary Bruce Babbitt, who used to be the Secretary of Interior, has been asked by the Governor to see if he could negotiate a settlement particularly involving federal contractors on the California Water Fix. Mr. Grindstaff stated that Secretary Babbitt asked to meet with him; therefore he will be in Sacramento on Friday (July 15) to meet with him.

COMMITTEE MEMBER COMMENTS

Director Hall commented that she is pleased that staff will be touring the Central Valley to see how other agencies operate their water banks. The knowledge that staff will gain from this tour could benefit the Chino Basin. She stated that this is a step in the right direction.

COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS

There were no Committee member requests for future agenda items.

With no further business, Director Elie adjourned the meeting at 9:20 a.m.

Respectfully submitted,

April Woodruff
Board Secretary/Office Manager

*A Municipal Water District


APPROVED: AUGUST 10, 2016


**ACTION
ITEM
1B**

Date: August 17, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (08/10/16)
Finance, Legal, and Administration Committee (08/10/16)

From: P. Joseph Grindstaff
General Manager 

Submitted by: Kathy Besser 
Manager of External Affairs

Subject: Award of Contract with California Strategies, LLC

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve a five-year contract with California Strategies, LLC to provide state legislative consulting services, for a monthly retainer fee of \$8,000, plus approved expenses; and
2. Authorize the General Manager to finalize and execute the contract.

BACKGROUND

California Strategies, LLC is highly regarded as a respected, bipartisan, and full-service government relations and advocacy firm based in Sacramento, with offices in Los Angeles, Irvine, San Diego, Modesto, Inland Empire, and Silicon Valley.

Since 2009, California Strategies has assisted the Agency in developing collaborative strategies with San Bernardino County, Chino Basin Watermaster, and Chino Basin Water Conservation District. Projects they have worked on for IEUA include the Turner Basin Demonstration Project, outreach to local government elected officials and staff during the self-regenerating water softener control program process, and coordinating with BIA and development interests on growth planning and sustainable development initiatives.

Staff recommends the award of a five-year contract to California Strategies for their unique expertise in local, county and state government, including innovative government strategies that will assist the Agency in achieving its key initiatives. Upon approval of this contract, California Strategies would continue to assist the Agency with the implementation of the Turner Basin Demonstration Project. They would also continue to provide monthly updates of government

affairs activities, as well as coordination and outreach with key decision makers. California Strategies is requesting an increase in their monthly retainer fee from \$6,000 to \$8,000. Prior to 2011, they were receiving \$10,000 per month. At the Agency's request it was reduced to \$6,000.

The contract is consistent with the Agency's Business Goal of Business Practice, key objective of policy leadership to effectively advocate, campaign and guide development of legislation that benefits the region that IEUA serves.

PRIOR BOARD ACTION

On June 15, 2015, the Board approved the extension of Contract No. 4600000419 for one year (July 1, 2015 to June 30, 2016).

On May 21, 2014, the Board approved the extension of Contract No. 4600000419 for one year (July 1, 2014 to June 30, 2015).

On June 20, 2013, the Board approved the extension of Contract No. 4600000419 for one year (July 1, 2013 to June 30, 2014).

On June 20, 2012, the Board approved the extension of Contract No. 4600000419 for one year (July 1, 2012 to June 30, 2013).

On June 15, 2011, the Board approved the extension of Contract No. 4600000419 for one year (July 1, 2011 to June 30, 2012).

On June 16, 2010, the Board approved the Contract No. 4600000419 with California Strategies, LLC to provide strategic local government consulting services beginning July 1, 2010, to June 30, 2011, at a monthly retainer fee of \$10,000 per month plus reasonable business expenses.

IMPACT ON BUDGET

The state legislation consultant service costs are included in the FY 2016/17 Budget, under various program funds: Regional Wastewater Capital Improvement Fund, Recycled Water Fund and Water Resources Fund.



**AGREEMENT NUMBER 460002179
FOR
STRATEGIC LOCAL GOVERNMENT CONSULTING SERVICES**

THIS AGREEMENT (the "Agreement") is made and entered into this 17th day of August, 2016, by and between the Inland Empire Utilities Agency, a municipal water district, organized and existing in the County of San Bernardino under and by virtue of the laws of the State of California (hereinafter referred to as "Agency"), and California Strategies, LLC, located at 980 Ninth Street, Suite 2000, Sacramento, CA 95814, (hereinafter referred to as "Consultant"), for strategic local government services ("Services"), as required and directed by the Agency.

The term of this Agreement shall extend from September 1, 2016 and terminate upon completion of Services, or June 30, 2021, whichever occurs first, unless agreed to by both parties, reduced to writing and amended to this Agreement.

The Agency shall pay Consultant's properly executed invoices within thirty (30) calendar days following receipt of said invoices. In compensation for the work represented by this Agreement, the Agency shall pay Consultant a firm-fixed fee of **\$8,000** per calendar month for all services provided; plus documented, reasonable and customary business expenses pre-approved by the Agency. The Scope of Work shall include, but shall not be limited to:

1. Determine the current viewpoints of state, county and city policy makers relevant to various Agency projects;
2. Communication with the Agency at least weekly to provide updates and status of government affairs activities and provide a monthly written report to the Agency;
3. Advise the Agency of Consultant's communications with policy makers;
4. Assist the Agency in developing advocates who might assist Agency in achieving its goals; and,
5. Provide other requested assistance on behalf of the Agency, as requested.

No other work is authorized under this agreement. Should Consultant recommend another consultant or contractor to perform required services, the Agency shall contract with such firm in the best interest of the Agency. No additional fees shall be paid to

Consultant. Consultant shall deliver a written monthly report to Agency, no fewer than eight (8) business days prior to the second Wednesday of each month, documenting Consultant's activities on behalf of Agency.

Consultant shall furnish the Agency with certificates of insurance, endorsing the Agency as an additional insured, with the following coverage's: General Liability of \$1,000,000, and Automobile of \$500,000, combined single limits per occurrence for bodily injury, personal injury and property damage; as well as Workers' compensation limits as required by the Labor Code of the State of California and employers Liability limits of \$1,000,000 per accident. Additionally, Consultant shall provide Professional Liability insurance in the amount of \$1,000,000 per claim. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be approved by the Agency before activity commences.

The Consultant shall indemnify Agency, its directors, employees, agents, and assigns, and shall defend and hold them harmless from all liability, demands, actions, claims, losses and expenses, including reasonable attorney's fees, which arise out of or are related to the negligence, recklessness or willful misconduct of Consultant, its directors, employees, agents and assigns, in the performance of Consultant's work completed under this Agreement.

The Consultant is retained as an independent Consultant only, for the sole purpose of rendering the services described herein, and is not an employee of the Agency.

The Agency reserves the right to immediately suspend, cancel or terminate this Agreement at any time upon written notice to the Consultant. In the event of such termination, the Agency shall pay Consultant for all authorized and Consultant-invoiced services up to the date of such termination.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be entered as of the day and year written above.

INLAND EMPIRE UTILITIES AGENCY: CALIFORNIA STRATEGIES, LLC:

P. Joseph Grindstaff
General Manager

(Date)

John B. Withers
Partner

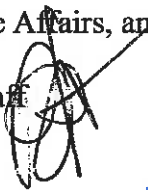
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**ACTION
ITEM
1C**

Date: August 17, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (08/10/16)

From: P. Joseph Grindstaff
General Manager 

Submitted by: Kathy Besser
Manager of External Affairs 

Subject: Proposition 53 "California Vote on Public Bonds Initiative"

RECOMMENDATION

It is recommended that the Board of Directors oppose Proposition 53, "California Vote on Public Bonds Initiative" that will appear as an initiated constitutional amendment on the November 8, 2016 ballot.

BACKGROUND

Dean Cortopassi, a wealthy farmer who has holdings in the Delta, believes that construction of the California WaterFix tunnels will negatively impact his businesses. As a result, Cortopassi and his wife donated \$4 million in personal funds to place the initiative on the ballot this year.

As submitted, Cortopassi's initiative – which he named "The No Blank Checks" initiative – would create a constitutional amendment that would force a public vote whenever the State is preparing to borrow \$2 billion or more for public works projects and repay it with revenue bonds. The \$2 billion amount is fluid and would change with inflation. It also specifically prohibits dividing projects into multiple separate projects to avoid statewide voter approval requirement; this would apply to previously approved projects if remaining bond amount exceeds \$2 billion and requires that specified project information for all State bonds be included in the voter ballot pamphlet.

The primary supporters for this initiative are Dean and Joan Cortopassi.

Primary opponents include Governor Jerry Brown, the California Chamber of Commerce, and the State Building and Public Trades Council. The concern is that if this initiative passes it would cause significant and costly delays in repairing the aging water infrastructure, roads and colleges (among other items), and would make it harder to respond to natural disasters.

Proposition 53 “California Vote on Public Bonds Initiative”

August 17, 2016

Page 2

Cortopassi attempted to have this initiative placed on the ballot in 2014, however failed to collect the number of signatures required to place it on the ballot.

Staff recommends that the Board of Directors adopt a position of oppose for the proposed bond.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET


None.


**ACTION
ITEM
1D**

Date: August 17, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (08/10/16)

From: P. Joseph Grindstaff
General Manager 

Submitted by: Kathy Besser
Manager of External Affairs 

Subject: Recommended Positions on State Legislation

RECOMMENDATION

It is recommended that the Board of Directors:

1. Adopt a position of “watch” for the following Bills; and
 - a. SB 32 (Pavley)
 - b. SB 1298 (Hertzberg)
2. Adopt a position of “oppose” for AB 2835 (Cooper)

BACKGROUND

IEUA staff recommends that the Board adopt positions of “watch” on two Bills that may support and promote the Agency’s interests.

- a. **SB 32 (Pavley) – California Global Warming Solutions Act – WATCH**
SB 32 would extend AB 32, which was passed in 2006, and set a goal of reducing greenhouse gas (GHG) emissions 40% below 1990 levels by 2030. This language codifies the standard established by Governor Brown’s Executive Order issued in April 2015 to establish the most ambition GHG reduction target in North America. The bill language originally contained an 80% reduction goal below 1990 levels by 2050, however that has been removed.

At the end of June 2016, SB 32 removed provisions on oversight, transparency, and equity for the State’s climate programs and placed them in AB 197 (Garcia).

The Governor's Office and legislative leadership believe that it is critical to pass this legislation in order to maintain the Low Carbon Fuel Standard, carbon offsets and other programs in place that reduce GHG emissions.

Currently, the goal of SB 32 supports IEUA's efforts to reduce GHG emissions, but the final version must be economically pragmatic to recommend a position of support. It is our understanding that very little discussion occurred during the July break on this legislation, so negotiations are expected to take place during the first couple of weeks in August. At this time, staff recommends a position of watch until a final version can be analyzed and a determination can be made as to the benefits for the Agency.

b. SB 1298 (Hertzberg) – The Open and Transparent Water Data Act – WATCH

Since its introduction, SB 1298 has been amended so the scope of the bill now only addresses stormwater issues. As amended, the bill seeks to address court interpretations of Proposition 218, which was approved by the voters in 1996, regarding their interpretation of the law that does not allow rates to include fees for capturing and managing stormwater. This has the potential to constrain the ability of local governments to use stormwater as a key source of local water supply.

As written, SB 1298 would reaffirm and reiterate that the definition found in the Public Utilities code is the definition of "sewer" that should be used in the Omnibus Proposition 218 Implementation Act. Under this definition, "sewer: would mean "...structures necessary or convenient for the collection or disposal of sewage, industrial waste, or surface or storm waters."

A second set of amendments are expected to be accepted sometime next week, and the final bill will not be available for analysis until then. One of the items we are watching closely is the definition of stormwater contained in the bill. Currently, the definition is technically related only to sewer systems, but staff has been talking to committee staff about slightly modifying the wording. Until a final bill is released, staff is recommending a position of watch.

IEUA staff recommends that the Board adopt an "oppose" position on AB 2835:

AB 2835 (Cooper) – OPPOSE

The measure would require mandatory orientations of all new and potentially all existing employees so that unions will have at least 30 minutes on paid time to discuss the union and the union benefits. This would have to be done within 30 days following a request from a union representative.

One of the most significant issues for IEUA is that the legislation contains a provision that would open up existing Memorandums of Understanding with each bargaining unit.

Staff recommends that IEUA oppose this bill.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

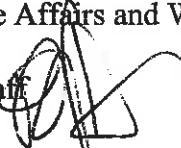
None.


**INFORMATION
ITEM
2A**

Date: August 17, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (8/10/16)

From: P. Joseph Grindstaff
General Manager 

Submitted by: Kathy Besser 
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

August

- August 12, San Bernardino County Water Conference, Ontario Convention Center - 2000 Convention Center Way, Ontario, CA 91764, 8 a.m. – 12 p.m.

September

- September 14, Chino Day at the LA County Fair
- September 16, Fontana and Ontario Day at the LA County Fair
- September 22, Upland and Montclair Day at the LA County Fair
- September 23, Chino Hills and Rancho Cucamonga Day at the LA County Fair

October

- October 29, Landscape and Water Conservation Festival, Chino Basin Water Conservation District - 4594 San Bernardino St, Montclair, CA 91763, 9 a.m. – 2 p.m.

Outreach/Education - Civic Publications Newspaper Campaign

- IEUA is working with Civic Publications to update the KickWaterWaste.com micro-site.
- IEUA has developed an outreach plan with Civic Publications for FY 16/17 that includes email blasts and print ads.

Media and Outreach

- Staff has developed summer messaging tips and re-vamped the *Kick the Habit* logo to include a summer brand for messaging during the summer months. The tips focus on the State Water Resources Control Board's permanent restrictions following the Governor's Executive Order.
- Staff has updated the *Kick the Habit* movie trailer and began outreach through local theaters (Ontario Palace, Ontario Mills, Victoria Gardens). The campaign began on June 17 and will run for 14 weeks.
- A *Kick the Habit* ad ran in the *Champion Newspaper's* Chino Jr. Fair section on July 2.
- A *Kick the Habit* ad ran in the *Champion Newspaper's* Back to School section on July 30.
- A *Kick the Habit* ad ran in the *Champion Newspaper's* Fall Connection on August 6.
- *Kick the Habit* bus advertisements in English and Spanish began on October 5, 2015 for an initial six month run and will continue to run for another six months. The ads are updated to include the summer messaging tips.
- In July, 28 items were posted to Facebook and 28 tweets were sent under the @IEUAwater Twitter handle.
- Staff developed social media messaging to highlight the new Pokémon app. The Chino Creek Wetlands and Educational Park is featured on the app as a "Pokestop" location. The Park has experienced a drastic increase in number of visitors based on staff's observations.
- Staff is working on developing/updating all facility brochures.

Education and Outreach Updates

- Staff has begun working on outreaching and scheduling Water Discovery field trips for program year 2016/17. To date, staff has received seven inquiries on scheduling field trips for the fall and received one busing mini-grant.
- Staff has begun scheduling outreach/program meetings with principals within the service area for school year 2016/17.
- Staff has submitted to MWD the 2017 Solar Cup Interest to Participate form to sponsor three teams. Teams will need to be identified by Thursday, September 7, 2016.
- Staff is working in cooperation with Chino Basin Water Conservation District and member agency representatives to plan the Landscape Water Conservation Festival held annually in October. The Water Conservation Fair will be held Saturday, October 29, 2016.
- Staff has awarded four schools the Garden in Every School® water-wise grant for program year 2016/17. Schools awarded include: Arroyo Elementary in Ontario, Rolling Ridge Elementary in Chino Hills, Townsend Junior High School in Chino Hills, and Montclair High School in Montclair. Staff will begin scheduling site inspections in August once schools return from summer break to determine site prep-work, establish a design, and set an installation timeline.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The above-mentioned activities are budgeted in the FY 2016/17 Administrative Services (GG) Fund, External Affairs Services budget.

INFORMATION

ITEM

2B

Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Joe Grindstaff and Kathy Besser, IEUA

From: Letitia White, Jean Denton, and Drew Tatum

Date: July 29, 2017

Re: July Monthly Legislative Update

Conversations Begin on Funding Mechanism for New Fiscal Year

With only 17 legislative days scheduled in the House in September ahead of the end of the current fiscal year, lawmakers have started to discuss a path forward on the appropriations process. Both the House and Senate Appropriations Committees have completed their work on the 12 annual funding bills ahead of the long recess, and both the House and Senate have devoted significant floor time to their consideration. Despite progress made in both the House and Senate, none of the individual appropriations bills has passed both chambers and made it to the president's desk.

There was originally hope that the first appropriations bill would be finalized ahead of the recess. The House and Senate voted to conference the Military Construction-VA and supplemental Zika Appropriations bill, but the Senate has been unable to pass the final conference report. Ahead of the July 4th recess, the House brought up the conference report late in the evening with no debate and passed it largely along party lines. After the House voted to adopt the conference report, the Senate attempted to follow suit, but Democrats blocked its consideration over objections to the way the Zika provisions were paid for and policy riders impacting spending. Senate Republicans forced several votes on the Zika package before the recess, but Democratic filibusters prohibited consideration.

House leaders initially discussed attempting to conference additional appropriations bills with the Senate during the summer break, but those plans were scrapped over fears that there was not enough support within the Republican party for that plan. House leaders had hoped that conferenced appropriations bills would be ready for final passage in September ahead of the end of the fiscal year. Instead of advancing the 12 annual appropriations bills, conservative lawmakers have called for a 6-month continuing resolution to push funding decisions into the new year so a new congress and president will be able to negotiate a path forward.

When conservative House Republicans initially proposed a 6-month continuing resolution, Appropriators in the House and Senate pushed back on the notion. With a growing number of House Republicans warming to the idea, top Republican Senators have begun to indicate that the Senate might too move a stopgap funding measure that extends into next year. "I'm not so sure we'll see an omnibus," said Senate Majority Whip John Cornyn (R-TX). "We might see a

Innovative Federal Strategies LLC

continuing resolution, which, frankly nobody likes. But they like that a little less than they'd dislike an omnibus."

Despite stalled progress on the appropriations process, neither Senate Majority Leader Mitch McConnell (R-KY) or House Speaker Paul Ryan (R-WI) were willing to give up on efforts to complete individual appropriations bills. Both leaders have pledged this year to return to regular order with the ambitious goal of passing all twelve appropriations bills. "I want to get appropriations bills going. We're going to keep doing our work, and we're not going to foreclose any options. So we haven't made any decisions. And as a family, we're going to discuss, if we can't get all of our bills done, what's the best way to proceed," said Speaker Ryan.

It is important to note that top Democrats in the House and Senate have come out in opposition to a 6-month continuing resolution. Senate Minority Whip Dick Durbin (D-IL) said he would prefer Congress produce an omnibus sooner rather than later. He also suggested Congress could pass a series of "minibuses" or smaller combinations of spending bills. House Minority Whip Steny Hoyer (D-MD) has also come out against a long term stopgap measure in favor of an omnibus appropriations bill during the lame duck session of Congress.

With little hope that any of the appropriations bills will be completed before the new fiscal year begins on October 1, the House and Senate will have to come to an agreement on the length of a continuing resolution when they return in September. A continuing resolution would likely be written at the \$1.067 trillion discretionary spending level set out for fiscal year 2016 in the Bipartisan Budget Act of 2015 rather than the \$1.07 trillion allowed for in fiscal year 2017 under the agreement. The loss of \$3 billion in discretionary appropriations and the inflexibility for agencies offered by a continuing resolution has led appropriators and defense-hawks alike to question its viability.

Congress Passes Comprehensive Addiction Legislation to Address Opioid Crisis

The House and Senate agreed to legislation aimed at helping states respond to the deadly opioid epidemic after a final conference agreement was reached between the House and Senate. Supporters of the legislation contend that the legislation will dramatically change the trajectory of the addiction crisis that has claimed thousands of lives across the United States. "This is a historic moment, the first time in decades that Congress has passed comprehensive addiction legislation, and the first time Congress has ever supported long-term addiction recovery," said Sen. Rob Portman (R-OH). "This is also the first time that we've treated addiction like the disease that it is, which will help put an end to the stigma that has surrounded addiction for too long," he continued.

Democrats called the bill a good first step, but said Congress must follow up with a big boost in federal funding to make a real dent in the opioid epidemic. While the legislation provides for the authorization of existing funding and the creation of new programs to fight the epidemic, the legislation itself provides for no new funding. "If we don't do the money, it's a lot happy talk without the oomph that we ought to have," Sen. Sherrod Brown (D-OH) said during debate on the legislation.

Innovative Federal Strategies LLC

The bill—the Comprehensive Addiction and Recovery Act—authorizes \$181 million in new federal money for programs aimed at addressing substance abuse problems related to heroin and opioids. It also promotes alternatives to incarceration for those with substance-abuse problems and expand access to naloxone, which reverses the effects of an opioid overdose.

In the White House's budget for fiscal year 2017, President Obama asked Congress for \$1.1 billion to combat drug addiction. Congressional Democrats tried to add \$920 million in new funding to the legislation, but those efforts were blocked by Republicans. Republicans contend that additional funding to fight drug abuse should be addressed in the annual federal appropriations bills. Republicans have noted that Congress increased funding for opioid related addiction programs in fiscal year 2016 and that they are on track to further increase funding in 2017.

Senate Energy Committee Advances Drought Legislation with Republican Support

After cancelling a markup in June, the Senate Energy Committee met in July to markup 43 bills to advance them to the floor for possible consideration by the full Senate. While most of the legislation was non-controversial and passed by voice-vote, drought legislation offered by Senator Jeff Flake (R-AZ) garnered comments from both sides before receiving the only recorded vote. Senator Flake's legislation ultimately passed the Senate Energy Committee with only Republican support. Senator Feinstein's latest drought legislation was not considered at the Energy Committee markup.

Since its introduction, Senator Flake's drought legislation has drawn criticism from Democrats who do not support many of the provisions included in the legislation. At the markup, Energy Committee Ranking Member Maria Cantwell (D-WA) laid out Democratic opposition before reiterating her support for the committee to pass a bipartisan drought package that will address drought in California and other western states.

Senator Flake offered an amendment to his legislation that stripped provisions related to voluntary contributions to the Lake Mead reservoir on the Colorado River while an administrative solution is worked out. That amendment was agreed to by voice vote.

While the legislation is now pending floor consideration in the Senate, it faces considerable hurdles to passage. House Democrats and the White House have objected to provisions similar to those included in the Flake legislation due to operational concerns within federal agencies. While it is likely that the legislation would be filibustered by Senate Democrats, President Obama would likely veto the legislation if it made it to his desk in its current form. He has threatened to veto similar legislation in the past. There is a possibility that the Flake bill could serve as the legislative vehicle for a drought bill later in the year if negotiations between Democrats and Republicans produce a compromise later this year.

Congress Passes FAA Extension with Ontario Provision

Congress approved a bipartisan bill to extend the authorization of the Federal Aviation Administration two days before the agency's legal authority was set to expire on July 15. The legislation authorizes FAA programs at current funding levels through September 2017.

Innovative Federal Strategies LLC

The compromise short-term extension includes many of the provisions Senate leaders had pushed for and that were included in legislation previously passed by the Senate. It also presents a major setback for House Transportation Committee Chairman Bill Shuster (R-PA) by leaving out all references to removing air-traffic control operations from the FAA and placing them in a not-for-profit corporation. The bill also left out language related to streamlining FAA certification of new general-aviation aircraft and revising procedures for enhancing safety systems on existing models. The industry had been pressing hard for such changes. It also lacked rules to address flight-attendant fatigue.

The bill expands the paid PreCheck program offered by the Transportation Security Administration to trusted travelers who can go through speedier security screening lanes at airport. It tightens access controls and employee vetting standards for aviation workers with access to secure areas at airports and requires security assessments of all overseas airports serving the U.S.

Additionally, the legislation directs the FAA to make it easier for unmanned aircraft, or drones, to be deployed during disaster responses and wildfires. Another provision aims to create new processes to detect and mitigate unauthorized drone flights around airports and critical infrastructure. Some in the fast-growing drone industry have complained that the compromise bill doesn't go far enough to accelerate expansion of commercial operations and doesn't call for the FAA to lift restrictions on the smallest category of drones.

In addition to needed security provisions, the FAA reauthorization legislation provided the necessary authorization to allow for the transfer of the Ontario Airport to local control from the LAX Airport Authority. Similar stand-alone legislation had previously been passed by the House, but had failed to advance in the Senate. The FAA bill was signed into law on July 15.

Outlook for August

Both the House and Senate are scheduled to be in recess for the month of August. Lawmakers are scheduled to return after Labor Day through the end of September before recessing for the elections.



July 29, 2016

To: Inland Empire Utilities Agency

From: Michael Boccadoro
President

RE: July Legislative Report

Overview:

July was very quiet in Sacramento with the Legislature on summer recess until August 1. When Legislators return, they will have the month of August to finish all business before the session ends on August 31.

A revised set of principles for the governance of a prospective western regional grid operator was published in mid-July. Stakeholders have been working to create a governance structure of a regional authority that would operate and facilitate a western-wide power market. The revised proposal seeks to address concern that the original principles were too California focused. As the process continues there will be significant discussion about the details of any program. The Legislature would have to ultimately authorize California's entrance into any sort of regional structure.

The State Water Resources Control Board (SWRCB) recently released its first drinking water maximum contaminant level (MCL) for 1,2,3-Trichloropropane (1,2,3-TCP) at five parts per trillion. The first MCL for the SWRCB since absorbing the Department of Public Health seeks to address contaminant levels in groundwater and is widely supported by the environmental community. Significant concerns remain about the process used by the state board to reach the MCL level.

SB 970 (Leyva), IEUA's sponsored bill to promote the use of existing digester capacity at wastewater treatment plants for food waste diversion, successfully passed of the Assembly Natural Resources Committee on June 27. IEUA and WCA have been working with the author, stakeholders, the Senate Environmental Quality Committee and the Assembly Natural Resources Committee on amendments to the bill that add in some more specific considerations for CalRecycle to take regarding food waste diversion at wastewater treatment agencies when awarding grants from their Organics Grant Program.

In early June, federal fishery officials released a proposed plan calling for additional water to be released to the Pacific Ocean this summer to protect endangered juvenile winter-run Chinook salmon and delta smelt. A requirement to hold back more water in Folsom and Shasta reservoirs would mean a further reduction in allocations for both State Water Project and Central Valley Project contractors.

Stanford scientists have reported as much as three times more freshwater in the state's groundwater aquifer than was previously observed. The water was discovered in eight different

counties, including the Central Valley, from 1,000-3,000 feet deep (as deep as 9,000 feet). Previous groundwater availability estimates were only as deep as 1,000 feet. The research was completed for Colusa, Yolo, Solano, Fresno, Kern, Santa Barbara, Ventura, and Los Angeles counties.

As the end of the legislative session nears, focus has turned to a small number of bills that could have broad impact across California. Legislation on amending Proposition 218 (SB 1298, Hertzberg) has been significantly scaled back to only address stormwater. AB 2909 (Levine) seeks to expedite water transfers has been significantly narrowed to only address reoccurring or environmental water transfers. Legislation to codify the Governor's greenhouse gas reduction targets (SB 32, Pavley) is one of the biggest issues left for the Legislature. Ongoing discussions have so far failed to reach agreement on the specifics of the measure. Finally, SB 1383 (Lara) seeks to reduce short-lived climate pollutants by 2030. Both SB 32 and SB 1383 are facing significant opposition by the oil industry, the agricultural community as well as the broader business community, and could have a hard time receiving votes from the moderate Democrats in the Assembly. The California Chamber of Commerce has affixed the "Job Killer" label to SB 32, signaling an upcoming floor fight.

Inland Empire Utilities Agency Status Report – July 2016

CAISO Expansion

A revised set of principles for the governance of a prospective western regional grid operator were published in mid-July. The revised proposal seeks to address concerns that the original principles were too California focused.

The California Independent System Operator has been in talks with other western states to create a broad western governance structure for the operation of the electric grid. The proposal for regional governance design would be developed by a committee composed of one representative from each state involved as well as representatives from nine industry sectors. Additionally, there is a separately incorporated Western States Committee tasked to provide policy direction on matters of collective state interest.

The modifications to the original proposal refine the general scope to preserve individual state authority and clarify that unanimous approval from both the boards and the Western States Committee would be needed to amend the bylaws protecting state authority. Additionally, refines the rules for participation in certain types of markets. Authors of the proposal hope that this will calm some of the concerns raised by Rocky Mountain states concerned about California trying to export its carbon and renewable energy policies.

For California, the latest amendments will be presented in a formal workshop and are subject to another round of comments before they are submitted to the Governor for possible presentation to the Legislature. If the Legislature approves the plan, the transmission committee would be formed.

SWRCB Releases Draft MCL for 1,2,3-Trichloropropane

The State Water Resources Control Board recently released its first drinking water maximum contaminant level (MCL) since the board assumed control of such regulations from the Department of Public Health in 2014.

The draft proposal, with adoption scheduled for Spring 2017, outlines a goal to set the MCL for 1,2,3-Trichloropropane (1,2,3-TCP) at five parts per trillion. 1,2,3-TCP was used for many years as an industrial solvent, for degreasing purposes, as well as an ingredient in soil fumigants widely used in agricultural operations. The compound has been detected at levels above 5 parts per trillion in nearly 500 groundwater wells, approximately a dozen of which are in southern San Bernardino County.

The proposed MCL requires a number of monitoring, cleanup, and other requirements for water agencies and responsible parties, starting in 2018. Water board staff estimate cleanup costs would be about \$33 million.

Concern was raised from water board member Dorene D'Adamo over the methodologies used in proposing the MCL. She noted that the water board could face legal challenges if their methodologies are not sound.

Two workshops are scheduled for public discussion before the final proposal is released.

SB 970 (Leyva) Update

As reported last month, IEUA's sponsored legislation, SB 970 (Leyva) was heard in the Assembly Natural Resources Committee on June 27. IEUA and WCA have been working with the consultants of the Assembly Natural Resources Committee and the Senate Environmental Quality Committee and recently amended the bill to add in some more language that allows CalRecycle to consider regional projects that leverage existing infrastructure when they consider applications in their Organics Grant Program.

The bill received some late opposition from the composting community and as a result, some of the recent enhancements were removed from the bill. Importantly, the bill still allows CalRecycle to raise the per-project cap for regional projects.

The bill is scheduled to be heard in the Assembly Appropriations Committee on August 10. If successful, it will be eligible for final consideration on the Assembly and Senate floors.

Federal Fishery Officials Propose Holding Back Additional Water in Shasta

In early June, federal fishery officials released a proposed plan calling for additional water to be released to the Pacific Ocean this summer to protect endangered juvenile winter-run Chinook salmon and delta smelt. A requirement to hold back more water in Folsom and Shasta reservoirs could mean a further reduction in allocations for both State Water Project and Central Valley Project contractors.

These proposed regulations came as a surprise after Northern California finally got decent precipitation and snowpack levels this winter. A coalition of stakeholders as well as 15 members

of Congress from California wrote letters urging federal officials to reconsider and reject the proposal.

Ultimately, the National Marine Fisheries Service and U.S. Fish and Wildlife Services officials chose an alternate plan that should not result in cutbacks to contracted farm water deliveries. The newly adopted plan will still allow for ample cool water for endangered winter-run Chinook salmon during the warm summer months.

The plan calls for the U.S. Bureau of Reclamation officials to closely monitor temperatures in Shasta Lake, to determine if the temperatures get too warm for the salmon. If they do, releases will be cut back to ensure cooler water is available. If project operators are unable to keep the Sacramento River cool enough, more cutbacks may still be in order for farmers who have already planned and planted crops for this year's growing season.

Stanford Study Reveals More Groundwater Storage

Stanford scientists may have discovered as much as three times more freshwater in the state's groundwater aquifer than was previously observed. The water was discovered in eight different counties, including the Central Valley, from 1,000-3,000 feet deep (as deep as 9,000 feet). Previous groundwater availability estimates were only as deep as 1,000 feet. The research was completed for Colusa, Yolo, Solano, Fresno, Kern, Santa Barbara, Ventura, and Los Angeles counties.

Due to the location and depths of the water, there are concerns that the water could be more saline, and that drilling that deep could cause additional land subsidence. Water quality concerns are also due to the water's proximity to many oil and gas wells.

The authors of the study used state databases to analyze deeper water chemistry. Their results are based on an extrapolation of previous estimates and data from the California Department of Conservation's Division of Oil, Gas and Geothermal Resources (DOGGR) database, which has data sheets on oil and gas fields and wells. The database includes not just fracking, but also injection wells and other activity. The researchers said this was a first order estimate, and more sampling is needed to refine their estimate, before studying what would happen as a result of pumping this far down for water.

The full study was published in the journal Proceedings of the National Academy of Sciences and a brief is available at <http://woods.stanford.edu/sites/default/files/JacksonKang-DeepGroundwaterBrief-2016FINAL.pdf>

Legislative Update

Before the Legislature recessed for their month-long summer break, all bills had to be out of their second-house policy committees. Bills that are still alive are now awaiting action in the Senate and Assembly Appropriations Committees. Bills must reach the floor by August 12 and both houses will be in floor sessions until the August 31 end of session deadline.

With the Legislature gone for the month of July, no action has occurred on any legislation. Below is a status report significant pieces of legislation still being considered:

SB 163 (Hertzberg): SB 163 was a “gut and amend” in August of 2015. The bill seeks to address the issue of ocean discharge of treated wastewater. The bill, as recently amended, would require 50 percent of all ocean outfall to be recycled and also declare “waste and unreasonable use” if recycled water is made available and not taken.

A broad coalition was formed to work on the legislation including the California Chamber of Commerce, WaterReuse, California Association of Sanitation Agencies, Metropolitan Water District of Southern California and many others. As the bill neared its first policy committee hearing, it became clear to Senator Hertzberg that there was significant concern among the committee members. During his first hearing, he offered up some amendments he thought would appease members of the committee. The committee ultimately agreed to let the Senator work on the amendments with the opponents and return for another hearing the following week. Parties were unable to come to an agreement and the Senator decided to drop the bill for the current session. However, he stated that this bill is one of his top priorities and he intends to re-introduce it in January.

SB 1298 (Hertzberg): The California Water Foundation has been working with Senator Hertzberg on a Proposition 218 fix to allow water agencies to adopt lifeline rates and adopt conservation-based rates without amending the California Constitution.

The bill has some significant opposition from California water agencies, including ACWA, who remain concerned that the bill is unconstitutional. Concern also is aimed at the term “indispensable” water use, which the measure utilizes to try to work around the Constitutional issues.

The bill was heard on June 29 in the Assembly Local Government committee. The author took amendments that are not in print yet, but the draft amendments (and subsequent amendments that were negotiated during July) removed all the lifeline and conservation based rates provisions from the bill.

The opposition parties to the bill are still looking at all of the amendments and deciding if they adequately address concerns.

AB 2909 (Levine): Assemblyman Marc Levine recently gutted a bill that is already over in the Senate and inserted language similar to his AB 2304, which did not make it out of Assembly appropriations committee earlier this year. His new bill is a paired down version of AB 2304 and only addresses reoccurring transfers and transfers that are environmentally beneficial. The bill requires the Department of Water Resources (DWR) to develop a 30-day review process for reoccurring transfers, exchange of water rights, point of diversion changes, and place of use changes if the transfer is reoccurring or for an environmentally beneficially use. Additionally, the bill requires DWR to set up a 30-day review process for reoccurring water transfers between contractors for State Water Project water and for reoccurring transfers that utilize the State Water Project facilities.

The bill was heard on June 28 in the Senate Natural Resources Committee where the bill passed.

ACWA has communicated with the author that they are in the midst of a process to develop their own language on water transfers and would like the Assemblyman to hold the bill and work with them on a bill next year. Deven Upadhyay from MWD is one of the co-chairs of the ACWA committee, ensuring strong support for Southern California and contractor interests.

Climate Change Legislation

One of the hottest topics the legislature will consider in August is climate change. There are two bills, SB 32 (Pavley) and SB 1383 (Leyva) that attempt to address the future of California's climate change policy.

SB 32, and its companion measure AB 197 (E. Garcia) seek to give authorization to the California Air Resources Board to pursue greenhouse gas reduction strategies beyond 2020. In a perfect world, the bill would be authorized by a two-thirds vote of the Legislature because, as discussed in previous reports, there is concern the cap and trade program implemented by CARB to achieve the GHG reductions mandated in the original AB 32 is a tax. A two-thirds vote is required to authorize a tax and would leave no doubt and likely end all legal challenges to the program.

However, it will be very difficult to achieve that two-thirds threshold in the Assembly. The strong moderate Democratic caucus has serious reservations about the state's climate change programs and will be tough votes to earn, especially in this election year.

SB 1383 (Lara) deals with short-lived climate pollutants (SLCPs). The bill would authorize CARB to implement their SLCP strategy to reduce methane and hydrofluorocarbon by 40 percent and anthropogenic black carbon by 50 percent below 2013 levels by 2030.

The bill faces the same challenges as SB 32 does with the moderate Democratic caucus.

Both bills will continue to move through the process as discussions with the Governor's office continue with opposing parties. It has been reported that the petroleum industry has been discussing easing of the Low Carbon Fuel Standard in return for support for SB 32 with the administration, but no language or formal deal has been announced. While many other stakeholders also have ongoing discussions with the authors and the administration, it remains unclear if these measures can secure the votes needed for passage.

Below are bills IEUA is tracking.

Agricultural Resources

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July 29, 2016

Legislative Report

TO: Joe Grindstaff
General Manager, Inland Empire Utility Agency

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

SU: Legislative Report, July 2016

Congress returned from the July 4 break, but little was legislatively accomplished during their 10-day session. They returned late on July 5, but then adjourned for the back-to-back GOP and the D Convention on the 14th (Flag Day).

July was no different than previous months as external issues and factors, often sensational, dominated world and domestic attention. The election, violent shootings and an attempted coup in Turkey overwhelmed the 24/7 media coverage and public interest.

Meanwhile, the Congress became more and more mired in internal caucus conflicts. In other instances, differences between the House and Senate were primary factors.

The House actively discussed and considered a six-month CR (prospectively eliminating any budget fights with the Obama Administration on September 30 (end of the current fiscal year), but House Rs were unable to agree on a strategy. This key issue remains unresolved.

This Monthly Report will focus on the agenda of pending legislation:

- (1) **Appropriations**. None of the 12 bills have been enacted. When Congress returns in September it will either pass the bills – one at a time – (unlikely) or pass some kind of CR.

or Omnibus to fund Government in the next fiscal year beginning October 1. One of the issues, whether or not Congress will pass a six-month bill or some variation of that approach for which right now, there is no agreement and significant opposition.

- (2) **Drought Bill(s)**. DF's drought bill was not included in a recent Energy Committee markup. Energy Committee Chair, Sen. Lisa Murkowski (R-AK) determined it was too controversial and could sink her otherwise largely non-controversial drought/western water bill. It is expected that Senator Feinstein will seek to add some part of her drought bill onto an end-of-session funding/appropriations/CR bill. Meanwhile House Majority Leader McCarthy is telling water agencies in his District that he's in talks with Feinstein about the bill – which includes the extensive highly controversial Valadao language..
- (3) **Colorado River Language (Flake)**. The Arizona drought bill, advanced by Sen. Flake, was substantially modified. California and Colorado, along with the other basin states, signed off on the amended bill. The bill, amended, was included in the Senate Energy Committee markup, but the report is pending and no floor action has been scheduled yet.
- (4) **Energy Bill**. Senate appointed Energy Bill Conferees after consulting with House Resources Committee Chair, Rep. Rob Bishop agreed not to pursue House amendments on a veto list from the White House (specifically the Valadao bill). Bishop reportedly agreed. The Senate moved forward. A day later, Bishop said he never made such a promise. Not promising. Whether or not a comprehensive energy bill can be successfully conferred and enacted remains in doubt (the bill is Murkowski's highest priority for 2016).
- (5) **Tax Reform (Muni Bonds Deductibility)**. Tax Reform legislation will NOT be considered this year, but the House is busy drafting a bill for 2017. Both parties at their respective conventions reported that "tax reform" to be a major priority. Both are positioning the issue for 2017 and beyond. At risk, the deductibility of municipal bonds – key funding mechanism for water districts and agencies throughout California and the Nation. A separate issue, the tax turf rebate remains unaddressed and unresolved. See additional comment below about the Tax Foundation report attacking the deductibility of muni-bonds.
- (6) **Water Resources Development Act (WRDA) – the Water Softener Problem**. The Senate-committee passed WRDA bill contains a long-sought after provision authorizing the WaterSense program. At the request of IEUA, ACWA, WateReuse, LA Sand and other, report language was added attempting to clarify that WaterSense would not promote water softener devices in salt-sensitive areas/regional (i.e. Southern California). Almost a dozen water groups and agencies held a conference call in late July to develop a plan for addressing this bill as it moves forward and goes to conference (Martha Davis, Drew Tatum and I participated).
- (7) **Drought Status**. A heat "dome" covered most of the US in the second half of July.

Temperatures in Riverside reached 110 degrees (heat index in DC reached the same number. According to the Drought Monitor, all of California remains in drought, drought conditions are expanding in the far west. And, as before some 40% of the State is in extreme or exceptional status. Lake Mead is still dropping.

- (8) **Other Developments. Fires and Federal Budgets.** Throughout the West in General and specifically California, fires are getting worse, larger, hotter, more frequent and more damaging. As a result, the Interior Appropriations bill is being squeezed (significantly). Appropriators are trying to figure out how to financially manage these costs.
- Governor/Secretary Babbitt to Sacramento – To Work on Delta, Governor’s Water Plan.** Governor Brown retained Babbitt to work on the Governor’s Plan and see if he can bring the various parties together. Housed at DWR in Sacramento, he has now initiated a series of listening meetings (still on-going).
- Federal Court Blocked Irrigation Water Contract Renewals.** In late July, Federal judges blocked Bureau of Reclamation “roll-over” of water service and delivery contracts. The court ruling received little or no attention so far, but has, potentially, a significant impact.
- Muni Bonds Attacked.** The Tax Foundation Paper published and circulated a paper highly critical of Muni Bonds Deductibility. Mayor Benjamin (Columbia, SC) and the Municipal Bonds for America coalition are preparing a vigorous response.
- Infrastructure – Centerpiece Policy for 2017.** Both parties are now touting the need to invest in infrastructure.

Next? What happens next is unclear. More questions than knowledge. What Congress will do – or be capable of doing during September – is unknown. Beyond some kind of fund-the-federal-government plan, little is known. The legislative agenda, meanwhile is swelling with major domestic issues. In the past two weeks a new issue has all but exploded onto the scene – whether or not the Russians (or others) will try and hack election results and “direct” or “manipulate” the outcome. Whether or not an expected Lame Duck session will be held or not remains uncertain as well. The election outcomes – Presidency, Senate and House – will influence that decision.

August, it is expected, will be relatively quiet as well.

I’m including the Drought Bill Chart from last month (below) with updates.

Bill	House Action	Senate Action
H.R. 2889 (Valadao)	Passed Full House, July 16, 2015	Senate Energy and Natural Resources Committee held hearing on 10/8/2015
S. 2533 (Feinstein)	No action.	Subcommittee Hearing held June 17, 2016
S. 2902 (Flake, AZ)	No action.	Subcommittee Hearing held June 17, 2016, Bill incorporates sections from H.R. 2889. Passed Committee with Valadao provisions. Pending Senate Floor consideration.
FY 2017 Energy and Water Development Appropriations	Incorporates H.R. 2889	Contains funding for western drought and Report Language on real-time Delta Smelt monitoring
FY 2017 Interior and Environment Appropriations	Incorporates H.R. 2889. Passed House in July with Valadao provisions.	Not Included.
Energy Bill (Pending Conference)	Incorporate H.R. 2889	Not Included.

Note: Chart adapted from ACWA.

INFORMATION
ITEM
2C



CALIFORNIA STRATEGIES, LLC

Date: July 29, 2016
To: Inland Empire Utilities Agency
From: John Withers, Jim Brulte
Re: July 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 Executive Management Team to review priority issues and to discuss activities for July that Executive Staff wanted accomplished
- Discussed Ontario Plume/Title XVI Funding
- Reviewed Chino Basin Water Bank project concept
- Support and advise on IEUA/SBVMWD transfer transaction on an as needed basis.
- Reviewed Water Rates progress with member agencies and Regional Contract renewal.
- Continue to monitor statewide water issues including The Water Fix, water bond, and drought relief act activities. Made recommendation regarding the request for money from various state special funds.
- Monitor Santa Ana Regional Board agenda and issues of interest to IEUA.
- Respond to requests for information from IEUA Directors.

INFORMATION
ITEM
2D

Federal Legislation Matrix

Bill Number	Sponsor	Title and/or Summary	Summary/Status																
H.R.5055 / S.2804	Rep. Mike Simpson / Sen. Lamar Alexander	FY 17 Energy and Water Development and Related Agencies Appropriations bill	<p>The President's budget request to Congress was released on February 9, 2016.</p> <table border="1" data-bbox="863 277 1976 431"> <thead> <tr> <th>Program</th> <th>President' Budget</th> <th>House Report</th> <th>Senate Report</th> </tr> </thead> <tbody> <tr> <td>Title XVI</td> <td>\$21.5 million</td> <td>\$24 million</td> <td>\$21.5 million</td> </tr> <tr> <td>WaterSMART</td> <td>\$23.4 million</td> <td>\$24 million</td> <td>\$23.4 million</td> </tr> <tr> <td>Western Drought</td> <td>\$0</td> <td>\$0</td> <td>\$100 million</td> </tr> </tbody> </table> <p>The Senate Energy and Water Appropriations bill has passed the Senate. The Senate's legislation included additional funding, but no authorization for western drought.</p> <p>Since the House Energy and Water Appropriations bill failed to passed the House on a vote of 112-305, Subcommittee Chairman Mike Simpson (R-ID) has said he is looking for a path to bring the legislation back to the floor without the controversial amendments that caused Republicans to vote against the legislation. While House leaders originally hoped to attempt to conference the legislation during the recess, any attempt to conference spending bills was scrapped when conservatives called for a 6-month continuing resolution.</p> <p>If the legislation is reintroduced in the House, we anticipate funding levels will remain relatively consistent. While amendments regarding LGBT rights and the North Carolina bathrooms will be removed, we anticipate that the drought provisions (Valadao bill) will continue to be included.</p>	Program	President' Budget	House Report	Senate Report	Title XVI	\$21.5 million	\$24 million	\$21.5 million	WaterSMART	\$23.4 million	\$24 million	\$23.4 million	Western Drought	\$0	\$0	\$100 million
Program	President' Budget	House Report	Senate Report																
Title XVI	\$21.5 million	\$24 million	\$21.5 million																
WaterSMART	\$23.4 million	\$24 million	\$23.4 million																
Western Drought	\$0	\$0	\$100 million																
S.2533	Sen. Dianne Feinstein (D-CA)	California Long-Term Provisions for Water Supply and Short-Term Provisions for Emergency Drought Relief Act	<p>Senator Feinstein's latest drought bill received its first hearing in the Water Subcommittee of the Energy and Natural Resources Committee along several other bills, including a western package introduced by Senator Jeff Flake (R-AZ).</p> <p>When the Committee met in July to markup legislation, Senator Feinstein's bill was not considered. The Committee largely considered non-controversial legislation at that markup, with the only roll call vote occurring on Senator Flake's drought legislation (more below).</p> <p>At the markup, it was noted that California lawmakers in both the House and Senate were still trying to forge a path forward on a compromise for their own state. In recent weeks, we have been told that negotiations between California House Republicans and California Senate Democrats have resumed.</p>																

S.2902	Sen. Jeff Flake (R-AZ)	Western Water Supply and Planning Enhancement Act of 2016	<p>Senator Flake's drought legislation was advanced by the Senate Energy and Natural Resources Committee in July along party lines with a vote of 12-10. At the markup, Senator Flake offered an amendment that was accepted to strip provisions related to the Colorado River while an administrative solution is worked out.</p> <p>Senator Flake's bill is cosponsored by several western state Republicans and contains many Republican priorities to deal with drought conditions in their home states. Included in the legislation are reforms at the Bureau of Reclamation that were originally proposed in legislation introduced by Rep. David Valadao in the House.</p>
H.R.2898	Rep. David Valadao	Western Water and American Food Security Act of 2015	<p>Passed the House.</p> <p>House Republicans have inserted the Valado bill into several pieces of legislation currently moving through the House. Several provisions from his bill have been included in the Energy and Water Appropriations bill that failed in the House during the last week of May. The legislation was also included in the House Amendment to the Energy Policy Modernization Act. Most recently, Republicans included provisions of the legislation in the Interior-Environment Appropriations Bill and defeated efforts to strip those provisions through the amendment process on the floor.</p>
S.2012	Sen. Lisa Murkowski	Energy Policy Modernization Act of 2015	<p>The Energy Policy Modernization Act has passed both the House and Senate in different forms. Both the House and Senate have now agreed to conference the legislation. The House moved quickly to form a conference committee, but the Senate only agreed to go to conference when Senate Republicans and Democrats agreed to work together to push for the provisions included in their original bill. Both Senate Energy and Natural Resources Committee Chairwoman Lisa Murkowski (R-AK) and Ranking Member Maria Cantwell (D-WA) have agreed to push to keep provisions out of the legislation that the president has previously threatened to veto.</p> <p>The original Senate bill was the first broad energy reform policy bill in eight years considered by the Senate. The bill includes a number of policy priorities from both Republicans and Democrats and came as a result of months of negotiations, meetings outreach and other activities aimed at a truly bipartisan bill. The bill instead on fossil fuels and infrastructure: natural gas pipeline permitting, authorizing the main federal conservation fund, job training, updating the grid, as well as a push on energy efficiency. The legislation was brought back to the floor in April after an agreement was reached on amendments. While originally a target for energy tax breaks, those amendments were not added to the legislation.</p>

			<p>The House took up the legislation during the final week of May. The House inserted its own substitute amendment that included a number of bills that have passed the House but have not advanced in the Senate, including H.R.8—the energy bill that passed the House in 2015 along party lines. The substitute amendment also contains the Valadao drought bill passed by the House in 2015. After passing the substitute amendment, the House voted to go to conference with the Senate.</p>
H.R.4470	Rep. Dan Kildee (D-MI) / Rep. Fred Upton (R-MI)	Safe Drinking Water Act Improved Compliance Awareness Act	<p>The House has approved legislation to clarify the Environmental Protection Agency's authority to notify the public about danger from lead in their drinking water. The bill is the first approved by Congress to respond to the water crisis in Flint, Michigan. The legislation requires the Environmental Protection Agency to notify the public when concentrations of lead in drinking water rise above mandated levels and to create a plan to improve communication between the agency, utilities, states, and consumers. While the bill's authors admit that the new legislation will not prevent future water contamination, they contend that it will prevent the situation from dragging out as has happened in Flint.</p> <p>The legislation has not been taken up in the Senate.</p>
H.R.3143 / S.886	Rep. Jerry McNerney (D-CA) / Sen. Tom Udall (D-MN)	Smart Energy and Water Efficiency Act of 2015	<p>Directs the Department of Energy (DOE) to establish and carry out a smart energy and water efficiency management pilot program to award grants to three to five eligible entities (authorities that provide water, wastewater, or water reuse services) to demonstrate advanced and innovative technology-based solutions that will: (1) increase and improve the energy efficiency of water, wastewater, and water reuse systems to help communities make significant progress in conserving water, saving energy, and reducing costs; (2) support the implementation of innovative processes and the installation of advanced automated systems that provide real-time data on energy and water; and (3) improve energy and water conservation, water quality, and predictive maintenance of energy and water systems, through the use of Internet-connected technologies, including sensors, intelligent gateways, and security embedded in hardware.</p> <p>The legislation was referred to the Senate Committee on Energy and Natural Resources. Hearings have also been held.</p>
H.R.5303 / S.2848	Rep. Bill Shuster (R-PA) / Sens. Jim Inhofe (R-OK) and Barbara Boxer (D-CA)	Water Resources Development Act of 2016	<p>The Senate Environment and Public Works Committee has advanced its Water Resources Development legislation for consideration by the Senate. IFS successfully worked with ACWA on language included in the report accompanying the legislation establishing a WaterSense program. The report language is as follows:</p>

			<p>“Section 7112 authorizes EPA's voluntary WaterSense program that allows water efficient products, buildings, landscapes, facilities, processes, and service to bear a “WaterSense” label.</p> <p>When developing the criteria for the WaterSense label, consideration should be given to ensure that the performance criteria do not directly or indirectly contribute to the degradation of waste streams treated by community sewer systems.”</p> <p>The House Transportation and Infrastructure Committee marked up their version of the Water Resources Development Act and ordered it to be reported by voice vote. The Committee report still has not been filed in the House.</p> <p>Both the House and Senate hope to complete consideration of the WRDA bill this year, putting the legislation back on to an every other year reauthorization.</p> <p>While there was initially an effort to pass the legislation ahead of the recess in order to conference it over the long summer recess, neither the House or Senate considered the legislation on the floor in July.</p>
<p>H.R.5538 / S. 3068</p>	<p>Rep. Ken Calvert (R-CA) / Sen. Lisa Murkowski (R-AK)</p>	<p>Interior, Environment, and Related Agencies Appropriations Act, 2017</p>	<p>The House passed its Interior-Environment Appropriations Bill at the end of July. In addition to the normal funding, the legislation includes provisions aimed at curbing the environmental agenda of the Obama Administration. Those provisions include:</p> <ul style="list-style-type: none"> • prohibiting the implementation of the “waters of the United States” regulatory definition (currently on hold by the courts), • prohibiting EPA from implementing new greenhouse gas regulations for new or existing power plants; • eliminating funding for greenhouse gas “New Source Performance Standards”; • prohibiting EPA from changing the definition of “fill materials”; • prohibitions on new methane requirements; and • prohibitions on changes to the “stream buffer rule”. <p>The White House has come out in opposition to the House bill.</p> <p>The Senate bill, which passed out of the Senate Appropriations Committee along party lines also includes a prohibition to the implementation of the “waters of the United States regulatory definition. The Senate legislation has not been considered on the floor.</p>

INFORMATION

ITEM

2E

State Legislation Matrix

Bill Number	Sponsor	Title and/or Summary	Summary/Status	IEUA Position
AB 1704	Dodd	Water Rights	The Water Rights Permitting Reform Act of 1988 provides that the State Water Resources Control Board is not required to adopt general conditions for small irrigation use until the board determines that funds are available for that purpose and that a registration for small irrigation use pursuant to the act is not authorized until the board establishes general conditions for small irrigation use to protect instream beneficial uses, as specified. This bill would require the board, on or before January 1, 2018, to adopt general conditions that would permit a registrant to construct a facility that would store water for small irrigation use during times of high streamflow in exchange for the registrant reducing diversions during periods of low streamflow, as specified.	6/20 Gut and Amend Senate Appropriations
AB 1713	Eggman	Sacramento-San Joaquin Delta: peripheral canal	Current law requires various state agencies to administer programs relating to water supply, water quality, and flood management in the Sacramento-San Joaquin Delta. The bill would prohibit the construction of a peripheral canal, as defined, unless expressly authorized by an initiative voted on by the voters of California on or after January 1, 2017, and would require the Legislative Analyst's Office to complete a prescribed economic feasibility analysis prior to a vote authorizing the construction of a peripheral canal.	OPPOSE DEAD Failed Assembly Appropriations Committee
AB 1738	McCarty	Building Standards: Dark Graywater	Would define "dark graywater" as a specified wastewater that comes from kitchen sinks and dishwashers. This bill would require the Department of Housing and Community Development, at the next triennial building standards rulemaking cycle, to adopt and submit for approval building standards for the construction, installation, and alteration of dark graywater systems for indoor and outdoor uses. This bill contains other existing laws.	DEAD Senate Environmental Quality Committee
AB 1749	Mathis	California Environmental Quality Act: exemption: City of Porterville	Would, until January 1, 2021, exempt from the California Environmental Quality Act's requirements a water treatment project determined by the City of Porterville as the best option based on a certain feasibility study, as provided. This bill contains other related provisions.	6/15 Gut and Amend DEAD Senate Environmental Quality Committee

AB 1755	Dodd	The Open and Transparent Water Data Act	Would enact the Open and Transparent Water Data Act. The act would require the Department of Water Resources to establish a public benefit corporation that would create and manage (1) a statewide water information system to improve the ability of the state to meet the growing demand for water supply reliability and healthy ecosystems, that, among things, would integrate existing water data information from multiple databases and (2) an online water transfer information clearinghouse for water transfer information that would include a database of historic water transfers and transfers pending responsible agency approval and a public forum to exchange information on water market issues.	SUPPORT Senate Appropriations Committee
AB 1842	Levine	Water Pollution: Fines	Current law imposes a maximum civil penalty of \$25,000 on a person who discharges various pollutants or other designated materials into the waters of the state. This bill would impose an additional civil penalty of not more than \$10 for each gallon or pound of polluting material discharged. The bill would require that the civil penalty be reduced for every gallon or pound of the illegally discharged material that is recovered and properly disposed of by the responsible party.	Senate Appropriations Committee
AB 1925	Chang	Desalination: Statewide Goal	The Cobey-Porter Saline Water Conversion Law, states the policy of this state that desalination projects developed by or for public water entities be given the same opportunities for state assistance and funding as other water supply and reliability projects, and that desalination be consistent with all applicable environmental protection policies in the state. This bill would establish a goal to desalinate 300,000 acre-feet of drinking water per year by the year 2025 and 500,000 acre-feet of drinking water per year by the year 2030.	DEAD
AB 2206	Williams	Renewable Gas	Would require the State Air Resources Board , in coordination with the Public Utilities Commission and State Energy Resources and Conservation Development Commission, to consider and, as appropriate, adopt a policy or programs to increase the production and use of renewable gas, as specified, generated by either an eligible renewable energy resource that meets the requirements of the California Renewables Portfolio Standard Program or direct solar energy, as specified.	6/25 Gut and Amend DEAD Senate Environmental Quality Committee

AB 2304	Levine	California Market Water Exchange	Would establish the California Water Market Exchange, governed by a 5-member board, in the Natural Resources Agency. This bill would require the market exchange, on or before December 31, 2017, to create a centralized water market platform on its Internet Web site that provides ready access to information about water available for transfer or exchange.	DEAD Failed Passage Assembly Appropriations Committee
AB 2313	Williams	Renewable Natural Gas	The California Global Warming Solutions Act of 2006 establishes the State Air Resources Board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. This bill would require the state board to study and evaluate a strategy or strategies to increase the instate production and use of renewable natural gas, as defined, to further specified goals.	Senate Appropriations Committee
AB 2488	Dababneh	Protected species: unarmored threespine stickleback: taking or possession.	Would permit the Department of Fish and Wildlife to authorize, under the California Endangered Species Act, the take of the unarmored threespine stickleback (<i>Gasterosteus aculeatus williamsoni</i>) attributable to the periodic dewatering, inspection, maintenance, or repair of the Metropolitan Water District of Southern California's Foothill Feeder water supply facility from Castaic Dam to the Joseph Jensen Treatment Plant in the County of Los Angeles, as specified, if certain conditions are satisfied.	Senate Appropriations Committee
AB 2583	Frazier	Sacramento-San Joaquin Delta Reform Act of 2009	Would add a definition of the California Water Fix to the Sacramento-San Joaquin Delta Reform Act of 2009. This bill would eliminate certain provisions applicable to the BDCP and would revise other provisions to instead refer to a new Delta water conveyance project for the purpose of exporting water. This bill would require new Delta water conveyance infrastructure to be considered as interdependent parts of a system and to be operated in a way that maximizes benefits for each of the coequal goals. This bill contains other related provisions and other existing laws.	OPPOSE DEAD- Did not pass Water, Parks and Wildlife Committee
AB 2702	Atkins	Climate Change	Would state the intent of the Legislature to enact legislation that would continue the work with local governments, state agencies, and others to meet the goals set forth in Governor Brown's Under 2 MOU, which brings together subnational governments willing to commit to either reducing the emissions of greenhouse gases 80% to 95% below 1990 levels by 2050 or achieving a per capita annual emissions target of less than 2 metric tons of carbon dioxide equivalent by 2050.	DEAD Failed Assembly Appropriations Suspense

ACA-8	Bloom	Local government financing: water facilities and infrastructure: voter approval	Would create an additional exception to the 1% limit for a rate imposed by a city, county, city and county, or special district to service bonded indebtedness incurred to fund the construction, reconstruction, rehabilitation, or replacement of wastewater treatment facilities and related infrastructure, potable water producing facilities and related infrastructure, nonpotable water producing facilities and related infrastructure, and stormwater treatment facilities and related infrastructure, that is approved by 55% of the voters of the city, county, city and county, or special district, as applicable, if the proposition meets specified requirements, and would authorize a city, county, city and county, or special district to levy a 55% vote ad valorem tax. This bill contains other related provisions and other existing laws.	Assembly Rules Committee
SB 163	Hertzberg	Wastewater treatment: recycled water	Would declare that the discharge of treated wastewater from ocean outfalls, except in compliance with the bill's provisions, is a waste and unreasonable use of water in light of the cost-effective opportunities to recycle this water for further beneficial use. This bill, on or before January 1, 2026, would require a wastewater treatment facility discharging through an ocean outfall to achieve at least 50% reuse of the facility's actual annual flow, as defined, for beneficial purposes.	Oppose Unless Amended DEAD Withdrawn from committee
SB 885	Wolk	Construction Contracts: Indemnity	Would specify, with certain exceptions, for construction contracts entered into on or after January 1, 2017, that a design professional, as defined, only has the duty to defend himself or herself from claims or lawsuits that arise out of, or pertain or relate to, negligence, recklessness, or willful misconduct of the design professional. Under the bill, a design professional would not have a duty to defend claims or lawsuits against any other person or entity arising from a construction project, except that person's or entity's reasonable defense costs arising out of the design professional's degree of fault, as specified.	OPPOSE DEAD Withdrawn from committee
SB 1043	Allen	Renewable gas: biogas and biomethane	Would require the State Air Resources Board to consider and adopt policies to significantly increase the sustainable production and use of renewable gas, as defined, and, in so doing, would require the state board, among other things, to ensure the production and use of renewable gas provides direct environmental benefits and identify barriers to the	DEAD Failed Senate Appropriations Suspense

			rapid development and use of renewable gas and potential sources of funding.	
SB 1318	Wolk	Local government: drinking water infrastructure or services: wastewater infrastructure or services	Would prohibit a local agency formation commission from authorizing a city or a district to extend drinking water infrastructure or services or wastewater infrastructure or services until it has extended those services to all disadvantaged communities within or adjacent to its sphere of influence, as specified, or has entered into an agreement to extend those services to those disadvantaged communities, unless specified conditions are met. This bill contains other related provisions and other existing laws.	DEAD Dropped by author

INFORMATION

ITEM

2F

Planning & Environmental Resources Salinity Update



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

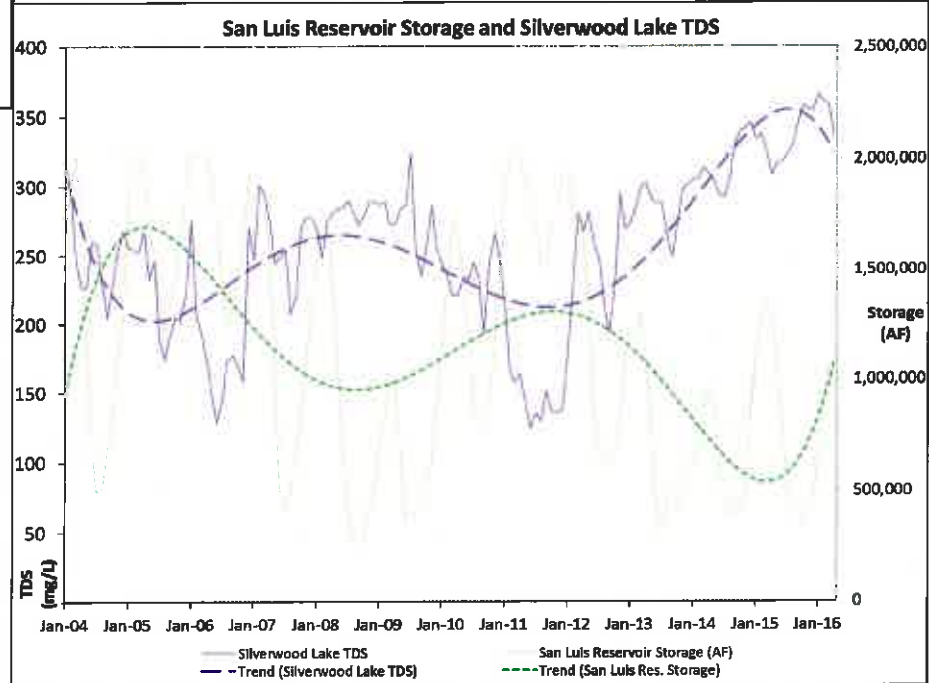
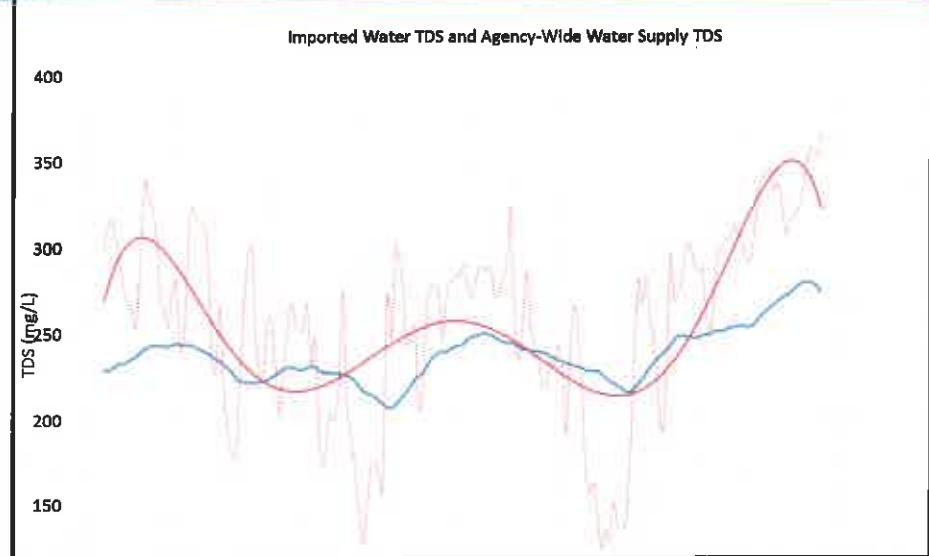
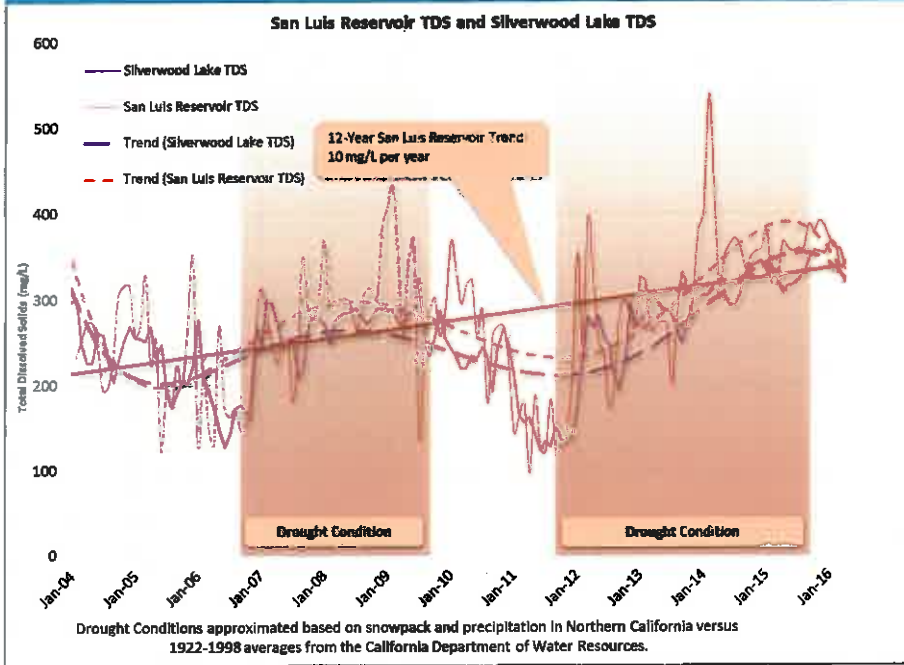
August 10, 2016

IEUA Board of Directors Meeting
Public, Legislative Affairs & Water Resources Committee

Regional Commitment to Salinity Management Key to Recycled Water

- Maximum Benefit Plan enables use of recycled water (irrigation & GWR)
- Commitment to RWQCB/SWRCB to implement regional programs to manage/reduce TDS as part of the OBMP and Maximum Benefit Plan
- Region has been working for past 15+ years to meet this commitment
 - Chino Basin Desalters (40,000 AF)
 - Self-generating water softener use ordinance
 - Brine line discharge requirements for high TDS industrial users
 - Chemical use optimization in the WWTP
 - Securing high quality supplemental water

Salinity in the water supply

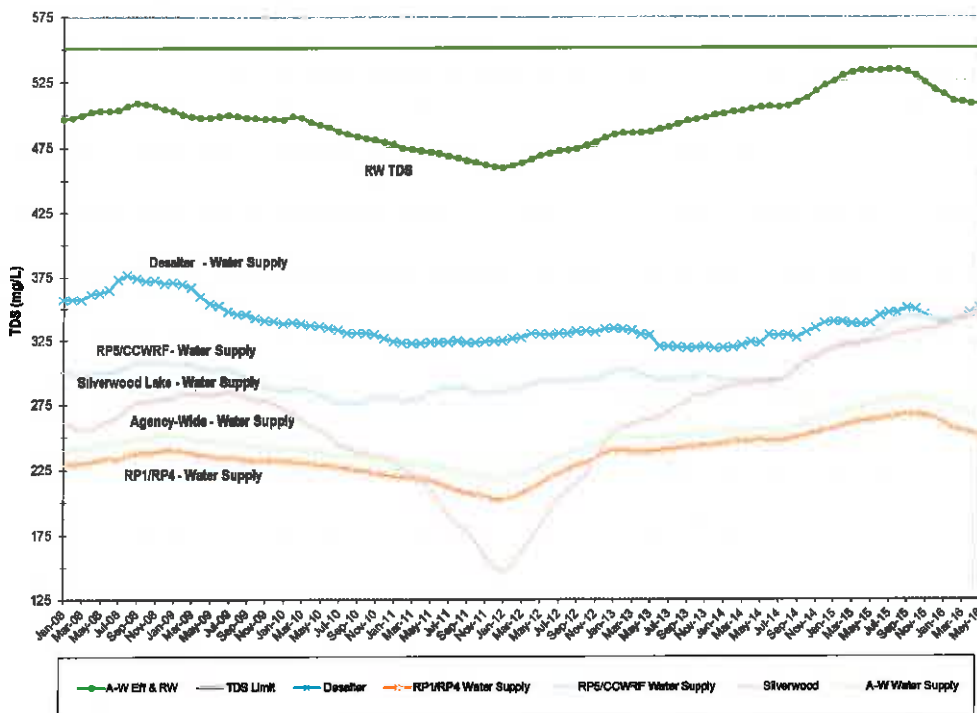


- Local water supply TDS is affected by SWP TDS
- 12-year SWP average: +10 mg/L per year
- SWP +10 mg/L results in +2 mg/L in local water supply*

*assumes 50,000 AFY of SWP, and total demand of 200,000 AFY

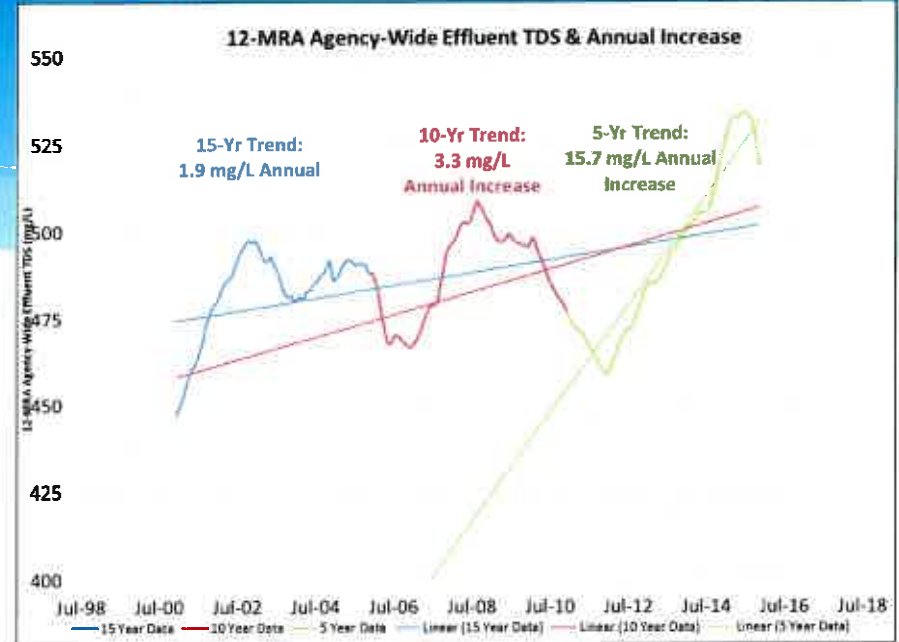
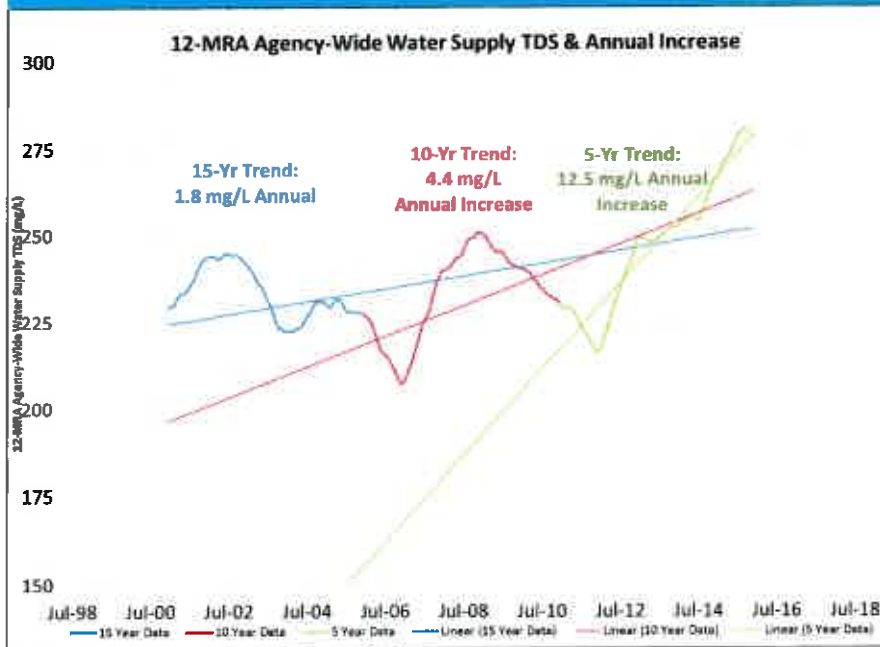
SWP impacts local water supply TDS ...

	State Water Project TDS	IEUA Water Supply (local +SWP)TDS	Effluent TDS
2014	285	238	499
2016	370	285	507
Potential	450	302	550



- SWP is 20 - 30% IEUA supply
- Total RW TDS *cannot* exceed 550 mg/L

TDS is an inclining trend ...



TDS Trend	Water Supply TDS Annual Increase	Effluent TDS Annual Increase	Year Effluent TDS Limit of 550 mg/L is Reached
15 Years	1.8 mg/L	1.9 mg/L	2026 - 2027
10 Years	4.4 mg/L	3.3 mg/L	2020 - 2022
5 Years	12.5 mg/L	15.7 mg/L	2017 - 2018

What happens if RW TDS exceeds 550 mg/L?

Could result in:

- Mandatory penalties/ Notice of Violation
- Cease and desist order from RWQCB
- Prohibition on use of recycled water for groundwater recharge
- Requirements for additional TDS management:
 - Construction of additional groundwater desalters
 - Desalting of recycled water (advanced treatment)

Alignment with planning initiatives

Options for long term salinity management

- Manage source water supply portfolio
- Investment opportunities:
 - SARCCUP & Groundwater Banking
 - Low Impact Development/rainwater infiltration
 - Local projects to increase groundwater yield
 - Advanced treatment of recycled water

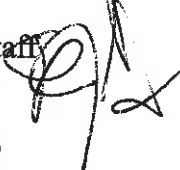
IRP Phase 2 discussions


INFORMATION
ITEM
2G


Date: August 17, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (08/10/16)

From: P. Joseph Grindstaff
General Manager 

Submitted by: Chris Berch 
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee 
Manager of Planning and Environmental Resources

Subject: Chino Basin Water Storage and Recovery

RECOMMENDATION

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

BACKGROUND

The Chino Groundwater Basin contains about 5.7 million acre-feet (MAF) of water in storage, and has an unused storage capacity of over 1 MAF. The basin has been sustainably managed for nearly 40 years under the 1978 stipulated Chino Basin Judgment and overseen by the Chino Basin Watermaster process and the continuing jurisdiction of the California Superior Court.

Local retail water agencies have invested hundreds of millions of ratepayer dollars to build local infrastructure which allows for maximum beneficial use of local groundwater. Chino Basin parties are seeking to build on this success through full utilization of available basin storage for the benefit of their ratepayers. The Judgment and subsequent party agreements recognize the value of the basin's unused groundwater storage capacity and are written to facilitate the creation of storage and recovery programs, subject to Watermaster control and regulation, for public benefit. The Chino Basin parties have also self-imposed a limit to their combined supplemental storage account levels to ensure sufficient space for larger storage programs.

In order to coordinate the development of Chino Basin storage, parties have begun to discuss the formation of a Chino Basin Water Bank (CBWB). The CBWB would bring together major producing parties and Inland Empire Utilities Agency (IEUA), the region's supplemental water provider, and apply to Watermaster for the right to create a comprehensive storage and recovery program under existing basin rules and with a dedicated quantity of basin storage. The CBWB

would then make this quantity of storage available to outside parties, who would pay for this access by “leaving behind” a certain quantity of water they place in storage. CBWB parties would benefit directly through increased groundwater supplies, and the Chino Basin would generally experience improved groundwater levels and water quality.

Additionally, the CBWB would facilitate the Chino Basin’s participation in the Santa Ana Regional Conservation and Conjunctive Use Program (SARCCUP), a watershed-wide conjunctive use program that has received \$54 million in state Proposition 84 funds.

Staff is presenting for Board consideration a cost-sharing agreement between IEUA, the Cucamonga Valley Water District, the City of Ontario, and Monte Vista Water District to fund the initial steps in the formation of the CBWB. The agreement envisions hiring Sierra Water Group, Inc., to conduct an evaluation of the proposed bank structure and potential economic benefits, and Best Best & Krieger LLP to draft a Joint Power Agreement (JPA) which defines bank governance and the roles and responsibilities of its partners. Each task would be managed by a party to the agreement and would be for a not-to-exceed cost. The parties have agreed to a total not-to-exceed cost of \$200,000. Each of the four parties would share in one-fourth of the total cost, or \$50,000.

The agreement is attached. Also attached is a draft outline of the CBWB’s goals, concepts, and principles. This agreement is consistent with the *Agency’s Business Goal* of increasing *Water Reliability* by meeting the region’s need to develop reliable, drought-proof and diverse local water resources in order to reduce dependence on imported water supplies.

PRIOR BOARD ACTION

None

IMPACT ON BUDGET

The budget for the contract amount is included in the FY 2016/2017 Water Fund (WW), Project No. WR16025, WW Planning Documents.

Attachments: Chino Basin Water Bank Concept
Cost Share Letter Agreement

Chino Basin Water Bank (CBWB) Goals/Concepts/Principles
(As developed by CVWD, MVWD, Ontario and IEUA April 2016)

Key Drivers for a Water Banking Program

- Promote, implement and coordinate storage and recovery programs within the Chino Groundwater Basin for local, regional and statewide benefits
- No individual entity presently exists to accomplish this goal in a coordinated and efficient manner. The CBWB would bring together the region's supplemental water provider, major parties to the Chino Basin Adjudication, and the owner-operators of the region's GW recharge, surface water treatment and GW production facilities to accomplish CBWB goals.
- Aligns with longstanding vision of Chino Basin parties to maximize storage and beneficial use of basin (guided, but not limited by OBMP/CAMA documents)

Water Banking Program Benefits/Opportunities

- Provide the ability for non-local parties/entities to store water on-top of Chino Basin water and provide benefits to all parties involved
 - o Local/regional benefits – water quality, financial, regional economic growth and water supply reliability
 - o External benefits – improved reliability and reduced long term costs
 - o Environmental benefits – opportunities for State to store water to support delta fisheries
- Storage and use of supplemental water transfers/exchanges into the Chino Basin
- Maximize the full benefits of existing production/storage rights and assets (aquifer and facilities) to generate revenue for basin reinvestment
 - o Lease storage space (3rd party investment) to fund basin improvements
 - o Buy and hold water for future water use/sale
 - o Revenues through storage/recovery programs shall be used to equitably fund additional CBWB infrastructure, provide additional system reliability, reduce costs and maximize the benefits of the CBWB parties and local ratepayers
- Support existing/proposed programs
 - o Existing: DYY, general and Desalter Replenishment
 - o Proposed: SARCCUP
- Parties must be able to move water in/out of bank independently (for member specific funded item) or in partnership with other CBWB parties
- Develop and promote policies at local, regional and statewide levels to further the CBWB goals

Governance of CBWB

- **Membership**
 - o Imported water facilities (WFA/CVWD)
 - o Supplemental and recharge water (IEUA)
 - o Injection/discharge facilities (AP parties?)
- **Independent CEO and staff to effectively manage CBWB program and goals**
- **Decision making/control**
 - o Joint Powers Authority w/ assigned representation from each member
 - o Weighted vote basis – by investment value/water/etc?
- **Financials**
 - o Buy-in (initial capitalization of program) – establish minimum investment/water/money to become member
 - o Financially stable and self-sufficient, but not for profit
 - o Storage fee – fund administration/reinvestment

Interface with Watermaster

- **CBWM Storage Application by CBWB and pay all appropriate fees/costs**
- **Interchangeability between CBWB and individual storage accounts**
- **Opportunity to develop joint facilities with CBWM and potential cost share**

Next Steps and Development of Idea

- **Hire/identify someone to help explore and develop the approach and terms**
- **Initial membership and/or development team**
- **In parallel to SARCCUP and Storage Management Plan**
- **Develop JPA Charter/Plan**

July 27, 2016

Mark Kinsey
Monte Vista Water District (MVWD)
10575 Central Avenue – P.O. Box 71
Montclair, CA 91763

Martin Zvirbulis
Cucamonga Valley Water District (CVWD)
10440 Ashford Street – P.O. Box 638
Rancho Cucamonga, California 91729

Al C. Boling
City of Ontario
303 E. “B” Street
Ontario, CA 91764

Re: Cost Sharing Letter Agreement
Chino Basin Water Bank Feasibility Review and Foundational Document Development

This Cost Sharing Letter Agreement (“Agreement”) sets forth the understanding between the undersigned parties regarding the sharing of costs for legal and consultant support services for the Chino Basin Water Bank (CBWB). This Agreement will cover a variety of feasibility review tasks as well as foundational document development.

The Parties recognize that there are various regional efforts, occurring now and planned for the near future, that relate to storage in the Chino Groundwater Basin. Among these include the Chino Basin Safe Yield Reset, Chino Basin Storage Management Plan, Santa Ana River Conservation and Conjunctive Use Program, and other efforts related to continued implementation of the Optimum Basin Management Plan such as water quality management and planning for Desalter Replenishment. As a result, the Parties desire to initiate certain due diligence and feasibility work to facilitate implementation of these regional efforts.

Inland Empire Utilities Agency, a Municipal Water District, (“IEUA”) and the undersigned parties (collectively referred to as “Parties” and individually as “Party”) hereby agree to equally share the cost of legal and consultant support services pursuant to the provisions set forth below.

1. Scope of Services

As of the date of this Agreement, there are several tasks that have been identified as necessary to complete the feasibility review and foundational document development for the CBWB. It is expected that over the next several months, additional consultant services will be required to complete these tasks. As these services are identified, this Agreement will be amended with revised total Agreement costs for concurrence by all Parties prior to commencing new work.

A summary of the current Scope of Services are as follows:

A. Joint Power Agreement (JPA) Development

This task will involve the drafting of the CBWB JPA – specifically defining JPA governance and the roles/responsibilities of the partners. It is expected that this effort will aid the Parties in determining the best governance for a bank in the Chino Basin.

B. Water Bank Structure Evaluation

This task will include a technical, financial and governance alternatives analysis of water banking mechanics – it is expected that this evaluation will aid the Parties in determining the best structure for a bank in the Chino Basin.

C. Economic Benefit Evaluation

This task will include the evaluation of the anticipated economic benefits to the Parties to this Agreement as well as the regional benefits as a whole.

2. Cost Sharing

Different Parties to this Agreement will serve as the lead agency in contracting with and managing services provided by identified Consultant (as stated below). Cost sharing for each of the items identified below shall be shared (equally) as one fourth of the total cost per party.

A. Joint Power Agreement (JPA) Development

CVWD (Lead Agency) has entered into, or intends to enter into, an agreement with Best Best & Krieger LLP (Consultant) for performance of the Scope with a **not-to-exceed cost of \$20,000.00** (Compensation).

B. Water Bank Structure Evaluation

IEUA (Lead Agency) has entered into an agreement with Sierra Water Group, Inc. (Consultant) for performance of the Scope with a **not-to-exceed cost of \$9,975.00** (Compensation).

C. Economic Benefit Evaluation

IEUA (Lead Agency) intends to enter into an agreement with a consultant for performance of the Scope with a **not-to-exceed cost of \$30,000.00** (Compensation).

D. Cost Sharing Between the Undersigned Parties

The Parties hereto each agree to be responsible for reimbursement of the payments made under the aforementioned agreements with Consultants not to exceed one fourth of the total cost or **\$50,000.00** per party as follows:

- (i) Upon receipt by the Lead Agency of each written statement from Consultant regarding the amount due and owing for the applicable time period (Progress Payment), the Lead Agency shall be responsible for payment to Consultant for the amount due and owing.

(ii) The Parties shall be responsible for payment of an equal share of the amount due and owing under each Progress Payment to be billed by the Lead Agency to each Party, quarterly. None of the Parties shall be responsible for payment of any amounts in excess of its share as set forth herein, without the prior written consent of the Party being requested to pay such additional amount.

(iii) The Lead Agency shall provide a copy of the Progress Payment to each Party along with a cover letter setting forth the calculation of the share due and owing by each Party. Within thirty (30) days of the date of said cover letter (Invoice), each Party shall submit payment to the Lead Agency for its share as set forth in this Agreement.

3. Effective Date and Term

This Agreement shall be effective on the date of full execution of this Agreement by all of the Parties (Effective Date). The term of this Agreement shall be from the Effective Date to the date of completion of performance of the Scope under the Consultant Contracts pursuant to the schedule set forth in Exhibit A and other schedules and deadlines as may be determined by the Parties and Consultant, but shall not be later than December 31, 2017. The Parties may elect to extend the term with prior written consent of the Parties by an amendment to this Agreement.

4. General Provisions

A. Indemnification

Each Party agrees to defend, indemnify and hold harmless the other Parties and its officers, directors, agents, employees, servants and volunteers from any and all liability, judgements, expenses, including defense costs and legal fees, and claims for damages of any nature whatsoever, arising from or connected with the Parties activities under this Agreement.

B. Other Parties

Upon concurrence of the parties hereto, other interested parties may be added to this agreement by written amendment. Prior to the addition of any party, the cost allocation shall be agreed-to so that all parties hereto pay an equal share of the total costs incurred as authorized by this Agreement.

C. Notices

Written correspondence to be given to any party must be given by personal delivery or by registered or certified mail addressed and delivered as set forth below in the signature blocks for each Party.

D. Representation of Authority

Each Party represents to the other that it has the authority to enter into this Agreement and that the individual signing this Agreement on behalf of their respective Party has the authority to execute this Agreement and to bind their respective Party to the terms and conditions of this Agreement.

E. Counterparts

This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

F. Governing Law

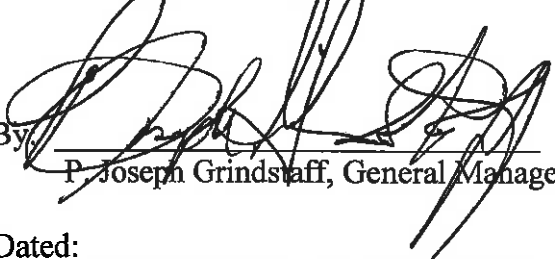
This Agreement shall be governed by and construed in accordance with the laws of the State of California in the County of San Bernardino.

G. Cooperation.

The Parties acknowledge that they are entering into an arrangement in which the cooperation of all of the Parties will be required, and may include the execution of necessary further documents. The Parties agree to cooperate in good faith with each other and review and submit timely documents for the benefit of the CBWB.

BY SIGNING BELOW, THE PARTIES AGREE TO BE BOUND BY THE PROVISIONS OF THIS AGREEMENT

INLAND EMPIRE UTILITY AGENCY

By: 
P. Joseph Grindstaff, General Manager

Dated: _____

P.O. Box 9020
Chino Hills, CA 91709

MONTE VISTA WATER DISTRICT

By: _____
Mark Kinsey, General Manager

Dated: _____

P.O. Box 71
Montclair, CA 91763

CUCAMONGA VALLEY WATER DISTRICT

By: _____
Martin Zvirbulis, General Manager

Dated: _____

P.O. Box 638
Rancho Cucamonga, California 91729

ONTARIO MUNICIPAL UTILITIES COMPANY

By: _____
Al C. Boling, City Manager

Dated: _____

303 E. "B" Street
Ontario, CA 91764