

WALNUT VALLEY WATER DISTRICT
271 South Brea Canyon Road
Walnut, California 91789

SPECIAL BOARD MEETING
THURSDAY, SEPTEMBER 22, 2016 – 4:00 P.M.
AGENDA

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the General Manager's office at least 4 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item.

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review during regular business hours at the District office, located at 271 S. Brea Canyon Road, Walnut, California.

1. Flag Salute
2. Roll Call: Mr. Ebenkamp_____ Mr. Hilden_____ Ms. Kwong_____ Ms. Lee _____ Dr. Wu_____
3. Public Comment Director Wu

The Presiding Officer may impose reasonable limitations on public comments to assure an orderly and timely meeting.

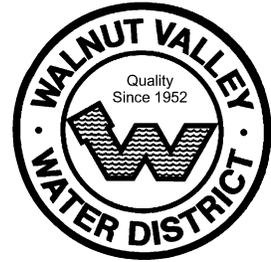
A. **Agenda Items** - Any person desiring to address the Board of Directors on any Agenda item may do so at the time the item is considered on the Agenda by requesting the privilege of doing so at this time and stating the Agenda item to be addressed. At the time the item is discussed, those requesting to speak will be called to do so.

B. **Non-Agenda Items** - At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the District. Reasonable time limits on each topic and on each speaker are imposed in accordance with Board policy.

4. Presentation of Plaque on the Occasion of Mr. Joseph A. Yersky's Retirement from the District
5. Discussion and Consideration to Approve Resolution No. 09-16-632 in Opposition of Proposition 53
 - A. Discussion
 - B. Action Taken
6. Discussion, Consideration and Action on the Possible Adjustment or Revocation of the District's Drought Rate Surcharge, Effective October 1, 2016 (Adjusted Rates to be Within Previously Approved Rate Structure)
 - A. Discussion
 - B. Action Taken

Adjournment

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: September 22, 2016
SUBJECT: Discussion and Consideration to Approve Resolution No. 09-16-632 in Opposition of Proposition 53

Action/Discussion Fiscal Impact Resolution Information Only

Recommendation

Adopt Resolution No. 09-16-632, opposing Proposition 53.

Background

Proposition 53 will appear on the Nov. 8 ballot. The measure, if approved by voters, would amend the California Constitution to require statewide voter approval of infrastructure projects financed through revenue bonds over \$2 billion.

According to the Legislative Analyst's Office:¹

A YES vote on this measure means: State revenue bonds totaling more than \$2 billion for a project that is funded, owned, or managed by the state would require statewide voter approval.

A NO vote on this measure means: State revenue bonds could continue to be used without voter approval.

Proposition 53 — also known as the “No Blank Checks” initiative — seeks to amend the California Constitution to require statewide voter approval for infrastructure projects financed, owned, operated, or managed by the state or any joint powers authority created by or including the state, if the revenue bonds exceeds \$2 billion. Revenue bonds are backed by private investors and repaid by users of a project who directly benefit and not by taxpayers. Proponents also say the measure would reign in debt and provide transparency.

Opponents of Proposition 53 say it may deter a range of infrastructure projects in California, including the proposed California WaterFix, water storage facilities, desalination plants, roads and highways, healthcare facilities, ports and public education facilities. Proposition 53 could empower voters to reject projects outside of their region and could mean that infrastructure repairs following a natural disaster would be delayed until approved in a subsequent statewide election. Some legal experts believe the measure could affect the construction of vital state and local water projects, including water storage, recycling facilities and other projects.

The Association of California Water Agencies Association (ACWA) has requested that its members oppose Proposition 53 and has prepared a variety of materials (attached) to brief its members on and to assist them with educating key audiences. By way of background, it is permissible for public agencies to take a position on a ballot measure and to provide balanced, educational materials to the public on the measure, its potential impacts and the agencies' position.

Attachments: as noted

¹ <http://www.lao.ca.gov/ballotanalysis/propositions> (accessed Sep 21, 2016)

RESOLUTION NO. 09-16-632

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE WALNUT VALLEY WATER DISTRICT
TO OPPOSE CALIFORNIA BALLOT PROPOSITION NO. 53**

WHEREAS, local water agencies throughout California are on the front lines of delivering safe, reliable water to people throughout the state; and

WHEREAS, the current drought has proven the importance of local supply and local infrastructure in agencies' ability to provide reliable water to customers; and

WHEREAS, an initiative on the November 8, 2016 ballot would amend the California Constitution to require statewide voter approval of infrastructure projects financed through revenue bonds over \$2 billion; and

WHEREAS, many legal experts believe that the measure, if approved, could impact the construction of water projects on both the state and local levels, requiring them to be approved by voters statewide if they are constructed in partnership with the state; and

WHEREAS, the requirement of a statewide vote would empower voters in distant communities to reject projects outside their communities; and

WHEREAS, the measure could impede Walnut Valley Water District's ability to build vital projects to enhance local supplies such as the construction of additional storage, desalination plants, stormwater capture, recycling facilities and other related projects.

NOW, THEREFORE, BE IT RESOLVED that Walnut Valley Water District opposes Proposition 53.

ADOPTED and PASSED at a meeting of Walnut Valley Water District's Board of Directors, on this 22nd day of September 2016 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Allen Wu, Vice-President

ATTEST:

Secretary



Association
of California
Water Agencies
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Communications Toolkit

Facts about Proposition 53

Proposition 53 will appear on the Nov. 8, 2016 ballot. The measure, if approved by voters, would amend the California Constitution to require statewide voter approval of infrastructure projects financed by revenue bonds over \$2 billion.

Many legal experts believe that the measure could impact the construction of water projects – both state and local.

ACWA's Board of Directors voted in July 2015 to oppose the measure.

Facts about Proposition 53:

- Requires statewide voter approval for projects that are financed, owned, operated, or managed by the state or any joint powers authority created by or including the state, if the revenue bond amount exceeds \$2 billion.
- Affects local control by requiring statewide voter approval even for some local infrastructure projects.
- Prohibits the dividing of projects into multiple separate projects to avoid statewide voter approval requirement.
- Applies to revenue bonds, which are repaid by users of a project who directly benefit, not statewide taxpayers.
- Applies to a broad range of projects, including: water storage facilities, desalination plants, water treatments facilities, roads and highways, hospitals and healthcare facilities, UC and CSU facilities, ports, and bridges.
- Contains no exemption for cases where earthquakes or other natural disasters have damaged infrastructure.



Proposition 53 – Pro and Con Arguments

Proposition 53 will appear on the Nov. 8, 2016 ballot. The measure, if approved by voters, would amend the California Constitution to require statewide voter approval of infrastructure projects financed through revenue bonds over \$2 billion. The website of opponents of the measure is www.savelocalcontrol.com. The proponents' website is www.stopblankchecks.com.

Below are some of the arguments being made in the initiative discussion.

What Supporters Say	What Opponents Say
<ul style="list-style-type: none">• Proposition 53 shifts power from Sacramento politicians and gives more power to the electorate by requiring that all multi-billion state bonds go to a statewide vote.• Proposition 53 gives voters a say when the state government wants to incur enormous new debt that the public will have to repay.• Proposition 53 will help protect California's financial future by allowing the electorate to rein in the state's massive debt.• Proposition 53 will bring transparency to state spending by showing voters the actual costs and benefits of large projects.	<ul style="list-style-type: none">• Proposition 53 diminishes local control by requiring statewide voter approval for some local infrastructure projects that could be funded by a mix of local and state funds.• Proposition 53 impacts revenue bonds, which are paid for by users of a project who directly benefit, not the general public.• Proposition 53 threatens California's future by jeopardizing the building and improvement of aging infrastructure, including water projects voters envisioned when they passed Proposition 1.• Proposition 53 is poorly written and, according the Legislative Analyst's Office, creates uncertainties about which projects would be affected by the measure.



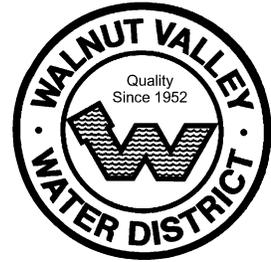
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Key Talking Points on Proposition 53

- Proposition 53, if approved by voters, would amend the California Constitution to require statewide voter approval of infrastructure projects financed through revenue bonds over \$2 billion.
- Proposition 53 could undermine local control by delaying or blocking much-needed infrastructure projects pursued by local water agencies and other local jurisdictions.
- Proposition 53 proponents claim the measure is aimed at big projects proposed by the state; however, the language of the measure could affect local projects pursued by joint powers authorities.
- The measure would impact a wide range of infrastructure projects in California. Projects include: water storage facilities, desalination plants, water treatments facilities, roads and highways, hospitals and healthcare facilities, UC and CSU facilities, ports, and bridges.
- Proposition 53 would empower voters in distant communities to reject projects outside of their communities. (Customize with specific examples for your agency.)
- The measure contains no exemptions for emergencies or major disasters. That means in the event of a major disaster such as an earthquake or flood, local governments may have to wait as long as two years to get statewide voter approval to repair bridges, water recycling plants and other critical projects.
- The measure targets revenue bonds, which are typically backed by private investors. Revenue bonds are repaid by users of a project who directly benefit, not taxpayers.
- According to the Legislative Analyst's Office, the new voter requirement might discourage some jurisdictions from pursuing projects due to the additional costs and uncertainty associated with voter approval.

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: September 22, 2016
SUBJECT: Drought Rate Surcharges

Action/Discussion Fiscal Impact Resolution Information Only

Recommendation

Staff is recommending that the drought rate surcharges be reviewed in conjunction with our discussion regarding future rate changes expected to take place in October 2016.

Background

Last year, in response to the severe drought affecting California, the State Water Resources Control Board adopted the final emergency regulation related to the mandated statewide 25% reductions in urban water use, as outlined in the executive order issued by Governor Jerry Brown. This emergency regulation imposed nine tiers of water conservation targets ranging from 4% to 36%. Based on residential gallons per capita per day (R-GPCD), the District was required to conserve 28% (later revised to 26%), from the baseline year of 2013 production.

Recognizing the importance of conservation, from both a resource and financial perspective, the District, which is almost 100% dependent on imported water, committed to meeting the state-mandated conservation target of 25%. In response, on April 23, the District's Board declared a Stage 3 Water Supply Shortage, which outlined various water restrictions. In addition, the District ramped up its outreach campaign with a focus on educating the public about the severe drought, advising them of the current water restrictions, and calling for 25% conservation. Lastly, in May 2015, the Board approved the implementation of Drought Rate Surcharges. Based on these efforts the District achieved approximately 24% conservation for FY 2015-16.

New State Conservation Measures, Effective May 2016

In May 2016, the State implemented new water conservation regulations that take into account local water supply conditions. The new regulations require that each agency evaluate available supplies and certify that such supplies will be sufficient to meet demands for the next three years. Provided supplies are sufficient to meet demands during that three-year period, agencies can then establish their own conservation goals. As a result of these changes, the District is no longer required to meet the state's 26% conservation mandate. Recognizing that the District is almost 100% dependent on imported water, and wanting to ensure adequate supplies are indeed available to meet demands, the District established a conservation goal of 15%. This is consistent with the District's long-standing commitment to conservation and representative of the outstanding efforts our customers have made over the past several years. In response to these changes, the Board approved changing our Water Supply Shortage Stage from Stage 3 to Stage 1, which increased outdoor watering from two (2) days to three (3) days a week.

Drought Rate Surcharges

The drought rate surcharges were implemented to achieve two main objectives: (1) through price signaling, provide the necessary incentive for our customers to conserve, and (2) to maintain an adequate amount of revenue to continue operations.

Because of recent changes, most notably, the reduction of the District's conservation goal from a state mandated 26% to a voluntary 15%; the question arises about whether surcharges are necessary to achieve the new conservation goal. Through the first two months of fiscal year 2016-17, the District has seen conservation of 17.7%. Although higher than the new goal of 15%, it represents a significant decrease from the prior year, which saw conservation levels average 29.5% for the same period. While quantifying the impact the surcharges have on conservation is unknown, it can be reasoned that the implementation of the surcharges in combination with customer initiative, the statewide drought messaging, and the District's own conservation outreach efforts had a significant impact on the conservation achieved this last fiscal year.

Staff Recommendation

Staff is recommending that the drought rate surcharge remain in effect for the near term, allowing additional time to evaluate consumption patterns relative to the District's goal of 15%. Also unknown are future local, regional and statewide hydrologic conditions and the potential (possibly mandated) responses of both the state of California and MWD—both of which may be obligated to respond to future conditions which we cannot predict with any certainty. Accordingly, staff is recommending that the drought rate surcharges be revisited in conjunction with our discussion regarding future rate changes anticipated to take place in October 2016.