

**A REGULAR MEETING OF THE BOARD OF DIRECTORS
UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
602 E. HUNTINGTON DRIVE, SUITE B, MONROVIA, CA 91016
10:00 A.M. – JANUARY 7, 2014**

AGENDA

1. PLEDGE OF ALLEGIANCE
2. ROLL CALL OF BOARD OF DIRECTORS
3. ADOPTION OF AGENDA [1]
4. PUBLIC COMMENT
Anyone wishing to discuss items should do so now. The Board of Directors may allow additional input during the meeting. A three-minute time limit on remarks is requested.
5. MINUTES - Approval of Minutes of a Regular Meeting of the Board of Directors held on December 10, 2013 at 10:00 a.m. [1]
6. COMMITTEE REPORTS [2]
 - (a) Government Affairs & Community Outreach (*Director Chavez, Chair – Director Fellow*)
(*Minutes of meeting held on December 18, 2013 enclosed.*)
 - (b) Administration and Finance (*Director Urias, Chair – Director Fellow*)
(*Minutes of meeting held on December 19, 2013 enclosed.*)
7. ITEMS REMOVED FROM CONSENT CALENDAR [1]
8. CONSENT CALENDAR [1]
 - (a) Approve List of Demands.
 - (b) Financial Statements – November 2013.
 - (c) Approve Comprehensive Annual Financial Report (CAFR) and Single Audit Report for the fiscal year ended June 30, 2013. (*Staff memorandum enclosed.*)
 - (d) Ratify attendance to Assemblymember Anthony Rendon’s Legislative Update and Annual Open House held on December 6, 2013 in South Gate, CA.
 - (e) Authorization to attend Urban Water Institute’s Spring Water Conference on February 19-21, 2014 at the Hilton Palm Springs Hotel in Palm Springs, CA.
 - (f) Authorization to attend The Seminar Group’s “Investing in California’s Water” Seminar on February 21, 2014 at the Intercontinental Century City Hotel in Century City, CA.

(g) Authorization to attend ACWA's 2014 Washington DC Conference on February 25-27, 2014 at the Liaison Capitol Hill Hotel in Washington, DC.

(h) Authorization to attend Water Education Foundation's Lower Colorado River Tour on February 26-28, 2014 at the Embassy Suites Hotel in Las Vegas, NV.

9. ACTION/DISCUSSION ITEMS [1]

a. Election of Officers for Calendar Year 2014.

1. President
2. Vice President
3. Secretary/Treasurer

b. Discussion Regarding Appointment of a Representative to the Metropolitan Water District of Southern California (MWD).

c. Discussion Regarding Appointment of a Representative and Alternate to the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA).

d. Discussion Regarding Appointment of a Representative and Alternate to the San Gabriel Valley Water Association (SGVWA).

e. Discussion Regarding Appointment of a Representative to the San Gabriel Valley Protective Association (SGVPA).

f. Discussion Regarding Appointment of a Representative and Alternate to the San Gabriel River Discovery Center Authority (SGRDCA).

g. Discussion Regarding Appointment of a Representative to the San Gabriel Valley Council of Governments (SGVCOG).

h. Upper District's 2014 Outreach Plan. *(Staff will provide an update at the meeting.)*

Recommendation

Due to lack of quorum, the Government Affairs and Community Outreach Committee forwarded this item to the Board of Directors without a recommendation from the Committee.

10. INFORMATION ITEMS (These items are for the information of the Board of Directors and require no action) [2]

(a) Press Releases.

(b) Newspaper Articles.

11. ATTORNEY'S REPORT [2]
12. ENGINEER'S REPORT [2]
13. GENERAL MANAGER'S REPORT [2]
14. METROPOLITAN REPORT [2]
15. WATER QUALITY AUTHORITY REPORT [2]
16. WATERMASTER REPORT [2]
17. DIRECTOR'S COMMENTS [2]
18. FUTURE AGENDA ITEMS [1]
19. ADJOURN TO CLOSED SESSION
 - (a) Government Code Section 54956.9; Potential litigation: one case.
20. RESUME REGULAR MEETING AND REPORT ON CLOSED SESSION
21. ADJOURNMENT - To a Regular meeting of the Board of Directors to be held on January 21, 2014 at 6:30 p.m. at 602 E. Huntington Drive, Suite B in Monrovia, CA 91016.

LEGEND: [1] INDICATES ACTION ANTICIPATED BY BOARD OF DIRECTORS ON THIS ITEM
[2] INDICATES INFORMATION ITEM - NO BOARD ACTION NECESSARY

PRESIDENT ANTHONY R. FELLOW, Ph.D., PRESIDING

**A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF THE UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
602 E. HUNTINGTON DRIVE, SUITE B, MONROVIA, CALIFORNIA 91016
10:00 A.M. – DECEMBER 10, 2013**

A special meeting of the Board of Directors of the Upper San Gabriel Valley Municipal Water District was held in the office of the District, 602 E. Huntington Drive, Suite B, City of Monrovia, County of Los Angeles, State of California, within said Water District, on December 10, 2013 at the hour of 10:00 a.m.

ROLL CALL

DIRECTORS PRESENT: Fellow, Treviño, Chavez, Touhey, and Urias.

DIRECTORS ABSENT: None.

STAFF PRESENT: Shane Chapman, General Manager; Reymundo Trejo, Assistant General Manager/Chief Engineer; Steve O'Neill, District Counsel; Steve Johnson, Consulting Engineer; Evelyn Rodriguez, Chief Financial Officer; Patricia Cortez, Director of Community and Government Affairs; Christy Hawkins, Executive Assistant; Manuel Gouveia, Community and Government Affairs Representative.

OTHERS PRESENT

Margarita Vargas, Dennis Azevedo, Alfonso Contreras.

ADOPTION OF AGENDA

On motion by Secretary/Treasurer Touhey, seconded by Director Urias, the agenda was accepted as presented by the following vote:

AYES: FELLOW, TREVIÑO, CHAVEZ, TOUHEY, URIAS

NOES: NONE

ABSTAIN: NONE

ABSENT: NONE

PUBLIC COMMENT

Ms. Margarita Vargas introduced Mr. Alfonso "Al" Contreras as a newly reelected member to the Valley County Water District Board of Directors. Vice President Chavez congratulated Ms. Vargas on her appointment as Vice President to the Valley County Water District Board of Directors.

**APPROVAL OF MINUTES OF A
REGULAR MEETING OF THE
BOARD OF DIRECTORS HELD ON
NOVEMBER 5, 2013 AT 10:00 A.M.**

Secretary/Treasurer Touhey moved to approve the minutes of a regular meeting of the Board of Directors held on November 5, 2013 at 10:00 a.m. Director Urias seconded the motion, which was approved by the following vote:

AYES: FELLOW, TREVIÑO, CHAVEZ, TOUHEY, URIAS

NOES: NONE

ABSTAIN: NONE

ABSENT: NONE

COMMITTEE REPORTS

Next scheduled committee meeting dates are as follows:

- (a) Government Affairs and Community Outreach – December 18, 2013 at 5:30p.m.
- (b) Water Policy – Cancelled.
- (c) Administration and Finance – December 19, 2013 at 5:00 p.m.

**ITEMS REMOVED FROM
CONSENT CALENDAR**

None.

CONSENT CALENDAR

Director Urias moved to approve Consent Calendar items (a) through (m). Director Treviño seconded the motion, which was approved by the following vote:

AYES: FELLOW, TREVIÑO, CHAVEZ, TOUHEY, URIAS

NOES: NONE

ABSTAIN: NONE

ABSENT: NONE

- (a) Approve List of Demands. (Included herein as part of minutes as Attachment 1.)
- (b) Financial Statements – October 2013.
- (c) Authorization of General Manager's unused vacation cash out of ten days.
- (d) Execution of Negotiated Tax Exchange Resolutions from Annexation of Territories into Los Angeles County Lighting Maintenance District 1687, Tract No. 68619.
- (e) Ratify attendance to Southern California Water Utilities Association's November Program held on November 21, 2013 in Pomona, CA.
- (f) Authorization to attend San Gabriel Valley Economic Partnership's (SGVEP) 10th Annual San Gabriel Valley Merry Mingle Event on December 12, 2013 at the SGVEP Headquarters in Irwindale, CA.
- (g) Authorization to attend Southern California Water Utilities Association's Annual Christmas Luncheon on December 12, 2013 at the Sheraton Fairplex in Pomona, CA.
- (h) Authorization to attend San Gabriel Valley Public Affairs Network Luncheon on December 13, 2013 at the Courtyard by Marriott Hotel in Pasadena, CA.
- (i) Authorization to attend Hacienda Heights Improvement Association's Annual Dinner Celebrating 66 Years on January 24, 2014 at the Steinmetz Senior Center in Hacienda Heights, CA.
- (j) Authorization to attend University of La Verne's Water Technology Conference on January 30, 2014 at the University of La Verne's Abraham Campus Center in La Verne, CA.
- (k) Authorization to attend Independent Cities Association's 2014 Winter Seminar on January 30 – February 2, 2014 at Fess Parker's Doubletree Resort in Santa Barbara, CA.
- (l) Authorization to attend The Seminar Group's 5th Annual Investing in California's Water on February 21, 2014 at the Intercontinental Century City Hotel in Century City, CA.
- (m) Ratify attendance to City of La Puente's Annual Holiday Parade and Tree Lighting Ceremony held on December 6, 2013 in La Puente, CA.

CURRENT WATER SUPPLY OUTLOOK

The General Manager discussed the current water supply outlook for Upper District, Southern California, and the State as a whole. The General Manager presented various water supply related graphs and charts outlining the 2014 projected water supply levels within the Colorado River Aqueduct system, the State Water Project Allocation, and Metropolitan Storage and Reservoir levels. He added that the CA Department of Water Resources announced Metropolitan's 2014 Initial State Water Project allocation at 5%; a cold storm will bring precipitation throughout Northern CA; snow levels will lower with 5 inches of accumulation above 6,500 ft.; storm activity in the Colorado River Basin has resulted in above normal snowpack for the region, currently at 112% of normal; and the additional inflow into Lake Powell due to the summer storms will help reduce the likelihood of reaching storage levels in Lake Mead in 2016.

INFORMATION ITEMS

The following items listed on the agenda for the information of the Board were read and ordered received and filed:

- (a) Press Releases – None.
- (b) Newspaper Articles.

ATTORNEY'S REPORT

District Counsel provided a status report on the pre-trial hearing for San Diego County Water Authority v. Metropolitan Water District of Southern California. He added that during the past few weeks, the District received a claim from MNR Construction, but there are some deficiencies with the claim and the District has requested additional documentation before proceeding. District Counsel also reported that the status of the Capitol Audio Case, Inc. would be updated and reported upon at the end of January 2014.

ENGINEER'S REPORT

The District Engineer reported that the Baldwin Park Key Well groundwater elevation was 197.1 feet as of December 6, 2013. In addition, the District Engineer reported on Upper District's November 2013 imported water deliveries of about 5,000 AF.

The following is a summary of contamination ranges found in samples under Title 22 from 28 wells during October 2013.

<u>Contaminant</u>	<u>Range (ppb)</u>	<u>MCL (ppb)</u>
PCE	ND-2.9	5
TCE	ND-3.0	5

A detailed written engineer's report on hydrologic conditions was also provided to the Board.

GENERAL MANAGER'S REPORT

The General Manager stated that 21,000 AF out of 26,000 AF orders of water for cyclic storage have been delivered as of November 30th, 2013. On December 20, 2013 from 12 to 3 pm, the Upper District will be hosting its first Holiday Open House for all elected and city officials, producers, members of the San Gabriel Valley Economic Partnership, etc. Director Touhey will be providing all of the food for the event.

METROPOLITAN REPORT

Secretary/Treasurer Touhey reported that there will be twelve new Directors to the Metropolitan Board after District elections and the installation of Mayor Garcetti's appointments to the Board.

WATER QUALITY AUTHORITY REPORT

Director Urias reported that the Water Quality Authority's Holiday Open House will be hosted on Thursday, December 19, 2013 immediately following their monthly board meeting.

WATERMASTER REPORT

Director Fellow reported that the Watermaster's monthly meeting will be held on Wednesday, December 11, 2013. He added that Watermaster will be releasing its five-year water supply plan which would be available for public comment.

DIRECTOR'S COMMENTS

Each of the Directors wished everyone a happy holidays, Merry Christmas, and Happy New Year.

FUTURE AGENDA ITEMS

None.

ADJOURN TO CLOSED SESSION

No closed session was held.

ADJOURNMENT

President Fellow asked if there were other business to come before the Board; there being none, the meeting was duly adjourned to a regular meeting of the Board of Directors to be held on January 7, 2014 at 10:00 a.m. at the Upper District offices, 602 E. Huntington Drive, Suite B, Monrovia, CA 91016.

ATTEST

PRESIDENT

SECRETARY/TREASURER

SECRETARY/TREASURER

SEAL

Attachment 1
Consent Calendar Item 8. (a)
December 10, 2013

Demands numbered 17415 through 17462 on the District's General Fund Account at Citizens Business Bank in the amount of \$544,662.17 and demands numbered 546 through 550 on the Water Fund Account at the same bank in the amount of \$9,728,912.41:

17415	Edward L. Chavez	Director's Compensation, November 2013 10 Days District Business Meeting/Travel Expenses/Allowance Less Deferred Comp. Less Taxes Withheld <i>(Previously Paid 12/05/13)</i>	2,000.00 476.69 (250.00) (397.50)	1,829.19
17416	Charles M. Treviño	Director's Compensation, November 2013 10 Days District Business Meeting/Travel Expenses/Allowance Less Deferred Comp. Less Taxes Withheld	2,000.00 142.48 (250.00) (358.92)	1,533.56
17417	Void	Printing Error		
17418	Michael R. Touhey	Director's Compensation, November 2013 10 Days District Business 10 Days MWD Business Meeting/Travel Expenses/Allowance Less Deferred Comp. Less Taxes Withheld	2,000.00 2,000.00 732.99 (1,550.00) (926.84)	2,256.15
17419	Bryan Urias	Director's Compensation, November 2013 9 Days District Business Meeting/Travel Expenses/Allowance Less Deferred Comp. Less Taxes Withheld	1,800.00 476.69 (150.00) (482.77)	1,643.92
17420	Aaron Read & Associates, LLC	Inv. 102013, Legislative Advocacy Services, October 2013 <i>(Board approved 6/4/13)</i>		10,000.00
17421	ACWA	2014 Agency Dues		15,631.00
17422	ACWA / JPIA	Health Insurance Premium - December 2013		27,935.43
17423	Arcadia High School	Solar Cup 2014 Sponsorship		2,500.00
17424	CalPERS 457 Plan	CalPERS Deferred Compensation, November 2013 Chavez Treviño Urias	500.00 500.00 300.00	1,300.00
17425	California Special Districts Association	2014 Membership Dues		5,294.00
17426	Civic Publications	Inv. 1028, Water Conservation Ad		4,987.00
17427	Critical Power Electric	Inv. 1431, Standby Generator Inv. 1432, Installation of the Standby Generator	3,764.95 17,850.00	21,614.95
17428	Discovery Science Center	Inv. 093013#2, 4th - 5th Grade Assemblies 6th Grade Workshop-Style Program Inv.103113#7 4th - 5th Grade Assemblies 6th Grade Workshop-Style Program Pilot After School Program <i>(Board approved 10/2/12)</i>	207.00 340.00 1,168.10 1,037.00 820.16	3,570.26
17429	DRP Engineering, Inc.	Inv. 21, Project Management and Engineering Support Services, 10/21/13-11/22/13 <i>(Board approved 4/3/12)</i>		11,680.46
17430	Duarte High School Solar Club	Solar Cup 2014 Sponsorship		2,500.00
17431	Foothill Technology Center LLC	Base Rent - January 2013 <i>(Board approved 4/19/11)</i>		17,211.00
17432	GEI Consultants, Inc.	Inv. 712190, Water Supply Acquisition Program through October 26, 2013		371.00
17433	Greenberg Traurig, LLP	Inv. 3518785, Lobbying Services through October 31, 2013		2,000.00
17434	John Robinson Consulting, Inc.	Inv. USG2013-04, As-needed Consulting Services, October 2013		7,500.00

17435	Kelly Services, Inc.	Temporary Staff Inv. 41109497, W/E 10/13/13 Inv. 42087721, W/E 10/20/13 Inv. 43091792, W/E 10/27/13 Inv. 44090509, W/E 11/03/13 Inv. 45088564, W/E 11/10/13 <i>(Board approved 12/6/11)</i>	1,313.24 1,332.57 1,262.71 1,421.52 1,960.95	7,290.99
17436	LA/OC Building and Construction Trades Council	Inv. 201310, Water Conservation Ad		915.00
17437	Lemieux & O'Neill	Professional Legal Services, October 2013 Inv. 325-001M17, Transactional Fees Inv. 325-004M9, Transactional Fees Inv. 325-996-29, Transactional Fees Inv. 325-998-17, Transactional Fees Inv. 325-999M-29, Retainer <i>(Board approved 5/17/11)</i>	140.00 1,010.80 1,599.00 18.50 3,500.00	6,268.30
17438	Lincoln National Pension	Deferred Compensation, November 2013 - Touhey		1,800.00
17439	Media Marketing Services	Inv. USGW131203, Bottled Water Program		7,266.00
17440	Michael E. Strachn	Inv. 201310, Legislative Advocacy Services, October 2013		4,000.00
17441	Mike Bubalo Construction Co., Inc.	Inv. PPR7, Water Recycling Project Phase IIB Pkg 3 & 4 Retrofits <i>(Board Approved 12/10/12)</i>		63,270.00
17442	Mountain View High School	Solar Cup 2014 Sponsorship		2,500.00
17443	Padilla & Associates, Inc.	Inv. #13-999-26G, PLA/Labor Compliance, August 2013 Inv. #13-999-26I, PLA/Labor Compliance, October 2013	1,666.67 1,666.67	3,333.34
17444	Paleo Environmental Associates	Paleontological Monitoring Services Inv. 2013-12A-3, Water Recycling Project Phase IIB Pkg 3, 10/1/13-10/31/13 Inv. 2013-12B-3, Water Recycling Project Phase IIB Pkg 4, 10/1/13-10/31/13	3,508.33 1,125.00	4,633.33
17445	RJA Management Services	Inv. 2013-5, Recruitment Services <i>(Board approved 4/2/13)</i>		1,180.82
17446	Stetson Engineers, Inc.	Inv. 2027, Engineering Support Services, September 2013		27,001.92
17447	Suburban Water Systems	Inv. 6365, Phase IIB Operating Charge, October 2013 Inv. 6367, Phase IIB Operating Charge, November 2013 <i>(Board Approved 11/2/10)</i>	1,372.95 1,372.95	2,745.90
17448	Tetra Tech, Inc.	Professional Services through October 25, 2013 Inv. 50745414, Water Recycling Program Phase IIB Pkgs 3 & 4 Retrofits - TB <i>(Board approved 11/1/11)</i>		21,275.00
17449	Theodore Payne Foundation	Inv. 04/05/13UD, Annual Theodore Payne Garden Tour Sponsorship		2,500.00
17450	Tres Es, Inc.	Inv. 11-2013, Legislative Advocacy Services, October 2013 Inv. 12-2013, Legislative Advocacy Services, November 2013 <i>(Board approved 6/4/13)</i>	10,000.00 10,000.00	20,000.00
17451	Trussell Technologies, Inc.	Inv. 1867, USBR Title XVI Feasibility Study, September 2013 Inv. 1898, USBR Title XVI Feasibility Study, October 2013 <i>(Board approved 5/1/12)</i>	3,081.00 13,811.68	16,892.68
17452	Upper San Gabriel Valley Municipal Water District Revolving Payroll Fund	Inv. OCT 13, Payroll Fund Reimbursement for Employees' Payroll and District's Share of Payroll Taxes Inv. OCT 13D, Payroll Fund Reimbursement for District's Share of Payroll Taxes for Director Compensation	132,510.79 3,655.27	136,166.06
17453	Upper San Gabriel Valley Municipal Water District Revolving Fund	Replenish Revolving Fund Account 11/1/13 - 11/30/13: Office Supplies Computer Systems/Equipment/Maintenance & Outside Service Meeting/Travel/Conferences/Outreach/Dues/Assessments/Membership Telephone/Utilities/Building Maintenance Water Recycling Project Operation & Maintenance/Permits Water Purchases - Recycled Workers Comp. Medical/ODA Reimbursement/Processing Fee	959.19 11,362.84 8,026.68 825.73 11,308.74 331.15 2,097.04 4,799.59	39,710.96
17454	U. S. Bank	CalCard Charges through 10/22/13 Meeting, Travel, Conferencas and Outreach Computer Systems/Office Equipment/Supplies/Maintenance & Service	5,864.64 346.56	6,211.20

17455	Vasquez & Company LLP	Inv. 2131010-IN, Start of fieldwork for FY 12/13 Audit (Board Approved 9/3/13)	11,000.00
17456	Water Education Foundation	2014 Annual Membership Dues	2,500.00
17457	WaterReuse Association	2014 Annual Membership Dues	8,624.00
17458	West Covina High School	Solar Cup 2014 Sponsorship	4,000.00
17459	Wrayco Design	Inv. MWD-1000197, Website Design and Development Support	2,218.75
17460-17462	Void	Printing Error	-
			<u>\$ 544,662.17</u>
546	Central Basin MWD	Invoice No. USGV-OCT13, for Purchase of 97.42 AF of Recycled Water in September 2013	34,893.44
547	City of Industry City Hall	Invoice No. OCT-13, for Purchase of 50.23 AF of Recycled Water in October 2013	12,072.68
548	Metropolitan Water District of Southern California	Invoice No.7849 for Purchase of 298.4 Treated Water and 16,093.8 AF Untreated Water Delivered through Service Connections in October 2013	9,670,029.19
549	Void	Printing Error	-
550	San Gabriel Valley MWD	Invoice No.438 for 91.67 AF of Water Delivered through the	11,917.10
		TOTAL	<u>\$ 9,728,912.41</u>

MEMORANDUM

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT



**6. (a)
COMMITTEE
REPORTS**

January 2, 2014

TO: BOARD OF DIRECTORS

FROM: GOVERNMENT AFFAIRS AND COMMUNITY OUTREACH COMMITTEE

SUBJECT: MINUTES OF THE GOVERNMENT AFFAIRS AND COMMUNITY OUTREACH COMMITTEE AND SPECIAL MEETING OF THE BOARD OF DIRECTORS – DECEMBER 18, 2013

ATTENDANCE:	Ed Chavez, Chair Anthony R. Fellow (Absent) Michael Touhey Charles M. Treviño Shane Chapman Patty Cortez Manuel Gouveia	Steve O’Neill (phone) Bob Morales Lenet Pacheco Mariana Lake
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1. **Call to Order.**
2. **Public Comment.** None.
3. **Discussion/Action.** None.
4. **2014 Communications Plan.**

The Director of Government Affairs & Community Outreach provided an overview and strategic planning proposal for the District’s outreach programs for the 2014 calendar year. Based on the District’s 2013 activities, recommendations were made to continue sponsoring the same community-based events as the year prior, but to increase the District’s level of effort by \$10,000 to better support additional organizations. In addition, she added that the District should continue to support industry-based events and renew its current annual memberships to the organizations of interest, but seek membership with “LA Biz Federation” as well. As a final recommendation, the Director of Government Affairs and Community Outreach stated that Upper District should maintain its 2013 media presence and increase its advertising budget to include zip code-based email advertisements for additional water conservation messaging.

The Director of Government Affairs and Community Outreach also presented several new proposals for enhancing Upper District’s community outreach efforts and public education programs during 2014. These proposals included an educational video providing an overview of Upper District titled “Where Solutions Flow,” an elected official education program in partnership with the SGVCOG, enhanced marketing efforts in support of socialwatersmart.com, a municipal-based pilot program with one or more cities within the District’s service area to implement a water saving coupon program, and lastly a municipal-based program to implement a challenge among Upper District’s 22 cities to become a “Water Smart City.”

A detailed slide presentation on these recommendations and proposed 2014 community outreach efforts was also provided to the Committee.

5. Sponsorships and Advertisements.

The Upper District General Manager and Director of Government Affairs & Community Outreach provided a brief overview and recap of the Upper District's 2013 community outreach efforts pertaining to financial sponsorships and advertisements in local and regional print publications. They noted that the amount spent in 2013 in community outreach efforts totaled \$172,654; \$13,960 for financial sponsorships/contributions to community organization-hosted events, \$49,665 for water conservation-based print advertisements, \$29,760 for financial sponsorships/contributions to industry-related events, and \$79,269 in annual membership dues to regional and statewide organizations of interest.

A detailed written community outreach review on sponsorships and advertisements was also provided to the Committee.

6. Other Matters. None.

7. Adjournment.

NEXT MEETING: To Be Determined.

cc: General Manager

MEMORANDUM

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT



**6. (b)
COMMITTEE
REPORTS**

January 3, 2014

TO: BOARD OF DIRECTORS

FROM: ADMINISTRATION AND FINANCE COMMITTEE

**SUBJECT: MINUTES OF THE ADMINISTRATION AND FINANCE COMMITTEE MEETING AND
SPECIAL MEETING OF THE BOARD OF DIRECTORS
December 19, 2013**

ATTENDANCE:	BRYAN URIAS (Chairman) DR. TONY R. FELLOW Charles Treviño Shane Chapman Evelyn Rodriguez	Angel Castellanos Ruben Gallegos Roger Martinez Mark Siegfried Lynda Noriega
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- 1. Call to Order.**
- 2. Public Comment.** None.
- 3. Paperless Agenda Presentation.**
The General Manager provided a brief presentation of the District's paperless agenda project using iPads. He stated that staff will develop policies regarding the use of iPads for meetings and purchase the necessary units.
- 4. Comprehensive Annual Financial Report (CAFR) and Single Audit Report for the fiscal year ended June 30, 2013.**
Mr. Martinez - Engagement Partner and Mr. Siegfried - Engagement Manager from Vasquez and Company LLP (V & Co.) presented the results of the FY 2012/13 audit including: audit strategy, significant audit areas, changes to the independent auditors' report format, new accounting pronouncements relevant to the District, significant changes between FY 11/12 and FY 12/13 audited numbers and auditors' required communication to those charged with governance. Mr. Martinez reported that V & Co. expressed a clean opinion on the financial statements as well as the District's major federally funded programs. He added that the auditors did not note any significant audit adjustments nor material weaknesses on internal control.

The General Manager stated that this item is presented as an information item only for the Committee's review and will be presented for approval at the Board's regular January meeting.
- 4. Oral Reports.** None.
- 5. Other Matters.** None.
- 6. Adjournment.**

NEXT MEETING: January 23, 2014 at 5:30 p.m.

cc: General Manager

Board of Directors
Upper San Gabriel Valley Municipal Water District

Submitted herewith for action by the Board of Directors of the Upper San Gabriel Valley Municipal Water District are the following demands on the District's General Fund Account at Citizens Business Bank:

17463	Anthony R. Fellow	Director's Compensation, August 2013 4 Days District Business Meeting/Travel Expenses/Other Less Deferred Comp. Less Taxes Withheld <i>(Previously paid 12/11/13)</i>	800.00 476.69 (250.00) <u>(151.96)</u>	874.73
17464	CalPERS 457 Plan	CalPERS Deferred Compensation for November 13, Fellow <i>(Previously paid 12/11/13)</i>		500.00
17465	Lemieux & O'Neill	Professional Legal Services, October 2013 Inv. 325-001M18, Transactional Fees Inv. 325-004M10, Transactional Fees Inv. 325-996-30, Transactional Fees Inv. 325-999M-30, Retainer <i>(Board approved 5/17/11, Previously paid 12/20/13)</i>	35.00 255.00 4,660.50 3,500.00	8,450.50
17466	Edward L. Chavez	Director's Compensation, December 2013 10 Days District Business Meeting/Travel Expenses/Allowance Less Deferred Comp. Less Taxes Withheld <i>(Previously paid 12/05/13)</i>	2,000.00 476.69 - <u>(413.14)</u>	2,063.55
17467	Charles M. Treviño	Director's Compensation, December 2013 10 Days District Business Meeting/Travel Expenses/Allowance Less Deferred Comp. Less Taxes Withheld	2,000.00 490.69 (250.00) <u>(354.02)</u>	1,886.67
17468	Bryan Urias	Director's Compensation, December 2013 10 Days District Business Meeting/Travel Expenses/Allowance Less Deferred Comp. Less Taxes Withheld	2,000.00 476.69 (150.00) <u>(532.16)</u>	1,794.53
17469	Aaron Read & Associates, LLC	Inv. 112013, Legislative Advocacy Services, November 2013 <i>(Board approved 6/4/13)</i>		10,000.00
17470	ACWA / JPIA	Health Insurance Premium - January 2014		31,551.19
17471	CalPERS 457 Plan	CalPERS Deferred Compensation, December 2013 Treviño Urias	500.00 <u>300.00</u>	800.00
17472	Davis & Leonard, LLP.	Inv. 16423, Special Counsel Services, November 2013 Inv. 16554, Special Counsel Services, December 2013 <i>(Board approved 3/5/13)</i>	268.00 <u>87.00</u>	355.00
17473	DRP Engineering, Inc.	Inv. 22, Project Management and Engineering Support Services, 11/23/13-12/20/13 <i>(Board approved 4/3/12)</i>		9,557.58
17474	Foothill Technology Center LLC	Base Rent - February 2014 <i>(Board approved 4/19/11)</i>		17,211.00
17475	Greenberg Traurig, LLP	Inv. 3538559, Lobbying Services, November 2013		3,200.00
17476	Kelly Services, Inc.	Temporary Staff Inv. 46098591, W/E 11/17/13 Inv. 47114574, W/E 11/24/13 Inv. 48058031, W/E 12/01/13 Inv. 49098861, W/E 12/08/13 Inv. 50099654, W/E 12/15/13 Inv. 47060801, Adjustment for W/E 11/03/13 Inv. 47060835, Adjustment for W/E 11/10/13 Inv. 47060876, Adjustment for W/E 11/17/13 <i>(Board approved 12/8/11)</i>	1,613.62 1,560.65 1,450.87 1,409.87 1,366.53 8.64 14.40 <u>11.52</u>	7,436.10
17477	Michael E. Strachn	Inv. 201311, Legislative Advocacy Services, November 2013		4,000.00
17478	MWH Americas, Inc.	Inv. 1634563, As-needed Consulting Services for the Period 07/13/13 - 11/15/13 <i>(Board approved 1/3/12)</i>		1,509.23
17479	Padilla & Associates, Inc.	Inv. #13-999-26J, PLA/Labor Compliance, November 2013		1,666.67
17480	Paleo Environmental Associates	Paleontological Monitoring Services Inv. 2013-12A-4, Water Recycling Project Phase IIB Pkg 3, 11/1/13-11/30/13 Inv. 2013-12B-4, Water Recycling Project Phase IIB Pkg 4, 11/1/13-11/30/13	2,565.00 <u>2,757.50</u>	5,322.50
17481	Senders Communication Group, Inc.	Inv. #9159, Water Conservation Ad		3,500.00
17482	Suburban Water Systems	Inv. 6372, Phase IIB Operating Charge, December 2013		1,372.95

		Inv. 6371, Phase IIB Operating Costs, September - November 2013 <i>(Board approved 11/2/10)</i>	<u>1,420.00</u>	2,792.95
17483	Trussell Technologies, Inc.	Inv. 1930, USBR Title XVI Feasibility Study, November 2013 <i>(Board approved 5/1/12)</i>	5,653.75	5653.75
17484	Upper San Gabriel Valley Municipal Water District Revolving Payroll Fund	Inv. NOV 13, Payroll Fund Reimbursement for Employees' Payroll and District's Share of Payroll Taxes Inv. NOV 13D, Payroll Fund Reimbursement for District's Share of Payroll Taxes for Director Compensation	130,163.20 <u>3,399.19</u>	133,562.39
17485	Urban Water Institute, Inc.	Inv. 24-2014, 2014 Membership Dues		500.00
17486	Upper San Gabriel Valley Municipal Water District Revolving Fund	Replenish Revolving Fund Account 12/1/13 - 12/31/13: Office Supplies Computer Systems/Equipment/Maintenance & Outside Service Meeting/Travel/Conferences/Outreach/Dues/Assessments/Membership Telephone/Utilities/Building Maintenance Water Conservation Program Expenses Water Recycling Project Operation & Maintenance/Permits Water Purchases - Recycled Medical/ODA Reimbursement/Processing Fee	1,234.51 3,079.22 1,913.58 659.84 207.90 23,421.22 371.60 <u>3,736.86</u>	34,624.73
17487	U. S. Bank	CalCard Charges through 11/22/13 Meeting, Travel, Conferences, Membership, and Outreach Computer Systems/Office Equipment/Supplies/Maintenance & Service Water Conservation Program Expenses	6,264.46 539.57 <u>1,507.89</u>	8,311.92
17488	Vasquez & Company LLP	Inv. 2131136-IN, Final Payment, FY 2012/13 Audit <i>(Board approved 9/3/13)</i>		12,200.00
17489	WateReuse Research Foundation	Subscriber Fees for Calendar Year 2014		<u>12,000.00</u>
				<u>\$ 321,404.99</u>

January 7, 2014
Water Fund

Board of Directors
Upper San Gabriel Valley Municipal Water District

Submitted herewith for action by the Board of Directors of the Upper San Gabriel Valley Municipal Water District are the following demands on the District's Water Fund Account at Citizens Business Bank:

551	Central Basin MWD	Invoice No. USGV-NOV13, for Purchase of 74.88 AF of Recycled Water in October 2013	27,379.50
552	City of Industry City Hall	Invoice No. Nov -13, for Purchase of 39.26 AF of Recycled Water in November 2013	9,435.23
553	Metropolitan Water District of Southern California	Invoice No.7877 for Purchase of 272.30 Treated Water and 5,120.80 AF Untreated Water Delivered through Service Connections in November 2013	3,267,632.50
554	San Gabriel Valley MWD	Invoice No.439 for 88.86 AF of Water Delivered through the Alhambra/MWD Exchange Plan in November 2013 @ \$130 per AF	<u>11,551.80</u>
	TOTAL		<u>\$ 3,315,999.03</u>

UPPER SAN GABRIEL VALLEY MWD
FINANCIAL SUMMARY FOR NOVEMBER 30, 2013

Expenses	FY ACTUAL MONTH	FY ACTUAL YEAR-TO-DATE	FY 2012-13 BUDGET	AMOUNT OF BUDGET REMAINING	PERCENT OF BUDGET REMAINING	Comments
Administrative Expenses	\$ 248,728	\$ 1,199,823	\$ 2,329,387	\$ 1,129,564	48.5%	YTD actuals are consistent with budgeted numbers.
Water Conservation Program	30,140	309,701	1,432,000	1,122,299	78.4%	YTD actuals include about \$116K pass-through revenue from MET for producers' HET retrofit program budgeted in prior year but paid in the current fiscal year. Staff anticipates that expenses related to major program activities will be incurred during the second half of the fiscal year.
Stormwater Program	1,050	14,275	89,400	75,125	84.0%	Expenses-to-date primarily consist of preliminary efforts related to the Neighborhood Stormwater Project.
Water Recycling Program	67,700	602,357	1,922,190	1,319,833	68.7%	YTD actuals are consistent with budgeted numbers and include about \$188K state loan repayment.
Water Quality and Supply Program	29,013	159,979	1,047,490	887,511	84.7%	YTD actuals are consistent with budgeted numbers. Staff anticipates that expenses related to major program activities will be incurred during the second half of the fiscal year.
Water Purchases	446,681	1,986,369	21,624,006	19,637,637	90.8%	Current year budget assumes 29,000 AF of untreated water sales. To date, Upper District has received orders for 26,000 AF of untreated water for various producer cyclic storage accounts. Approximately 21,000 AF of water have been delivered through November, payable in December and January.
Operating Expenses	823,312	4,272,504	28,444,473	24,171,969	85.0%	
Operating Revenues	515,395	3,680,152	28,948,829	25,268,677	87.3%	Current year budget assumes 29,000 AF of untreated water sales. To date, Upper District has received orders for 26,000 AF of untreated water for various producer cyclic storage accounts and has delivered approximately 21,000 AF. Revenues from water sold through November will be collected in December and January.
Net Reserve Activity for Operations (-/+)	\$ (307,917)	\$ (592,352)	\$ 504,356	n/a	n/a	
Capital Expenditures	105,237	892,186	3,634,100	2,741,914	75.4%	Expenses-to-date primarily consist of costs related to the Packages 3 & 4 Retrofit Construction Project and the IRRP.
Capital Program Revenues	289,112	2,291,525	765,000	(1,526,525)	-199.5%	Year-to-date amount includes additional ARRA funds received as a result of the final financial review conducted by the USBR, allowing Upper District to drawdown the full authorized grant amount. It also includes state grant funds budgeted in the prior fiscal year but actually received in July 2013 as well as additional state loan funds approved by SWRCB at project closeout.
Net Change in Cash Due to Capital Outlays	\$ 183,875	\$ 1,399,339	\$ (2,869,100)	n/a	n/a	
Total Change in Fund Balances	\$ (124,042)	\$ 806,987	\$ (2,364,744)	n/a	n/a	

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
MONTHLY FINANCIAL STATEMENT AND BUDGET COMPARISON
FOR THE MONTH ENDED NOVEMBER 30, 2013

	FY ACTUAL MONTH	FY ACTUAL YEAR-TO-DATE	FY 2013-14 BUDGET	AMOUNT OF BUDGET REMAINING	PERCENT OF BUDGET REMAINING
ADMINISTRATIVE AND OPERATING REVENUES					
<u>Water Rate Revenues</u>					
Tier 1 Treated	212,570	1,471,626	2,596,727	1,125,101	43%
Tier 1 Untreated	0	0	17,197,000	17,197,000	100%
Upper Surcharge Tier 1 Treated	19,168	134,287	240,000	105,713	44%
Upper Surcharge Tier 1 Untreated	0	0	2,320,000	2,320,000	100%
Gross MWD Stand-by Charge-Revenue Reconciliation	79,587	570,262	1,961,005	1,390,743	71%
MSGB Watermaster-Ready-to-Serve	6,300	31,500	75,600	44,100	58%
Sub Total	<u>317,625</u>	<u>2,207,675</u>	<u>24,390,332</u>	<u>22,182,657</u>	<u>91%</u>
<u>Revolving Revenue</u>					
MSGB Watermaster-SG River Watermaster	0	76,000	76,000	0	0%
<u>Other Administrative Revenues</u>					
Interest	-16,763	1,076	49,497	48,421	98%
Taxes	28,513	70,982	300,000	229,018	76%
Other Income	1,379	3,568	5,000	1,432	0%
Sub Total	<u>13,129</u>	<u>75,626</u>	<u>354,497</u>	<u>278,871</u>	<u>79%</u>
TOTAL ADMINISTRATIVE REVENUES	<u>330,754</u>	<u>2,359,301</u>	<u>24,820,829</u>	<u>22,461,528</u>	<u>90%</u>
CAPITAL PROJECT FUND REVENUES					
<u>Recycled Water Revenues</u>					
Recycled Water Sales	52,204	387,530	540,000	152,470	28%
Upper Recycled Water Surcharge Revenue	92,567	854,211	1,393,000	738,789	53%
Metropolitan Water District LRP Funds	23,107	106,644	215,000	108,356	50%
Parcel/Standby Charge	0	35,094	1,650,000	1,614,906	98%
Interest	0	0	4,000	4,000	100%
Sub Total	<u>167,878</u>	<u>1,183,480</u>	<u>3,802,000</u>	<u>2,614,520</u>	<u>69%</u>
<u>Capital Program Revenues</u>					
U.S. Bureau of Reclamation	0	618,808	150,000	-468,908	-313%
State Water Resources Control Board	289,112	1,672,617	0	-1,672,617	n/a
Other	0	0	615,000	615,000	100%
Sub Total	<u>289,112</u>	<u>2,291,525</u>	<u>765,000</u>	<u>-2,141,525</u>	<u>-280%</u>
<u>Water Use Efficiency Revenues</u>					
Other Conservation Program Contributions	0	4,108	311,000	306,892	99%
High Efficiency Toilet (HET) Retrofit Program	0	116,500	0	-116,500	n/a
Sub Total	<u>0</u>	<u>120,608</u>	<u>311,000</u>	<u>190,392</u>	<u>61%</u>
TOTAL CAPITAL PROJECT FUND REVENUES	<u>456,990</u>	<u>3,595,613</u>	<u>4,878,000</u>	<u>663,387</u>	<u>14%</u>
OTHER FUND REVENUES					
<u>Water Quality and Supply Program Revenues</u>					
Interest	16,127	16,127	11,000	-5,127	-47%
Sub Total	<u>16,127</u>	<u>16,127</u>	<u>11,000</u>	<u>-5,127</u>	<u>-47%</u>
<u>Rate Stabilization Fund Revenues</u>					
Interest	636	636	4,000	3,364	84%
Sub Total	<u>636</u>	<u>636</u>	<u>4,000</u>	<u>3,364</u>	<u>84%</u>
TOTAL OTHER FUND REVENUES	<u>16,763</u>	<u>16,763</u>	<u>15,000</u>	<u>-1,763</u>	<u>-12%</u>
TOTAL REVENUES	<u>804,507</u>	<u>5,971,677</u>	<u>29,713,829</u>	<u>23,123,152</u>	<u>78%</u>

**MONTHLY FINANCIAL STATEMENT AND BUDGET COMPARISON
FOR THE MONTH ENDED NOVEMBER 30, 2013**

	<u>FY ACTUAL MONTH</u>	<u>FY ACTUAL YEAR-TO-DATE</u>	<u>FY 2013-14 BUDGET</u>	<u>AMOUNT OF BUDGET REMAINING</u>	<u>PERCENT OF BUDGET REMAINING</u>
ADMINISTRATIVE AND OPERATING EXPENSES					
Personnel Expenses					
Employee Salaries	97,754	427,762	1,258,000	830,238	66%
Employee Benefits	21,216	93,417	340,000	246,583	73%
Retired Employee Benefits	6,266	26,185	89,000	62,815	71%
Employee Travel/Conference	3,446	8,897	45,000	36,103	80%
Sub Total	128,682	556,260	1,732,000	1,176,740	68%
Director Expenses					
Director Compensation	13,983	67,170	172,500	105,330	61%
Director Benefits	7,297	34,450	110,000	75,550	69%
Retired Director Benefits	6,509	28,438	98,000	69,562	71%
Director Public Outreach	2,360	13,836	25,000	11,164	45%
Director Travel/Conference	2,020	14,405	40,000	25,595	64%
Sub Total	32,169	158,299	445,500	287,201	64%
Pension Expense					
CalPERS-Employees, Directors, Retirees	29,848	147,731	470,000	322,269	69%
Sub Total	29,848	147,731	470,000	322,269	69%
Office Expenses					
Office Supplies/Equipment	1,305	15,666	57,500	41,834	73%
Equipment Operations & Maintenance	1,717	12,536	31,827	19,291	61%
Computer Systems	8,026	42,607	56,400	13,793	24%
Dues/Memberships/Assessments	0	72,691	150,000	77,309	52%
Meeting Expense	1,474	10,588	33,000	22,412	68%
Sub Total	12,522	164,089	328,727	174,638	53%
Facility Expenses					
Building Maintenance	0	11	5,000	4,989	100%
Liability/Property Insurance	0	40,620	38,192	-2,428	-6%
Office Lease	17,211	86,055	207,048	120,993	58%
Telephone/Utilities	723	4,176	7,200	3,024	42%
Sub Total	17,934	130,862	257,440	126,578	49%
Professional Services					
Legal/Financial	4,798	28,483	136,000	107,517	79%
Engineering	7,156	27,671	52,500	24,829	47%
Auditor	0	12,000	40,000	28,000	70%
Recruitment/Others/Temp Services	15,619	113,236	45,000	-68,236	-152%
Public Information/Outreach	0	11,436	50,000	38,564	77%
Sub Total	27,573	192,825	323,500	130,676	40%
Allocation to Projects and Programs					
Salaries/Overhead Allocated to Projects	0	-140,243	-1,227,780	-1,087,537	89%
Sub Total	0	-140,243	-1,227,780	-1,087,537	89%
TOTAL	248,728	1,199,823	2,329,387	1,129,564	48%
Water Purchases					
Tier 1 Treated	446,681	1,474,337	2,596,727	1,122,390	43%
Tier 1 Untreated	0	0	17,197,000	17,197,000	100%
MWD Capacity Charge	0	44,160	186,790	142,630	76%
MWD Ready-to-Serve Charge	0	391,872	1,507,489	1,115,617	75%
Sub Total	446,681	1,910,369	21,548,006	19,637,637	91%
Revolving Expenses					
San Gabriel River Watermaster	0	76,000	76,000	0	0%
Sub Total	0	76,000	76,000	0	0%
TOTAL	446,681	1,986,369	21,624,006	19,637,637	91%
TOTAL ADMINISTRATIVE EXPENSES	695,409	3,186,192	23,953,393	20,767,201	87%

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
MONTHLY FINANCIAL STATEMENT AND BUDGET COMPARISON
FOR THE MONTH ENDED NOVEMBER 30, 2013

	FY ACTUAL MONTH	FY ACTUAL YEAR-TO-DATE	FY 2013-14 BUDGET	AMOUNT OF BUDGET REMAINING	PERCENT OF BUDGET REMAINING
RECYCLED WATER PROGRAM EXPENSES					
					56% @ 11-30-13
Water Purchases-Recycled Water	51,405	239,961	540,000	300,039	56%
SWRCB Loan Repayment	0	188,281	722,000	533,719	74%
Salaries and Overhead Allocation	0	21,779	264,290	242,511	92%
Standby Charge Development/Implementation	0	4,114	19,000	14,886	78%
Lobbyist	4,800	13,722	25,000	11,278	45%
Operation and Maintenance Phase I	0	0	9,900	9,900	100%
Operation and Maintenance Phase IIA	0	92,982	234,000	141,018	60%
Operation and Maintenance Phase IIB	11,495	41,518	108,000	66,482	62%
Sub Total	67,700	602,357	1,922,190	1,319,833	69%
TOTAL RECYCLED WATER EXPENSES	67,700	602,357	1,922,190	1,319,833	69%
CAPITAL PROGRAM EXPENSES					
<u>San Gabriel Valley Water Recycling Project</u>					
Construction Phase IIA	0	0	0	0	0%
Construction Phase IIB	0	461,950	1,565,000	1,103,050	70%
Engineering Phase IIA	0	0	0	0	0%
Engineering Phase IIB	11,641	57,041	0	-57,041	0%
Engineering - General	4,913	23,628	107,500	83,872	78%
Engineering - Other Project	1,995	3,255	100,000	96,745	97%
Project/Construction Management IIB	16,117	44,834	120,000	75,166	63%
Recycled Water Groundwater Recharge Project	68,249	225,534	999,000	773,466	77%
Permits/Right of Way	0	6,228	0	-6,228	0%
Legal and Financial	117	1,434	10,000	8,566	86%
Salaries & Overhead Allocation	0	52,428	432,600	380,172	88%
Sub Total	103,032	876,331	3,334,100	2,457,769	74%
<u>Other Capital Program Expenses</u>					
Stormwater	2,205	15,855	300,000	284,145	95%
Sub Total	2,205	15,855	300,000	284,145	95%
TOTAL CAPITAL PROGRAM EXPENSES	105,237	892,186	3,634,100	2,741,914	75%
STORMWATER PROGRAM EXPENSES					
<u>Stormwater Program</u>					
Professional Services	1,050	14,275	60,000	45,725	76%
Salaries and Overhead Allocation	0	0	29,400	29,400	100%
Sub Total	1,050	14,275	89,400	75,125	84%
TOTAL STORMWATER EXPENSES	1,050	14,275	89,400	75,125	84%

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
MONTHLY FINANCIAL STATEMENT AND BUDGET COMPARISON
FOR THE MONTH ENDED NOVEMBER 30, 2013

	FY ACTUAL MONTH	FY ACTUAL YEAR-TO-DATE	FY 2013-14 BUDGET	AMOUNT OF BUDGET REMAINING	PERCENT OF BUDGET REMAINING
WATER CONSERVATION/EDUCATION PROGRAM EXPENSES					
WATER USE EFFICIENCY					
<u>Residential Programs</u>					
Residential Retrofit Program	0	116,500	150,000	33,500	22%
Residential Water Efficient Rebate Program	240	1,450	0	-1,450	0%
Sub Total	240	117,950	150,000	32,050	21%
<u>Commercial/Industrial/Institution Programs</u>					
CII Water Efficiency Survey and Retrofit Program	0	18,504	100,000	81,496	81%
Sub Total	0	18,504	100,000	81,496	81%
<u>Landscape Programs</u>					
Landscape Retrofit Program	0	0	400,000	400,000	100%
Turf Removal Program	0	0	0	0	0%
Other Landscape Programs	0	0	235,000	235,000	100%
Sub Total	0	0	635,000	400,000	63%
<u>Sub-Agency Assistance Program</u>					
Water Use Efficiency Plan	0	0	0	0	0%
<u>Allocation to Conservation Programs</u>					
Salaries & Overhead	0	22,738	105,000	82,262	78%
Sub Total	0	22,738	105,000	82,262	78%
TOTAL WATER USE EFFICIENCY EXPENSES	240	159,192	990,000	595,808	60%
EDUCATION & COMMUNITY OUTREACH					
<u>Watershed Programs</u>					
Natural Vegetation Restoration Program	0	4,357	20,000	15,643	78%
Sub Total	0	4,357	20,000	15,643	78%
<u>Educational Programs</u>					
Water Awareness Youth Art Contests	0	5,978	10,000	4,022	40%
Educational Activities/Sponsorships	29,237	56,726	146,000	89,274	61%
Educational Materials/Grant Program	0	16,462	20,000	3,538	18%
Educational Outreach Programs/Events	0	0	0	0	0%
Sub Total	29,237	79,166	176,000	96,834	55%
<u>Outreach and Information Programs</u>					
Public Workshops/Seminars	0	17,184	45,000	27,816	62%
Conservation Devices/Items	0	0	10,000	10,000	100%
Bottled Water Program	0	7,366	33,000	25,634	78%
Displays/Fairs/Presentations	0	0	5,000	5,000	100%
Conferences/Meetings	0	989	4,500	3,511	78%
Public Information	0	17,129	30,500	13,371	44%
Technical Assistance	0	0	10,000	10,000	100%
Legal/Financial	663	1,580	3,000	1,420	47%
Sub Total	663	44,249	141,000	96,751	69%
<u>Allocation to Conservation Programs</u>					
Salaries & Overhead	0	22,737	105,000	82,263	78%
Sub Total	0	22,737	105,000	82,263	78%
TOTAL EDUCATION & COMMUNITY OUTREACH EXPENSES	29,900	150,509	442,000	291,491	66%
TOTAL WATER CONSERVATION EXPENSES	30,140	309,701	1,432,000	887,299	62%
WATER QUALITY AND SUPPLY PROGRAM EXPENSES					
<u>Policy 9-00-8 Groundwater Remediation Projects</u>					
Engineering for Water Supply Projects	1,670	14,657	60,000	45,343	76%
Legislative Consultant	24,000	105,731	265,000	159,269	60%
Outside Services	1,802	8,863	25,000	16,137	65%
Sub Total	27,472	129,252	350,000	220,748	63%
<u>Other Expenses</u>					
Urban Water Management Plan/Related Studies	0	0	0	0	0%
Project Coordination/Outreach	0	0	0	0	0%
Integrated Resource Management Plan	1,288	6,842	25,000	18,158	73%
Water Supply Reliability Plan/Emergency Preparedness	0	0	100,000	100,000	100%
Basinwide Integrated Groundwater/Surface Water Model	0	0	200,000	200,000	100%
Long Range Finance Plan/Other	0	0	75,000	75,000	100%
Legal and Financial	253	3,324	6,000	2,676	0%
Salaries and Overhead Allocation	0	20,561	291,490	270,929	93%
Sub Total	1,541	30,727	697,490	666,763	96%
TOTAL WATER QUALITY AND SUPPLY EXPENSES	29,013	159,979	1,047,490	887,511	85%
TOTAL EXPENSES	928,549	5,164,690	32,078,573	26,678,883	83%

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
SUMMARY OF CASH AND INVESTMENTS
November 30, 2013

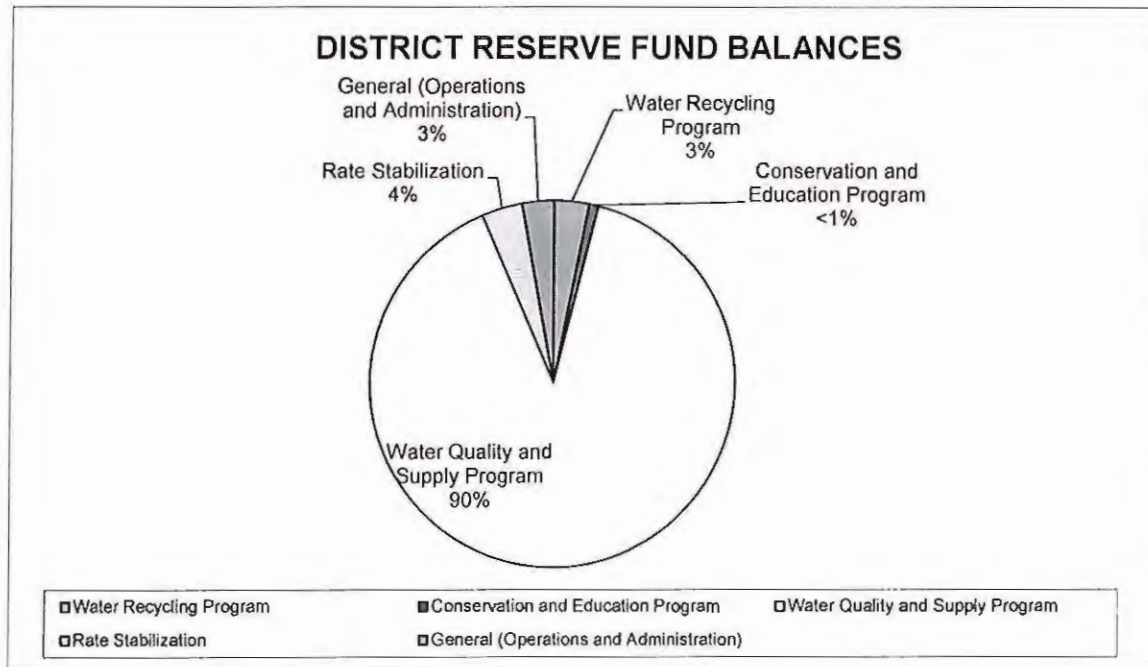
CASH AND INVESTMENT BALANCES

	Amount (\$)	
Cash Account Balances		
General Fund-Checking	638,036.83	
Water Fund-Checking	145,940.68	
Revolving Fund	100,000.00	
Revolving Payroll Fund	153,333.37	
Total Cash Account Balances	1,037,310.88	
Investment Account Balances		
	Market Value	Cost
Local Agency Investment Fund	15,130,114.71	15,130,114.71
Total Investment Account Balances	15,130,114.71	15,130,114.71
Total Cash and Investment Balances	16,167,425.59	

DISTRICT FUND BALANCES

Capital Program Fund:		
Water Recycling Program		500,859.00
Conservation and Education Program		137,808.20
Water Quality and Supply Program		14,479,270.24
Sub Total		15,117,937.44
Rate Stabilization Fund		586,197.27
General Fund (Operations and Administration)		463,290.88
Total Fund Balances		16,167,425.59

MANAGEMENT STATEMENT: It is the opinion of management that all fund balances are in compliance with all applicable statutes and the current investment policy of the District. It is also the opinion of management that projected cash flow liquidity is adequate to meet the next six months of expected obligations of the District.



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif
December 19, 2013

UPPER SAN GABRIEL VALLEY MUNICIPAL
WATER DISTRICT
GENERAL MANAGER
602 EAST HUNTINGTON DRIVE, SUITE B
MONROVIA, CA 91016

PMIA Average Monthly Yields

Account Number:
90-19-021

Tran Type Definitions

November 2013 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	15,130,114.71
Total Withdrawal:	0.00	Ending Balance:	15,130,114.71



MEMORANDUM

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT



8. (c) CONSENT CALENDAR

DATE: December 30, 2013
TO: Board of Directors
FROM: General Manager
SUBJECT: Comprehensive Annual Financial Report (CAFR) and Single Audit Report for the fiscal year ended June 30, 2013.

Background

The District's independent auditors, Vasquez & Company LLP (Vasquez), have completed their audit of the financial statements and single audit requirements applicable to federal programs for the fiscal year ended June 30, 2013.

Vasquez expressed an unqualified/clean opinion on the financial statements. They did not note any significant audit adjustments nor material weaknesses on internal control over financial reporting. Vasquez also reported that the internal control procedures were effective and properly implemented and that significant accounting policies are appropriate and consistently applied.

Vasquez also issued a clean opinion on their audit of Upper District's major federally funded programs. The Single Audit Report summarizes the results of the audit performed based on the requirements set forth in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement.

The CAFR is comprised of three sections: Introductory, Financial, and Statistical. The Introductory and Statistical Sections are unaudited while the Financial Section was audited.

Attachment

DRAFT 12/17/13

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013 and 2012

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
602 E. Huntington Drive, Suite B
Monrovia, California 91016

Prepared by:

Finance and Administration Department

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Introductory Section

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Board of Directors:

Anthony R. Fellow, Ph.D., Division 1

Charles M. Treviño, Division 2

Ed Chavez, Division 3

Michael Touhey, Division 4

Bryan Urias, Division 5

DATE OPEN

The Honorable Board of Directors
Upper San Gabriel Valley Municipal Water District

The Upper San Gabriel Valley Municipal Water District (Upper District) staff is pleased to present the Upper District's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2013 and 2012. This report is prepared in accordance with the guidelines set forth by the Governmental Accounting Standards Board (GASB)

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, this effort provides reasonable, rather than absolute, assurance that the financial statements contain no material misstatements.

Vasquez & Company LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the financial statements for the years ended June 30, 2013 and 2012. The independent auditors' report is located at the front of the financial section of this report.

The CAFR consists of five parts, all of which are part of this package: 1) Introductory Section that includes this letter of transmittal, 2) Financial Section, including the management's discussion and analysis (MD&A) that provides a narrative introduction, overview and analysis of the basic financial statements, 3) Basic Financial Statements, 4) Required Supplementary Information, and 5) Statistical Section.

The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Upper District

History

The Upper District, formed by voters in the San Gabriel Valley on December 8, 1959 to help solve water problems in the rapidly developing San Gabriel Valley, was incorporated on January 7, 1960. On March 12, 1963, residents of the District voted to annex to the Metropolitan Water District of Southern California (MWD), to provide supplemental water, first from the Colorado River and later the State Water Project, to replenish local groundwater supplies.

The Upper District played a vital role in determining water rights within the Main San Gabriel Basin by acting as plaintiff in the 1973 court case of Upper San Gabriel Valley Municipal Water District, Plaintiff, v. City of Alhambra, et al, Defendants. This case brought about the creation of the Main San Gabriel Basin Watermaster, ordered by the court to administer and enforce provisions of the Judgment.

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Contaminants such as volatile organic compounds (VOCs) were first discovered in local water supply wells in 1979. Upper District also played a role in establishing groundwater cleanup programs and eventually the Water Quality Authority which now oversees the cleanup of the groundwater basin.

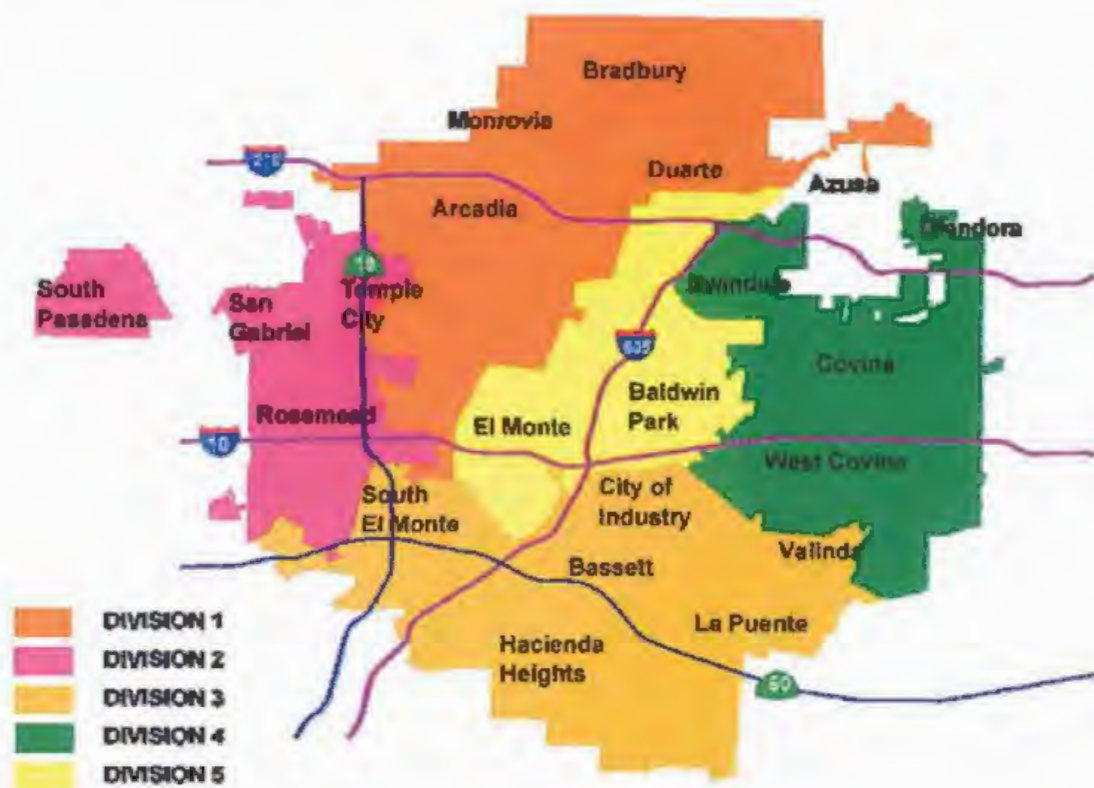
Mission

Upper District aims to provide a reliable, sustainable, diversified and affordable portfolio of high quality water supplies to the San Gabriel Valley including, but not limited to, water conservation, recycled water, storm water capture, storage, transfers, and imported water.

It is our goal to pursue this mission in a manner that is responsive to our public while protective of our environment.

Service Area

Five elected Directors, each serving a 4-year term and representing a designated geographic area within the Upper District's boundaries, govern Upper District. Additionally, as a member agency of the MWD, the Upper District appoints one representative to sit on the MWD Board of Directors. The Upper District also has representation on the San Gabriel Basin Water Quality Authority and the Main San Gabriel Basin Watermaster Boards.



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Upper District Board of Directors



Division 1 – Director Dr. Anthony R. Fellow
Representing all or parts of Arcadia, Bradbury,
El Monte, Monrovia, Rosemead and Temple City



Division 2 – Director Charles M. Treviño
Representing all or parts of Arcadia, Rosemead, San Gabriel,
South Pasadena, South San Gabriel and Temple City



Division 3 – Director Ed Chavez
Representing all or parts of Avocado Heights, Bassett, City of
Industry, Hacienda Heights, La Puente, North Whittier, Spy
Glass Hill, South El Monte, Valinda and West Covina



Division 4 – Director Michael Touhey
Representing all or parts of Azusa, Covina, Glendora,
Irwindale and West Covina



Division 5 – Director Bryan Urias
Representing all or parts of Baldwin Park, Duarte, El Monte
and Irwindale

Local Economy

California's economy showed signs of recovery in 2011 from the deep recession that began in 2008. The state economy also showed consistent gains in 2012, with the unemployment rate dropping to single digits for the first time in nearly four years. Experts forecast a 2.1% and 3.0% gross state product growth rates in 2013 and 2014, respectively.

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The Los Angeles County's economy continues to improve and the county unemployment rate is anticipated to drop from 11.1% in 2012 to less than 10.0% in 2014.

San Gabriel Valley showed modest growth in recent years. Between 2000 and 2012, the Valley's population grew by 1.6%, compared with 3.9% in the Los Angeles County and 11.2% in California. Employment in the San Gabriel Valley increased by 1.0% to about 605,400 total jobs in 2012. As economic recovery gains momentum, San Gabriel Valley businesses are expected to create 5,600 new jobs in 2013. San Gabriel Valley regional payrolls amounted to about \$27.7 billion in 2012, a 2.5% increase from 2011 levels due mostly to increases in job counts. In 2013, total payroll is expected to increase by 2.9%. San Gabriel Valley's large Asian population continues to provide a significant economic advantage. It is anticipated that the Valley will be one of the main destinations of the growing Chinese direct investments into the Los Angeles County.

Major Initiatives

Consistent with its mission, Upper District strives to help local retail water providers manage their water supply safely and cost-effectively by improving water quality and increasing supply reliability. This is a challenging goal because factors such as climate, legislation, regulations, government policy, economics, population and market demand change and, thus, affect the Upper District's planning and operations. Upper District's primary function has been to provide supplemental water to its retail water providers, sourced from the State Water Project, the Colorado River, and more recently, in the form of recycled water.

Integrated Resources Plan (IRP)

In May 2011, the Board authorized the preparation of the San Gabriel Valley's first Integrated Resources Plan (IRP). The IRP, completed in 2012, defines a long term strategy for investments in a balanced portfolio of water supplies that are reliable and affordable in the long term. Upper District is currently implementing the strategy defined in the IRP, which includes the Recycled Water Program described below. The IRP will be updated regularly to adapt to changing conditions. Upper District strives to work with all stakeholders to implement innovative conservation, recycling and storm water capture projects to improve long-term water supply reliability.

Recycled Water Program

Recycled water is a key part of the Upper District's overall strategy of supplementing local water supplies. Recycled water is being used throughout California to irrigate golf courses, parks, freeway landscaping and crops. It is also being used to replenish groundwater basins, to serve as a barrier to seawater intrusion, and by industry for cooling processes and other purposes. Recycled water directly offsets the need to import increasingly expensive water that is pumped from the sensitive Bay-Delta ecosystem.

Upper District's success in proactively advancing water recycling is largely attributable to the support of its partners: the United States Bureau of Reclamation (USBR); State Water Resources Control Board, Metropolitan Water District, Sanitation Districts of Los Angeles County, Main San Gabriel Basin Watermaster, local retail water providers and many others who have contributed to the successful development of recycled water in the San Gabriel Valley.

Indirect Reuse Action Plan (IRAP)

On December 6, 2011, the Board adopted an Indirect Reuse Action Plan (IRAP) which set forth specific tasks to advance a major project that involves use of highly treated recycled water for groundwater recharge. Immediate work tasks were identified for implementation. These tasks include: research to identify the most appropriate treatment technology; pipeline right-of-way study, a

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USBR Title XVI feasibility analysis, and a financing plan. Pilot testing of alternative treatment technologies is underway and will be completed in mid-2014. A preliminary pipeline right-of-way study was completed in 2012. Preparation of the USBR Title XVI feasibility analysis has begun and will be complete by September 2014. The Indirect Potable Reuse project will provide 10,000 acre-feet or more of highly treated recycled water for groundwater replenishment annually.

Direct Reuse

The Direct Reuse Program includes the phased construction of a recycled water distribution system used to provide water for irrigation purposes. Over \$47 million was invested since 2007 to construct a direct reuse recycled water distribution system consisting of more than 24 miles of distribution pipeline. The major components of the direct reuse system are summarized below. All components of the system are in service with the exception of the last two phases of the City of Industry project which will be complete in early 2014.

Whittier Narrows

The Upper District's Whittier Narrows Water Recycling Project supplies the 2,500 acre Whittier Narrows Recreation Area with about 400 million gallons of recycled water each year. The recycled water provides irrigation for a large public park, soccer, baseball and softball fields as well as the 18-hole Whittier Narrows Golf Course.

South El Monte High School

The Upper District converted South El Monte High School to recycled water for irrigating campus green areas and athletic fields. Recycled water used at the high school will conserve nearly 17 million gallons of drinking water each year, enough to supply about 100 households.

Rose Hills Memorial Park

In early 2006, Upper District converted Rose Hills Memorial Park to recycled water for irrigation purposes. Prior to using recycled water, Rose Hills used approximately 194 million gallons per year or about 500,000 gallons per day of drinking water for irrigation. By using recycled water, Rose Hills now saves enough drinking water in a year to supply about 1,200 average single-family homes. As part of this project, an additional 21 million gallons of recycled water per year are provided to Rio Hondo College, Mill Elementary School and Gateway Pointe Industrial Park for irrigation purposes.

Rosemead Extension

The San Gabriel Valley Water Recycling Project Phase IIA - Rosemead Extension consists of recycled water pipelines extending north and west from the Whittier Narrows Recreation Area to supply approximately 98 million gallons of recycled water per year to Southern California Edison corporate headquarters, Panda Express corporate headquarters, and several nurseries, schools, and businesses.

City of Industry

In 2010, Upper District's City of Industry Water Recycling Project began providing recycled water for irrigation purposes by extending an existing recycled water pipeline, stretching from the City of Industry through Hacienda Heights, to West Covina. Upon completion of the final two phases of the project in early 2014, the project will supply more than 400 million gallons of recycled water per year for irrigation to a landfill, golf course, baseball complex, schools, parks, medians, and green belts in the San Gabriel Valley.

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Water Use Efficiency

The IRP calls for additional investment in water use efficiency to reduce water use by an additional 5,000 acre-feet per year. In August 2012, the Board of Directors adopted a Water Use Efficiency (WUE) Master Plan. The WUE Master Plan was developed to provide a goal-oriented, performance-based and cost-effective strategy for a practical, long-term approach to design and implement water use efficiency measures.

Water Conservation and Education

Water conservation is an important and low-cost method of preserving our water supply and is a critical part of an effective water supply program. In California and the San Gabriel Valley, cities, water companies, utilities and water districts are deeply involved in conservation efforts and public education that promote water conservation. Informing residents and employers about water-use efficiency is the top priority of the Upper District's public education program.

Residential Programs

High Efficiency Toilet (HET) Retrofit Program - In 2013, a total of 2,330 HETs were distributed. During the fiscal year, Upper District provided a total of \$116,500 in incentive payments to the producers for this program from MWD's Conservation Credits Program.

Residential Rebate Program - Through MWD's So Cal Water Smart Regional Rebate Program, Upper District residents are offered rebates for retrofitting several types of high water-use fixtures/equipment with water efficient devices. Rebate items include: High-Efficiency Clothes Washers (HECWs), Weather-Based Irrigation Controllers (WBICs), and Rotating Sprinkler Nozzles. Rebates for residential devices provided during the fiscal year 12-13 will produce approximately 590 acre feet (192 million gallons) of lifetime water savings.

Commercial, Industrial and Institutional (CII) Programs

CII Rebate Program - Through the Save Water, Save A Buck Program, Southern California businesses are eligible for rebates to help encourage water use efficiency and conservation. This program offers cash rebates on a wide variety of water-saving technologies including High-Efficiency Toilets and Urinals, WBICs for outdoor landscaping, as well as many industry-specific water conserving devices. Rebates for CII devices provided during the fiscal year 12-13 will produce approximately over 135 acre feet (44 million gallons) of lifetime water savings.

Landscape Programs

Large Landscape Survey and Retrofit Program - The objective of the Large Landscape Survey and Retrofit Program is to actively increase large landscape irrigation efficiency at CII sites. The program offers free irrigation assessments to large landscaped CII sites in the Upper District's service area. As part of the program, the Upper District offers some funding to pay for implementing survey recommendations. During the fiscal year ended June 30, 2013, 11 surveys were conducted that involved recommendations for 20.52 acres of irrigated landscape.

Wireless Soil Moisture Sensor Demonstration Project - Five potential school sites have been identified as good locations to install wireless moisture sensor technology to demonstrate significant water use savings.

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Sustainable Landscape Demonstration Program - To better integrate and communicate the need for low impact, sustainable outdoor landscaping, this program will convert high-water-need landscaping in five public spaces to drought tolerant and low impact gardens. Five sites (one demonstration site located in each division) have been selected with the intent of reducing the sites' water footprint by installing high-efficiency irrigation equipment and low-water-use plants. Sites will be constructed in visible and accessible public locations to provide a focus point for the community that demonstrates sustainable landscaping. The project will also demonstrate the benefits of on-site storm water retention and capture.

Technical Assistance

Water Use Efficiency City Ordinance Assistance - The Upper District continued to offer technical assistance through the end of 2012 to help cities within its area expand their existing water conservation measures to meet federal and state water efficiency standards and also improve Sierra Club scorecard rankings. Six cities (Baldwin Park, South Pasadena, La Puente, Rosemead, San Gabriel, and South El Monte) responded to Upper District's offers for assistance and some expressed interest in further information. As part of Upper District's assistance, an Ordinance Guidance Summary was developed with the objective of assisting cities in developing effective and sensible water conservation ordinances.

Education and Community Outreach Programs

Watershed Restoration Program - This program is a cooperative partnership between the Upper District and the U.S. Forest Service that incorporates volunteers into efforts to protect and maintain the local watershed. Program activities typically include collection of native seeds, planting of saplings and trash removal. Since the program began in 1991, about 135 500 saplings and thousands of acres of chaparral have been planted.

4th - 6th Grade Sustainable Watershed Education Program - 2013 marks the first year that Upper District partners with the Discovery Science Center (DSC) and THINK Together to provide 4th-6th grade student curriculum that focuses on water use efficiency, highlights watershed issues, and groundwater awareness. Offered free to participating schools, the program includes interactive assemblies for fourth and fifth graders and in-class hands-on workshops for sixth graders. Schools that currently work with THINK Together to provide afterschool instruction will also benefit. THINK Together offers afterschool instruction that complements and expands the in-school curriculum associated with water-related topics.

The program kicked off during the spring and 2,184 students have participated in the assemblies and hands-on workshops.

Water Efficient Landscape Classes - Throughout the year, a number of water efficient landscaping and gardening courses are offered, free of charge, to the public. Courses have been offered in both Spanish and English. As of June 30, 2013, over 1,000 people have participated in these classes since its inception in 1992.

Solar Cup - A youth program sponsored by MWD, Solar Cup provides high school teams the hands-on opportunity to build solar powered boats that they compete in race and endurance categories. This three-day event is the culmination of several months of planning and building that offers student participants an opportunity to learn about natural resources, the development/use of alternative fuel sources, the protection of water quality, as well as

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program management skills. The Upper District has sponsored 35 teams since the program began in 2003.

Water Awareness Art Contest - The Upper District's "Water is Life" art contest inspires students to think about how important water is to all life and encourages youth to express the value of water through their artwork. The contest has 4 categories: K-2, 3-5, 6-8 and 9-12th grade.

Water Education Grant Program - This program offers up to \$1,000 grants for a classroom or school project, from K-12th grade, that furthers a better understanding of water as a vital resource and the important role it plays in Southern California. The program began in 2004 and to date, 61 applicants have been awarded a total of \$44,000 in grants

Relevant Financial Policies

Internal Control Structure

Management is responsible for establishing and maintaining an internal control structure that ensures that assets are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived, and (b) the valuation of costs and benefits requires estimates and judgments by management

Investment Policy

Annually, the Board of Directors adopts an investment policy consistent with the requirements of the California Government Code. In order of priority, three fundamental criteria are followed by Upper District in the investment program:

- (a) *Safety of Principal* - Investments shall be undertaken in a manner that first seeks to ensure the preservation of principal in the portfolio. Each investment transaction shall be entered into after taking into consideration the quality of the issuer, the underlying security or collateral, and diversification of the portfolio.
- (b) *Liquidity* - Investments shall be made so that the maturity date is compatible with cash flow needs and safety of principal.
- (c) *Return on Investment* - Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

Budget Process and Controls

Upper District utilizes and adopts an annual budget as a management tool. As part of its budget process, the Upper District conducts budget workshops to encourage stakeholder participation and input prior to adoption of the final budget. Monthly financial statements showing budget-to-actual comparison and analysis are presented to the Board of Directors.

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Water Rates

Pursuant to Water Code Section 71614 et seq., Upper District establishes water rates and charges through a resolution by the Board of Directors. Prior to adoption of the water rates and charges, workshops are held to solicit input from all stakeholders.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Upper District for its CAFRs for the fiscal years ended June 30, 2012 and 2011. In order to be awarded a Certificate of Achievement, the Upper District had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was accomplished by the combined efforts of Upper District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Upper District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Upper District's fiscal policies.

Respectfully submitted,



Shane Chapman
General Manager



Evelyn M. Rodriguez
Chief Financial Officer

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Upper San Gabriel Valley
Municipal Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

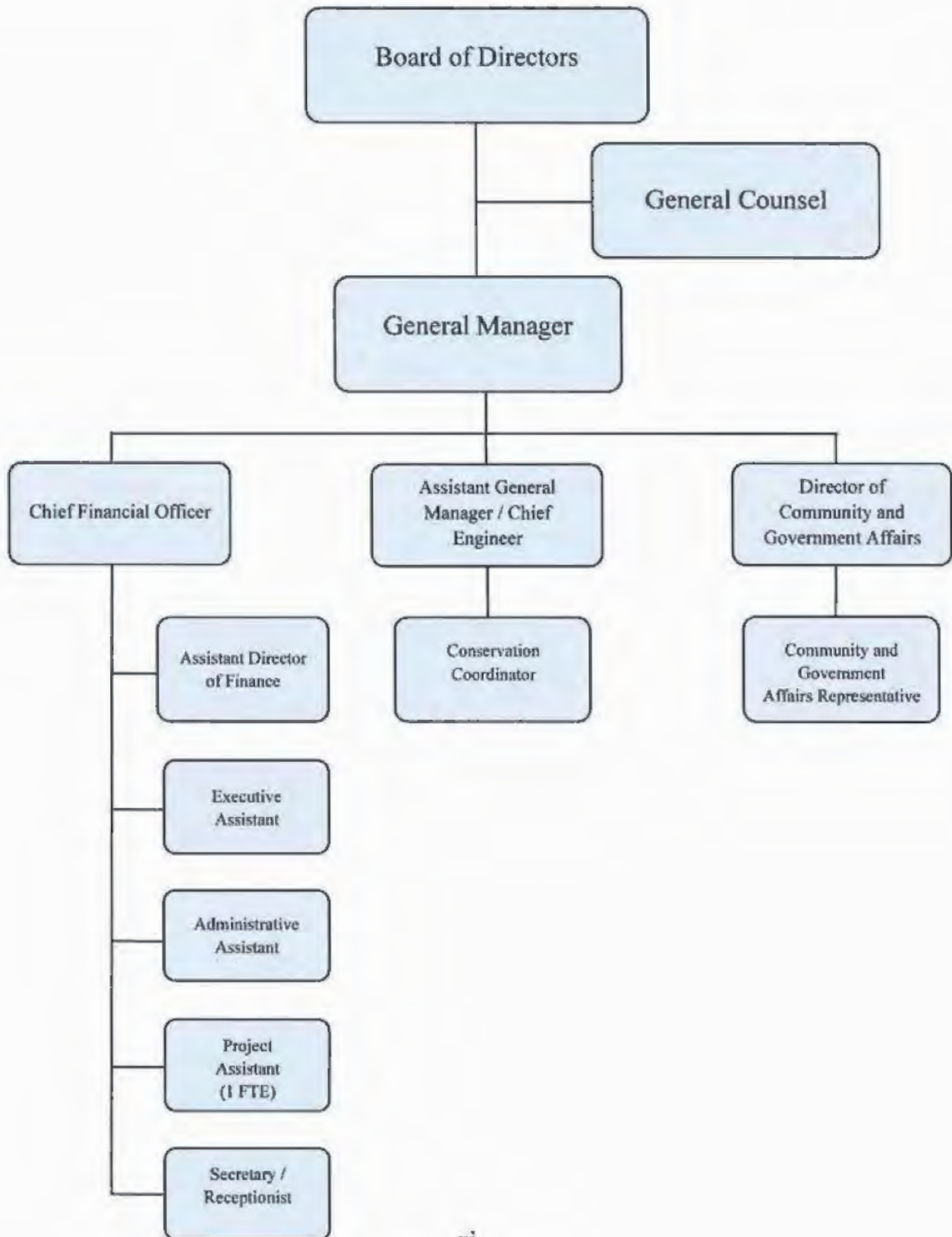
June 30, 2012

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

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Upper San Gabriel Valley Municipal Water District Organizational Chart



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Financial Section

DRAFT 12/17/13

Report of Independent Auditors

**The Honorable Members of the Board of Directors
Upper San Gabriel Valley Municipal Water District**

Report on the Financial Statements

We have audited the accompanying financial statements of Upper San Gabriel Valley Municipal Water District (the Upper District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Upper District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Upper District as of June 30, 2013 and 2012, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, and the required supplementary information on page 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the Upper District implemented Governmental Accounting Standards Board (GASB) Statement No. 63 and implemented GASB Statement No. 65 in advance during the fiscal year 2013. Among these new GASB Statements, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, have significant impact over the Upper District's financial statements. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated **DATE OPEN**, on our consideration of the Upper District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Upper District's internal control over financial reporting and compliance.

Los Angeles, California

DATE OPEN

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Upper San Gabriel Valley Municipal Water District Management's Discussion and Analysis June 30, 2013 and 2012

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance and activities of the Upper San Gabriel Valley Municipal Water District (the Upper District) for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Required Financial Statements

The Upper District is a wholesale water utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the Upper District's basic financial statements include the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The statement of net position presents information on all of the Upper District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Upper District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Upper District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recognized on the accrual basis.

The statement of cash flows is related to the other financial statements by the way it links changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources to the effect on cash and cash equivalents over the course of the fiscal year.

The notes to the financial statements provide useful information regarding the Upper District's significant accounting policies, and they explain significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Highlights

The statement of revenues, expenses and changes in net position shows an increase of \$3.40 million in net position for the fiscal year ended June 30, 2013 attributable to the following:

- Operating revenues decreased by 16%, or about \$2.48 million, primarily due to lower sales of imported water for groundwater recharge. Negative impact of this decline in water sales was partially offset by a corresponding decrease in cost of water purchases from Metropolitan Water District of Southern California (MWD).
- Contributions received for capital construction projects from federal and state grants increased by \$3.28 million from last fiscal year's \$1.65 million. Of this amount, \$1.25 million represents final reimbursement under a Title XVI grant from USBR for the Upper District's recycled water program. During the year, Upper District also received \$0.60 million additional funding related to the closeout of the American Recovery and Reinvestment Act (ARRA) grant.

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Upper San Gabriel Valley Municipal Water District Management's Discussion and Analysis June 30, 2013 and 2012

- Construction activities for the San Gabriel Valley Water Recycling Program Phase IIB City of Industry Recycled Water Project (City of Industry Project), partially funded by State Revolving Fund and ARRA monies, continued during fiscal year 2012-2013.

More information on the financial statement variances is covered in the next sections

Financial Analysis of the Upper District

The statements of net position and the statements of revenues, expenses and changes in net position report provide an indication of the Upper District's financial health.

The following tables summarize the Upper District's financial condition and the changes in its net position for the past three years.

Statements of Net Position

Condensed Statements of Net Position

	June 30			Change			
	2013/2012		2012/2011				
	Dollar	Percentage	Dollar	Percentage			
	2013	2012	2011	2013/2012	Percentage	2012/2011	Percentage
	(in thousands)	(in thousands)	(in thousands)	(in thousands)		(in thousands)	
Assets							
Current assets	\$ 18,806	\$ 18,555	\$ 25,557	\$ 1,251	6.7%	\$ (7,002)	-27.4%
Capital assets, net	51,650	41,032	35,975	10,618	25.9%	5,057	14.1%
Total assets	71,456	59,587	61,532	11,889	19.9%	(1,845)	-3.2%
Liabilities							
Current liabilities	1,821	2,250	6,304	(629)	-28.0%	(4,054)	-64.3%
Noncurrent liabilities	13,486	4,774	1,824	9,192	215.1%	2,450	134.3%
Total liabilities	15,087	6,524	8,128	8,563	131.3%	(1,604)	-19.7%
Deferred Inflows of Resources	174	265	6	(91)	-34.3%	259	4316.7%
Net Position							
Net investment in capital assets	39,195	37,582	34,760	1,613	4.3%	2,802	8.1%
Unrestricted	17,000	15,218	18,618	1,784	11.7%	(3,402)	-18.3%
Total net position	\$ 56,195	\$ 52,798	\$ 53,398	\$ 3,397	6.4%	\$ (800)	-1.1%

As shown above, Upper District's total assets exceeded liabilities and deferred inflows of resources by \$56.20, \$52.80 million and \$53.40 million as of June 30, 2013, 2012 and 2011, respectively, or an increase in net position of \$3.40 million between 2013 and 2012 and a decrease in net position of \$0.60 million between 2012 and 2011.

Assets

Increase in current assets of about \$1.25 million from 2012 to 2013 is primarily attributable to amounts receivable from the USBR representing final reimbursements from Title XVI and ARRA grants. As of June 30, 2012, the Upper District's current assets decreased by \$7 million from the prior year mainly due to: lower water sales; construction activities for the City of Industry Project partially funded by the Upper District reserve funds; higher program expenses related to conservation, water recycling and water quality and supply. For fiscal years ended June 30, 2013

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Upper San Gabriel Valley Municipal Water District Management's Discussion and Analysis June 30, 2013 and 2012

and 2012, the Upper District's capital assets increased by \$10.62 and \$5.06 million, respectively, from prior years as construction activities for the City of Industry Project continued.

Liabilities

As of June 30, 2013, the Upper District's current liabilities decreased by \$0.63 million from prior year due to lower project related payables as construction activities for the City of Industry Phase IIB Recycled Water Program began to wind down. The decrease in current liabilities in 2012 amounting to \$4.05 million is primarily due to lower water purchases from MWD.

For the fiscal years ended June 30, 2013 and 2012, noncurrent liabilities increased by \$9.19 million and \$2.45 million, respectively, from prior year mainly due to additional loan funds received from the State Water Resources Control Board.

Net Position

A large portion of the Upper District's net position consists of net investment in capital assets. Capital assets are used by the Upper District to provide services to its customers and are, therefore, not available for spending. Consequently, as the Upper District continued to invest in its recycled water program to improve water supply reliability, unrestricted net position will generally decrease. However in 2013, additional federal funding received from Title XVI and ARRA grant closeouts offset the impact of the District's capital improvements on unrestricted net position which increased by \$1.78 million from the prior year.

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position provide information on the nature and sources of these changes. For the fiscal year ended June 30, 2013, the Upper District's net position increased by \$3.40 million. For the fiscal year ended June 30, 2012, the Upper District's net position decreased by \$0.60 million.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years ended June 30			Change			
	2013		2011	2013/2012		2012/2011	
	(in thousands)	(in thousands)		Dollar	Percentage	Dollar	Percentage
Total operating revenues	\$ 12,837	\$ 15,316	\$ 26,057	\$ (2,479)	-16.2%	\$ (10,741)	-41.2%
Total operating expenses	17,338	19,233	28,670	(1,895)	-8.9%	(9,437)	-32.9%
Operating income (loss)	(4,501)	(3,917)	(2,613)	(584)	14.9%	(1,304)	49.8%
Net nonoperating revenues	2,871	1,672	3,831	1,299	77.7%	(2,159)	-56.4%
Capital contributions	4,927	1,645	3,566	3,287	198.5%	(1,921)	-53.9%
Change in net position	3,397	(600)	4,784	3,997	-666.2%	(5,384)	-112.5%
Beginning net position	52,798	53,398	48,614	(600)	-1.1%	4,784	9.8%
Ending net position	\$ 56,195	\$ 52,798	\$ 53,398	\$ 3,397	6.4%	\$ (600)	-1.1%

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Upper San Gabriel Valley Municipal Water District Management's Discussion and Analysis June 30, 2013 and 2012

Operating Revenues

The temporary ability of the Upper District's customers to lease groundwater from the cities of Alhambra, Monterey Park and Azusa rather than purchase replacement water available from MWD and the Upper District as per the Judgment and Watermaster's Rules and Regulations, resulted in significantly lower than anticipated sale of imported water for groundwater recharge during the fiscal year ended June 30, 2012. Consequently, water revenues fell by 43% or about \$11.10 million compared to prior year. This trend continued in 2013 and as MWD's replenishment program remained off, water revenues fell by another 16% or \$2.32 million.

Nonoperating Revenues/Expenses and Capital Contributions

Nonoperating revenues, consisting of standby charges, investment earnings and taxes, showed a slight decrease between fiscal years ended June 30, 2013 and 2012, and June 30, 2012 and 2011.

Nonoperating program expenses increased by about \$2.13 million in 2012. During the fiscal year, the Upper District started the development of a Water Use Efficiency Master Plan (WUE), an Integrated Resources Plan (IRP) and the Indirect Reuse Action Plan (IRAP). Upper District also disbursed \$0.64 million in grant funds for Sunny Slope Water Company's (Sunny Slope) Liquid Phase Granular Activated Carbon Treatment Project. The substantial completion of the WUE, IRP and grant reimbursements to Sunny Slope in 2012 reduced nonoperating expenses by approximately \$0.70 million in 2013.

Operating Expenses

The Upper District purchases imported water from MWD and sets its rates based on MWD's prevailing rates. For the years ended June 30, 2013 and 2012, purchased water cost decreased by \$2.21 million and \$10.39 million, respectively, primarily due to lower than anticipated sale of imported water for groundwater recharge.

Capital Asset Administration

At June 30, 2013, 2012 and 2011, the Upper District's investments in capital assets net of accumulated depreciation amounted to \$51.65 million, \$41.03 million and \$35.98 million, respectively. The following is a summary of capital assets:

	June 30			Change			
				2013/2012		2012/2011	
	2013	2012	2011	Dollar	Percentage	Dollar	Percentage
Land	\$ 81	\$ 81	\$ 81	\$ -	0.0%	\$ -	0.0%
Construction in progress	32,583	27,191	21,943	5,392	19.6%	5,248	23.9%
Building and improvements	560	560	560	-	0.0%	-	0.0%
Intangible utility plant	583	583	583	-	0.0%	-	0.0%
Water recycling	20,878	15,203	15,203	5,675	37.3%	-	0.0%
Source of supply	103	95	74	8	8.4%	21	28.4%
Office furniture and equipment	589	530	364	39	7.4%	166	45.6%
	55,357	44,243	38,808	11,114	25.1%	5,435	14.0%
Less accumulated depreciation	(3,707)	(3,211)	(2,833)	(496)	15.4%	(378)	13.3%
Net capital assets	\$ 51,650	\$ 41,032	\$ 35,975	\$ 10,618	25.9%	\$ 5,057	14.1%

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Upper San Gabriel Valley Municipal Water District Management's Discussion and Analysis June 30, 2013 and 2012

A significant portion of the construction in progress as of June 30, 2013 and 2012 is attributable to construction activities related to Upper District's recycled water projects.

For more information regarding the Upper District's capital assets, please refer to Note 3 of the notes to financial statements.

Long-term Debt

Construction activities for the City of Industry Project were partially funded by State Revolving Fund (SRF) loan from the State Water Resources Control Board (SWRCB) which, as of June 30, 2013 and 2012, amounted to \$12,455,676 and \$3,450,210, respectively. Detailed information on Upper District's long-term debt is presented under Note 5 in the Notes to Financial Statements.

Water Rates and Other Charges

On July 2, 2013, the Board of Directors approved water rates and charges for the different classes of water effective on January 1, 2014 with no increase in District surcharge, just a pass through of the increase in MWD's treatment surcharge. Please refer to page 35 of the statistical section for Upper District's water rates for the last ten fiscal years.

On June 4, 2013, the Board of Directors approved the adoption of a water standby or availability of service charge at rates equal to prior year's, \$8.00 per acre of land or \$8.00 for each parcel of land less than an acre within the Upper District's service area. This charge generates approximately \$1.66 million in revenues.

Conditions Affecting Current Financial Position

The past practice of groundwater Basin management which relied on a high probability of surplus imported water, is not well suited for the level of risk and uncertainty in the imported water system today. Recognizing this reality, Upper District held a series of workshops and prepared several white papers evaluating alternative Basin management and storage strategies. This effort led to Watermaster adopting a storage program predicated on moderate levels of operating safe yield and regular annual purchases of supplemental water. Through this new program Watermaster and the producers committed by resolution to purchase a minimum of 32,000 acre-feet per year from Upper District, greatly improving and stabilizing Upper District's financial condition and improving the ability to finance much needed investments in water supply reliability identified in the IRP.

Requests for Information

This financial report is designed to provide the Upper District's funding sources, customers, stakeholders and other interested parties with an overview of the Upper District's financial operations and overall financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Upper District's Chief Financial Officer at 602 E. Huntington Drive, Suite B, Monrovia, California 91016

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Basic Financial Statements

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Upper San Gabriel Valley Municipal Water District Statements of Net Position

ASSETS	June 30	
	2013	2012
Current assets		
Cash and cash equivalents	\$ 15,360,221	\$ 16,591,883
Receivables		
Water sales	994,478	833,957
Grants	3,248,201	901,775
Other	153,655	183,618
Prepaid items	49,229	43,543
Total current assets	<u>19,805,784</u>	<u>18,554,776</u>
Capital assets		
Land and construction-in-progress	32,663,771	27,272,108
Depreciable capital assets, net	<u>18,986,564</u>	<u>13,760,116</u>
Net capital assets	<u>51,650,335</u>	<u>41,032,224</u>
Total assets	<u>71,456,119</u>	<u>59,587,000</u>
LIABILITIES		
Current liabilities		
Accounts payable		
Metropolitan Water District	350,983	489,224
Other	1,134,384	1,692,227
Accrued liabilities	136,121	68,131
Total current liabilities	<u>1,621,488</u>	<u>2,249,582</u>
Noncurrent liabilities		
Due to State Water Resources Control Board	12,455,676	3,450,210
Other postemployment benefits	988,347	791,165
Compensated absences, net of current portion	23,987	32,625
Total noncurrent liabilities	<u>13,466,010</u>	<u>4,274,000</u>
Total liabilities	<u>15,087,498</u>	<u>6,523,582</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	<u>174,006</u>	<u>265,482</u>
NET POSITION		
Net investment in capital assets	39,194,659	37,582,014
Unrestricted	<u>16,999,956</u>	<u>15,215,922</u>
Total net position	<u>\$ 56,194,615</u>	<u>\$ 52,797,936</u>

See notes to the financial statements.

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Upper San Gabriel Valley Municipal Water District Statements of Revenues, Expenses and Changes in Net Position

	Years ended June 30	
	2013	2012
Operating revenues		
Water revenue	\$ 12,395,427	\$ 14,714,480
Water conservation	195,001	332,669
Other	246,923	268,502
Total operating revenues	12,837,351	15,315,651
Operating expenses		
Sources of supply	10,524,787	12,729,702
Water quality and supply program	1,813,586	1,619,326
Recycling costs	1,079,603	639,237
Conservation	776,378	1,781,566
Depreciation	495,789	377,411
General and administrative	2,648,452	2,085,287
Total operating expenses	17,338,595	19,232,529
Operating loss	(4,501,244)	(3,916,878)
Nonoperating revenues (expenses)		
Standby charges	3,542,467	3,575,604
Nonoperating program expenses	(991,381)	(2,306,154)
Investment earnings	40,710	65,196
Taxes	379,079	336,792
Net nonoperating revenues	2,970,875	1,671,438
Loss before contributions	(1,530,369)	(2,245,440)
Contributions for capital acquisition/construction	4,927,048	1,644,983
Change in net position	3,396,679	(600,457)
Net position at beginning of year	52,797,936	53,398,393
Net position at end of year	\$ 56,194,615	\$ 52,797,936

See notes to the financial statements.

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Upper San Gabriel Valley Municipal Water District Statements of Cash Flows

	Years ended June 30	
	2013	2012
Cash flows from operating activities		
Cash received from customers	\$ 10,227,702	\$ 18,205,749
Cash payments to suppliers for goods and services	(16,000,734)	(21,332,054)
Cash payments to employees for services	(1,289,308)	(1,312,793)
Net cash used in operating activities	(7,062,340)	(4,439,098)
Cash flows from noncapital financing activities		
Cash received for property taxes	379,079	336,792
Cash paid for nonoperating program expenses	(991,381)	(2,306,154)
Cash received for standby charges	3,577,641	3,558,619
Net cash provided by noncapital financing activities	2,965,339	1,589,257
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(11,113,900)	(5,434,408)
Capital contributions	13,932,514	3,899,923
Net cash provided by (used in) capital and related financing activities	2,818,614	(1,534,485)
Cash flows from investing activities		
Net employee (loans) repayments	-	1,093
Investment earnings	46,725	74,249
Net cash provided by investing activities	46,725	75,342
Change in cash and cash equivalents	(1,231,662)	(4,308,984)
Cash and cash equivalents at beginning of year	16,591,883	20,900,867
Cash and cash equivalents at end of year	\$ <u>15,360,221</u>	\$ <u>16,591,883</u>

See notes to the financial statements.

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Upper San Gabriel Valley Municipal Water District Statements of Cash Flows (continued)

	Years ended June 30	
	2013	2012
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ <u>(4,501,244)</u>	\$ <u>(3,916,878)</u>
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	495,789	377,411
Changes in operating assets and liabilities:		
Accounts receivable	(2,518,173)	2,630,916
Prepaid items	(5,686)	69,477
Accounts payable and accrued expenses	(441,550)	(3,859,206)
Unearned revenue	(91,476)	259,182
Net adjustments	<u>(2,561,096)</u>	<u>(522,220)</u>
Net cash used in operating activities	\$ <u>(7,062,340)</u>	\$ <u>(4,439,098)</u>

See notes to the financial statements.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

Upper San Gabriel Valley Municipal Water District (the Upper District), which comprises an area of approximately 144 square miles, was incorporated on January 7, 1960 under the provisions of the Municipal Water District Law of 1911, as amended, (now cited as "The Municipal Water District Law of 1911", Division 20, California Water Code) as a result of a special election held on December 8, 1959. On March 12, 1963, the voters of the Upper District elected to join the Metropolitan Water District of Southern California and, on November 2, 1965, the citizens of West Covina voted to join the Upper District.

Adjudication proceedings, which established the legal determination of water rights of individual pumpers in the area in relation to the safe yield of the total water basin, were completed on December 29, 1972. The decree established a Watermaster, the Main San Gabriel Basin Watermaster, who took over the function of levying and collecting the assessments that had previously been levied and collected by the Upper San Gabriel Valley Municipal Water District through its reimbursement contract and replenishment funds.

The Upper District's missions are 1) to provide a reliable supply of high quality drinking water at the lowest possible cost; 2) to provide a drought-proof and economical supply of recycled water for industrial and irrigation uses, and, 3) to provide and complete projects that aggressively advance water use efficiency throughout the San Gabriel Valley.

Basis of Accounting and Measurement Focus

The Upper District is considered an enterprise fund for financial reporting purposes. The accompanying financial statements have been prepared using the economic measurement focus and the accrual basis of accounting. Under this basis of accounting and measurement focus, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The Upper District has elected not to apply the option allowed in Paragraph 7 of Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, that is to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The Upper District's financial statements are presented in accordance with the provisions of GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. Statement No. 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net position into three components – net investment in capital assets; restricted, and unrestricted. These classifications are defined as follows:

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on resources through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of resources that do not meet the definition of "restricted" or "net investment in capital assets."

The Upper District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an entity's ongoing operations. The Upper District defines operating revenues as those realized by the Upper District in exchange for providing its primary services for water sales and water programs including conservation and recycled water. Nonoperating revenues are those derived from the investment of cash reserves and from entities other than customers and other ancillary sources.

New Accounting Pronouncements

During the fiscal year ended June 30, 2013, the District early implemented certain provisions of GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63)*. This statement amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

During the fiscal year ended June 30, 2013, the Upper District early implemented certain provisions of GASB No. 65, *Items Previously Reported as Assets and Liabilities (GASB 65)*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risk Management

The Upper District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling, self-insurance authority, created under the provisions of California Government Code Sections 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2013, the Upper District participated in the self-insurance program of the Insurance Authority as follows:

Property Loss – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$100,000,000 (total insurable value of \$3,792,774), with \$25,000 deductible.

General Liability – The Insurance Authority has pooled self-insurance up to \$2,000,000 and has purchased excess insurance coverage up to \$58,000,000.

Auto Liability – The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$58,000,000.

Public Officials' Liability and Errors and Omissions - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$58,000,000.

Fidelity: Public Employee Dishonesty, Forgery or Alteration, Computer Fraud & ERISA – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence, with \$1,000 deductible.

Workers' Compensation - The Insurance Authority has pooled self-insurance up to \$2,000,000 each for workers' compensation and employers' liability. The employers' liability is insured up to \$2,000,000 in excess of \$2,000,000 Self-Insured Retention. Workers' compensation is insured up to the statutory limit.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents have been defined as deposits and highly liquid investments with maturity of 90 days or less at the date of purchase.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets are recorded at cost. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. The Upper District uses differing capitalization thresholds for the classes of assets based on materiality. The Upper District's policy is to review for capitalization those expenditures greater than \$500 that have a useful life of more than one year. Estimated service lives for the Upper District's classes of assets are as follows.

Distribution system	50 years
Building	50 years
Building improvements	10 - 15 years
Furniture and equipment	5 - 10 years

Unearned Revenue

Unearned revenue is water revenue paid by customers as well as rental revenue paid by a lessee in the current period but is yet to be earned by the Upper District.

Compensated Absences

The Upper District's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for the Upper District's obligation to the employees for the amount owed. It is management's belief that the majority of the obligation will be utilized during the course of the next fiscal year. Vacation pay is payable to employees at the time a vacation is taken, cashed out or upon termination of employment. Normally, an employee cannot accrue more than thirty days of vacation each year. Sick leave is payable when an employee is unable to work because of illness. Upon retirement, an employee will be paid for any unused sick leave.

Overhead Absorption

Certain operating expenses are allocated to capital assets using management's allocation of manpower and service estimates that are directly related to the construction of capital assets.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the Upper District by federal and state granting agencies.

Budgetary Policies

The Upper District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Reclassification

Certain reclassifications have been made to prior period financial statements to conform to the current presentation for the implementation of GASB Nos. 63 and 65.

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Upper San Gabriel Valley Municipal Water District Notes to Financial Statements Years ended June 30, 2013 and 2012

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30 consist of the following:

	2013	2012
Imprest cash on hand	\$ 500	\$ 500
Deposit with financial institution	597,987	462,008
Local Agency Investment Fund ⁽¹⁾	14,761,734	16,114,361
Money market	-	15,016
Total cash and cash equivalents	<u>\$ 15,360,221</u>	<u>\$ 16,591,883</u>

⁽¹⁾The Upper District is a voluntary participant in the Local Agency Investment Fund (LAIF), a special fund regulated by the California State Treasury through which each city, district or agency may invest up to \$40 million. As of June 30, 2013 and 2012, the total fair value of LAIF, including accrued interest was approximately \$58.9 billion and \$60.6 billion respectively. The Upper District's proportionate share of that value is \$14.8 million and \$18.1 million as of June 30, 2013 and 2012, respectively. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. In regards to credit rating, LAIF is unrated as of June 30, 2013 and 2012.

Investment Policy

The Upper District's investment policy outlines the guidelines required to be used in effectively managing the Upper District's available cash in accordance with the California Government Code. To address interest rate risk, the Upper District's existing policy limits the maturity of investments to five years, with the exception of special trust funds which shall not be subject to this limitation. To mitigate credit risks associated with its investments, the Upper District's investment policy limits investments to large institutions and requires diversification to ensure that failure of one issuer will not significantly affect the Upper District's cash flow.

Interest Rate Risk

Interest rate risk, as defined under GASB Statement No. 40, is the risk that changes in interest rates will adversely affect the fair value of an investment. The Upper District's investments have a weighted average maturity of 278 days, generally consistent with its cash flow and liquidity needs. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Upper District's investment policy limits eligible investments to large institutions. As of June 30, 2013 and 2012, the Upper District had almost all of its investments in LAIF.

Concentration of Credit Risk

Under GASB Statement No. 40, concentration of credit risk is the risk of loss attributable to the magnitude of the Upper District's investment in a single issuer. As of June 30, 2013 and 2012, the Upper District had no outstanding investments aside from the LAIF investments mentioned above.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

GASB Statement No. 40 defines custodial credit risk as the risk that the Upper District will not be able to (a) recover deposits if the depository financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

Deposits

The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's (agency) deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits. The agency may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, the FDIC will insure noninterest-bearing transaction accounts, which generally provides each depositor up to \$250,000 in coverage at each separately chartered insured depository institution.

Deposits are exposed to custodial credit risk if they are uninsured and are either:

- a. Uncollateralized.
- b. Collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the depositor-government's name.

At June 30, 2013 and 2012, the Upper District's deposits (bank balances) exceeded the maximum deposit insurance amount by \$337,000 and \$0, respectively.

Investments

The California Government Code authorizes the Upper District to invest in obligations of the United States Treasury, agencies, and instrumentalities; prime commercial paper; bankers' acceptances, repurchase and reverse repurchase agreements; financial futures or financial option contracts; negotiable certificates of deposit; obligations of the State of California; and, obligations of local agencies within California.

Investments are exposed to custodial credit risk if they are uninsured, unregistered and held by either:

- a. Counterparty.
- b. The counterparty's trust department or agent but not in the government's name.

At June 30, 2013 and 2012, the Upper District had no investments.

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Upper San Gabriel Valley Municipal Water District Notes to Financial Statements Years ended June 30, 2013 and 2012

NOTE 3 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2013 were as follows:

	Balances at July 1, 2012	Additions	Deletions/ Transfers	Balances at June 30, 2013
Non-depreciable capital assets				
Land	\$ 80,848	\$ -	\$ -	\$ 80,848
Construction in-progress	27,191,260	11,066,457	(5,674,794)	32,582,923
Total non-depreciable capital assets	27,272,108	11,066,457	(5,674,794)	32,663,771
Depreciable capital assets				
Building and improvements	559,820	-	-	559,820
Intangible utility plant	582,772	-	-	582,772
Water recycling	15,203,246	-	5,674,794	20,878,040
Furniture and equipment	529,902	39,088	-	588,990
Other	95,067	8,355	-	103,422
Total depreciable capital assets	16,970,807	47,443	5,674,794	22,683,044
Accumulated depreciation				
Building and improvements	(422,682)	(22,631)	-	(445,313)
Intangible utility plant	(582,772)	-	-	(582,772)
Water recycling	(1,863,567)	(419,383)	-	(2,282,950)
Furniture and equipment	(311,491)	(51,678)	-	(363,169)
Other	(30,179)	(2,097)	-	(32,276)
Total Accumulated Depreciation	(3,210,691)	(495,789)	-	(3,706,480)
Net depreciable capital assets	13,760,116	(448,346)	5,674,794	18,986,564
Net capital assets	\$ 41,032,224	\$ 10,618,111*	\$ -	\$ 51,650,335

Changes in capital assets for the year ended June 30, 2012 were as follows:

	Balances at July 1, 2011	Additions	Deletions/ Transfers	Balances at June 30, 2012
Non-depreciable capital assets				
Land	\$ 80,848	\$ -	\$ -	\$ 80,848
Construction in progress	21,943,143	5,248,117	-	27,191,260
Total non-depreciable capital assets	22,023,991	5,248,117	-	27,272,108
Depreciable capital assets				
Building and improvements	559,820	-	-	559,820
Intangible utility plant	582,772	-	-	582,772
Water recycling	15,203,246	-	-	15,203,246
Furniture and equipment	364,577	165,375	-	529,902
Other	74,102	20,965	-	95,067
Total depreciable capital assets	16,784,517	186,290	-	16,970,807
Accumulated depreciation				
Building and improvements	(400,051)	(22,631)	-	(422,682)
Intangible utility plant	(582,772)	-	-	(582,772)
Water recycling	(1,559,190)	(304,377)	-	(1,863,567)
Furniture and equipment	(261,437)	(50,054)	-	(311,491)
Other	(29,830)	(349)	-	(30,179)
Total Accumulated Depreciation	(2,833,280)	(377,411)	-	(3,210,691)
Net depreciable capital assets	13,951,237	(191,121)	-	13,760,116
Net capital assets	\$ 35,975,228	\$ 5,056,996	\$ -	\$ 41,032,224

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 3 CAPITAL ASSETS (CONTINUED)

Major capital asset additions during the year include work on various stages of construction projects. A significant portion of these additions were constructed by the Upper District and/or sub-contractors. During the fiscal year ended June 30, 2013, the Upper District completed the Water Recycling Program Phase IIA – Rosemead Extension and transferred out \$5,674,794 of construction-in-progress to Water Recycling.

NOTE 4 COMPENSATED ABSENCES

Changes in compensated absences were as follows.

	June 30	
	2013	2012
Balance at beginning of year	\$ 72,891	\$ 60,499
Earned by employees	74,290	65,175
Taken by/paid to employees	(83,233)	(52,783)
Balance at end of year	63,948	72,891
Less current portion	39,961	40,266
Long-term portion	\$ 23,987	\$ 32,625

Current portion of compensated absences is included as part of accrued liabilities.

NOTE 5 AGREEMENTS WITH STATE WATER RESOURCES CONTROL BOARD

\$5 Million Grant Agreement

In September 2008, the California State Water Resources Control Board (CSWRCB) provided a \$5 million Water Recycling Grant to the Upper District for use in expanding its current recycled water use in and around the existing service area with reliable and supplemental water supply. The term of the agreement began on September 16, 2008, and will continue through project completion plus thirty five (35) years unless otherwise terminated or amended as provided in the grant agreement. All work was completed by March 31, 2013 and no funds were requested after May 1, 2013. During the fiscal years ended June 30, 2013 and 2012, the Upper District received a total of \$1,383,505 and \$845,220 from CSWRCB, respectively.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 5 AGREEMENTS WITH STATE WATER RESOURCES CONTROL BOARD (CONTINUED)

\$17.02 Million Project Finance Agreements

In December 2009, the Upper District entered into four (4) project finance agreements with the CSWRCB for a total amount of \$17.02 million for the purpose of financing the planning, design, acquisition, construction and installation of the Water Recycling Pipeline and Pump Station Project Phase IIB. These project funds shall be repaid in annual installments commencing on the date that is one year after completion of construction and payable up to 21 years at zero interest rate. As of June 30, 2013 and 2012, the Upper District has drawn down a total of \$12,455,676 and \$3,450,210 under this agreement, respectively. Construction activities funded by the CSWRCB loans were completed as of June 30, 2013.

Amounts due under the agreements are as follows:

Year ending June 30	
2014	\$ 799,585
2015	853,488
2016	853,488
2017	853,488
2018	853,488
2019-2023	4,267,440
2024-2028	4,267,440
2029-2033	3,578,971
	<u>\$ 16,327,388</u>

The Upper District repaid \$610,648 during the year ended June 30, 2013, of which \$427,149 related to principal payments and \$183,499 related to imputed interest.

NOTE 6 DEFINED BENEFIT PENSION PLAN

Plan Description

The Upper District's defined benefit pension plan (the Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the Upper District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 Q Street, Sacramento, California 95811.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS. Under the Public Employees' Pension Reform Act (PEPRA) of 2013, Upper District pays the member contribution to CalPERS (8% of annual covered salary) for employees. New members hired on or after January 1, 2013 are required to contribute at least 50% of their normal pension cost.

The Upper District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for the fiscal years ended June 30, 2013 and 2012 were 34.02% and 28.92%, respectively, for classic members. Required employer contribution rate for new members is 6.9% for the fiscal year ended June 30, 2013.

Annual Pension Cost

For the years ended June 30, 2013 and 2012, the Upper District's annual pension cost and actual contribution was \$410,614 and \$361,930, respectively. The required contributions for the fiscal years ended June 30, 2013 and 2012 were determined as part of the June 30, 2010 actuarial valuation.

Three Year Trend Information

<u>Fiscal year end</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 254,683	100%	\$ -
June 30, 2012	361,930	100%	-
June 30, 2013	410,614	100%	-

Initial unfunded liabilities are amortized over a closed period equal to the average amortization period at the plan's date of entry into CalPERS Risk Pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30-year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

See Schedule of Funding Progress in the Required Supplementary Information section.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 7 DEFERRED COMPENSATION AGREEMENT

The Upper District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all of the Upper District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the plan are held in trust and are not subject to the creditors of the Upper District. Accordingly, the plan assets and liabilities are not reflected on these financial statements.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Upper District provides postemployment healthcare benefits to certain employees, directors and their dependents based on resolutions by the Board of Directors as follows:

- A Health & Accident and Major Medical Payments Insurance Policy, as selected and approved by the Board
- A maximum of \$2,500 per calendar year for retirees and their dependents for medical costs not covered by the insurance policy above
- A maximum of \$2,500 per calendar year for costs of dental, vision and/or hearing

These benefits are provided for each retired employee who has served the Upper District for more than ten years before terminating employment at age 55 years or older and each retired director who served in office after January 1, 1981, was elected to the board prior to January 1, 1995, has served not less than twelve years or three full terms of office and has attained the age of 50 years.

The Upper District finances these benefits on a pay-as-you-go basis. Total benefits paid during the years ended June 30, 2013 and 2012 amounted to \$129,744 and \$135,779 respectively. As of June 30, 2013 and 2012, there were 10 and 11 participants receiving benefits under these programs, respectively

In 2004, GASB adopted Statement No. 45, which addresses *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. Along with other agencies with total annual revenues of \$10 million or more but not over \$100 million, the Upper District implemented the GASB Statement No. 45 OPEB reporting requirements beginning in Fiscal Year 2008-2009.

As of June 30, 2013, the Upper District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors. However, the Upper District accrued the required annual contribution based on the actuarial valuation report

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Eligible participants to the plan at July 1, 2012, the date of the latest actuarial valuation are as follows:

Retirees receiving benefits	11
Active / full-time employees/Directors	<u>11</u>
Total	<u>22</u>

The funded status of the plan as of June 30, 2012 based on the plan's most recent actuarial valuation date of July 1, 2012 was:

Actuarial accrued liability (AAL)	\$	2,968,114
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u>2,968,114</u>
Funded ratio (actuarial value of plan assets / AAL)		<u>0%</u>
Normal cost	\$	<u>91,919</u>

	Years Ended June 30	
	<u>2013</u>	<u>2012</u>
Covered Payroll	\$ 951,000	\$ 786,000
Amortization of Unfunded Actuarial Accrued Liability as a % of Covered Payroll	21.30%	25.60%

The actuarial method used in estimating the liability is the Projected Unit Credit with service prorate cost method. Under this cost method, the Actuarial Accrued Liability (AAL) is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The significant assumptions in the computation include a discount rate of 5% per annum, inflation of 3% per annum and an annual increase in payroll of 3.25%. The discount rate assumes the Upper District continues to fund for its retiree health benefits on a pay-as-you-go basis.

The following table shows the components of the Upper District's annual OPEB cost for the year (based on 30-year amortization using the level percentage of projected payroll), the amount of benefits and/or insurance premiums actually paid and the District's net OPEB obligation as of June 30, 2013 and 2012:

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 299,213	\$ 306,762
Interest on net OPEB obligation	25,713	19,521
Adjustment to ARC	-	-
Annual OPEB cost	<u>324,926</u>	<u>326,283</u>
Benefit payments	<u>(129,744)</u>	<u>(135,778)</u>
Increase in net OPEB obligation	195,182	190,505
Net OPEB obligation - beginning of year	<u>791,165</u>	<u>600,660</u>
Net OPEB obligation - end of year	<u>\$ 986,347</u>	<u>\$ 791,165</u>

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a 30-year period based on a level-dollar basis.

Three Year Trend Information

<u>Fiscal year end</u>	<u>Annual OPEB cost</u>	<u>Benefit Payment</u>	<u>Percentage of annual OPEB cost paid</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 314,245	\$ 97,966	31%	\$ 600,660
June 30, 2012	326,283	135,778	42%	791,165
June 30, 2013	324,926	129,744	40%	986,347

See Schedule of Funding Progress in the Required Supplementary Information section.

The following is a summary of the actuarial assumptions and methods:

Actuarial Assumptions:

Investment Rate of Return	5.00% to 7.61% (net of administrative expenses) depending on employer funding policy
Projected Salary Increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

A 1% increase in the healthcare trend rate for each future year would increase the annual required contribution by 17%.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 9 COMMITMENTS AND CONTINGENCIES

Operating Lease

The Upper District has entered into a noncancellable operating lease for its office space in Monrovia, California. Amounts due under the lease are as follows:

Year ending June 30	
2014	\$ 206,031
2015	212,208
2016	218,576
2017	18,259
	<u>\$ 655,074</u>

The Upper District incurred rental expense of \$200,520 and \$178,453 for the years ended June 30, 2013 and 2012, respectively.

Grant Awards

The Upper District has received funds for specific purposes that are subject to review and audit by the grantors. Although such audits could generate expenditure disallowances under terms of the grants or contracts, management believes that any required reimbursements will not be material.

Litigation

Legal claims and lawsuits arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the Upper District's financial position.

Construction Activities

The Upper District has a variety of agreements with private contractors relating to the construction of water recycling projects. The Upper District has committed to approximately \$1.51 million and \$4.39 million of open construction contracts as of June 30, 2013 and 2012, respectively.

NOTE 10 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the Upper District.

GASB No. 66 - GASB has issued Statement No. 66, *Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62*. The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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Upper San Gabriel Valley Municipal Water District
Notes to Financial Statements
Years ended June 30, 2013 and 2012

NOTE 10 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

GASB No. 67 - GASB has issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013.

GASB No. 68 - GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

GASB No. 69 - GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013.

GASB No. 70 - GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

NOTE 11 SUBSEQUENT EVENTS

The Upper District has evaluated events or transactions through **DATE OPEN**, the date on which the financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no other subsequent matters require disclosure or adjustment to the accompanying financial statements

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**Required Supplementary Information
(Unaudited)**

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Upper San Gabriel Valley Municipal Water District
 Required Supplementary Information
 Years ended June 30, 2013 and 2012

Schedule of Funding Progress – CalPERS

Actuarial Valuation Date	Actuarial Asset Value in '000s (A)	Entry Age Actuarial Accrued Liability (AAL) in '000s (B)	Unfunded Actuarial Accrued Liability (Excess Assets) [(B) - (A)] (UL) in '000s (C)	Funded Ratio [(A) / (B)] (D)	Annual Covered Payroll in '000s (E)	Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll [(B) - (A)]/(E)] (F)
June 30, 2009	\$ 1,674,260	\$ 2,140,439	\$ 466,179	78.22%	\$ 440,071	105.93%
June 30, 2010	1,815,672	2,297,871	482,199	79.02%	434,023	111.10%
June 30, 2011	1,981,073	2,486,709	505,636	79.67%	427,300	118.33%

The following is a summary of the actuarial assumptions and methods:

Actuarial Assumptions:

Investment Rate of Return	7.75% (net of administrative expenses) (Changed to 7.50% for June 30, 2011 valuation)
Projected Salary Increases	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00% (Changed to 2.75% for June 30, 2011 valuation)
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Note: Information shown above is for compliance with GASB No. 27 for a cost-sharing multiple employer defined benefit plan.

Schedule of Funding Progress – OPEB

Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (AAL) (B)	Unfunded Actuarial Accrued Liability (Excess Assets) [(B) - (A)] (UL) (C)	Funded Ratio [(A) / (B)] (D)	Annual Covered Payroll (E)	Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll [(B) - (A)]/(E)] (F)
June 30, 2009	\$ -	\$ 3,098,596	\$ 3,098,596	0.00%	\$ 737,000	420%
June 30, 2012	-	2,988,114	2,968,114	0.00%	\$ 951,000	312%

The significant assumptions in the computation include a discount rate of 5% per annum, inflation of 3% per annum and an annual increase in payroll of 3.25%.

See report of independent auditors.

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**Statistical Section
(Unaudited)**

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Upper San Gabriel Valley Municipal Water District
Statistical Section
Years ended June 30, 2013 and 2012

This part of the Upper District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Upper District's overall financial health.

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This schedule offers demographic indicators to help the reader understand the environment within which the Upper District's financial activities take place	37
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Upper San Gabriel Valley Municipal Water District
Changes in Net Position
Last Ten Fiscal Years (Unaudited)
(In Thousands)

	Fiscal Year Ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Changes in net position										
Operating revenues	\$ 21,990	\$ 16,435	\$ 18,528	\$ 10,325	\$ 15,323	\$ 14,566	\$ 14,487	\$ 26,057	\$ 15,318	\$ 12,837
Operating expenses	(24,103)	(19,172)	(22,330)	(14,109)	(18,998)	(18,793)	(19,887)	(28,331)	(18,858)	(16,842)
Depreciation and amortization	(157)	(171)	(123)	(272)	(333)	(328)	(340)	(339)	(377)	(498)
Operating Income (loss)	(2,270)	(2,854)	(3,927)	(4,056)	(4,008)	(4,555)	(5,740)	(2,613)	(3,917)	(4,501)
Nonoperating revenues (expenses)										
Standby charges	4,026	3,584	3,558	3,487	3,563	3,516	3,576	3,573	3,578	3,542
Nonoperating program expenses	-	-	-	-	-	-	-	(174)	(2,306)	(901)
Investment earnings	482	723	1,035	1,198	1,141	438	154	99	65	41
Taxes	229	56	80	284	315	335	305	333	337	379
Change in fair value of investments	(88)	12	(118)	110	65	-	-	-	-	-
Other revenue (expense) net	3	-	-	1	11	-	-	-	-	-
Net nonoperating revenues (expenses)	4,652	4,375	4,555	5,088	5,095	4,287	4,035	3,831	1,672	2,971
Net Income (loss) before capital contributions	2,382	1,521	628	1,032	1,087	(268)	(1,705)	1,218	(2,245)	(1,530)
Contributions for capital acquisition/construction	228	1,172	2,740	887	710	1,006	1,804	3,568	1,645	4,927
Changes in net position	\$ 2,610	\$ 2,693	\$ 3,368	\$ 1,919	\$ 1,797	\$ 738	\$ 98	\$ 4,784	\$ (800)	\$ 3,397

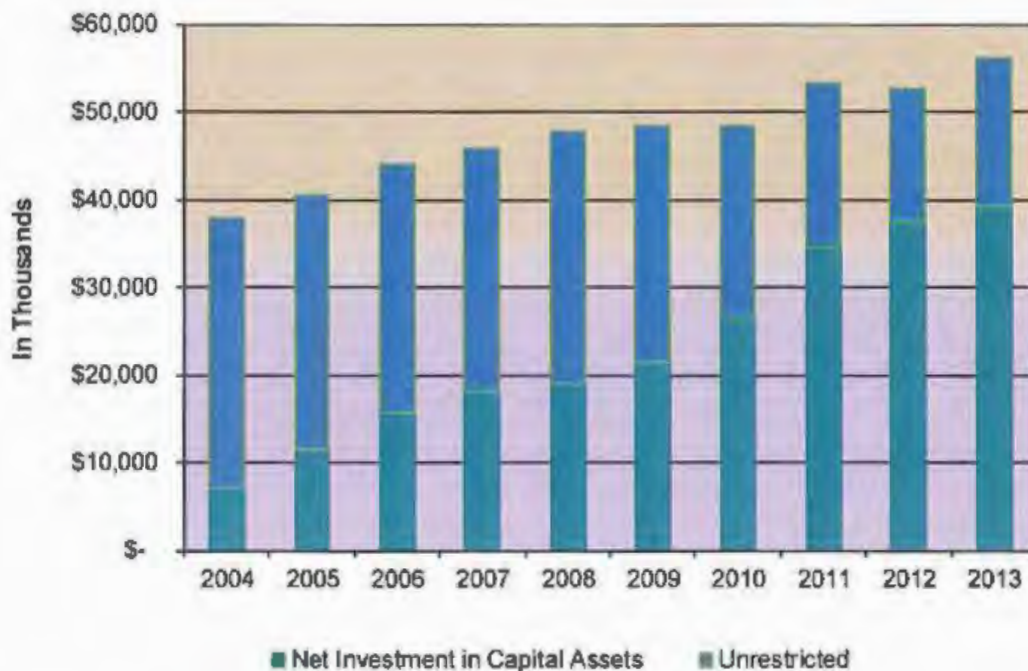
Source: Finance and Administration Department

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Upper San Gabriel Valley Municipal Water District Net Position by Component Last Ten Fiscal Years (Unaudited) (In Thousands)

June 30	Net Investment in Capital Assets		Unrestricted		Total
2004	\$	7,234	\$	30,765	\$ 37,999
2005		11,461		29,230	40,691
2006		15,661		28,398	44,059
2007		18,269		27,710	45,979
2008		19,119		28,658	47,777
2009		21,555		26,960	48,515
2010		26,625		21,989	48,614
2011		34,780		18,618	53,398
2012		37,582		15,216	52,798
2013		39,195		17,000	56,195



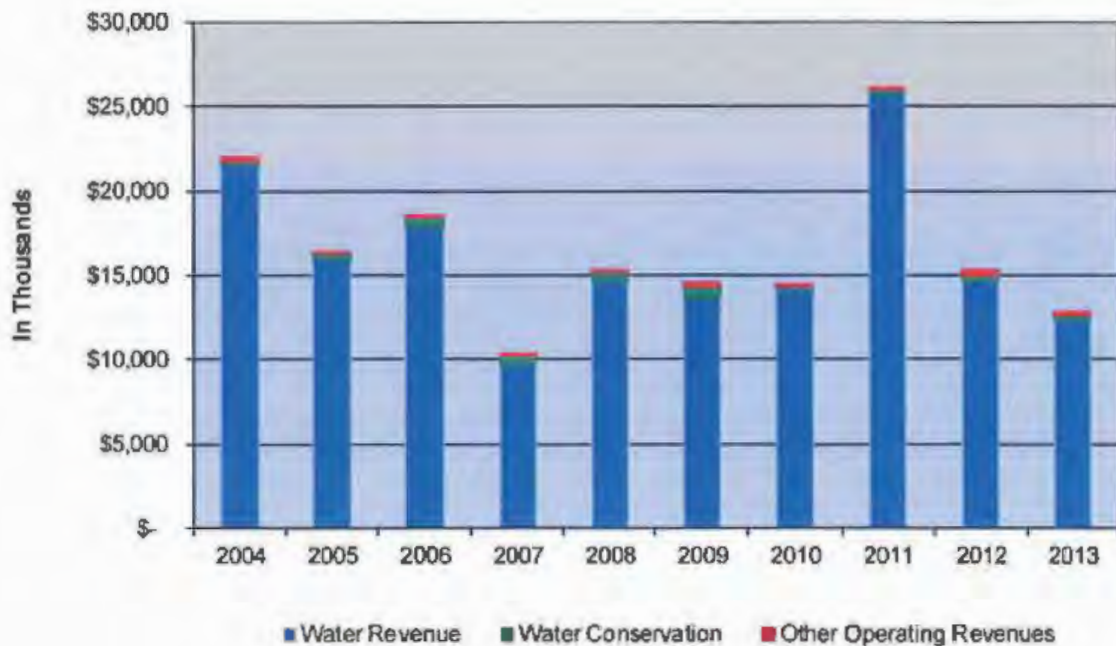
Source: Finance and Administration Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District Operating Revenues by Major Source Last Ten Fiscal Years (Unaudited) (In Thousands)

Fiscal Year Ended June 30	Water Revenue	Water Conservation	Other Operating Revenues	Total Operating Revenues
2004	\$ 21,630	\$ 174	\$ 186	\$ 21,990
2005	15,946	369	120	16,435
2006	17,921	525	80	18,526
2007	9,734	513	78	10,325
2008	14,684	559	80	15,323
2009	13,732	625	209	14,566
2010	14,115	292	80	14,487
2011	25,811	144	102	26,057
2012	14,714	333	269	15,316
2013	12,395	195	247	12,837



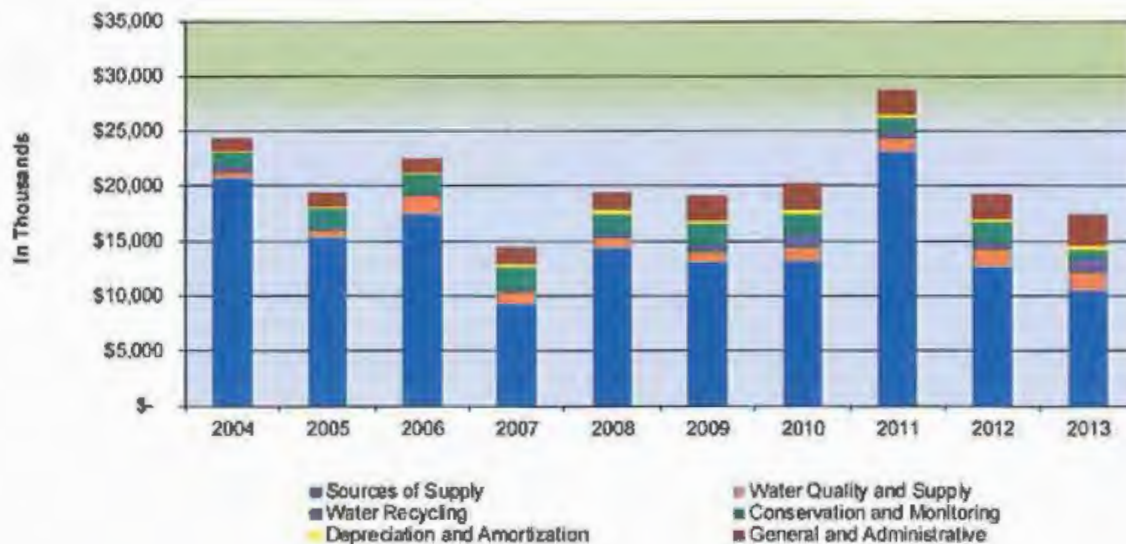
Source: Finance and Administration Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District Operating Expenses by Activity Last Ten Fiscal Years (Unaudited) (In Thousands)

Fiscal Year Ended June 30	Sources of Supply	Water Quality and Supply	Water Recycling	Conservation	Depreciation and Amortization	General and Administrative	Total Operating Expenses
2004	\$ 20,812	\$ 555	\$ 550	\$ 1,295	\$ 157	\$ 891	\$ 24,260
2005	15,317	719	230	1,841	117	1,065	19,289
2006	17,517	1,751	214	1,730	123	1,118	22,453
2007	9,348	1,051	334	2,020	272	1,356	14,381
2008	14,336	1,035	487	1,698	333	1,442	19,331
2009	13,175	999	575	1,931	328	2,113	19,121
2010	13,230	1,320	1,108	1,919	340	2,311	20,228
2011	23,119	1,362	547	1,274	339	2,029	28,670
2012	12,730	1,619	639	1,782	378	2,085	19,233
2013	10,524	1,814	1,080	776	496	2,648	17,338



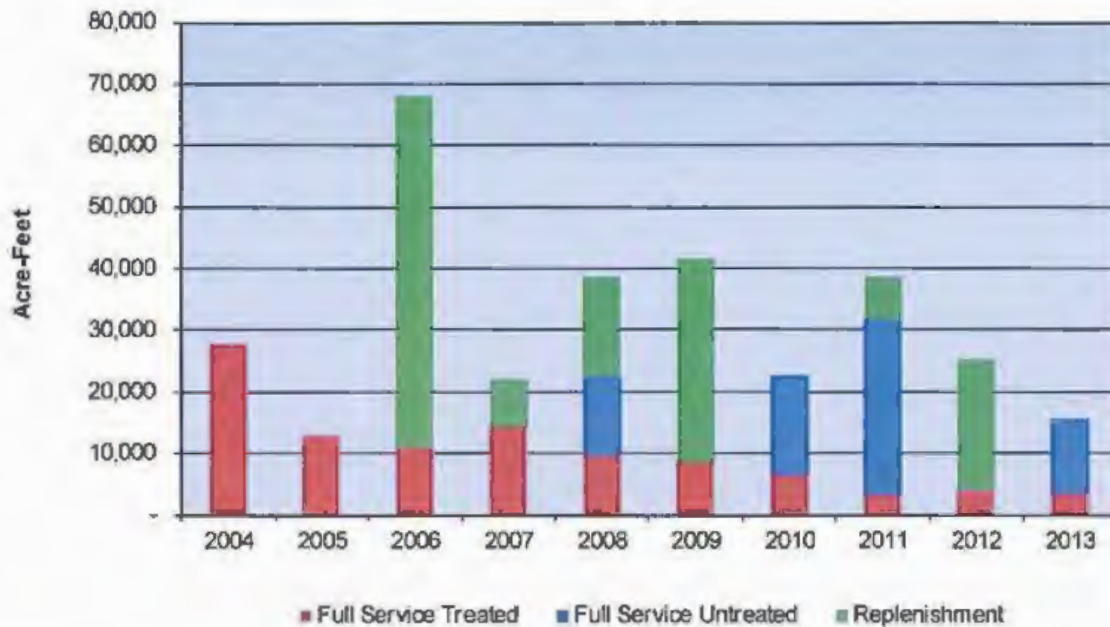
Source: Finance and Administration Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District Imported Water Deliveries Last Ten Fiscal Years (Unaudited) (In Acre Feet)

Fiscal Year Ended June 30	Treated	Full Service Untreated	Replenishment	Total
2004	27,675	-	-	27,675
2005	12,895	-	-	12,895
2006	10,981	-	57,069	68,051
2007	14,290	-	7,861	22,151
2008	9,607	13,075	15,879	38,562
2009	8,533	-	33,072	41,605
2010	6,557	16,076	-	22,633
2011	3,429	28,155	7,230	38,814
2012	3,975	-	21,426	25,401
2013	3,529	12,035	-	15,564



Source: Finance and Administration Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District Imported Water Rates and Charges (Unaudited) Fiscal Years Ended June 30, 2013 and 2012

	Rate per Acre-Foot		
	MWD	Upper District Surcharge	Total
Fiscal Year Ended June 30, 2013			
<i>July 1, 2012 to December 31, 2012</i>			
Full Service Treated Tier 1	\$ 794	\$ 80	\$ 874
Full Service Treated Tier 2	920	80	1,000
Full Service Untreated Tier 1	560	80	640
Full Service Untreated Tier 2	686	80	766
Replenishment, Untreated	442	80	522
 <i>January 1, 2013 to June 30, 2013</i>			
Full Service Treated Tier 1	\$ 847	\$ 80	\$ 927
Full Service Treated Tier 2	997	80	1,077
Full Service Untreated Tier 1	593	80	673
Full Service Untreated Tier 2	743	80	823
Replenishment, Untreated	-	-	-
 Fiscal Year Ended June 30, 2012			
<i>July 1, 2011 to December 31, 2011</i>			
Full Service Treated Tier 1	\$ 744	\$ 96	\$ 840
Full Service Treated Tier 2	869	115	984
Full Service Untreated Tier 1	527	42	569
Full Service Untreated Tier 2	652	61	713
Replenishment, Untreated	409	20	429
 <i>January 1, 2012 to June 30, 2012</i>			
Full Service Treated Tier 1	\$ 794	\$ 80	\$ 874
Full Service Treated Tier 2	920	80	1,000
Full Service Untreated Tier 1	580	80	640
Full Service Untreated Tier 2	686	80	766
Replenishment, Untreated	442	80	522

Source: Finance and Administration Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District
 Water Rates per Acre-Foot (Unaudited)
 Last Ten Fiscal Years

As of June 30		Full Service Treated Tier 1	Full Service Treated Tier 2	Full Service Untreated Tier 1	Full Service Untreated Tier 2	Replenishment
2004	\$	452.55 \$	537.60 \$	-	-	246.65
2005		484.23	569.28	-	-	246.65
2006		484.23	585.03	-	-	251.90
2007		549.00	649.80	-	-	251.90
2008		549.00	649.80	349.55	450.35	251.90
2009		681.00	808.00	450.00	577.00	251.90
2010		797.00	926.00	526.00	655.00	386.00
2011		840.00	984.00	569.00	713.00	429.00
2012		874.00	1,000.00	640.00	766.00	522.00
2013		927.00	1,077.00	673.00	823.00	-

Source: Finance and Administration Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District
Treated Water Sales by Customer
Last Ten Fiscal Years (Unaudited)
(In Acre-Feet)

Fiscal Year Ended June 30	Golden State/Southern California Water Company	City of South Pasadena	Southwest Water Company	Watermaster/ City of Alhambra	City of Arcadia	City of Monrovia	City of Azusa	Valley County Water District	Total
2004	1,040	124	12,822	3,058	540.5	-	1,875	8,114.4	27,675
2005	1,138	209	7,316	2,998	-	0.8	1,110	123.0	12,895
2006	935	74	6,490	2,816	-	5.1	663	-	10,981
2007	459	178	9,483	2,963	-	-	1,207	0.1	14,290
2008	284	458	5,406	3,027	95.3	-	336	-	9,607
2009	167	180	3,544	3,065	1,398.9	0.2	179	-	8,533
2010	475	18	1,489	2,612	285.9	-	-	1,678.6	6,557
2011	297	14	688	2,425	0.2	-	-	-	3,426
2012	172	5	799	2,999	-	-	-	-	3,975
2013	17	196	278	3,037	0.1	-	-	-	3,529

Source: Finance and Administration Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District Demographics and Economic Statistics – Los Angeles County Last Ten Calendar Years (Unaudited)

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (In Thousands)</u>	<u>Per capita Personal Income</u>	<u>Unemployment Rate</u>
2004	9,808,494	\$ 338,203,048	\$ 34,481	6.5%
2005	9,803,912	357,186,377	36,433	5.4%
2006	9,760,598	385,724,212	39,519	4.8%
2007	9,734,701	400,366,343	41,128	5.1%
2008	9,779,254	412,638,667	42,195	7.5%
2009	9,848,011	402,459,119	40,867	11.6%
2010	9,818,605	410,674,615	41,791	12.5%
2011	9,889,056	420,913,463	42,564	11.6%
2012	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A

Notes:

N/A - Information not available.

Upper District utilizes County data from the U.S. Department of Commerce Bureau of Economic Analysis. Upper District believes that trends shown by these data are indicative of conditions within the service area. Census data has not been updated for the years 2012 and 2013.

Only County data is regularly updated. Upper District believes that trends shown by these data are indicative of conditions within its service area.

Source: U.S. Bureau of Economic Analysis and Census Bureau

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District
Ten Largest Employers in Los Angeles County (Unaudited)
June 30, 2013

<u>Employer</u>	<u>Number of Employees</u>
County of Los Angeles	95,700
Los Angeles Unified School District	73,300
Federal Government (includes U.S. Postal Service)	48,100
City of Los Angeles (includes DWP)	47,700
University of California, Los Angeles	41,000
Kaiser Permanente	36,500
State of California (non-education)	30,400
Northrop Grumman Corp.	18,000
University of Southern California	16,600
Target Corp.	14,200

Note: Data was based on 2011 figures which are the latest available information.

Source: *Los Angeles Almanac*

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District Operating Indicators - General Last Ten Fiscal Years (Unaudited)

Number of Active Employees

<u>June 30</u>	<u>FTEs</u>
2004	7
2005	6
2006	7
2007	7
2008	9
2009	9
2010	8
2011	9.5
2012	10
2013	9

Capital Assets per Program (in thousands)

<u>June 30</u>	<u>Water Recycling</u>	<u>Administration</u>	<u>Construction- In-Progress</u>	<u>Total Capital Assets</u>
2004	\$ 2,839	\$ 1,538	\$ 3,866	\$ 8,243
2005	2,839	1,555	8,193	12,587
2006	2,839	1,576	12,496	16,911
2007	14,263	1,573	3,941	19,777
2008	14,392	1,596	4,963	20,951
2009	14,999	1,594	7,116	23,709
2010	15,203	1,611	12,305	29,119
2011	15,203	1,662	21,943	38,808
2012	15,203	1,848	27,191	44,242
2013	20,878	1,896	32,583	55,357

Source: Finance and Administration Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District
 Operating Indicators – Water Conservation
 Last Ten Fiscal Years (Unaudited)
 (In Millions of Gallons)

An effective water conservation program plays a critical role in promoting water use efficiencies that increase available supply of water from existing sources to support economic growth. It is also significantly less costly and more energy and cost-efficient than developing new sources of water. Recognizing these, Upper District has developed over the years a robust program that not only promotes water conservation and public awareness on water issues but also one that has generated significant lifetime water savings. The table below shows the lifetime water savings from Upper District's various conservation programs for the past ten fiscal years.

Project/Device	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Turf Removal Program	-	-	-	-	-	-	-	-	67.79	-
C# Financial Incentive Retrofits (Sav-A-Buck Program)	-	-	-	-	-	-	-	-	-	-
C# Water Efficient Rebate Program	139.93	88.52	324.18	680.73	452.89	1,112.03	236.26	105.10	216.89	44.04
Showerheads	2.22	4.16	4.16	27.71	8.31	11.08	8.31	-	-	-
Aerators	1.66	0.94	0.94	4.21	1.33	2.00	-	-	-	-
HECW Rebate Program	115.88	55.77	77.09	95.04	130.41	206.01	185.90	-	-	-
Olive Sports Park Water Efficient Landscape Project	-	-	-	-	-	-	-	-	-	-
ULFT/HET Distribution Program	67.43	424.26	697.24	601.40	637.47	607.78	553.14	276.23	554.52	-
Rinse & Save Spray Valve Retrofit Program	-	53.26	7.50	-	-	-	-	-	-	-
Synthetic Turf Retrofit Program	-	-	58.19	75.19	37.59	-	28.80	32.31	-	-
WBIC Distribution	-	-	-	22.55	-	-	-	-	-	-
Residential Rebate Program	-	-	-	-	-	136.37	97.46	386.07	267.54	192.17
IPP-Ready Pak	-	-	-	-	-	335.00	-	-	-	-
Total	327.12	626.91	1,168.28	1,506.83	1,268.00	2,410.27	1,109.87	811.71	1,108.74	238.21

Source: Planning, Engineering and Resources Department

See report of independent auditors.

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Upper San Gabriel Valley Municipal Water District
Ultra-Low Flush and High-Efficiency Toilets Distributed
Last Ten Fiscal Years (Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Alhambra	-	-	1	4	2	-	2	-	2	-
Arcadia	-	99	198	262	466	96	65	52	163	-
Azusa	204	2	19	4	3	9	9	3	8	-
Baldwin Park	-	54	746	149	141	187	185	365	137	-
Covina	72	10	36	38	32	32	91	23	27	-
Duarte	-	55	105	299	17	45	22	18	13	-
El Monte	-	211	594	392	362	437	173	87	214	-
Glendora	3	2	1	2	2	2	15	2	12	-
Hacienda Heights	-	44	61	67	81	62	390	27	49	-
Industry	-	-	-	-	-	4	-	-	-	-
Irwindale	-	4	2	-	6	3	4	6	2	-
La Puente	-	98	192	128	122	345	400	86	103	-
Monrovia	-	8	220	158	37	30	18	36	40	-
Rosemead	-	405	212	157	275	151	91	81	353	-
San Gabriel	-	170	187	199	234	84	86	49	414	-
South El Monte	-	9	84	23	122	53	23	8	22	-
South Pasadena	-	13	17	31	182	5	26	8	21	-
South San Gabriel	-	8	2	2	2	4	4	2	6	-
Temple City	-	55	82	119	208	96	65	98	223	-
Valinda	-	14	12	6	10	19	28	10	11	-
West Covina	12	47	94	68	52	493	299	44	152	-
Whittier	-	2	4	38	5	17	14	-	14	-
Others	5	12	2	13	13	8	8	-	13	-
	296	1,322	2,871	2,159	2,374	2,182	2,016	1,003	1,999	-

* Note: During FY 12/13 Upper District did not hold HET distribution events inhouse. Instead, Upper District provided a total of \$116,500 in incentive payments to the producers for this program from MWD's Conservation Credits Program. A total of 2,330 HETs were distributed by two producers within the Upper District's boundaries.

Source: Planning, Engineering and Resources Department

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Single Audit Report
Upper San Gabriel Valley Municipal Water District
Year ended June 30, 2013
with Report of Independent Auditors

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Upper San Gabriel Valley Municipal Water District
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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**The Honorable Members of the Board of Directors
Upper San Gabriel Valley Municipal Water District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Upper San Gabriel Valley Municipal Water District (the Upper District), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Upper District's basic financial statements, and have issued our report thereon dated **DATE OPEN**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Upper District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Upper District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upper District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Upper District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Upper District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Los Angeles, California

DATE OPEN

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**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program,
Internal Control Over Compliance, and on the Schedule of Expenditures
of Federal Awards, in Accordance with OMB Circular A-133**

**The Honorable Members of the Board of Directors
Upper San Gabriel Valley Municipal Water District**

Report on Compliance for Each Major Federal Program

We have audited Upper San Gabriel Valley Municipal Water District's (the Upper District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Upper District's major federal programs for the year ended June 30, 2013. The Upper District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Upper District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Upper District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Upper District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Upper District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of the Upper District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Upper District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Upper District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Upper San Gabriel Valley Municipal Water District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Upper District's basic financial statements. We issued our report thereon dated **DATE OPEN**, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

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records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Los Angeles, California

DATE OPEN

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Upper San Gabriel Valley Municipal Water District Schedule of Expenditures of Federal Awards Year ended June 30, 2013

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Program Identification Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Interior</u>			
<u>Direct Programs</u>			
American Recovery and Reinvestment Act of 2009 (ARRA) City of Industry Project, San Gabriel Valley Water Reclamation Project	15.504	R10AC35R14	\$ 2,079,643 *
U.S. Bureau of Reclamation Indirect Reuse Groundwater Replenishment Project Feasibility Study	15.504	R12AC35347	56,992 *
<u>Passed through the San Gabriel Basin Water Quality Authority</u> San Gabriel Valley Water Reclamation Project Construction	15.504	R99AC35620	1,245,788 *
		Subtotal	<u>3,382,423</u>
Water Conservation Field Services Program Water Conservation Master Plan	15.530	R11AP35312	73,808
<u>Environmental Protection Agency</u>			
<u>Passed through the State Water Resources Control Board</u> ARRA - Capitalization Grants for State Revolving Funds	66.458	09-803.550-0	5,035,580 *
			<u>\$ 8,491,811</u>

* Identified as major program.

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Upper San Gabriel Valley Municipal Water District
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Presentation

The accompanying schedule presents only the expenditures incurred by Upper San Gabriel Valley Municipal Water District (the Upper District) that are reimbursable under programs of federal agencies providing financial awards. For purposes of this schedule, financial awards include federal awards received directly from a federal agency and federal funds received indirectly by the Upper District from a nonfederal agency or other organization. Only the portion of program expenditures reimbursable with federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other nonfederal funds, if any, are excluded from the accompanying schedule.

Basis of Accounting

The Upper District utilizes the accrual basis of accounting. The accompanying schedule of expenditures of federal awards was also prepared on the accrual basis of accounting. Expenditures reported included any property or equipment acquisitions incurred under the federal program which were recorded as capital assets. The nature of the Upper District's reporting entity and the Upper District's specific accounting policies are outlined in Note 1 of the notes to the Upper District's basic financial statements.

Schedule of Expenditures of Federal Awards Presentation

The Schedule of Expenditures of Federal Awards presented is prepared only from the accounts of the Upper District's grant programs and, therefore, does not purport to present the financial position or results of operations of the Upper District.

NOTE 2 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Total expenditure amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the total expenditure amounts reported in the related federal financial reports in all material respects.

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Upper San Gabriel Valley Municipal Water District
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over its major programs:	
Material weakness(es) identified	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for its major programs.	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB A-133	None reported

Identification of Major Programs:

<u>CFDA Number(s):</u>	<u>Name of Federal Program or Cluster:</u>
15.504	ARRA - San Gabriel Valley Water Reclamation Project Construction
66.458	ARRA - Capitalization Grants for State Revolving Funds
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	Yes

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Upper San Gabriel Valley Municipal Water District
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Section II – Financial Statement Findings

There were no financial statement findings noted during the fiscal year ended June 30, 2013.

Section III – Federal Award Findings

There were no federal award findings noted during the fiscal year ended June 30, 2013.

DRAFT 11/26/13

Upper San Gabriel Valley Municipal Water District
Status of Prior Year Audit Findings
Year ended June 30, 2013

Section IV – Status of Prior Year Findings

There were no reported findings for the fiscal year ended June 30, 2012.



Assemblymember Anthony Rendon

Cordially Invites You to A

LEGISLATIVE UPDATE & ANNUAL HOLIDAY OPEN HOUSE

December 6, 2013
3 to 8 PM

District Office, 12132 S. Garfield Avenue
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The focus of this conference will be water, innovation and energy. We will examine the increasingly significant role that energy plays in the cost of water and water rates. Speakers from the private and public energy utilities as well as regulators will describe their future supply sources and how that will impact water agencies.

For more information please contact Julie Ackman at
(949) 679-9676 or julie@urbanwater.com

Please visit our website www.urbanwater.com



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5th Annual Investing in California's Water

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- Land Owners
- Farmers/Ranchers
- Environmentalists
- Utility Managers
- Planners
- Real Estate Developers and Professionals

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Water is our most essential resource and is at the center of California's economy, yet its availability is often taken for granted. However, movements of large amounts of water are essential for California's massive agricultural economy and for Silicon Valley as well as all of southern California.

This program will discuss how public and private investment will help California meet its present and future water challenges. The program is designed for business people interested in learning more about the opportunities and pitfalls in water investments, as well as water professionals interested in a perspective that often receives little attention at traditional water conferences.

Special Presentation:

What's Happening In The Delta and Why It Matters

Program Chair



Eric L. Garner
Best Best & Krieger LLP

Special Presenters



Jeffrey Kightlinger
The Metropolitan Water District
of Southern California



Gerald H. Meral, PhD
California Natural
Resources Agency

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**CONFERENCE
SCHEDULE
INSIDE** ➤



Raising the Bar of Continuing Education

Investing in California's Water ~ Century City, CA

Friday, February 21, 2014

9:00 Introduction and Overview

Eric L. Garner, Program Chair
Best Best & Krieger LLP

9:10 An Overview of California's Water

Water Supply and Demands; Water Law and Meeting Future Needs

Eric L. Garner
Best Best & Krieger LLP

9:45 Investing in Water and Water-Related Industries/Water Transfers

A Discussion of the Future Water Landscape; Different Types of Water-Related Investments; Important Information to Know When Considering an Investment in Water; **Expected Return on Investment**

Gary B. Bardini, Deputy Dir.,
Integrated Water Mgmt. Div.
California Department of Water Resources
Ronald R. Gastelum, Special Counsel, Water
Cordoba Corporation
Charles M. Stringer, Principal/General Counsel
Renewable Resources Group

10:45 Break

11:00 Special Presentation – What's Happening in the Delta and Why it Matters

A Discussion of the Future Water Landscape; Different Types of Water-Related Investments; Important Information to Know When Considering an Investment in Water

Jeffrey Kightlinger, Gen. Mgr.
The Metropolitan Water District of Southern California
Gerald H. Meral, PhD,
Deputy Sec., Bay Delta Conservation Plan
California Natural Resources Agency

12:00 Lunch (on your own)

1:15 Is the State Water Board the Catalyst for Private Investment in Water Infrastructure Development?

Can California's Clean Water State Revolving Fund Program Lead the Way to Bring More Public and Private Capital to The Procurement of Publicly-Owned Water Infrastructure? Is This the Start of the "P4" (Public-Public-Private-Partnership) Revolution?

Seth Merewitz, Moderator
Best Best & Krieger LLP
Brian D. Cullen, President
PERC Water Corporation
Christopher Stevens, Supervising Engineer,
Div. of Financial Assistance
California State Water Resources Control Board
Thad Wilson, Vice Pres.
M3 Capital Partners LLC; Chicago, IL

2:45 Break

3:00 Future Supply Reliability – Finding Water for your Project

Will Serve Letters, Water Supply Assessments, Recycled Water, Groundwater, and the Complexities of Securing a Water Supply

Joseph P. Byrne, Chair
California Water Commission
Eric R. Robbins, CEO
Sierra Water Group, Inc.

4:00 Legislative Update and Key Water Quality Developments That Will Have Significant Impacts

Adán Ortega, Founder
Adán Ortega Associated;
Commissioner, *California Water Commission*

5:00 Reception - Sponsored by:



BEST BEST & KRIEGER
ATTORNEYS AT LAW

UPCOMING SEMINAR SCHEDULE:

Data Protection and Security

January 22, 2014 ~ Mountain View, CA

Government Law

January 23, 2014 ~ Santa Monica, CA

Wineries, Breweries and Distilleries

February 20, 2014 ~ Santa Monica, CA

3rd Annual Hydraulic Fracking

February 27 & 28, 2014 ~ Santa Barbara, CA

3rd Annual Insurance in the Construction Industry

March 20, 2014 ~ Santa Monica, CA

8th Annual Best Practices in Winery Operations

March 27 & 28, 2014 ~ Napa, CA

Animal Law

May 7, 2014 ~ San Francisco, CA

The Seminar Group ~ FACULTY

Investing in California's Water



Raising the Bar of Continuing Education

Eric L. Garner, Program Chair, Managing Partner of Best Best & Krieger LLP, is one of the leading experts on water in California. He has litigated cases and negotiated key agreements involving major water bodies across the state and has also worked internationally, helping to craft water laws in South Africa, Trinidad and Pakistan.

Gary B. Bardini was appointed Deputy Director for Integrated Water Management, California Department of Water Resources, in August, 2011. His responsibilities include implementing Integrated Regional Water Management, and coordinating efforts related to climate change.

Joseph P. Byrne is Chair of the California Water Commission and Of Counsel with Best Best & Krieger LLP. He is a member of the firm's Environmental & Natural Resources Law, Special Districts, Municipal, and Business Services practice groups.

Brian D. Cullen is President of PERC Water Corporation, a water infrastructure company specializing in recycling water. He has worked in various management positions in the environmental, engineering, and construction industries for the past 22 years.

Ronald R. Gastelum, Special Counsel with Cordoba Corporation, oversees some of the largest and most complex water and energy projects in California. He has more than 25 years of experience in both public sector and private practice focusing on corporate and environmental matters.

Jeffrey Kightlinger is the General Manager of The Metropolitan Water District of Southern California. He reports to the District's Board of Directors and is responsible for carrying out the policy directives of the Board and managing the agency's staff and resources.

Gerald H. Meral, PhD, was appointed Deputy Secretary for the Bay Delta Conservation Plan, California Natural Resources Agency, in January, 2011. He is charged with guiding completion of the BDCP to restore the Bay-Delta ecosystem and create water supply reliability for California.

Seth Merewitz is a partner with Best Best & Krieger LLP in the firm's Municipal Law/Economic Development, Real Estate and Affordable Housing practice groups. He provides advisory and transactional services to developers, land owners, public agencies and private entities.

Adán Ortega, founder of Adán Ortega Associated, has nearly 30 years of experience spanning 25 U.S. States and 60 U.S. and Canadian cities. He is a noted expert in water, agriculture, public accountability and community empowerment. He is also a Commissioner with the California Water Commission.

Eric R. Robbins, President and CEO of Sierra Water Group, Inc., has been involved in the California water industry for most of his professional career. As a water resource consultant, he has numerous successes in structuring and negotiating water marketing transactions.

Christopher Stevens is a Supervising Engineer, Division of Financial Assistance, with the California State Water Resources Control Board. He manages California's Clean Water State Revolving Fund and the Division's compliance with the California Environmental Quality Act.

Charles M. Stringer is Principal and General Counsel at Renewable Resources Group, where he sources, structures and manages investments and provides policy guidance and in-house legal counsel to RRG's public and private sector water and clean energy projects.

Thad Wilson is a Vice President of M3 Capital Partners LLC and leads the firm's North American water infrastructure fund initiative, with a focus on delivering essential water-related projects through public-private partnership structures.

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Substitution/Cancellation: You may substitute another person at any time. We will refund tuition, less a **\$50 cancellation charge**, if we receive your cancellation by **Friday, February 14, 2014**. No refunds will be given after this date. *Please note that if you do not cancel by the deadline and/or do not attend, you are still responsible for payment.*

Course Materials: Each participant will receive a set of course materials, prepared by the speakers especially for this conference, which will be invaluable as a future reference. The course materials alone are available for \$125 which includes shipping and handling.

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February 21, 2014 ~ Century City, CA
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ACWA DC2014

Annual Washington D.C. Conference

February 25-27
The Liaison Capitol Hill

PRELIMINARY AGENDA

TUESDAY, FEBRUARY 25

6 p.m. – 8 p.m.

**Congressional Reception in conjunction with the
California Association of Sanitation Agencies**
U.S. Botanic Garden Conservatory

WEDNESDAY, FEBRUARY 26

8:30 a.m. – 9:30 a.m.

Breakfast and Washington Insiders Panel

9:45 – Noon

Obama Administration Speakers Program

12:15 p.m. – 1:30 p.m.

Lunch with Speaker

1:50 p.m.

Group Photo
House side steps of the Capitol (South East Side)

2:15 p.m. – 5:15 p.m.

Congressional Speech Program

5:30p.m. – 7:30 p.m.

Networking Reception
The Liaison Capitol Hill

THURSDAY, FEBRUARY 27

8:30 – 10:30 a.m.

Breakfast and Closing Speaker

10:30 a.m.

Conference Adjourns



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Progress: |

Registration Login (ACWA DC2014 ~ Feb. 25-27)



REGISTRATION & CANCELLATION DEADLINE IS 4:30 P.M. (PST), FEBRUARY 4, 2014.

PLEASE NOTE: If you have a gift certificate(s), contact Margie Knight at margiek@acwa.com or (916) 441-4545 for instructions to register online.

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REGISTRATION TYPE	ADVANTAGE PRICES		STANDARD PRICES	
	Pre-Reg	On-Site	Pre-Reg	On-Site
Full Conference Registration & Meals PACKAGE Includes registration and all meals. Does not include guest registration.	\$595	N/A	N/A	N/A
Full Conference Registration Only Includes 2 Receptions. Does NOT include other meals. Must purchase other meals separately.	\$510	\$545	\$765	\$800
Wednesday Conference Registration Only Includes Networking Reception. Does NOT include other meals. Must purchase other meals separately.	\$290	\$310	\$435	\$465
Thursday Conference Registration Only Does NOT include meal. Must purchase meal separately.	\$240	\$260	\$360	\$390

Please be sure to select the appropriate registration type (see table above for reference). You will not be able to go back and change your registration type beyond this point. To make changes to your registration, contact us at (916) 441-4545.

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Lower Colorado River Tour

February 26-28, 2014

(Field Trip)

Presented by



WATER EDUCATION
FOUNDATION

The 2014 Lower Colorado River Tour

The Colorado River is a lifeline to 35 million people in the Southwest. In the Lower Basin, virtually every drop of the river is allocated and yet demand is growing and the drought is continuing. How the Lower Basin states – Arizona, California and Nevada – use and manage this water to meet agricultural, urban, environmental and industrial needs is the focus of this tour.

The tour travels along the Lower Colorado River from Hoover Dam to the Salton Sea and the Coachella Valley. The tour is a must for water policy-makers, water district managers and directors, lawyers, consultants, journalists, and anyone interested in Colorado River issues. The tour is cosponsored by the Bureau of Reclamation, Lower Colorado Region. Additional tour sponsors are ATKINS, CH2M HILL and Imperial Irrigation District.

- Tentative stops:**
- ▶ Hoover Dam, and a boat ride on Lake Mead
 - ▶ Central Arizona Project facilities
 - ▶ Havasu National Wildlife Refuge
 - ▶ Metropolitan Water District of Southern California's facilities
 - ▶ Farms in the Imperial and Coachella valleys
 - ▶ The Salton Sea
 - ▶ Warren H. Brock Reservoir
 - ▶ All-American Canal lining project

On this action-packed tour, you will learn about:

- Drought conditions and shortage criteria in the Colorado River Basin
- Lower Basin state perspectives - Arizona, California and Nevada
- The Quantification Settlement Agreement (QSA)
- Warren H. Brock Reservoir and lining the All-American Canal
- U.S.-Mexico Minute 319
- Agricultural water use, drainage issues and salinity
- The Colorado River Basin Study
- Endangered species and the Multi-Species Conservation Program (MSCP)
- Salton Sea restoration project issues
- Climate change

This fast-paced tour begins at 7:30 a.m., Wednesday, Feb. 26 at the Embassy Suites Hotel, 3600 Paradise Road, Las Vegas, NV and will end at approximately 6 p.m., Friday, Feb. 28 at Ontario International Airport.

Registration: \$745 per person, single occupancy room; \$645 each for two people sharing a room. Register four or more people for a discount – single occupancy rooms \$575.

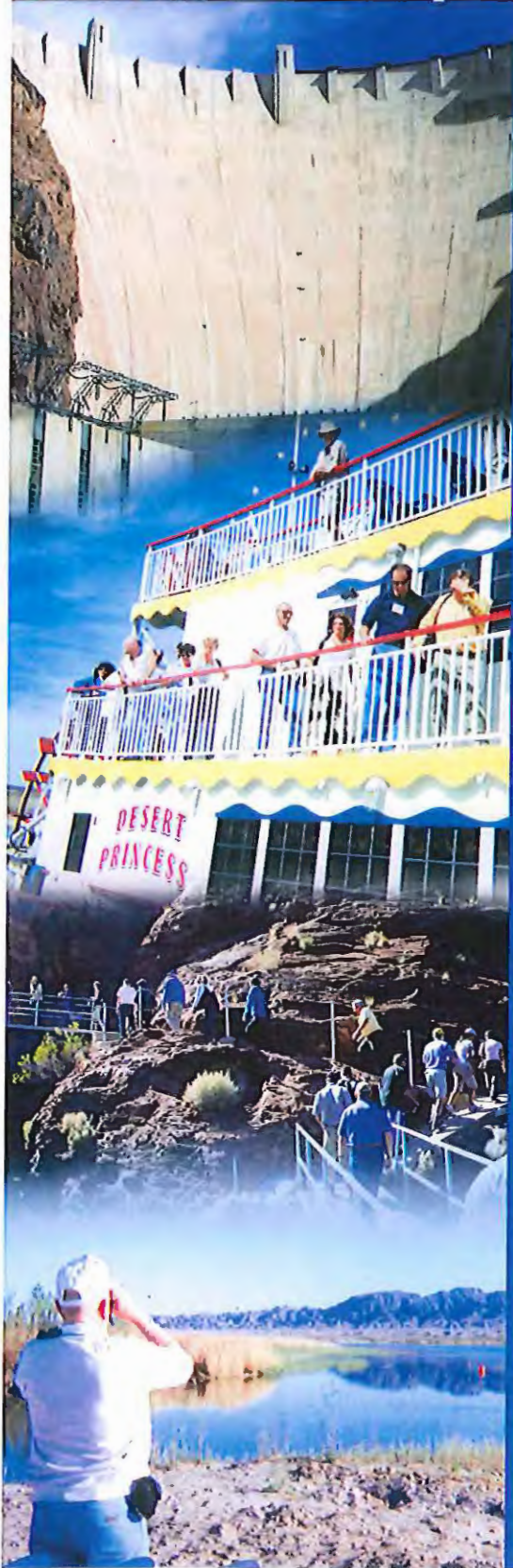
Fee includes all meals, transportation and hotel accommodations, the Hampton Inn in Lake Havasu City (Wednesday) and the Fairfield Inn & Suites by Marriott in El Centro (Thursday). Participants are responsible for their own transportation to Las Vegas and home from Ontario.

To register, return form to the Foundation with payment; faxed reservations accepted with credit card or purchase orders. Or, register securely online at www.watereducation.org/tours. All reservations are on a first-come, first-served basis.

Deadline to cancel and receive a full refund is 5 p.m. Feb. 12 due to hotel, meal and transportation bookings. Refund request must be in writing. Substitutions must be made by Feb. 19.

For those arriving in Las Vegas Feb. 25, the Embassy Suites is holding a limited number of rooms. To reserve a room, call the hotel at (702) 893-8000 and request the Water Education Foundation group sales special \$99 rate. This extra night *is not included* in the cost of the tour. This activity has been approved for Minimum Continuing Legal Education (MCLE) credit by the State Bar of California. The tour also offers California Department of Public Health Continuing Education units for water plant or wastewater plant operator's licenses. There is an additional \$100 fee to register for these credits. Contact the Foundation for more details.

Additional information and an itinerary will be emailed 2 weeks before the tour. Please notify the Foundation prior to the tour if you have a medical condition or other special need.





MEMORANDUM

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT



**9. (b - g)
ACTION**

DATE: January 3, 2014
TO: Board of Directors
FROM: General Manager
SUBJECT: Remaining 2014 Appointments

Recommendation

The attached list of current appointments is provided for the Board’s review and consideration.

Background

The Board appoints a board member to represent Upper District with the following organizations: Metropolitan Water District of Southern California; Association of California Water Agencies Joint Powers Insurance Authority; San Gabriel Valley Water Association; San Gabriel Valley Protective Association; San Gabriel River Discovery Center Authority; San Gabriel Valley Council of Governments.

The attached table lists the current appointees and the regular meeting dates for these positions.

Director Charles Treviño and Director Anthony Fellow were recently reappointed to the Watermaster board in November. Director Bryan Urias and Director Ed Chavez serve as District representative and alternate, respectively, to the Water Quality Authority Board.

Attachment



Board of Directors:

Anthony R. Fellow, Ph.D., Division 1
 Charles M. Treviño, Division 2
 Ed Chavez, Division 3
 Michael Touhey, Division 4
 Bryan Urias, Division 5

2013 Appointments

APPOINTMENT	CURRENT APPOINTEE	MEETINGS
Metropolitan Water District Board of Directors (MWD)	Mike Touhey - Rep	Board - meets 2 nd Tuesday of each month at 12:00 p.m. Committees - meet 2 nd Monday and Tuesday of each month and 4 th Tuesday of each month
Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA)	Charles M. Treviño – Rep Ed Chavez – Alt	February – ACWA DC Conference March – ACWA Legislative Symposium May – ACWA/JPIA Spring Conference December – ACWA/JPIA Fall Conference
San Gabriel Valley Water Association (SGVWA)	Bryan Urias – Rep Mike Touhey – Alt	Meets quarterly at 11:30 a.m. 2 nd Wednesday in February, May, August (6:30pm BBQ), November
San Gabriel Valley Protective Association (SGVPA)	Charles M. Treviño – Rep	Meets annually 4 th Monday in April at 12:00 p.m.
San Gabriel River Discovery Center Authority (SGRDCA)	Tony R. Fellow – Rep Ed Chavez – Alt	3 rd Monday of each month at 9:30 a.m.
San Gabriel Valley Council of Governments (SGVCOG)	Ed Chavez– Rep	3 rd Thursday of each month at 6:00 p.m.

P R E S S R E L E A S E

Contacts: Bob Muir, Metropolitan, (213) 324-5213, mobile
Marion Champion, IID, (760) 604-4120, mobile

Dec. 12, 2013

IMPERIAL IRRIGATION DISTRICT, METROPOLITAN WATER DISTRICT COLLABORATE ON U.S.-MEXICO PILOT PROJECT ON COLORADO RIVER

LAS VEGAS, Nev.—California's largest agricultural and urban water districts that make use of supplies from the Colorado River agreed today to share the costs of water conservation projects in Mexico and share the saved supplies as part of a bi-national pilot project.

Imperial Irrigation District General Manager Kevin Kelley joined Jeffrey Kightlinger, general manager of the Metropolitan Water District of Southern California, to sign the agreement at the Colorado River Water Users Association's annual conference. The pact calls on each agency to provide \$2.5 million for infrastructure upgrades in Mexico.

"IID is stepping up efforts in 2014 to meet water transfer obligations under the Quantification Settlement Agreement as well as generate water for payback to the river for previous years' overruns. In its narrowest sense, this is a water-sharing pact at a time when IID can best use it," Kelley said.

Kightlinger said the need for the bi-national project arose from a severe earthquake in Mexico's Mexicali valley in 2010.

"Our agencies are investing in Mexico's infrastructure to help the country rebuild its system, and we will get a share of the conserved water as our benefit. This is a win-win-win for Mexico, IID and Metropolitan," Kightlinger said.

Today's agreement relates to a pilot project established by Minute 319, a 2012 implementing agreement to the 1944 U.S.-Mexico treaty. Minute 319, a five-year agreement, includes shortage and surplus sharing between the two nations and allows Mexico to store water in U.S. reservoirs on the Colorado River.

-more-





The Metropolitan Water District of Southern California

NEWS RELEASE

P. O. Box 54153, Los Angeles, California 90054-0153 • (213) 217-6485 • www.mwdh2o.com

Contact: Bob Muir, (213) 217-6930; (213) 324-5213, mobile

Dec. 9, 2013

METROPOLITAN GENERAL MANAGER'S STATEMENT ON RELEASE OF DRAFT BAY DELTA CONSERVATION PLAN

Jeffrey Kightlinger, general manager of the Metropolitan Water District of Southern California, issues the following statement regarding the posting of the public draft of the Bay Delta Conservation Plan and related environmental documents.

“An important conversation about California water management and the real-life choices we face begins in earnest. The basics of a Delta solution are now on the table, with a full vetting of numerous alternatives. This is both a milestone and a reminder that the status-quo in the Delta is unacceptable for both the environment and the California economy. Metropolitan is grateful that the Brown and Obama administrations have advanced this process to a formal public draft which initiates the official 120-day comment period this Friday. Metropolitan pledges to work collaboratively with the administrations, fellow public water agencies and other key stakeholders to craft a final plan that addresses the co-equal goals enacted by the 2009 Sacramento-San Joaquin Delta Reform Act legislation: restoring water supply reliability and enhancing the Delta ecosystem.”

###

The Metropolitan Water District of Southern California is a cooperative of 26 cities and water agencies serving nearly 19 million people in six counties. The district imports water from the Colorado River and Northern California to supplement local supplies, and helps its members to develop increased water conservation, recycling, storage and other resource-management programs.

Bureau of Reclamation Commissioner Michael L. Connor heralded the cooperation between IID and Metropolitan in reaching the agreement.

"Reclamation welcomes this significant progress by IID and MWD and looks forward to working with these key California partners and the other partners in the basin states in 2014 to recognize IID as a full participant in the implementation of Minute No. 319 and the corresponding domestic implementing agreements. This partnership is a positive signal to future Colorado River and bi-national collaborative efforts," Connor wrote in a letter today to both agencies.

Under the trial project, IID will join Metropolitan, Southern Nevada Water Authority and Central Arizona Project to help fund improvements to Mexico's earthquake-damaged water system. In exchange, the U.S. agencies will receive the ability to store up to 95,000 acre-feet of conserved water in Lake Mead. Metropolitan and IID will each receive 23,750 acre-foot shares.

In addition to the water storage credit, Imperial can use its share of the saved supplies for municipal or industrial purposes or to pay back the district's water overruns on the Colorado River.

Edward Drusina, U.S. commissioner of the International Boundary and Water Commission, noted that the two nations have worked for years "to promote cooperation on the Colorado River."

"This new partnership between Imperial and Metropolitan will enhance those efforts," Drusina said.

###

The Imperial Irrigation District is a public water and power provider located in the southeastern region of California. One of the largest irrigation districts in the nation, IID maintains more than 3,000 miles of canals and drains to effectively deliver up to 2.6 million acre-feet of Colorado River water annually to the Imperial Valley. IID is also the third largest public energy provider in the state, serving electricity to more than 145,000 accounts.

The Metropolitan Water District of Southern California is a cooperative of 26 cities and water agencies serving nearly 19 million people in six counties. The district imports water from the Colorado River and Northern California to supplement local supplies, and helps its members to develop increased water conservation, recycling, storage and other resource-management programs.



For Immediate Release:
Contact:

December 6, 2013
Natalie Miller, Public Information Officer
310-660-6211 | nataliem@westbasin.org

WEST BASIN AND THE CITY OF LOMITA TOAST THEIR WAY TO WATER EFFICIENCY WITH FIRST DRINKING WATER FILLING STATION

LOMITA, Calif. — West Basin Municipal Water District (West Basin) and the City of Lomita dedicated Lomita’s first drinking water filling station last Tuesday. Located at Lomita Park, the filling station allows the public to refill their water bottles with reliable, safe tap water. Lomita Mayor Michael Savidan, former Lomita Mayor Margaret Estrada and West Basin Board President Carol Kwan were on-hand for the ceremony.

“Known as the jewel of the city, Lomita Park was the ideal location to introduce the first drinking water filling station. Residents can continue to enjoy all of the activities the park provides, stay hydrated and now by using refillable bottles, they are protecting the environment at the same time,” said Mayor Savidan.

Former Mayor Estrada was recognized for spearheading the project during her tenure on the council. The drinking water filling station is the first of its kind in Lomita and the third filling station installed in West Basin’s service area. West Basin and the City of Lomita have a longstanding partnership on water efficiency programs such as high-efficient toilet exchanges and ocean friendly gardens.

“This new drinking water station is just one example of the forward movement we can accomplish when working together to be more water efficient,” said President Kwan. “The filling station will provide community residents with reliable clean water, knowledge of an alternative option for keeping plastic water bottles out of the ocean and landfills and help raise awareness on the importance of a reliable, local water supply.”

West Basin is working to install filling stations throughout its service area as an alternative to buying bottled water. The drinking filling stations are a reminder to residents that tap water is easily accessible, taste good and is free. Funding for the water filling station has been provided by West Basin and the unit will be maintained by the City of Lomita.

###

West Basin Municipal Water District is a wholesale water district that serves nearly a million people in 17 cities and unincorporated areas throughout its 185-square mile service area. West Basin is reducing its dependence on imported water through its Water Reliability 2020 program that will double conservation, double recycled water production and add desalted ocean water to its portfolio by the year 2020. Visit www.westbasin.org to learn more.

Photo 1: Left to Right: Michael Savidan (Lomita Mayor); Margaret Estrada (former Lomita Mayor); and Carol W. Kwan (West Basin Board President) at ceremonial filling on November 26, 2013. <http://www.westbasin.org/files/images-press/dsc-0058.jpg>

Photo 2: Left to Right: West Basin Municipal Water District, Lomita City Council and Lomita Parks and Recreation ceremonial toast on November 26, 2013. <http://www.westbasin.org/files/images-press/dsc-0067.jpg>

BROWN & CALDWELL'S California Water News -December 17, 2013

Is the West's Dry Spell Really a Megadrought?

By Bobby Magill, Climate Central

SAN FRANCISCO — The drought that has been afflicting most of the Western states for the past 13 years may be a “megadrought,” and the likelihood is high that this century could see a multi-decade dry spell like nothing else seen over the past 1,000 years, according to research presented at the American Geophysical Union Fall Meeting on Wednesday and Thursday.

Today, drought or abnormally dry conditions are affecting every state west of the Mississippi River and many on the East Coast, with much of the Southwest under long-term severe, extreme or exceptional drought conditions. While drought conditions nationwide are down this year, they remain entrenched in the West.



Lakeside homes, Lake Isabella, Calif.

Click image to enlarge. Credit: [Don Barrett/flickr](#)

Since 2000, the West has seen landscape-level changes to its forests as giant wildfires have swept through the Rockies and the Sierra Nevada, bark beetles have altered the ecology of forests by killing countless trees and western cities have begun to come to terms with water shortages made worse by these changes as future snowpack and rainfall becomes less and less certain in a changing climate.

“The current drought could be classified as a megadrought — 13 years running,” paleoclimatologist Edward Cook, director of the Tree Ring Laboratory at Columbia University’s Lamont-Doherty Earth Observatory in Palisades, N.Y., said at an AGU presentation Wednesday night. “There’s no indication it’ll be getting any better in the near term.”

But the long period of drought the West is currently experiencing may not be a product of human-caused climate change, and could be natural, he said.

“It’s tempting to blame radiative forcing of climate as the cause of megadrought,” Cook said. “That would be premature. Why? There’s a lot of variability in the system that still can’t be separated cleanly from CO2 forcing on climate. Natural variability still has a tremendous impact on the climate system.”

Tree ring data show that decades-long droughts have occurred before humans started emitting greenhouse gases that fuel climate change. Long-lasting drought events have been linked to fluctuations in ocean conditions, which can alter large-scale weather patterns. For example, when the tropical Pacific Ocean is cooler than average, but the Atlantic Ocean is unusually mild — as has been the case during the past several years — there is a higher risk of drought in parts of the West and Central U.S.

The area of the West that was affected by severe drought in the Medieval period was much higher and much longer than the current drought, tree ring data show.

It is "indeed pretty scary," Cook said. "One lasted 29 years. One lasted 28 years. They span the entire continental United States."

Two megadroughts in the Sierra Nevada of California lasted between 100 and 200 years.

Cook is among the first to suggest that the current drought in the West is a megadrought, which is typically defined as a widespread drought lasting for two decades or longer, Cornell University assistant professor of earth and atmospheric sciences Toby Ault said during an AGU presentation Thursday.

But the idea that the current 13-year dry spell will be of similar magnitude of the megadroughts found in tree ring records is subject of debate.

"Are we in a megadrought? I guess we are," Ault said. "They are a threat to civilization in the future."

Ault is studying the probability that the U.S. will experience a megadrought this century on the order of no other dry period seen here at any time in the last millennium.

Data gleaned from tree rings and other sources show that the chance of a decade-long drought in the U.S. this century would be about 45 percent, and a multi-decade-long drought less than 10 percent, he said.

"That's not the whole picture because we're going to see climate change in this century," he said.

He said that the chances of a widespread multi-decade megadrought are high in the worst-case scenario, but he quoted University of Arizona geosciences professor Jonathan Overpeck to characterize the chances of megadrought in less severe scenarios: "It's extremely non-negligible, the risk of prolonged multi-decadal megadrought."

The bottom line: "The picture looks like we're going to have to take this seriously," Ault said.

Such dry spells would have severe implications for the nation's water supply, and the U.S. is going to have to adapt and find smarter ways to cope, he said.

The current drought is occurring at a time of sweeping and abrupt changes in the nation's forests as a result of both the extended dry period and human-caused climate change, said Lisa Graumlich, dean of the College of the Environment at the University of Washington.

Speaking at AGU on Wednesday, Graumlich said vast ecosystem changes are happening at an unprecedented scale across the country as tree mortality in Western forests is increasing dramatically, partly because bark beetles are spreading widely as summer warm seasons are longer than before.

"The time in which forests are burning in the West is much longer than it was in previous decades," she said. "Forest insects are erupting across the West."

Those changes and others including loss of sea ice, longer growing seasons in the Arctic, tundra being replaced by forests and shrubs, are occurring across an area scientists haven't seen before, she said.

"We're seeing right now ecosystem tipping points," she said. "They're at an unprecedented spatial scale. They're related to timing of biological events that ecologists are finding surprising."

BROWN & CALDWELL'S California Water News -December 16, 2013

Top water official linked to tunnel plans to retire

By [David Siders](#), Sacramento Bee

Jerry Meral, Gov. Jerry Brown's top water official and a major figure in the controversial, \$25 billion water project proposed by the governor, will retire at the end of the month, the Brown administration confirmed Saturday.

Meral, deputy secretary of the state's Natural Resources Agency, told Brown of his retirement in a letter Monday – the same day the Brown administration released its latest environmental analysis of a plan to build two tunnels to divert water around the Delta to the south.

"While additional permits will be required," Meral said in the letter, "it is virtually certain that the plan will be implemented."

Meral, who is widely regarded as one of California's most accomplished preservationists, worked for Brown as a water adviser when Brown was governor before, from 1975 to 1983.

He was one of several high-profile advisers brought back by the Democratic governor when Brown took office in 2011.

Meral became a source of controversy when, earlier this year, five members of Congress called for his resignation after Tom Stokely, a water policy analyst with the California Water Impact Network, and Barbara Barrigan-Parrilla, campaign director of Restore the Delta, said Meral told Stokely the Bay Delta Conservation Plan "is not about, and has never been about saving the Delta. The Delta cannot be saved."

The Brown administration defended Meral at the time and said his remarks were taken out of context.

Meral did not give a reason for his retirement in his letter.

Richard Stapler, a Natural Resources Agency spokesman, said in an email Saturday that "while we've reluctantly accepted Dr. Meral's decision to retire for a second time, his contribution to achieving the state's dual goals of water supply reliability and ecosystem restoration is incalculable."

BROWN & CALDWELL'S California Water News- December 13, 2013

Scientists Plan for Grand Experiment in the Colorado River Delta

Sandra Postel of National Geographic's Freshwater Initiative in [Water Currents](#)



The dry Colorado River Delta against the Cucapá Mountains. Photo by Erik Rochner/National Geographic

Once written off as dying of thirst and beyond revival, the [delta of the Colorado River](#) is slated to get a rejuvenating flood that for scientists offers a unique opportunity: the chance to study how plants, trees, birds, fisheries, and the vast delta ecosystem as a whole respond to an experimental pulse of river water.

This flood is made possible by [Minute 319](#), the add-on to the 1944 treaty between the United States and Mexico that divides the Colorado River between the two neighboring nations.

[Signed in late 2012](#), Minute 319 allows Mexico to store some water in Lake Mead, the giant reservoir behind Hoover Dam, establishes new rules for sharing shortages in times of drought, and [commits the two nations to return some flow to the delta](#) as part of a five-year pilot project.

The Colorado Delta was once one of the planet's great desert aquatic ecosystems, boasting 2 million acres of lush wetland habitat. For millions of years, it received a huge spring flood as the winter snows melted in the Rocky Mountains and the resulting flows coursed south. The flood waters spread across the delta before emptying into the upper Gulf of California.

That yearly flood cleansed the river channel and floodplain, recharged groundwater, aided the reproduction of native cottonwoods and willows, and sustained the overall delta ecosystem and its extraordinary bird and wildlife habitat. It also connected the Colorado River to the sea, where fisheries depend on the mixing of saltwater with fresh water for their spawning and rearing grounds.

But the construction of big dams and river diversions during the 20th century [siphoned off the river's flow](#), leaving little or none for the delta in most years of the last half century. Wetlands have shrunk to about 10 percent of their former area, and fish, birds and wildlife have declined dramatically. The native [Cucapá](#), who fished and farmed in the delta for at least a thousand years, have lost their way of life.

The last time the delta enjoyed a significant influx of fresh water was in the late 1990s, a period of unusually high precipitation in the Colorado watershed that resulted in "surplus" water passing through the basin's dams, across the international border, and on to the thirsty delta in northwestern Mexico.

Writing in this week's issue of Eos, a publication of the American Geophysical Union, seven scientists who have collectively clocked decades of research in the Colorado Delta note that those 1990s flood pulses "demonstrated the resilience of the riparian zone and gave hope for its potential restoration, should a regular supply of water be found."

Minute 319 calls for a flood pulse of 105,392 acre-feet (130 million cubic meters). The water will be released from Lake Mead at Hoover Dam, and then, mimicking the historic natural flood, will flow south to the delta.

Compared with the pre-dam spring flood of some 15 million acre-feet, this pulse appears paltry. But the delta scientists expect it to be sufficient to flood low terraces and backwaters, move channel sediments, recharge groundwater, and promote the germination of native cottonwoods and willows, which create prime habitat for birds.

Last February, a National Geographic team and I traversed parts of the delta with Osvel Hinojosa Huerta, an ecologist with the Mexican conservation organization ProNatura Noroeste and a co-author of the Eos article. We visited a local nursery that was growing young cottonwoods, willows and mesquite, native trees that are being planted along the river channel and in wetland restoration sites. The anticipated spring flood will help them get established and reproduce.

Teams of scientists from both sides of the border are collecting pre-flood baseline data and, after the flood, they will track the immediate and longer-term effects on the delta's vegetation, birds, wildlife, and other ecosystem attributes.

The hope is that beneficial results, and the potential for more, will lead the two countries to expand the restoration effort beyond this pilot period and establish a longer-term commitment to revitalizing the delta.

The experimental spring flood offers a rare scientific opportunity, to be sure.

But even more important, it is a crucial step toward restoring a great aquatic ecosystem, and shows the power of political and scientific cooperation in solving our water problems.

BROWN & CALDWELL'S California Water News- December 13, 2013

Whittier OKs contract to replace water pumping station

By Peter Fullam, Whittier Daily News

WHITTIER >> The Whittier City Council on Tuesday awarded a \$13.7 million contract for construction of a new water pumping plant.

The new plant will replace Whittier's Pumping Plant No. 2, which was built in the 1930s and delivers all of the city utility's water supply from wells in Whittier Narrows, pumping it across the San Gabriel River and the 605 Freeway to Whittier's hillside reservoirs.

"Pumping Plant No. 2 is the heart of the city-owned water system," said the staff report. "While other facilities are also in need of replacement (reservoirs, pipelines, booster pump stations), the water system can still deliver water if a single reservoir or pipelines should fail.

"However, no city water can be delivered across the freeway if Pumping Plant No. 2 fails," said the report, noting that the city has interconnections with adjacent water systems in case of emergencies.

The contract was awarded to Pacific Hydrotech Corp. of Perris. Construction is expected to begin in January 2014 and continue for 18 months, according to David Pelser, director of the Department of Public Works.

The pump plant is located at 4128 San Gabriel River Parkway, Pico Rivera.

Total project costs are estimated at \$15.3 million, including construction management and engineering services. Earlier, RBF Consulting of Irvine was chosen to provide construction management and engineering services.

"This project will actually accomplish the top several priorities of the 2008 Water Master Plan, including the pumping plant replacement, settling basin replacement, partial improvements to the automated radio control system and hydraulic and storage improvements," said a Public Works news release.

"As a result, the planned new Worsham Canyon Reservoir in the 2008 Water Master Plan will no longer be necessary, and the Washington Pump Station can be decommissioned instead of replaced," said the release.

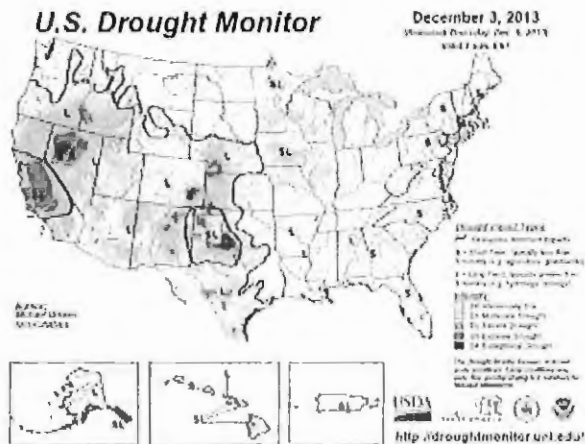
The combined cost of the improvements was estimated at \$20.1 million in 2008.

"This project will cost only \$15.3 million, resulting in a \$4.8 million savings to the city," said the release.

The city's water utility provides water to about 48,000 people in the west half of Whittier. Other Whittier residents receive their water from several private water companies.

BROWN & CALDWELL'S California Water News -December 13, 2013

Severe drought warning elicits political action



Parts of California are experiencing some of the worst drought conditions in the country.

By Gray George , Calaveras Enterprise

Water use has always been a contentious issue in California. Mark Twain, who lived in the Golden State in the 1860s, is credited with using his famous wry wit to point out that "In California, whiskey is for drinking and water is for fighting." It's debatable whether Twain actually uttered these words, but the possibility of a severe drought next summer is a matter of significantly less debate.

On Wednesday, Dec. 11, a group of eight state legislators, including Sen. Tom Berryhill of the 14th District and 5th District Assemblyman Frank Bigelow, who both represent Calaveras County, penned a letter to Gov. Jerry Brown. They requested that Brown issue a "drought declaration" to address the state's water needs through the end of next year.

"The water forecast for the next year is looking especially grim," the legislators wrote. "We believe that we are facing the realistic possibility of experiencing true drought conditions that we have not seen since the mid-1970s when California experienced the driest two years in state history."

The legislators pointed out that the U.S Bureau of Reclamation announced an initial 2014 water allocation of 0 percent for the Central Valley Project, which regulates water use in critical areas of the state, and the California Department of Water Resources proposed an initial 5 percent water allocation for State Water Project contractors.

With a potentially severe drought looming large on the horizon, the legislators are hoping that the governor will take preemptive steps to avert a state water crisis. Katie Masingale, legislative director for Bigelow, said the letter is a request that the governor take whatever steps he feels are appropriate

to help California prepare for a potentially crippling drought. These steps could include expedited water transfers and calling on the Federal Emergency Management Agency to provide relief.

While leaders in Sacramento are formulating strategies to prepare for the possibility of a severe drought, those closer to home are already seeing signs of a state water shortage.

"From the air, Folsom Reservoir looks like a puddle that's all dried up," said Calaveras County Water District Director Don Stump, in reference to a recent flight he took over eastern Sacramento County.

"Melones (Reservoir) isn't pretty either," he continued. "You can see islands out there that we haven't seen in years."

Stump isn't the only CCWD board member who has seen evidence that the state's water supply is at critical levels. On a recent drive up Interstate 5, CCWD Director Dennis Dooley noticed a surprisingly low water level in Lake Shasta, which is the state's largest reservoir with a capacity of more than 4.5 million acre-feet.

Dooley said that, by law, reservoirs are not allowed to be full in the winter. This allows them to be filled up during the rainy season. Despite this requirement, Dooley said that Lake Shasta looked painfully parched.

"It looked extremely low to me," Dooley said. "You'd expect a low water level this time of year, but it was lower than where I would've expected for December."

Dooley added that if there's a shortfall of water in California, the state could require water conservation measures.

"There were problems when we had seven years of drought in the early to mid-90s," Dooley continued. "Without rain coming later this year, the water wars are shaping up to be vicious."

While it's possible that California will experience severe drought conditions in 2014, Mitch Dion, general manager of CCWD, said that the direct impact on Calaveras County will be minimal.

"As a philosophical matter, we should all regard water as a precious resource," Dion said, adding that Calaveras County has reliable water sources at its disposal. However, Dion cautioned that there could be secondary consequences for Calaveras residents if they fail to exercise good judgment with regard to water use.

"Our state economy is driven by the Bay Area and Southern California," Dion said. "If those portions of our state suffer (because of a lack of water), we're going to be in worse shape. We're one state and we're connected economically."

Dion also said that California's agricultural economy relies on water.

"It's not good for us to use water with reckless abandon," Dion continued, adding that Calaveras County residents will not benefit from paying \$50 for a head of lettuce because the demand for irrigation in the Central Valley outstrips the supply, and the price of water skyrockets.

Dion explained that there are many water conservation practices citizens could follow to ensure that the state water supply remains adequate. These practices include installing low-flow fixtures and hot water recirculation pumps in homes. Dion also said that citizens can incorporate low-water landscaping designs into their yards.

"Low-water landscaping also lowers fire risks," Dion added.

As preparations for the possibility of a severe drought continue, water officials are waiting anxiously to see how much precipitation the state will receive over the winter. If a sufficient amount of water is collected, then a water shortage disaster will be averted for the coming year.

"We need to start getting some weather," said Bill Eltringham, manager of the Union Public Utilities District. "There's no doubt about that."

BROWN & CALDWELL'S California Water News -December 13, 2013

Santa Ana Watershed Study Completed

Science Daily, Science News

Bureau of Reclamation Commissioner Michael L. Connor released the Santa Ana River Watershed Basin Study, which addresses water supply and demand projections for the next 50 years and identifies potential climate change impacts to Southern California's Santa Ana River Watershed. This study is a first of its kind for the predominately urban basin. It encompasses approximately 2,600 square miles in Orange, Riverside and San Bernardino counties and is home to more than 6 million residents.

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"Basin studies are a key part of Secretary Sally Jewell's WaterSMART initiative and help us develop a clearer picture of the potential gap between water demand and available supplies," Commissioner Connor said. "This study of the Santa Ana watershed gives water managers an array of science-based tools to make key future decisions and help us identify potential ways we can meet the diverse water needs of the region's population."

The Santa Ana Watershed Basin Study, completed in partnership with the Santa Ana Watershed Project Authority, generated several tools to help SAWPA, its member agencies, and water sector stakeholders comply with California Assembly Bill 32 requirements to achieve 1990 greenhouse gas emission levels by 2020. A climate change analysis developed by Reclamation was also used by SAWPA to prepare an array of adaptation strategies to deal with the potential effects of climate change.

Ron Sullivan, SAWPA 'One Water One Watershed' Convener and Board Member of Eastern Municipal Water District, said, "Reclamation's tools and analysis link the best in climate change modeling with locally available data. With a clear picture of what the future may hold, we can move toward a more effective water management process to ensure a sustainable water future."

Authorized by the 2009 SECURE Water Act, the Basin Study analyzes future water supply and demand scenarios based on factors such as projected changes in climate, and varying levels of growth for municipal, agricultural and business interests in the Santa Ana River Watershed. Highlights of the two-year study include SAWPA and Reclamation hosting two well-attended climate change science workshops, development and analysis of basin adaptation strategies, creation of a Greenhouse Gas (GHG) Emissions Calculator for the water sector to help member agencies meet California's mandated GHG emission standards by 2020, development of a Groundwater Screening Tool, and creation of a series of 'frequently asked questions' that can assist basin water sector leaders in their decision-making.

The report found this watershed has challenges due to climate change and growing populations. The challenges in this watershed include increasing demand, earlier snowmelt and runoff, and faster than historical sea level rise threatening coastal communities, water infrastructure and groundwater basins. "This study contributed critical information for updating our 'One Water One Watershed' Plan," said SAWPA General Manager Celeste Cantu. "Reclamation's climate change analysis helped develop effective adaptation strategies for our watershed, and provides us a strong technical foundation to start that conversation as we move toward the future."

"This study is one of several basin studies being conducted in Southern California," said Reclamation's Lower Colorado Regional Director Terry Fulp. "This program fosters a collaborative approach to examine a basin's water supply and demand challenges as well as the impacts of climate change. It also provides water resource managers critical information to help them prepare, plan, and implement adaptation strategies to address future conditions."

The results of the study are posted on Reclamation's website at www.usbr.gov/WaterSMART/bsp/

BROWN & CALDWELL'S California Water News -December 13, 2013

Editorial: Losing experience

Highland Community News

With retirements this year, we are losing some valuable experience and ability.

George "Skip" Wilson just retired from the East Valley Water District Board of Directors after 16 years, plus many other years of experience as a water district employee.

It was only about two years ago when Bud Wright retired from the San Bernardino Valley Water Conservation District after 40 years of service. As a longtime Highland orange grower, Wright had helped pioneer the industry and the water service that made it possible.

This year, Clare Day announced his retirement from the Conservation District.

Bob Glaubig also announced he was leaving the Conservation District, clearing the way for other incumbents to remain on the board as the board is reduced from seven to five members. Glaubig had been appointed to fill Wright's vacancy and was just reelected and could have remained and run against a fellow member. He preferred not to do that.

Jody Scott has announced that she will not run for reelection when her term is up next year, leaving another valuable spot. She was among the first members of the Highland City Council, took a hiatus and then ran in the recall election that ousted three members of the City Council.

Her attention to detail keeps the city staff on its toes and she is famous (or notorious) for going to bat for the little guy. Fiercely patriotic and religious, she has her own opinions on every subject. You never have to wonder where she stands.

Another loss is that of Pat Milligan, who has served on the San Bernardino Valley Municipal Water District (mostly as president) for 50 years. The San Bernardino attorney has seen the transformation of the District from one of the most hated to one of the most respected. Milligan says he will not run for reelection next year.

Some say it's time for new blood and new ideas on local agencies. We're about to get that.

We'll see how that works.

BROWN & CALDWELL'S California Water News -December 13, 2013

Water deal: Infrastructure help for Mexico, water for California agencies

by Ian James | MyDesert.com | A Gannett Company

Several of the nation's largest water districts will help Mexico pay for repairs to water infrastructure and in return will receive additional supplies of water from the Colorado River.

The Imperial Irrigation District and the Metropolitan Water District of Southern California announced the agreement on Thursday during a conference of Colorado River water users in Las Vegas.

Under the agreement, each agency is to provide \$2.5 million to help Mexico with upgrades to canals and other water infrastructure, some of which was damaged in the 7.2-magnitude earthquake that hit the Mexicali area in 2010. The California water agencies said in a statement that the Southern Nevada Water Authority and the Central Arizona Project will also provide funding to Mexico.

In exchange, the U.S. water agencies will be able to store in Lake Mead up to 95,000 acre-feet of water that is expected to be conserved through the project. The shares of water for IID and the Metropolitan Water District will each amount to 23,750 acre-feet, or more than 7.7 billion gallons.

"It helps the levels of Lake Mead, and that's just a concern for all of the river users," said Marion Champion, a spokeswoman for IID. "We'll be able to use some of this water, and we'll actually save money."

Severe drought along the Colorado River has kept water levels in its reservoirs near historic lows, and federal water managers have responded with a **plan** to reduce the flow of water from Lake Powell to Lake Mead.

IID, which delivers water to the farms of the Imperial Valley and is one of the nation's largest water districts, will be able to use some of the additional water supplies to pay back recent overruns in its use of water from the Colorado River.

The water districts' announcement follows a landmark 2012 **agreement** between the United States and Mexico that changed the rules for sharing water from the Colorado River.

Champion said IID agreed to the latest pact after negotiations with the Metropolitan Water District.

The cooperation between two water districts that previously have been at odds was praised by Bureau of Reclamation Commission Michael Connor, who said in a letter that he hopes their relationship is now "indicative of the larger regional coordination that has become the hallmark of the Colorado River."

BROWN & CALDWELL'S California Water News -December 13, 2013

EAST VALLEY WATER DISTRICT ANNOUNCES OFFICIAL MOVE DATE



Highland Community News photo by Charles Roberts — East Valley Water District new headquarters building is a hub of activity on Thursday morning and crowds of workers move toward a Feb. 14 opening date.

**By Kelly Malloy
Public Affairs/Conservation Officer**

Published: Thursday, December 12, 2013 9:37 AM PST

It's official, East Valley Water District is moving into the new Headquarters Facility. Beginning Tuesday, Feb. 18, 2014, at 8 a.m. all District departments will be operating out of 31111 Greenspot Road.

"For over 20 years, East Valley Water District has been working diligently to move into a building that is designed to help us serve this community," said Chairman of the Board Matt LeVesque. "Two years ago, we set an ambitious goal to complete this project before April 30, and today we are proud to be finished almost two months ahead of schedule."

The new Headquarters Campus will house all District staff including Customer Service, Engineering, Administration, Water Maintenance and Production. The site will also include amenities to host community events, a water conservation demonstration garden, and an active citrus grove.

"We have been taking steps to ensure that this move is seamless," said General Manager/CEO John Mura. "Customers will be able to pay their bills at our current location until noon on February 14 and we will be ready for business at our new Headquarters Facility Tuesday morning at 8 am."

For more project information or to view the Headquarters Campus construction progress visit the District website at www.eastvalley.org.

###

East Valley Water District was formed in 1954 to provide domestic water service to the unincorporated and agricultural-based communities of Highland and East Highlands. Today EVWD provides water and sewer collection services to about 93,500 people in the City of Highland, eastern City of San Bernardino, and sections of unincorporated County of San Bernardino. EVWD operates under the direction of a 5-member elected Board. The Mission of East Valley Water District is to provide its customers with a safe and reliable water supply that is delivered at a fair and cost-effective price. More information is available at www.eastvalley.org.

BROWN & CALDWELL'S California Water News - December 13, 2013

California waves could be turned into electricity

by Cameron Polom, KSBY News



Cal Poly students want to turn ocean waves into electricity.

The U.S. Department of Energy is establishing a national test facility somewhere along the U.S. shoreline, and Cal Poly wants California to be that location.

Cal Poly is competing against universities in Washington, Oregon and some along the eastern seaboard, in trying to convince Congress to appropriate a \$50 million grant to build and operate the state of the art facility.

It's no secret that the ocean is a powerful place, but can that power be turned into electricity?

"Wave energy is one of those technologies that is just waiting for that opportunity and California has a thousand miles of coastline," said Sam Blakeslee, Director of Advanced Technology at Cal Poly.

He says prototype wave machines like one in Portugal absorb wave energy and relay the electricity through subsea cables to a power grid on shore. He says the same can be done here in California.

"Virtually every technology, once they're given an opportunity, show leaps and bounds of progress," said Blakeslee.

As the waves pass over the worm-like device, the sections bend in the water. The movement is what creates the electricity. As California is one of the biggest consumers of energy in the world, Blakeslee says this renewable technology could provide more than a third of the state's electricity needs.

"It's clean energy, it's zero carbon, there are no emissions," said Blakeslee.

And within the next five years, it also could be a reality.

"But until they actually have a place they can deploy these technologies in a deep sea environment, they'll pretty much only be ideas on a white board," said Blakeslee.

Cal Poly has the next year to prove California has the infrastructure capabilities to handle the power generated by the wave energy device. They'll also take a look at ecosystem impacts, saying initial research suggests it would be minimal.

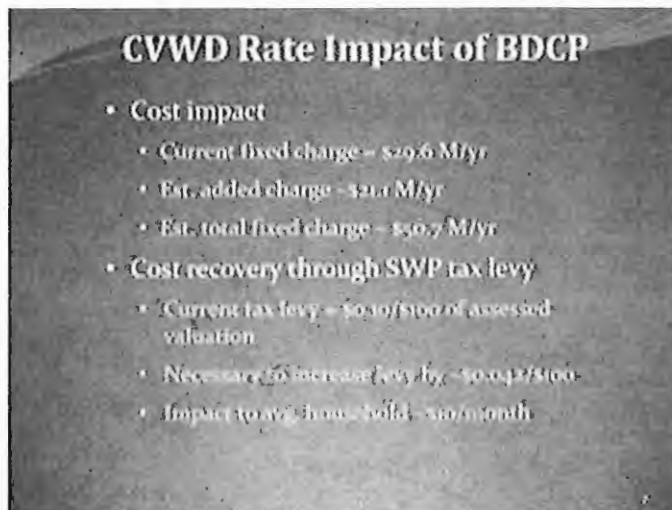
Cal Poly has been awarded a \$750,000 grant for research over the next year.

BROWN & CALDWELL'S California Water News – December 12, 2013

California's Delta tunnels plan: Estimating the costs and benefits

by Ian James, mydesert.com, A Gannett Company

State officials have released a **draft** of their \$25 billion **plan** for the Sacramento-San Joaquin River Delta, which would involve building two 30-mile tunnels beneath the Delta to deliver water to the Central Valley and Southern California. And while the public will be able to **submit comments** during a four-month period starting Friday, water agencies in Southern California that expect to benefit from the plan are starting to estimate the costs.



In a presentation to the Coachella Valley Water District's board on Tuesday, Robert Cheng, the agency's assistant general manager, said the plan would entail an estimated additional charge of \$21.1 million per year for the water district. While it would be up to the CVWD board to decide how to cover that cost, one option would be increasing a property tax assessment, Cheng said.

"The impact to the average household could be about \$10 per month, if the board decides to go down this path," Cheng said.

John Powell, Jr., the board's president, said another option would be to foot the bill by increasing both the tax and a fee that is charged to well owners based on amounts of groundwater pumped.

"We don't relish the idea of raising rates, but I don't see an alternative to this project that makes any sense," Powell said after Cheng's presentation. "So, we're looking at a huge project that's going to

cost our customers money but also could improve the reliability of the water that we need to sustain our aquifer.”

In a recent **series of articles**, The Desert Sun documented significant long-term declines in groundwater levels in the Coachella Valley despite deliveries of water from the Colorado River, which is used to recharge the aquifer.

The Coachella Valley Water District and the Desert Water Agency, both of which exchange their allotments from the State Water Project for equivalent amounts of Colorado River water, have strongly **supported** the proposed Bay Delta Conservation Plan as a way to obtain larger and more stable deliveries of water.

The Metropolitan Water District of Southern California has also backed the joint state and federal plan, and estimates its customers could see their bills go up by an average of about \$5 a month.

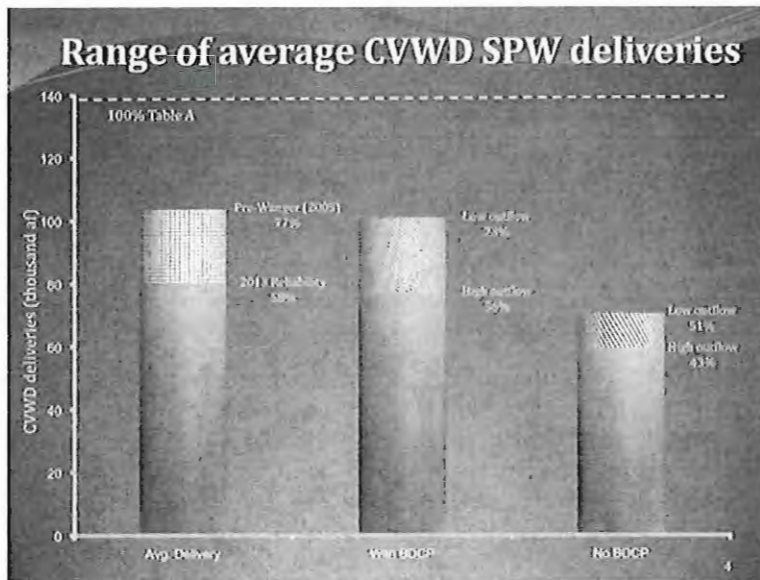
The water agencies point out that supplies of water flowing from the Delta to the canals and pipelines of the State Water Project have grown less reliable in recent years. Deliveries of water have been limited in some years due to regulators’ efforts to protect fish such as endangered Delta smelt. Supporters of the Delta plan say it would help dwindling fish populations.

Opponents call the plan a boondoggle and have argued that the tunnels would harm the Delta ecosystem and wouldn’t fix the state’s water problems.

Some experts, such as Peter Gleick of the Pacific Institute, have also **questioned** whether the plan would achieve its stated goals, and have said a list of important questions remain unanswered.

But officials of the Coachella Valley’s water agencies say that they view the project as crucial and that without it, the amounts of water reaching the area are projected to decline.

During his presentation, Cheng showed a slide illustrating those projections by the state. Since 2005, the water agency has on average received 58 percent of its full allocation of water through the State Water Project, down from an average of 77 percent before that year.



Cheng said that without the Delta plan, average water deliveries are projected to decline to 43-51 percent of the agency's full allocation. With the Delta plan, in contrast, those projections would rise to between 56 percent and 73 percent of the water agency's full allocation in an average year.

Those projections are estimates by the state's Department of Water Resources.

BROWN & CALDWELL'S California Water News – December 12, 2013

Where water is limited, researchers determine how much water is enough



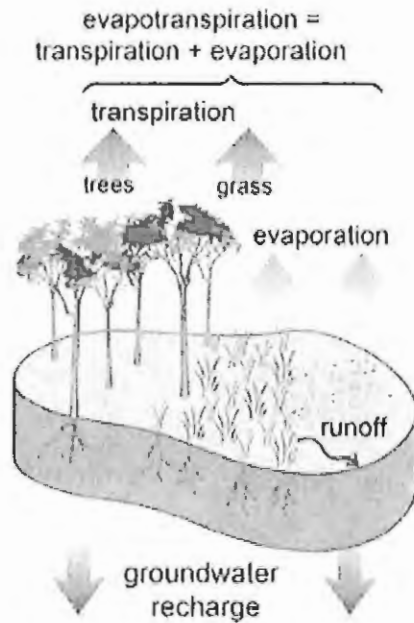
This is a solar powered field station established in a vineyard in California to measure surface renewal. Credit: *JoVE*, the *Journal of Visualized Experiments*

Today, December 12, *JoVE*, the *Journal of Visualized Experiments*, has published an environmental research technique that could turn the age-old task of watering crops into an exact science.

A collaboration of scientists from the US Department of Agriculture and the University of California Davis, among others, has introduced a precision instrument that can determine the water loss, or surface renewal, of agricultural systems that are threatened by water scarcity and climate change.

"These systems provide growers with real-time data needed to make irrigation decisions," said Dr. Andrew McElrone, a US Department of Agriculture and University of California Davis researcher involved in the project, "...[It] could lead to significant water savings by facilitating more efficient use of water."

According to McElrone, the data from this surface renewal measuring system allows researchers to determine how much water in soil is actually used by plants, versus how much is lost through processes like evaporation. Among the numerous variables involved in the calculation process, the system measures wind temperature and speed, soil temperature fluctuation, and a process called evapotranspiration, or, water evaporation through soil and the surfaces of plants.



This is a diagram illustrating evapotranspiration, a fundamental process involved in surface renewal.
 Credit: *JoVE*, the *Journal of Visualized Experiments*

Perhaps most importantly, McElrone and his colleagues' protocol simplifies this complex and typically expensive process—specifically, the complicated process of pairing a surface renewal measuring system with a statistical analysis method called eddy covariance—into a method that is better-prepared for implementation into the market. "Our recent work has eliminated the need for calibration of surface renewal against eddy covariance, and thus provides an economically viable solution for measuring actual crop water use," McElrone said.

These instruments have been already been deployed in field experiments by McElrone and his colleagues and at the California Department of Water Resources. Current crops involved include wine and raisin grape vineyards, rice, alfalfa, almond, walnut, peach, lemon, avocado, and corn farms.

Read more at: <http://phys.org/news/2013-12-limited.html#jCp>

BROWN & CALDWELL'S California Water News – December 12, 2013

Southern California water agencies press ambitious plan to remake Sacramento Delta

Molly Peterson, Environment Correspondent, KPCC



Mae Ryan/KPCC

Louvers at the Skinner Fish Facility in the Sacramento-San Joaquin River Delta divert most fish away from pumps that lift water into the California Aqueduct. Decades of fights among water agencies, environmentalists and farmers, in courtrooms and conference rooms, have culminated in the Bay Delta Conservation Plan, which opens for public comment Friday.

The California Department of Water Resources begins taking public comments Friday on plans for its most ambitious water project ever.

It wants to restore the ecosystem of the Sacramento-San Joaquin River Delta, commonly known as the Bay Delta, while re-plumbing how Southern California gets much of its water. And ratepayers here could foot much of the project's \$25 billion dollar tab.

A third of Southern California's water comes from a place most of us probably can't find on a map. Sixty miles southwest of the state capital, the Bay Delta is where the Sacramento and San Joaquin Rivers merge, and where water from the north of the state mixes with water that meets the San Francisco Bay.

This is the crux of California's water system, and it's broken.

Subsidence, Diversion and Development

For one thing, the Delta is sinking. Bryan Brock is a Department of Water Resources engineer. I recently meet him on Twitchell Island – a bowl of land where the level of the surrounding water is actually above our heads, kept at bay by earthen levees.

"It's probably about a 35-40 foot differential right there," Brock said, pointing to the top of the levee.

Tides used to ebb and flow in the Delta's marshes. Then people drained the land for farming. The soil shrinks down several inches a year, raising pressure on the levees and the risk that the system will fail.

"So it's really impressive when you get a cargo ship going up the San Joaquin Deepwater Channel, and you're thinking, man I hope this levee holds," Brock said.

The lack of water causing subsidence also has an environmental toll.

Wetlands and tidal habitats have vanished; now salmon and dozens of other species struggle for survival, said Chuck Bonham, the head of California's Department of Fish and Wildlife.

"Science is pretty clear that the delta itself is one of the most degraded landscapes at an estuary-wetland level in the nation," he said.

Finding accord in the Bay-Delta

Decades of fights among government and water agencies, environmentalists and farmers, in courtrooms and conference rooms have brought California to this place. The so-called Bay Delta Conservation Plan has two "co-equal" goals that are kind of at odds -- restoring the ecosystem while protecting water deliveries to Central Valley farms and Southern California's growing population.

For Governor Jerry Brown, the Delta's been a top priority since he took office. Last year he put it bluntly.

"I just want to get s--t done," he said. "And I want to get this thing done the best I can, alright?"

The Bay Delta Conservation Plan has landed with a thud this week, 35,000 pages long. Its centerpiece is twin tunnels, 30 miles long, that would feed river water from just above Sacramento, underneath the Delta, south to pumps that would send the water south.

"We aren't looking for more imported water"

Southern California and the Central Valley would be the main beneficiaries of that water, but a promotional video says this isn't a water grab.

Bay Delta Conservation Plan Video

The Metropolitan Water District is a leading supporter of the plan in Southern California. It's a wholesaler that sells Bay Delta water to 28 municipalities and local agencies, including the LA DWP.

MWD general manager Jeff Kightlinger said the plan won't mean more water for Southern California, but maintain what the region is already getting.

"We aren't looking for more imported water," Kightlinger said.

Instead, the point is to make water supplies reliable, he says.

Nearly 70 percent of the project's cost would fall on Metropolitan and other water contractors. In the Central Valley that includes powerful corporate farming interests like Westlands Water District.

Cities and farmers are currently negotiating behind closed doors to sort who would pay what.

"Urban Southern California will certainly pay for its fair share," Kightlinger said. "But we're not going to pay for more than its fair share."

Southern California's fair share

For most local ratepayers, that probably means an additional \$5 a month on utility bills for decades.

But Jonas Minton with the Sacramento-based Planning and Conservation League says that number's a fantasy.

He's part of a broad coalition of environmentalists and Delta area activists who say it's too soon to know how much the additional cost will be because the project is still in its early planning stages.

"That is nuts," Minton says.

He warns ratepayers will grow weary of repeated rate hikes to keep up with costs.

"There's only so much people can pay and are willing to pay," he says.

The project's backers counter there's plenty of time to work out these issues. The public comment period remains open for 120 days. Then the finalized project goes to state agencies, including the Department of Fish and Wildlife, for permitting. There's a long process for this big project before the first shovel of dirt gets turned.

BROWN & CALDWELL'S California Water News – December 10, 2013

Renovations planned for South Laguna tunnel and pipeline project

South Coast Water District offers changes after residents raised concerns about traffic and noise.

By Bryce Alderton

shore up a two-mile underground tunnel and replace an aging sewer pipeline in South Laguna.

City planning commissioners will review the changes to the estimated \$80-million project when they meet next week.

Concerned about the possibility of traffic and construction-related noise, residents called for changes to how the work would be implemented during an October Planning Commission meeting.

Those requests were taken into considerations when the proposed changes were drafted, district spokesman Steve Greyshock said.

The district has proposed a 15,000-square-foot staging area at Fourth Avenue and South Coast Highway that would provide an area for work-related vehicles to come and go.

To mitigate possible noise, the proposal calls for the three sides of the staging area that face houses to have 12-foot-tall sound walls, except for a 10-foot sliding gate for vehicles to enter and exit along Fourth, Greyshock said.

"There was a section of the sound wall abutting Virginia Way that was proposed at 10 feet, but the district has amended the plan to build that section up to 12 feet in response to its dialogue with residents," Greyshock said in an email.

A portion of the side facing Virginia Way would have 12-foot-tall beams, but the sound wall would be only 10 feet, Greyshock said.

The district will conduct noise surveys once construction begins — twice in the first month and once each in the second and fourth months, according to a November district letter to commissioners and Community Development Director John Montgomery.

"The sound wall is modular, so if the sound retention goals can be achieved at a lower height, and residents would like it at a lower height, the district has the ability to [lower the wall's height]," Greyshock said in an email.

Residents were also concerned about construction vehicles using Virginia Way to access the staging area.

District officials listened to those concerns and proposed that vehicles use only Fourth and South Coast Highway to access the staging area and not Virginia, Greyshock said.

The district does not plan any changes to the underground portion of the project, Greyshock said.

The district is seeking conditional use and coastal development permits to repair the tunnel, which is six feet wide by six feet high, and runs parallel to Coast Highway. The stretch is primarily located beneath privately owned oceanfront properties that span from about Three Arch Bay to Aliso Beach Park, according to a district staff report.

The tunnel is deteriorating and repairs are needed to prevent it and the sewer pipe from failing, according to the report.

The tunnel, with an interior of earth, rock and timber supports, houses a sewage pipeline that handles 1 million gallons of sewage daily from South Laguna and Dana Point, according to the district website.

District officials want to shore up the tunnel's interior with "shotcrete," a spray-on form of concrete.

The five-year project is expected to cost \$80 million, Director of Operations Joe McDivitt said.

Construction could begin in 2014.

District staff also took the public on tours of the sewer tunnel after the October planning commission meeting, which Greyshock said fostered community involvement.

The Planning Commission will take place at 6:30 p.m. Wednesday in City Council chambers at City Hall, 505 Forest Ave.

BROWN & CALDWELL'S California Water News – December 10, 2013

Vast Freshwater Reserves Discovered Under Ocean

Forbes



Massive reserves of “freshwater” are buried beneath the seabed on continental shelves around the world, including off Australia, China, North America and South Africa.

This is the conclusion of a new study by a team of Australian scientists that appears in this week’s issue of the journal, *Nature*.

Based on an analysis of seafloor water studies conducted for oil and gas exploration purposes, the study showed that an estimated that 500,000 cubic kilometers of low-salinity water is trapped in aquifers under the ocean floor.

“The volume of this water resource is a hundred times greater than the amount we’ve extracted from the Earth’s sub-surface in the past century since 1900,” said Vincent Post, a groundwater hydro geologist from Flinders University in Adelaide and the new study’s lead author.

This new freshwater resource could give regions suffering with limited access to freshwater more options for combating the impact of droughts and alleviating the impact of water scarcity on future generations.

By 2030, nearly 50% of the planet’s population will exist under conditions of high water stress, according to the United Nations.

The new study undercuts the conventional wisdom on undersea freshwater reserves, which until now were considered to be rare.

“By combining all this information we’ve demonstrated that the freshwater below the seafloor is a common finding, and not some anomaly that only occurs under very special circumstances,” said Post.

BROWN & CALDWELL'S California Water News – December 10, 2013

Delta water tunnel plan presents California with tough choices

By [Matt Weiser, mweiser@sacbee.com](mailto:mweiser@sacbee.com)

A new future for the troubled [Sacramento-San Joaquin Delta](#) was laid out for public review Monday in 34,000 sprawling pages of analysis associated with two giant water-diversion tunnels proposed by Gov. Jerry Brown. The question now for the public and policy makers: Is this the future they want?

The [California Department of Water Resources](#) released the draft documents as part of the Bay Delta Conservation Plan, a proposed \$25 billion project to resolve decades of conflict between water demand and [wildlife habitat](#) in the estuary at the heart of the state. The documents – a habitat-conservation plan and environmental-impact study – launch a formal public review period that will lead to a decision on the proposal by the end of 2014.

Although the Delta plan has been in the works for seven years and revealed in preliminary form on several occasions, the documents released Monday are the first complete look at the official project proposed for construction.

"We consider it a major milestone," said DWR director Mark Cowin. "We think we've made some very positive revisions in this plan. We think it's a complete proposal and a good plan at this point."

Although the documents released Monday are enormous, many questions remain unanswered. Some long-term financing details are left to future political actions, for example, and how much water the tunnels ultimately divert depends on a scenario to be chosen later.

Overall, the goal is to simultaneously improve [wildlife habitat](#) and stabilize [water supplies](#) from the estuary, a source of water for 25 million people and 3 million acres of farmland from [San Jose](#) to [San Diego](#). [Population growth](#), imperiled fish species and [climate change](#) have made that [water supply](#) increasingly vulnerable, and the project aims for a comprehensive fix.

At the core of the project is a pair of water tunnels, 35 miles long and 40 feet in diameter. They would divert a portion of the Sacramento River's flow at three new intakes, proposed in [Sacramento County](#) between Freeport and Courtland. The tunnels alone are projected to cost \$15 billion, which would be funded by the water agencies that benefit.

Another \$10 billion would go into habitat-restoration projects, funded largely by taxpayers, including 100,000 acres of habitat restoration to benefit 57 imperiled species, including Delta smelt, chinook salmon, sandhill cranes and Swainson's hawks.

Water agencies that stand to benefit from the plan have already allocated \$240 million to get the project to this point, most of which has been spent. The Bee reported Saturday that another \$1.2 billion will be needed to complete the planning before construction can start. This money has already been accounted for in the \$15 billion cost of the tunnels.

Altogether, it is the most ambitious and expensive water-development and habitat project ever proposed in California. And it's clear from the documents released Monday that many details of how it will work still have to be resolved.

For instance, one vital question – how much water the new tunnels will divert – is being deferred for a much later decision. The state proposes a “decision tree” process that postpones the decision to an uncertain date before construction of the tunnels is complete, after additional scientific analysis and regulatory review.

Instead, it offers two options that illustrate likely extremes: a high-outflow scenario and a low-outflow scenario. The former assumes wildlife officials order more unrestricted flow through the Delta to benefit wildlife, and allow less water to be diverted into the new tunnels. The latter assumes less natural flow and more diversions.

At issue in that choice is the still-disputed question of how much free water flow is needed to sustain endangered species like Delta smelt and juvenile salmon, which evolved in a Delta very different from today's highly altered environment.

State and federal wildlife agencies have indicated they will approve only the plan with the high-outflow scenario. But the plan calls for that decision to be reviewed before the tunnels become operational – in 2027, at the earliest – if research demonstrates outflow can be reduced without harming the estuary. To some extent, this outcome depends upon whether the initial phases of habitat restoration are successful in breeding more fish.

Sizable diversions

Environmental and fishing groups maintain more natural outflow is necessary to sustain and improve the Delta's fish species, and they've been critical of the proposal to delay a decision.

“I say twin 40-foot tunnels, big enough to dry up the Sacramento River at most times of the year, can't be good for salmon no matter what,” said John McManus, executive director of the Golden Gate Salmon Association.

The project does not propose diverting the entire flow of the river. It will be capable of diverting water at 9,000 cubic feet per second, a maximum capacity that would be reached only during wet seasons, according to the plan. There are other conditions in which the project would divert less but still a sizable share of the Sacramento River's flow.

Some of the most significant changes would occur in sections of the river near Walnut Grove, an area downstream of the proposed tunnel intakes. Computer modeling estimations buried deep in Appendix 5 of the draft plan show the effect. River flows would be reduced at least 10 percent in nearly every month of the year compared to flows that would occur without the tunnels in place. In summer months, river flows would drop between 20 and 25 percent. The estimates are made based upon assumptions for the year 2060.

To water diverters, convincing regulators to set aside the high-outflow scenario may be crucial to the project's financial success. At a recent meeting of the Westlands Water District, a major Delta water consumer in the San Joaquin Valley, officials were told there are slim benefits under the high-outflow option, which commits more water to outflows for habitat purposes, and less for diverters like Westlands. In short, the cost of the tunnels may not justify the limited water benefits.

“Does it pencil out under high-outflow scenario?” wondered Jason Peltier, chief deputy general manager at Westlands. “My gut is that it simply wouldn't work. My prayer is that the fishery regulators recognize what the implications of that swing are for whether we have a viable project or not.”

The intent of the new tunnels is to reduce reliance on the existing diversion works, which consist of separate state and federal pumping systems near Tracy. These diversion works, about 50 years old, have been blamed for reversing natural water flows in the Delta and altering aquatic habitat. They do not have modern fish screens, and none are proposed now: They are located at a "dead-end" corner of the estuary, where modern fish screens are considered ineffective.

The three new intakes will be built with contemporary fish screens – basically plates of stainless steel spaced a quarter inch apart to exclude virtually all fish. These intakes are proposed to be used about 50 percent of the time, with the balance of diversions occurring at the existing pumps near Tracy, depending on conditions.

"Putting in place a modern system to create a more reliable water supply is crucial," said Terry Erlewine, executive director of the State Water Contractors, which represents 29 agencies that buy Delta water from the state. "Currently, we're crippled by outdated infrastructure and a regulatory environment that is hindering our ability to capture fresh water when it is abundant."

Farmers object

Even with fish screens, federal wildlife officials remain concerned about the proposal. For instance, unless there is sufficient river flow past the new screens, fish could become trapped near them by the diversion pumps drawing water through the screens, making the fish more vulnerable to predators. This is a particular concern for young salmon migrating to the ocean.

"Those are some of the potential adverse affects we are concerned about and would be looking at closely," said Maria Rea, Sacramento-region supervisor of the National Marine Fisheries Service, which is charged with protecting salmon.

Local officials north of the Delta have grave concerns that the project will affect water storage in reservoirs and flows that enhance recreation in area rivers. There is also the enormous potential impact on local communities in the Delta, which is described in various ways in the documents.

The decade-long construction process is projected to block traffic and depress economic activity, with potentially permanent effects on scenery and tourism resulting from the construction of new waterworks. Also, the estimated 100,000 acres of habitat restoration will involve taking farmland out of production, with potentially harmful effects on the economy. For the new waterworks infrastructure alone, an estimated 5,665 acres of farmland and open space will be permanently altered.

"We're being asked to sacrifice family farms that have been in business for 150 years – not to help other family farms, but to continue shipping almonds and pistachios around the world," said Bob Wright, an attorney at Friends of the River, in a reference to Westlands growers.

State officials have acknowledged the proposal comes with a heavy burden for Delta communities. Early last year, they significantly changed the tunnel route to reduce some of those harmful effects, and say they are ready to consider other changes during the public comment process, which begins Friday and runs through April 14.

"Ultimately, I think this comes down to a question for both California and the United States," Cowin said. "Is this the program we all should be investing in?"

SGV TRIBUNE-FRONT PAGE-12-10-13

Former Central Basin general manager says two directors tied engineering contract to campaign donations

By Mike Sprague, Whittier Daily News

COMMERCE >> The former general manager of a local water district has accused two of its board members of trying to deny a contract to an engineering company because it didn't give them enough money in campaign contributions.

Art Aguilar, who retired in Oct. 31 as general manager for Central Basin Municipal Water District, made the allegations against directors Art Chacon and Phil Hawkins in a deposition he made as part of billing-dispute lawsuits between the district and Pasadena-based Pacifica Services.

"The problem during the election was they didn't believe that Pacifica gave — their use of the word — "the boys enough money," stated Aguilar, referring to Chacon and Hawkins.

Pacifica gave only a "lousy 10 grand or something along that line," Chacon told Aguilar, he stated. "He expected more."

In the 196-page deposition, Aguilar also stated that Chacon and Hawkins wanted him to hire Industry-based Del Terra Construction Group, instead of Pacifica, for engineering services.

In addition, Aguilar stated that Hawkins asked him to hire 3M Co. for a job because his son-in-law worked for them.

And Hawkins also wanted a job offered to former Assemblyman Tony Mendoza to keep him from running against him, Aguilar stated. Mendoza, who was never hired, ran and lost in the June 2012 election.

Aguilar said Monday he hadn't had a chance to check the deposition for accuracy.

"(But) whatever is said in there is the truth," said Aguilar.

Attorneys for Pacifica released the depositions.

"We are going to get the transcripts to the appropriate authorities," said Steve Elie, attorney for Pacifica.

"This is most important stuff," Elie said. "What he testified under oath is extremely serious."

Chacon and Hawkins declined to comment, said Joseph Legaspi, Central Basin spokesman.

Tony Perez, Central Basin general manager, said he hadn't seen the deposition and declined to comment.

Aguilar stated that Chacon and Hawkins told him vendors must come through with contributions during an election period.

Aguilar also stated that Chacon and Hawkins wanted more in campaign contributions from Pacifica.

"He always expected contributions from (Pacifica President) Ernie (Camacho) and Pacifica for elections — for district elections, for any elections that either his brothers were involved in or his family was managing, even for money for him when he needed money that he could run in through his election services company," said Aguilar.

Aguilar said he knew this because Chacon told him personally, but never in the presence of others.

Campaign finance records show that Pacifica gave nearly \$40,000 to Central Basin candidates from 2007-12. Chacon received \$3,000 in 2010 and Hawkins was given \$1,500 in 2009.

Pacifica had a contract with district from Oct. 1, 2007 to 2013.

Another allegation dealt with Del Terra Construction Group.

"(Chacon) asked me to tailor the RFQ (requests for qualifications) to have a minimum amount of experience and to make it easier for other companies — to be able to qualify," Aguilar stated. "And that was Del Terra."

Aguilar also stated that Hawkins tried to get Aguilar to offer Mendoza a job so that he wouldn't run for director. "(Hawkins) told me that Tony Mendoza was going to call me to discuss possibilities and opportunities and for me to talk to him and see what I could do about it," Aguilar stated.

Aguilar stated that he refused to hire Mendoza. He did talk to Mendoza on the day of the deadline to file for office but refused to meet with him.

He was testifying for two lawsuits.

Mendoza didn't return two phone calls made Monday seeking comment.

Central Basin's lawsuit against Pacifica accuses the company of overbilling it by more than \$867,385 from July 2012 to June of this year.

The district also mistakenly paid nearly \$539,000 of that money to Pacifica and wants it back, said Perez.

Pacifica's lawsuit against Central Basin for breach of contract states the district still owes it more than \$265,000 on top of the \$539,000 the district claims was overpaid.

Aguilar grew up in Pico Rivera and spent 30 years in the newspaper business as a reporter, editor and publisher of community newspapers, including three years at the Whittier Daily News.

He came to the Central and West Basin municipal water districts in 1999, serving as the manager of public and governmental affairs.

He was named co-general manager of the two districts in January 2005 and became general manager of Central Basin alone when they split in 2006.

BROWN & CALDWELL'S California Water News – December 9, 2013

Lead discovered in one in three Chino Valley Unified schools' water



Bottled water at Rolling Ridge Elementary School in Chino Hills on Friday. Lead was found in some of the water fixtures at the school, prompting the shutdown of all water sources at the school. Will Lester — staff photographer

By Beau Yarbrough, Inland Valley Daily Bulletin

Chino Hills >> The water in one in three Chino Valley Unified schools is contaminated with unsafe levels of lead, according to the district.

School officials sent home a letter to parents and guardians of students who attend the schools on Friday, warning them that high levels of lead had been found in the drinking water in some of the fixtures.

State law requires school districts to test water supplies for lead contamination and to notify parents if risky levels are found.

"The report came back yesterday that there were 12 of our schools that have lead levels above what they're supposed to," Superintendent Wayne Joseph said Friday afternoon.

A laboratory hired by the district to evaluate water quality at all CVUSD school sites found unsafe levels of lead in the water coming out of some of the fixtures at 12 of the district's 35 schools — including schools in Chino, Chino Valley and Ontario, and some built 45 years apart.

"This is different water companies, too," Joseph said.

The schools cited in the report include Anna Borba Elementary, Butterfield Ranch Elementary, five-year-old Cal Aero Preserve Academy, Don Lugo High, Magnolia Junior High, Marshall Elementary, Rolling Ridge Elementary, Robert O. Townsend Junior High, 50-year-old Ramona Middle School, Woodcrest Junior and the district's adult and alternative education centers.

The sites had more than 15 parts per billion of lead in its water — the level that the Environmental Protection Agency requires that treatment to reduce lead must be used.

"We sent bottled water today to all the schools that were affected. We're doing more testing tomorrow, Saturday, then we're going to go from there," Joseph said. "Whatever it takes, we'll get it done."

The district is now conducting further water tests at each site and is developing a plan of action.

The Chino Valley Unified school board's next meeting will be held Thursday, at 7 p.m. at the District Service Center, Chino Valley Unified School District, 5130 Riverside Drive, Chino. The meeting is intended as an organizational one where the board selects new officers, and the lead levels is not a planned topic, according to school board president Sylvia Orozco.

"Staff is already working on it," Orozco said Friday. "This is something that can't wait on the board to address."

Board members contacted for comment didn't know more details, they said, as they were attending the California School Boards Association conference in San Diego this weekend and would get more details upon their return.

This is not the first time this year that the district's water quality has been called into question: A group of Chino High parents filed complaints in March over the aging facilities at the 49-year-old school, and brought bottles of cloudy water they said from the school's faucets to a board meeting.

Staff writer Canan Tasci contributed to this story.

BROWN & CALDWELL'S California Water News – December 9, 2013

Bay-Delta Plan is released

Central Valley Business Times

SANTA BARBARA

Monday's release of some 34,000 pages of plan plus environmental impact report for the Bay Delta Conservation Plan promotes pork barrel fantasies of Gov. Jerry Brown, the state Department of Water Resources and corporate agriculture, critics say.

The state Natural Resources Department has released the plan, signaling the next stage in a statewide water war with Delta and northern California groups fighting the governor and his downstate allies.

Click on the link below to begin reading the plan

Among those opposing the plan is the Sierra Club California.

"Once more, Governor Brown's administration has proposed essentially the same thing: giant tunnels and huge price tags that would create environmental destruction and not resolve the state's water demand needs," says Kathryn Phillips, director of the Sierra Club. "We need a better plan for restoring the Delta environment and making sure Californians all over the state get the water they need. It's time to retire this boondoggle and the myth that tunnels will create new water."

The plan and its EIR/EIS works out to about 68 reams of paper, calculates Bill Wells, executive director of the California Delta Chambers & Visitor's Bureau.

"A ream of 20-pound bond paper is about 2 inches thick so the total document, not including covers, would be more than 11 feet thick," he says.

At the heart of the plan are two 40-foot in diameter, 35-mile long water tunnels with enough engineered capacity to drain the normal flow of the Sacramento River., although the state says it probably would never do that.

The intakes would be roughly where the Sacramento, the state's largest river, flows into the Sacramento-San Joaquin Delta. The pipes would empty out into the State Water Project and federal

Central Valley Project systems to move the water south to farming interest on the west side of the San Joaquin Valley and to urban users in Southern California and a portion of Silicon Valley.

"California is in a state of permanent water crisis, but the Twin Tunnels will only exacerbate the problem – and saddle ratepayers with billions in debt in the process," says the Santa Barbara-based California Water Impact Network. "The Brown administration's blandishments aside, the Twin Tunnels will do nothing to procure extra water for the state – they are merely a means of conveying water."

The group, which has been outspoken in its opposition to the tunnels, says the project ignores the diminishing amount of water that can be gleaned from the annual amount of snowpack in the Sierra Nevada and Shasta-Trinity mountains, which it says all reliable computer models indicate will diminish significantly in coming decades.

"There will be some beneficiaries of this project, however," says Carolee Krieger, executive director of the California Water Impact Network. "The Twin Tunnels will allow a few hundred corporate farms in the western San Joaquin Valley – corporations with junior water contracts – to increase their control over the state's developed water."

Ms. Krieger says the project, if built, would ensure steady deliveries of water from the Sacramento/San Joaquin Delta "to the selenium-impaired croplands of the western San Joaquin ... greatly exacerbating the state's already serious selenium and salt pollution problem and degrading Delta agriculture and fisheries."

She contends that in its rush to get construction started, the state has lied about the real cost of the tunnels.

"State officials maintain the Twin Tunnels project will 'only' cost \$25 billion," she says. "But the California Legislative Analyst's Office notes that this figure does not include the interest costs of the project's bonds. Independent analyses put the final price tag at around \$70 billion – and even this is optimistic, if we consider recent history."

She points to two examples: the state aqueduct that delivers water to Santa Barbara County, which was supposed to cost \$270 million but ended up coming in at \$1.76 billion, and the new span of the Bay Bridge, which the state first said would cost \$1.3 billion but has cost \$6.4 billion to date with the project still unfinished since the earthquake-damaged old span has yet to be demolished.

C-WIN also says the state's argument that the tunnels would be a better plan in case the Delta were to ever have a serious earthquake fails since a much cheaper alternative is at hand.

The seismic risk to the Delta can be mitigated simply by strengthening existing levees, it says.

"We can buttress the Delta's levees to withstand major quakes from any nearby fault for \$2 billion to \$4 billion," says Jim Edmondson, a C-WIN director. "This is a public works project that makes real sense. The price tag is reasonable, and the Delta's water infrastructure and croplands would be protected at a fraction of the cost of the Twin Tunnels."

Mr. Edmondson says California needs to reach beyond the Delta when considering future water policy.

"The Delta isn't a bottomless well," he says. "It can't meet all of California's water demands. Consumptive water rights claims already exceed the amount of developed water in California by a factor of five. If we want to avoid crushing ratepayer debt and the ecological collapse of the Delta, we have to move in other directions."

Other comments:

- The Sacramento Regional Water Authority says the governor's plan is not enough.

"We urge the administration to develop a plan for operating California's water system that goes beyond a BDCP," it says in a statement. "A robust statewide operational plan would provide more certainty for regional water supplies in light of potential changes in Delta water quality standards, climate change, an evolving Delta ecosystem and the BDCP's potential implementation. Such a plan would also help to identify the most promising opportunities for additional surface and groundwater storage."

- "Currently, we're crippled by outdated infrastructure and a regulatory environment that is hindering our ability to capture fresh water when it is abundant, lessening the amount of water available to use in dry periods – a problem that is exacerbated as we conclude one of the driest years on record," says Terry Erlewine, general manager, State Water Contractors.

- "The latest BDCP web page and the new page set up by the Delta Stewardship Council about the BDCP reflect the latest major propaganda changes in defense of their mutual boondoggle," says Burt Wilson, a tunnel opponent and publisher of the Public Water News Service. "Specifically, both water

agencies are now pushing the BDCP as a conservation plan with the specter of the twin tunnels relegated to an afterthought. This is the agencies' latest efforts to downplay the \$25 billion Delta tunnels which everyone seems to know will ruin the Delta -- everyone, that is, who isn't employed by a water agency."

- "Since there has been no substantive change in the purpose or fundamental design of the BDCP, it is hard to imagine how these documents change the fundamental fact that the whole BDCP is a \$25 billion boondoggle that will lead to the destruction of the largest estuary on the West Coast of the Western Hemisphere," says Rep. John Garamendi, D-Walnut Grove. "This project still doesn't create one gallon of new water, and it still doesn't add one gallon of desperately needed storage for existing water. The BDCP remains a bad deal for California."

» Click here to access BDCP papers: <http://baydeltaconservationplan.com/PublicReview.aspx>

BROWN & CALDWELL'S California Water News-December 6, 2013

The Department of Water Resources issues first water supply forecast of 2014

by Maven

From the Department of Water Resources:



"Welcome to the 2014 Water Year season of water supply forecasting! The first water supply forecast has been completed.

Forecast Summary:

A Water Year 2014 Water Supply Index (WSI) forecast for conditions as of December 1, 2013 is posted at <http://cdec.water.ca.gov/cgi-progs/iodir/WSI.2014>. The accretions forecast will be sent at a later time.

This WSI forecast is based on the precipitation and flows through November 2013 and can be summarized as follows:

Sacramento River Unimpaired Runoff Water Year Forecast (50 percent exceedence)	12.2 MAF(67 percent of average)
Sacramento Valley Index (SVI) (50 percent exceedence)	5.6(Dry)
San Joaquin Valley Index (SJI) (75 percent exceedence)	1.4(Critical)

Runoff:

Unimpaired flows, for the first two months of the Water Year, have occurred at average rates of 49 percent, 22 percent, and 34 percent of average for the Sacramento Valley Index four rivers, the San Joaquin Valley Index four rivers, and the Tulare Lake basin, respectively. During November, the four rivers in the Sacramento Valley and the four rivers in the San Joaquin Valley Index flowed at an average rate of 38 and 16 percent of average. Tulare Lake basin flows were 32 percent of normal.

Precipitation:

Precipitation in October and November for the Sacramento River Region is at 24 percent of average, the San Joaquin River region is at 29 percent of average, and the Tulare Lake region is at 45 percent of average. Statewide, cumulative water year precipitation through November is 6 percent of the expected water year total; last year at this time it was 110 percent of average.

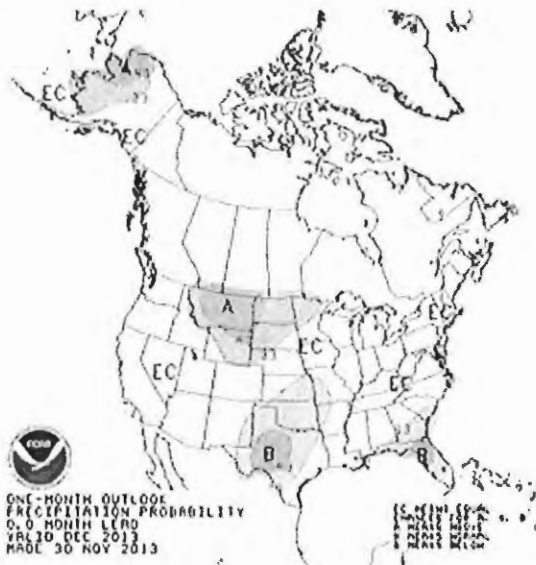
The Northern Sierra 8-Station Precipitation Index gained 0.8 inch in October (27 percent of average) and 1.7 inches in November (27 percent of average). The 8 station seasonal average is 26% of normal including precipitation through December 2. The San Joaquin 5-Station Index gained 0.9 inch in October (45 percent of average) and 1.0 inch in November (21 percent of average). The 5 station seasonal average is 26% to date through December 2.

Snowpack:

The snowpack as of the morning of December 6 is 10, 20 and 36 percent of normal to date for the Northern, Central and Southern Sierra regions, respectively. The statewide percent of average to date is 21, and the statewide percent of April 1 is only 4. Last year at this time the statewide percent of average snow water content was 99.

Weather and Climate Outlooks:

The latest weather forecasts for the Sacramento Valley Index Region indicate up to 0.8 inch today and 0.2 inch for tomorrow and the San Joaquin Valley Index Region can expect up to 0.5 inch today and 0.2 inch for tomorrow. The remaining four days show no precipitation throughout the state. The first three days of the six day period will be cold in the Sacramento region with snowlines ranging between 1,000 to 3,000 feet. Then there is a warming trend over the last three days with freezing levels rising up to 8,000 feet. The first two days will be cold in the San Joaquin region with snowlines ranging between 2,000 to 4,000 feet. Then there is a warming trend over the last four days with freezing levels rising up to 10,000 feet.



The one-month outlook for December, valid November 30, indicates equal chance of either above or below normal precipitation and temperature for the entire state.

The NWS Climate Prediction Center three-month (December-January-February) forecast, posted November 21, also suggests equal chance of either above or below normal precipitation and temperature for the entire state, except a sliver of the southeastern corner of the state where there is an increased chance of above normal temperatures and below normal precipitation.

Next Update:

The next WSI forecast should be available on January 9, 2014. If you have any questions regarding this forecast, please contact a member of the Snow Surveys staff.

Important Links:

Full Natural Flow Data:

Daily FNF

http://cdec.water.ca.gov/cgi-progs/snowsurvey_ro/FNF

Monthly FNF

http://cdec.water.ca.gov/cgi-progs/snowsurvey_ro/FNFSUM

Seasonal FNF

http://cdec.water.ca.gov/cgi-progs/snowsurvey_ro/FLOWOUT

Precipitation Data:

Latest Northern Sierra 8-Station Precipitation Index

<http://cdec.water.ca.gov/cgi-progs/queryDaily?s=8SI&d=today>

Latest San Joaquin 5-Station Precipitation Index

<http://cdec.water.ca.gov/cgi-progs/queryDaily?s=5SI&d=today>

Snow Data:

Latest Snow Sensor Report

<http://cdec.water.ca.gov/cgi-progs/snow/PAGE6>

Latest Statewide Summary of Snow Water Equivalents

<http://cdec.water.ca.gov/cgi-progs/snow/DLYSWEQ>

Extended Regional Forecasts:

California Nevada River Forecast Center 6 Day QPF and Snow Level Forecast

<http://www.cnrfc.noaa.gov/awipsProducts/RNOHD6RSA.php>

Climate Prediction Center One-Month Outlook Forecasts

<http://www.cpc.noaa.gov/products/predictions/30day/>

Climate Prediction Center Three-Month Outlook Forecasts

http://www.cpc.noaa.gov/products/predictions/long_range/seasonal.php?lead=1

U.S. Seasonal Drought Outlook

http://www.cpc.ncep.noaa.gov/products/expert_assessment/sdo_summary.html

Weather Forecast Office California Service Area-Products

<http://www.cnrfc.noaa.gov/forecasts.php>

BROWN & CALDWELL'S California Water News – December 6, 2013

River flooding exercise planned for April

By JIM SECKLER/The Daily News

Published: Friday, December 6, 2013 3:25 AM MST

KINGMAN — Mohave County's emergency management committee met Tuesday to discuss several exercises that could impact Bullhead City.

The Mohave County Local Emergency Planning Committee discussed a Bureau of Reclamation table-top exercise planned for April 10, 2014. The exercise will include the event of massive flooding in the Bullhead City area, county emergency management coordinator Byron Steward said.

Another meeting is scheduled in late January on the exercise. The emergency management division is planning for several scenarios including a large earthquake that could damage one of the dams or the release of excessive water downstream from Lake Mead behind Hoover Dam. The planning would involve Davis Dam, Hoover Dam and Parker Dam and the communities along the river, Steward said.

The committee also heard a report on the table-top exercise that took place Oct. 16 simulating an airplane accident at the Laughlin/Bullhead International Airport. An actual exercise held at the airport is planned for about October 2014, Steward said.

Another report was given on a statewide exercise held Nov. 20-21 about a possible power outage throughout Arizona. The county's Emergency Operation Center teamed with centers from Bullhead City and Kingman to simulate a power outage from an attack on the electrical grid by terrorists or hackers.

The committee heard another report on a statewide exercise held Nov. 6 about the activation of Emergency Operation Centers throughout the state. EOCs from the three cities, the Fort Mojave tribe, the state prison located southwest of Kingman and the county's public health department took part in the table-top exercise, Steward said.

Upcoming training includes an all-hazards incident commander course to be held Feb. 3-7, 2014. Also discussed was grant applications to fund hazmat or swift water rescue equipment from the Homeland Security Department.

The LEPC meets quarterly in Kingman to review the county's emergency plan, federal and state grants, training, exercises and disaster scenarios. The meetings are open to the public.

BROWN & CALDWELL'S California Water News – 12/4/13

Supervisors Support 'Water Action Plan' to Tackle Shortages

Valley News, Issue 49, Volume 17.

RIVERSIDE - Riverside County supervisors approved a resolution today calling on the governor to "secure California's water future" by adopting a 15-step action plan that emphasizes the preservation of local water supplies and the need for improved management of resources statewide.

At the urging of Supervisor Marion Ashley, the Board of Supervisors unanimously voted in support of the Association of California Water Agencies' Statewide Water Action Plan, which was submitted to Gov. Jerry Brown in October.

"Long-term water supply reliability and improved ecosystem health are the hallmarks of the ... plan," Ashley said in an introduction to the resolution. "The (plan) lays out guiding principles to ensure actions benefit the entire state."

The 15 items recommended by the ACWA are:

- upgrade or construct water storage infrastructure statewide to ensure enough supplies can be tapped to sustain the state in a multi-year drought;
- increase funding for water efficiency programs managed by the California Department of Water Resources and local agencies;
- preserve landowners' water rights;
- prescribe efforts to prevent reservoirs from being exhausted to the point of becoming "dead pools";
- expand support for increasing local water supplies via stormwater capturing, recycling, desalination and groundwater purification projects;
- implement protective measures to spare headwaters from wildfire damage;
- support efforts to protect the quality of surface water;
- move the Bay Delta Conservation Plan forward, while minimizing its potential "adverse impacts";
- repair and bolster levees around waterways to reduce flooding risks, especially in the San Joaquin Valley;
- develop an "emergency response plan" in the event massive wildfires, floods and earthquakes disrupt water availability;
- ensure that the State Water Board takes the lead in coordinating implementation of the 2006 Water Quality Control Plan related to the Delta;
- resolve conflicting regulatory guidelines that disrupt groundwater storage opportunities;
- improve communication between state and federal officials to expedite water projects;
- establish policies and procedures that accelerate water reclamation efforts; and
- encourage voters to pass a multibillion-dollar water bond proposed for the November 2014 election.

"The Statewide Water Action Plan provides ... strategies to secure California's water future," according to the resolution. "When implemented together, this suite of actions will serve as a sustainable path forward in California."

BROWN & CALDWELL'S California Water News – 12/3/13

IID may join U.S.-Mexico water agreement

By ANTOINE ABOU-DIWAN, Staff Writer, Imperial Valley Press

The Imperial Irrigation District may participate in a water pact between the United States and Mexico if the IID's Board of Directors approves an agreement with the Metropolitan Water District of Southern California when it meets later today.

The board considered participating in Minute 319 last year. However, the IID ended up on the sidelines after the board deadlocked in a 2-2 vote over the IID's share in the projects.

The 5-year binational pilot project has United States entities repair and upgrade Mexicali Valley water infrastructure that was damaged in a 2010 earthquake in return for conserved water. It also allows Mexico to store some of its Colorado River entitlement in Lake Mead. And, both countries would share in water shortage and surplus conditions.

The proposal on Tuesday's agenda would increase the IID's participation with MWD from 20 percent to 50 percent. The IID's share of the project will cost \$2.5 million. In return, the IID would be credited with \$23,750 acre-feet of water that can be used for storage or water overrun payback purposes, reducing the district's reliance on fallowing.

Also on today's agenda is a discussion about the impact and implications of an at-large voting system versus a district-based election system.

The Coachella Valley Water District in November switched from an at-large voting system to a district-based election system after lawyers accused it of violating the California Voting Rights Act of 2001 and threatened to sue.

Presently, voters in Imperial County can elect IID directors at-large, regardless of which division they live in.



UPPER SAN GABRIEL VALLEY
MUNICIPAL WATER DISTRICT

JANUARY 7, 2014

REPORT OF THE DISTRICT ENGINEER
ON HYDROLOGIC CONDITIONS

✚ *Baldwin Park Key Well (see attached graph)*

- Located in the central portion of the San Gabriel Valley within the City of Baldwin Park and used as a general indication of water elevations throughout the San Gabriel Valley
- One vertical foot is equivalent to about 8,000 acre-feet of groundwater in the Main Basin
- The historic low at the Baldwin Park Key Well was 189.2 feet, which occurred on December 3, 2009
- On November 22, 2013, the Baldwin Park Key Well groundwater elevation was 196.9 feet.
- On December 20, 2013, the Baldwin Park Key Well groundwater elevation was 197.5 feet.
 - ❖ An increase of 0.1 feet from the prior week. About 16 feet lower than one year ago (represents about 128,000 acre-feet.) Includes about 86,300 acre-feet of untreated imported water in cyclic storage accounts, which represents about 11 feet of groundwater elevation at the Key Well.

✚ *Reservoir Storage and Releases*

- There are three dams and reservoirs located along the San Gabriel River above San Gabriel Canyon. Their primary function is for flood control and are also used to store watershed runoff for subsequent groundwater replenishment.
 - ❖ Cogswell Reservoir is located highest in the watershed and has a maximum storage capacity of 11,136 acre-feet
 - ❖ San Gabriel Reservoir is located downstream of and receives releases from Cogswell Reservoir, and has a maximum storage capacity of 43,646 acre-feet
 - ❖ Morris Reservoir is located downstream of and receives releases from San Gabriel Reservoir, and has a maximum storage capacity of 28,696 acre-feet. Releases from Morris Reservoir and San Gabriel Reservoir are used at local surface water treatment plants and used for groundwater replenishment
 - ❖ Total storage capacity is 83,478 acre-feet

Report of the District Engineer on Hydrologic Conditions – January 7, 2014 (continued)

- ❖ Combined storage as of December 23, 2013 was 11,045 acre-feet (about 13 percent of capacity)
- ❖ San Gabriel Reservoir inflow was 15 cfs and release was 15 cfs as of December 23, 2013 (15 cfs was delivered to Committee of Nine in Azusa Conduit)
- ❖ Morris Reservoir inflow was 0 cfs and release was 0 cfs as of December 23, 2013.

✚ USG-3

- Located in San Gabriel Canyon just below Morris Dam, it represents Upper District's primary point of delivery of untreated imported water for groundwater replenishment to the San Gabriel Valley. The typical delivery rate is about 190 cfs (or about 375 acre-feet per day)
 - ❖ Upper District plans to deliver 26,000 AF of producer cyclic storage through USG-3.
 - ❖ During October 2013, Upper District delivered 16,093.8 AF of untreated imported water through USG-3.
 - ❖ During November 2013, Upper District delivered 5,120.8 AF of untreated imported water through USG-3.
 - ❖ During December 2013, an estimated 4,785.4 AF of untreated imported water is expected to be delivered through USG-3.
- In addition, San Gabriel District did not make deliveries to the San Gabriel Canyon Basin during November 2013.
- In addition, Three Valleys District did not make deliveries to the San Gabriel Canyon Basin during November 2013.

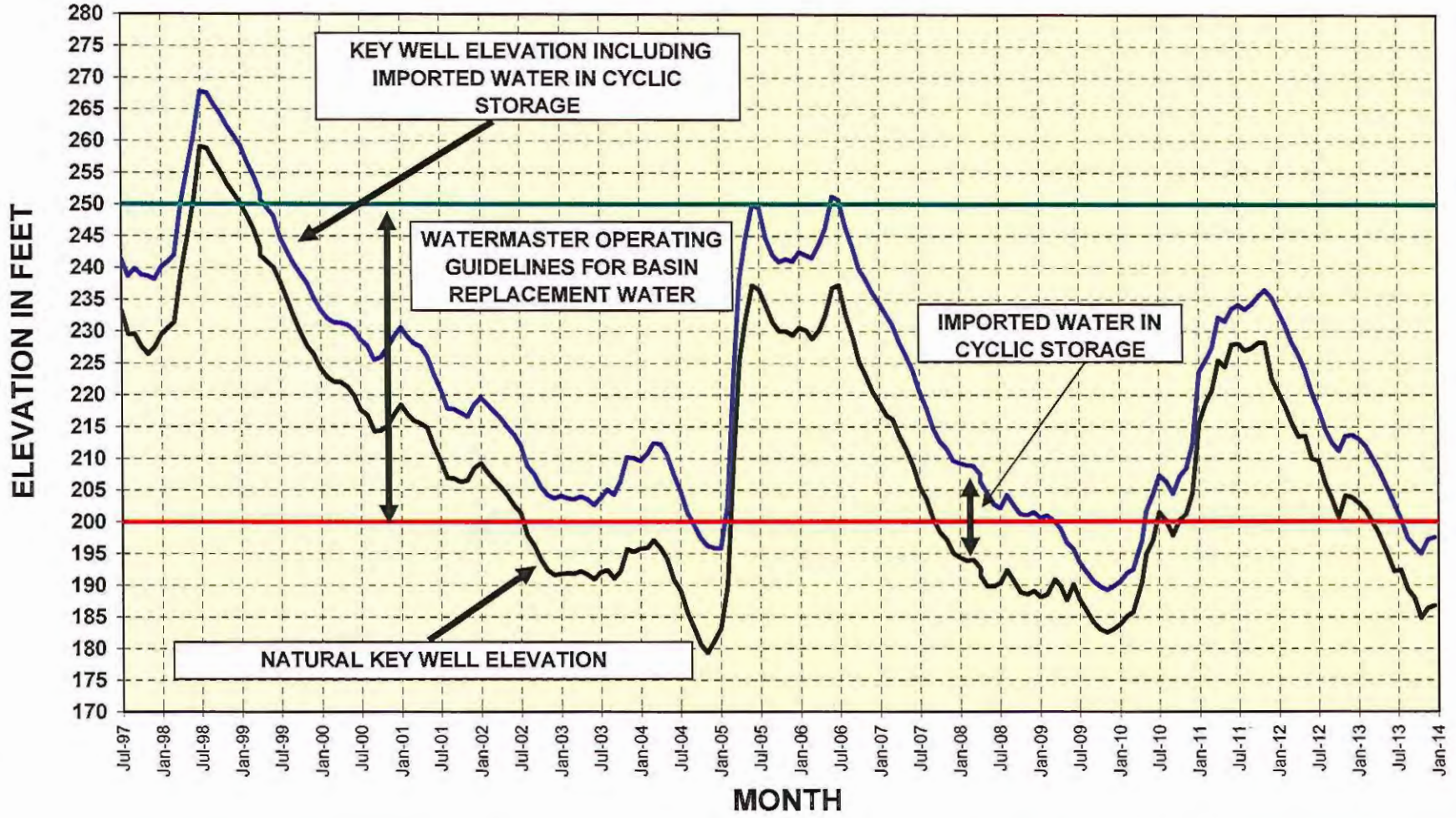
✚ Rainfall (see attached graphs)

- Data are readily available on a daily basis and are indicative of comparative amount of rainfall in the San Gabriel Valley (percent of average)
- Puddingstone Dam as of December 23, 2013
 - ❖ Average rainfall from July 1st through December 31st of each year is 6.00 inches
 - ❖ Rainfall during July 1, 2013 through December 23, 2013 is 1.44 inches, which is about 24 percent of average
 - ❖ Rainfall last year (during July 1, 2012 through December 31, 2012) was 4.71 inches
- Los Angeles Civic Center as of December 23, 2013
 - ❖ Average rainfall from July 1st through December 23rd of each year is 3.54 inches
 - ❖ Rainfall during July 1, 2013 through December 23, 2013 is 0.97 inches, which is about 27 percent of average
 - ❖ Rainfall last year (during July 1, 2012 through December 23, 2012) was 2.02 inches

✚ Water Quality

- Water systems are required by the California Department of Public Health (CDPH) to collect water quality data from source wells and provide the results to CDPH staff pursuant to Title 22
 - ❖ During December 2013, 42 wells were sampled under Title 22
 - ❖ During November 2013, 55 wells were sampled under Title 22
 - ❖ During November 2013, Stetson Engineers Inc. received no public notice of wells shut down due to contamination

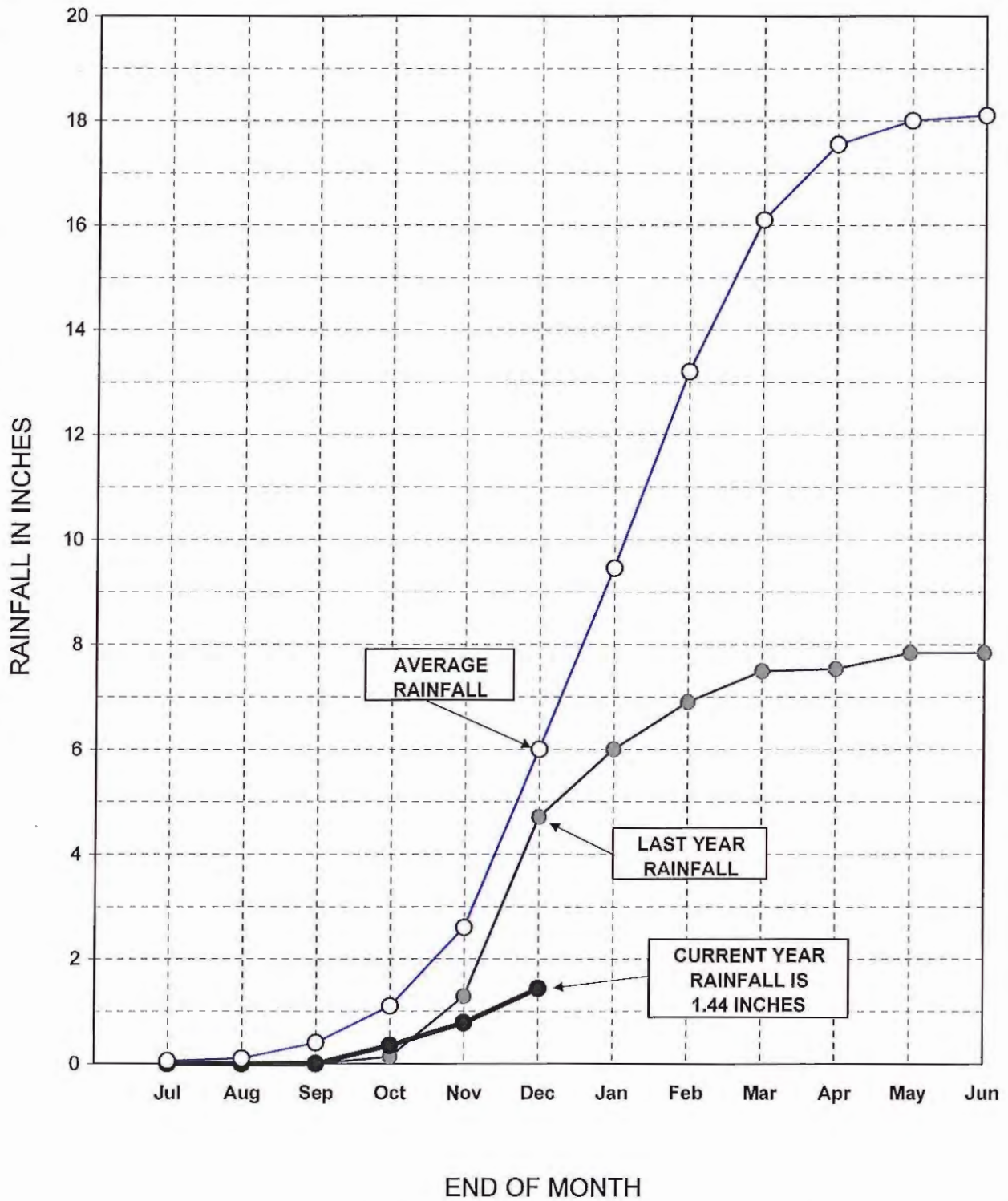
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STETSON ENGINEERS INC.
 Covina San Rafael Mesa, Arizona
 WATER RESOURCE ENGINEERS

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

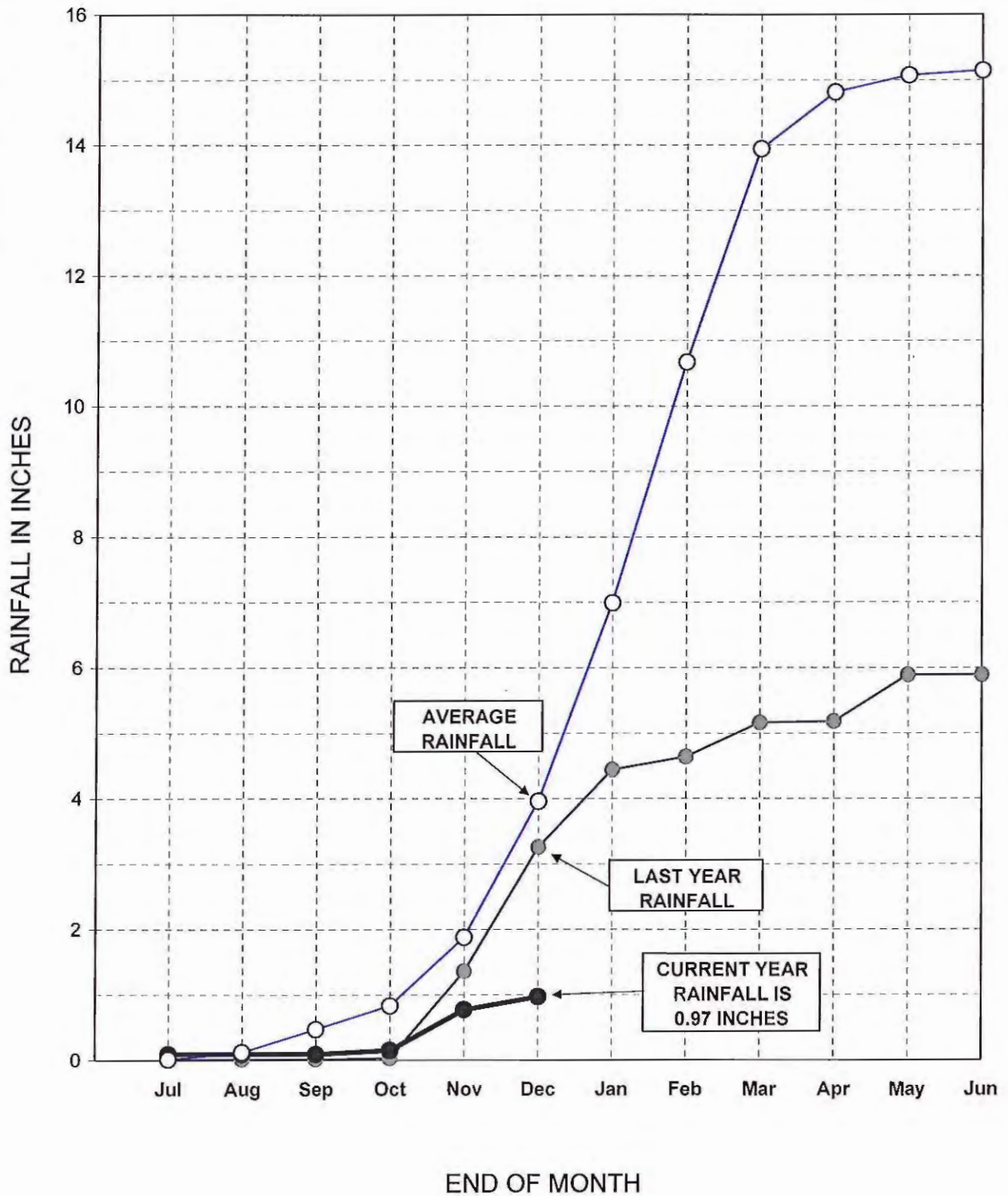
**BALDWIN PARK KEY WELL
 GROUNDWATER ELEVATION**



STETSON ENGINEERS INC.
 Covina San Rafael Mesa, Arizona
 WATER RESOURCE ENGINEERS

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

ACCUMULATED RAINFALL
 AT PUDDINGSTONE DAM (STATION NO. 96-C)



STETSON ENGINEERS INC.
 Covina San Rafael Mesa, Arizona
 WATER RESOURCE ENGINEERS

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

**ACCUMULATED RAINFALL
 AT LOS ANGELES CIVIC CENTER**

1046

During November 2013, 55 wells were sampled under Title 22. Raw water results from active wells that do not pump to a treatment plant follow:

<u>Contaminant</u>	<u>Range (ppb)</u>	<u>MCL (ppb)</u>
PCE	ND - 3.5	5
TCE	ND - 2.6	5
c-1,2-DCE	ND - 1.2	6

In addition, 42 wells were sampled under Title 22 in December 2013.

**Summary Report for
The Metropolitan Water District of Southern California
Board Meetings
December 10, 2013**

COMMITTEE ASSIGNMENTS

None. (Agenda Item 5C)

FINANCE AND INSURANCE COMMITTEE

Approved the draft Remarketing Statements in Attachments 1, 2 and 3 of the Board letter substantially in the form attached to the Board letter, with changes approved by the General Manager and General Counsel; authorized the General Manager to execute the Remarketing Statements; and authorized distribution of the Remarketing Statements in connection with remarketing and marketing of the related Bonds. (Agenda Item 8-1)

WATER PLANNING AND STEWARDSHIP COMMITTEE

Authorized the General Manager to renew the 3-year Municipal Water Quality Investigations agreement with the Department of Water Resources and the participating State Water Project contractors; and authorized the General Manager to renew the 3-year Municipal Water Quality Investigations agreement with the State Water Project Contractors Authority with Metropolitan's total cost up to \$2.1 million annually for both agreements. (Agenda Item 8-2)

Authorized the General Manager to negotiate revised terms for Imperial Irrigation District (IID) to participate in the Minute No. 319 pilot project, with a limitation that IID would share in no more than one-half of the Intentionally Created Surplus water available to Metropolitan; and executed an agreement with IID on such other terms as the General Manager may negotiate in a form approved by the General Counsel. (Agenda Item 8-3)

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated \$5,430,000; and awarded \$3,725,000 contract to Mladen Buntich Construction Co., Inc. to replace a portion of the interior lining of the Etiwanda Pipeline. (Agenda Item 8-4)

Appropriated \$22 million; and authorized an increase in change order authority of \$18.5 million for the Weymouth ORP Stage 1 construction contract, for an aggregate authority not to exceed \$23,274,875. (Agenda Item 8-5)

COMMUNICATIONS AND LEGISLATION COMMITTEE

Adopted the Legislative Strategy for 2014. (Agenda Item 8-6)

Authorized the General Manager to express Metropolitan's support for SB 772, if amended. (Agenda Item 8-7)

CONSENT CALENDAR

In other action, the Board:

Granted conditional approval for Annexation No. 98 concurrently to Calleguas and Metropolitan, conditioned upon receipt in full of annexation fee of \$487,059.66 to Metropolitan if completed by December 31, 2014, or if completed later, the current annexation charge applies; approved Calleguas' Water Use Efficiency Compliance Statement with the current Water Use Efficiency Guidelines in Attachment 2 of the Board letter; adopted resolution of intention to impose water standby charge at a rate of \$9.58 per acre, or per parcel of less than one acre, within the proposed annexation area in Attachment 3 of the Board letter. (Agenda Item 7-1)

Appropriated \$1.8 million; and awarded \$796,000 contract to Nth Generation Computing, Inc. for procurement of enterprise-class Itanium UNIX Servers. (Agenda Item 7-2)

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

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the board meeting. In order to view them and their attachments, please copy and paste the following into your browser <http://edmsidm.mwdh2o.com/idmweb/home.asp>.

Summary Report for the
Main San Gabriel Basin Watermaster
Regular Board Meeting
December 11, 2013

Request from California American Water Company – Duarte System to purchase 1,000 AF water from Upper District for producer cyclic storage.

The Board authorized the purchase as requested.

Request from Valley County Water District to purchase 1,000 AF water from Upper District for producer cyclic storage.

The Board authorized the purchase as requested.

Request from the City of Arcadia to increase limit of cyclic storage account (from 5,000 to 7,500 AF).

The Board authorized extending the terms of the City of Arcadia's individual Producer Cyclic Storage Agreement through Fiscal Year 2018-19 and increasing the storage limit to 7,500 AF.

Adoption of Resolution No. 12-13-258, commemorating the outstanding service of Richard Rich.

The Board adopted Resolution No. 12-13-258 as presented.

Attorney's Report.

The Attorney reported that Watermaster finalized the settlement agreement with American International Specialty Lines Insurance Company for reimbursement of \$22,500 in unpaid legal fees, relative to South El Monte Operable Unit litigation.

Executive Officer's Report.

The Executive Officer provided his written report on outside activities and highlighted a number of activities that staff has engaged in over the past month. He then thanked Mr. Rich for his service to Watermaster.

The Executive Officer also reported that Watermaster staff has reviewed the Groundwater Workplan Concept Paper prepared by the State Water Resources Control Board (SWRCB) and will prepare comments for submission to SWRCB.