

AGENDA
IRVINE RANCH WATER DISTRICT
WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE
THURSDAY, NOVEMBER 5, 2015

CALL TO ORDER **3:30 p.m.** Committee Room, Second Floor, District Office
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE Committee Chair: Mary Aileen Matheis _____
Member: Steve LaMar _____

<u>ALSO PRESENT</u>	Paul Cook	_____	Cheryl Clary	_____
	Beth Beeman	_____	Patrick Sheilds	_____
	Mark Tettemer	_____	Christine Compton	_____
	Fiona Sanchez	_____	Amy McNulty	_____
	Paul Weghorst	_____	Kellie Welch	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

COMMUNICATIONS

1. Notes: Weghorst
2. Public Comments
3. Determine the need to discuss and/or take action on item(s) introduced that came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

INFORMATION

5. DROUGHT OUTREACH PROGRAM UPDATE – BEEMAN/WEGHORST

Recommendation: Receive and file.

6. CALIFORNIA URBAN WATER CONSERVATION COUNCIL BEST
MANAGEMENT PRACTICE REPORTS – MCNULTY / SANCHEZ /
WEGHORST

Recommendation: Receive and file.

ACTION

7. REVIEW OF 2015 LEGISLATIVE ACTIVITIES AND 2016
LEGISLATIVE PLANNING – COMPTON/COOK

Recommendation: That the Board provide input on the proposed 2016 regional, state and federal legislative issues of interest to IRWD, and adopt the proposed Initial 2016 Legislative and Regulatory Resource Allocation Plan and the Legislative / Regulatory Issues and Activities of High Concern to IRWD in 2016.

8. ACWA 2015 MEMBERSHIP MEETING AND 2016-2017 ELECTION –
COMPTON/COOK

Recommendation: That the Board support the slate of candidates selected by the ACWA Nominating Committee endorsing Kathleen Tiegs for ACWA President and Brett Hastey for ACWA Vice President; support the proposed bylaw amendments; and designate Director Steven LaMar as IRWD's voting delegate for ACWA's December 2, 2015 membership meeting.

9. REVISED MWDOC RATE STRUCTURE POLICY POSITION PAPER –
WEGHORST

Recommendation: That the Committee provide input on the updated Policy Position Paper titled *MWDOC Rate Structure* and that the Board approve the Policy Position Paper as amended based on input from the Committee.

OTHER BUSINESS

10. A. Directors' Comments

B. Adjourn

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the above-named Committee in connection with a matter subject to discussion or consideration at an open meeting of the Committee are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Committee Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance of the meeting room at the District Office.

The Irvine Ranch Water District Committee Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in an alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

November 5, 2015

Prepared by: B. Beeman

Submitted by: P. Weghorst

Approved by: Paul Cook 

WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE

DROUGHT OUTREACH PROGRAM UPDATE

SUMMARY:

In response to the statewide drought as well as the Governor's mandate for IRWD to reduce potable water use by 16% by February 2016, staff continues to develop and implement a multi-pronged drought outreach plan. A draft of this plan was presented to the Board at its meeting on May 11, 2015. The purpose of this report is to update the Committee on these efforts, to present an overview of the findings from the October 2015 customer phone survey, to introduce graphic concepts for a new advertising campaign and to provide an overview of other outreach program activities.

BACKGROUND:

Customer Surveys:

A baseline phone survey was completed by Fairbank, Maslin, Maullin, Metz & Associates during the second week of June 2015. In October 2015, a follow-up phone survey was conducted. At the Committee meeting, staff will present the major findings of the October customer survey along with a comparison to the base line survey. The results of these surveys, along with the results of the customer focus groups, are being used as a guide in the development of a newly-updated water use efficiency advertising campaign and customer outreach program.

Updated Advertising Campaign:

New graphic advertisement concepts have been developed by the District's RightScape outreach consultant Crocker & Crocker. Once finalized, they will be distributed for use at the Irvine Spectrum, Tustin Marketplace, movie theaters throughout the District and on busses within IRWD's service area. This advertising effort will run until January 2016 and is geared toward assisting customers with moving from turf-based landscapes to drought tolerant gardens. Staff will present the new advertising concepts and graphics at the Committee meeting.

Drought Survival Guide II:

In July 2015, a letter and *Drought Survival Guide* were mailed to all single family residents in IRWD's service area. The letter asked customers for their help with meeting the 16% reduction in drinking water use by February 2016. The first *Drought Survival Guide* outlined specific steps customers could take to reduce their water use. As a result of this outreach effort, customer visits to the RightScape drought tolerant demonstration garden and attendance at RightScape workshops increased dramatically. To follow-up with customers during the winter months, a newly-developed customer letter and *Drought Survival Guide II* will be sent to these customers. The letter and guide will present new ways customers can reduce their water use and will provide assistance with changing their gardens to drought tolerant landscapes.

November Postcard Outreach:

The focus for the November customer outreach postcard is on the Niagara Stealth Toilet parking lot events that will be held at the Home Depot in Tustin on November 7 and at the Home Depot in Irvine on November 14. This new state-of-the-art toilet uses 50% less water than the standard toilet. The postcard was mailed to over 5,000 customers and included information on available rebates.

RightScape Micro Website:

The RightScape micro website, RightScapeNow.com, was launched in October as a companion to the www.IRWD.com website. This micro site houses information on water conservation, scheduled events and the drought. The site also includes a newly-developed training center which provides self-guided training on *Understanding Your Bill*, *Where Water is Wasted*, *Leak Detection*, *Checking for Leaks Indoors* and *How to Prevent Leaks*.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

None.

November 5, 2015
Prepared by: A. McNulty
Submitted by: F. Sanchez/P. Weghorst
Approved by: Paul Cook 

WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE

CALIFORNIA URBAN WATER CONSERVATION COUNCIL BEST MANAGEMENT PRACTICE REPORTS

SUMMARY:

IRWD has been a member of the California Urban Water Conservation Council (Council) since it was founded in 1991. As a signatory member, IRWD voluntarily committed to implementing and reporting on Best Management Practices (BMPs). Staff has prepared and submitted reports for the last two-year reporting cycle, which covers Fiscal Years 2012-13 and 2013-14. BMP reports are used by IRWD to demonstrate compliance with AB 1420, which conditions access to state grants and loans with Demand Management Measures (DMMs). The reports are also used within IRWD's Urban Water Management Plan to satisfy DMM reporting requirements. IRWD's BMP reports indicate that IRWD is "on track" with BMP implementation. At the Committee meeting, staff will provide an overview of IRWD's status relative to complying with both foundational and programmatic BMPs.

BACKGROUND:

IRWD was an original signatory to the Memorandum of Understanding (MOU) that led to the formation of the Council. Upon signing the MOU, member agencies voluntarily agree to implement a series of BMPs and to provide bi-annual reporting. A benefit of Council membership is that BMP reports can be used to satisfy DMM reporting within Urban Water Management Plans. The reports can also be used to demonstrate compliance with AB 1420, which conditions access to state grants and loans upon implementation of the DMMs. The Council provides an annual report to the State Water Resources Control Board on member agency implementation of the BMPs that is based on reported data. Following is an overview of IRWD's implementation of both foundational and programmatic BMPs.

Foundational BMPs:

Foundational BMPs have been revised over time, with the latest major revision in 2008. There are currently five foundational BMPs, which all agencies are expected to implement. The foundational BMPs and IRWD's implementation status are as follows:

BMP	Foundational BMP	Status
1.1	Operation Practices • Conservation Coordinator • Water Waste Prevention	On Track
1.2	Water Loss Control • Must use M36 Manual Methodology and AWWA Water Loss Software	On Track

BMP	Foundational BMP	Status
1.3	Metering with Commodity Rates for All New Connections	On Track
1.4	Retail Conservation Pricing • IRWD using At Least As Effective As (ALAEA) implementation for this BMP	On Track
2	Education Programs	On Track
2.1	Public Information Programs	On Track

Programmatic BMPs:

There are also programmatic BMPs that agencies can choose to implement using one of three approaches: 1) Traditional or prescriptive; 2) Flex Track under which agencies demonstrate an equivalent level of water savings to the traditional targets through alternative programs; or 3) A gallons per capita per day (GPCD) approach.

IRWD is currently using the GPCD approach, which has a different formula than used in 20 x 2020 legislation-related GPCD calculations. The Council's GPCD method only considers potable water and requires an 18% reduction from a 1997-2006 baseline period by 2018. Using the Council's method, IRWD's 2018 GPCD target is 158 and the actual GPCD for 2014 was 152. Staff has entered IRWD's water efficiency program data and associated water savings into the Council's reporting database. This provides IRWD with the flexibility and option to switch to the Flex Track approach in the future, should it be determined to be beneficial.

At the Committee meeting, staff will provide further information and an overview of IRWD's status relative to complying with both foundational and programmatic BMPs.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

None.

November 5, 2015
Prepared and
Submitted by C. Compton
Approved by: Paul Cook 

WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE

REVIEW OF 2015 LEGISLATIVE ACTIVITIES AND 2016 LEGISLATIVE PLANNING

SUMMARY:

This report provides a review of IRWD's 2015 legislative priorities and government relations activities and an overview of expected 2016 legislative and regulatory issues in Washington, D.C., Sacramento, and regionally. Also described are proposals that the District's associations and stakeholders are considering to introduce. The report proposes an initial 2016 staff resource allocation plan for legislative and regulatory issues of importance to IRWD in the coming year. Staff recommends that the Board provide input on the proposed 2016 regional, state and federal legislative issues of interest to IRWD, potential concepts for sponsored legislation and adopt the proposed Initial 2016 Legislative and Regulatory Resource Allocation Plan and the Legislative / Regulatory Issues and Activities of High Concern to IRWD in 2016.

BACKGROUND:

2015 IRWD Priorities and Activities:

In November 2014, the Board reviewed an overview of expected 2015 legislative issues in Washington, D.C. and Sacramento, including proposals the District's statewide associations were considering for introduction. At that time the Board adopted the Initial 2015 Legislative and Regulatory Resource Allocation Plan and the Legislative / Regulatory Issues and Activities of High Concern to IRWD in 2015, which guided the District's governmental relations activities this year.

The 2015 priorities directed staff to engage in policy discussions to protect IRWD's revenues and the District's ability to use its allocation-based tiered rate structure to respond to the drought and water supply shortages. The priorities also direct staff to engage in discussions regarding implementation of the water bond, expanded use of recycled water, energy efficiency in the water and wastewater sectors, and groundwater management. Over the last year, staff and IRWD's state legislative advocate have worked on each of these issues and other state issues of importance to the District including the emergency drought regulations, Proposition 218, storm-induced overflow restrictions, and other State Water Resources Control Board (SWRCB) regulations.

At the federal level, IRWD and IRWD's federal legislative advocate have engaged on legislation defining environmental infrastructure projects, federal drought legislation, and implementation of the Water Resources Reform and Development Act (WRRDA). Additionally, as in years past, the District has promoted the Syphon Reservoir Recycled Water Storage Project. At the local level, IRWD continued to work to build stronger relationships with its community stakeholders.

Expected 2016 Federal Legislative Issues:

It is expected that the 114th Congress will tackle a number of issues of interest to the water and wastewater communities. Staff and IRWD's federal legislative advocate will discuss the expected 2016 political environment and federal issues with the Committee. More information is also provided below on several key issues of interest to the District.

Defining Environmental Infrastructure Projects:

In June, Representative Mimi Walters (R-CA) introduced H.R. 2689 in response to a U.S. Army Corps of Engineers' decision that it would not consider water resources projects and water resources development projects as being environmental infrastructure projects and making water resource projects ineligible under WRRDA. IRWD has been supportive of Representative Walters' efforts and has worked to support the passage of H.R. 2689. As part of its advocacy efforts on WRRDA, IRWD will continue to work in support of H.R. 2689.

Implementation of the Water Resources Reform and Development Act:

In 2014, Congress passed and the President signed WRRDA, which authorized the U.S. Army Corps of Engineers to proceed with a number of water infrastructure and water-related programs. IRWD, over many years, encouraged Congress to reauthorize WRRDA as quickly as possible. Through those efforts, IRWD has sought funding for its Syphon Reservoir Recycled Water Storage Project. While WRRDA did not provide project specific authorizations or appropriations for regional water-infrastructure projects, it did provide for a number of new processes for moving projects forward in the coming years. The U.S. Army Corps of Engineers now has the responsibility for implementing WRRDA and developing guidelines for the programs authorized in the Act.

IRWD has urged the U.S. Army Corps of Engineers to move forward with WRRDA's implementation. The implementation process will continue in 2016. In 2016, IRWD will continue to seek the quick and collaborative implementation of WRRDA and to support congressional efforts to enact a water resources bill every two years. As part of its advocacy efforts on WRRDA, IRWD will continue to seek federal authorization for the Syphon Reservoir Recycled Water Storage Project.

Santa Ana Mountains to Sea National Monument Proposal:

The Antiquities Act of 1906 created the federal land designation of "national monument" when it authorized the President to create national monuments on federal lands that contain "historic landmarks, historic or prehistoric structures, or other objects of historic or scientific interest." (16 U.S.C. § 431) While most national monuments have been established by Executive Order under the Antiquities Act, Congress has also enacted legislation establishing national monuments. Over the last 109 years, more than 140 monuments have been established and are currently being managed by the U.S. Forest Service, U.S. Fish and Wildlife Service, National Parks Service or the Bureau of Land Management based on management plans established for each monument.

Over the past few years, there has been an interest in creating a national monument in Orange County encompassing large portions of the historic Irvine Ranch. Representative Ed Royce has agreed to sponsor legislation designating nearly 100,000 acres in Orange County as the Santa Ana Mountains to Sea National Monument. Some of the land currently proposed for designation is of great interest to IRWD as a national monuments designation may impact District-owned facilities or its ability to construct needed infrastructure improvements in the future.

Because IRWD has infrastructure within the proposed boundaries of the Santa Ana Mountains to Sea National Monument, staff has been working to seek amendments to protect water and wastewater utilities and infrastructure and modifications to the monument's boundaries to limit potential impacts on IRWD operations. Representative Royce has included language in his proposal that protects water and wastewater infrastructure; however, staff expects its efforts on the Santa Ana Mountain to Sea National Monument proposal to carry into 2016.

Expected 2016 Statewide Legislative Issues:

As California continues to face a historic drought, it is expected that in 2016 the California Legislature will take up a number of issues of interest to the water and wastewater communities. Staff and IRWD's state legislative advocate will discuss the expected 2016 political environment and state issues with the Committee. More detailed information is also provided below on several expected issues of significant importance to the District.

Cap-and-Trade Auction Revenues:

In 2014, the Governor and the Legislature developed a continuously appropriated Cap-and-Trade Expenditure Plan for 60 percent of cap-and-trade revenues. The plan is summarized in the chart below.

Approved Cap-and-Trade Expenditure Plan

Investment Category	Department	Program	Ongoing
Sustainable Communities and Clean Transportation	High-Speed Rail Authority	High-Speed Rail (\$250 million)	25% continuously appropriated
	State Transit Assistance	Low Carbon Transit Operations Program	5% continuously appropriated
	Caltrans	Transit and Intercity Rail Capital Program	10% continuously appropriated
	Strategic Growth Council	Affordable Housing and Sustainable Communities Program	20% continuously appropriated
Natural Resources, Waste Diversion, Energy Efficiency, and Other	Miscellaneous	Funding allocations and supported programs will be determined via the State Budget each year.	40% appropriated as determined in the State Budget each year.

While it has been expected that the Legislature would debate how to allocate the remaining 40 percent of non-continuously appropriated Cap-and-Trade revenues in 2015, the Governor and the Legislature decided to leave appropriation of additional Cap-and-Trade revenues until 2016. As in 2015, staff will monitor and engage with IRWD's association and industry partners on Cap-and-Trade revenue allocation issues of interest to the District in 2016.

Continued Implementation of the 2014 Water Bond:

On August 13, 2014, the Legislature adopted and the Governor signed AB 1471 which replaced the \$11.14 billion water bond with Proposition 1, a smaller water bond. Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014, puts a \$7.545 billion bond before the voters in November. The state will need to continue to take steps to implement the programs approved in the bond in 2016. This will include adoption of additional regulations, funding guidelines and, in many cases, a need for appropriation of bond funds in the budget.

The Association of California Water Agencies (ACWA), the California Municipal Utilities Association (CMUA), the California Association of Sanitation Agencies (CASA), WaterReuse California and the Metropolitan Water District of Southern California will continue to be at the forefront of the discussions on the water bond and its implementation. Staff will continue to engage in conversations related to the implementation of the water bond, continue to work with the District's associations as regulations related to the implementation of the water bond develop, and engage as appropriation strategies for the bond funds are discussed. Staff will provide updates and recommendations to the Committee as appropriate.

Public Goods Charge for Water:

As has been previously reported, Senator Fran Pavley (D-Calabasas) gutted and amended SB 20 on August 26, 2015, to begin a policy conversation on a public goods charge for water. As amended, the bill does not contain a funding mechanism but would create the California Water Resiliency Investment Fund. The bill seeks to create the following five accounts within the fund:

- Emergency Drought Response and Recovery Account: This account would support emergency actions to protect vulnerable populations from the severe impacts of droughts, including providing emergency drinking water and other residential water supplies, food assistance, employment training and placement and other economic relief;
- Integrated Regional Water Resiliency and Management Account: This account would provide matching grants to local and regional agencies to increase regional self-reliance and result in integrated, multi-benefit solutions for ensuring sustainable water resources. Eligible projects many include groundwater storage, wastewater recycling, stormwater capture, water conservation, flood management and other water supply and quality projects;

- Safe Drinking Water for Disadvantaged Communities Account: This account would support planning, construction, operations and maintenance of drinking water systems for disadvantaged communities;
- Environmental Resilience and Recovery Account: This account would provide funding to restore and protect fish and wildlife habitats and populations to avoid or reduce conflicts with water management systems; and
- Smart Water Data Program Account: This account would support improved data and information systems that enable better management of water resources and to facilitate further expansion of water markets.

The amendments to SB 20 are intended to begin a conversation on a sustainable funding source (i.e., a public goods charge for water) for state and local water infrastructure needs in 2016. Staff will continue to engage with IRWD's industry and association partners to oppose a public goods charge for water consistent with the Board-adopted policy principle.

Proposition 218 Reforms:

Since *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, there has been significant discussion in Sacramento regarding Proposition 218 and tiered water rates. Most recently, the California League of Cities, the California Association of Counties, the ACWA and the California Water Foundation have continued work to develop a constitutional amendment to address tiered water rate structures, stormwater funding, and voluntary low income rate subsidization outside of Proposition 218. The coalition's work has focused on creating an alternative financing method in Article X of the California Constitution. A copy of the proposal is attached as Exhibit "A". Staff will discuss with the Committee the current status of this proposal and other discussions taking place around Proposition 218 and tiered water rates.

Recycled Water Use in Decorative Lakes and Storm-induced Overflow Restrictions:

As California continues to deal with drought facing increasing demands on its freshwater resources, regulatory challenges related to storm-induced overflow restrictions on recycled water impoundments continue to limit water suppliers' abilities to expand recycled water use. One such use is the use of recycled water in decorative lakes. While the use is permitted, storm-induced overflow restrictions discourage the use of recycled water in these decorative bodies of water.

The SWRCB *Recycled Water Policy* requires certain practices related to recycled water impoundments including the "Management of any ponds containing recycled water such that no discharge occurs unless the discharge is a result of a 25-year, 24-hour storm event or greater, and there is notification of the appropriate Regional Water Board Executive Officer of the discharge." In order to avoid a discharge of recycled water during the wet weather season and to ensure compliance with SWRCB policies, some Regional Water Quality Control Boards require the drawdown of water levels stored in these impoundments to reduce the likelihood of a storm-

induced overflow. These storm-induced overflow restrictions affect small recycled water impoundments (e.g., frost protection ponds, decorative lakes, golf course ponds) in addition to large recycled water storage facilities. In the case of very small impoundments, storm-induced overflow restrictions often limit use of the impoundment during winter months and discourage customers from using recycled water.

Given the severity of the drought, IRWD has had increased interest from Homeowners Associations (HOAs) which would like to use recycled water to refill their decorative lakes. The District has explained the regulatory challenges to these HOAs and IRWD's efforts to work with the SWRCB to find a solution to mitigate the impact of storm-induced overflow restrictions. Staff has continued conversations with the SWRCB on the use of recycled water in decorative lakes to replace evaporative water losses. These conversations are promising and may result in a positive solution for the District and HOAs. Staff hopes to have a resolution to this issue by the end of 2015, but the SWRCB's process may spill over into 2016.

California State Budget:

On October 9, 2015, State Controller Betty Yee released her monthly report on the State's finances. She announced that the State took in \$9.6 billion in revenue during the month of September. This amount was below Department of Finance projections by 2.6 percent, but above estimates contained within the 2015-2016 Fiscal Year budget. The State closed the first quarter (July 1 through September 30, 2015) of its fiscal year with \$606.2 million, or 4.1 percent, more in revenues than anticipated. The State also ended September with \$26.9 billion in unused borrowable resources, which is \$3.8 billion, or 16.7 percent, more than expected.

Given the potential impact of the State's finances and the Fiscal Year 2016-17 Budget on IRWD, staff will continue to work with the District's associations and industry partners to monitor developments associated with the State budget and proposals related to local government revenues including property taxes and reserves, among others.

Expected 2016 Government Relations Activities and Staff Resource Allocations:

Staff will discuss with the Committee a proposed list of issues of high concern to IRWD for 2016, which is attached as Exhibit "B", and an initial plan for allocating 2016 staff resources to legislative and regulatory issues, which is attached as Exhibit "C".

IRWD's state and federal legislative advocate will also participate in the discussion with the Committee on legislative and regulatory issues of concern to the District and potential sponsored legislation. Following is an overview of concepts for potential sponsored legislation.

Expected 2016 Association Proposals:

IRWD's association and industry partners are in the process of completing their 2016 legislative planning. A summary of those planning efforts is provided below:

Association of California Water Agencies:

ACWA held its 2016 legislative planning meeting on October 23, 2015. In 2016, ACWA will continue its sponsorship of AB 291 (Medina, D-Riverside), which is a two-year bill regarding the California Environmental Quality Act. Additionally, ACWA will be engaged in discussions regarding Proposition 218 and alternative financing mechanisms, as discussed above.

Bioenergy Association of California:

IRWD joined the Bioenergy Association of California (BAC) in 2013. BAC's purpose is the promotion of sustainable bioenergy production with a focus on promoting community-scale bioenergy generation from a wide-range of sustainably available organic waste sources, including dairy and agricultural waste, food and food processing waste, water treatment waste, other organic urban waste, and forest biomass. BAC's annual planning, development of its legislative priorities and possible legislative proposals will occur at its membership meeting on December 2. The meeting agenda has yet to be released. Staff will work through the California Association of Sanitation Agencies (CASA) to ensure that the wastewater sector has representation on the BAC Board of Directors and to encourage BAC to prioritize issues of interest to the wastewater section in 2016. Staff will provide the Committee with an oral update on any new developments.

California Municipal Utilities Association:

CMUA will be holding its 2016 legislative and regulatory planning meeting on November 5. As of the writing of this report, no specific proposals or topics have been released for consideration at the meeting. Staff will provide the Committee with an oral update on any new developments.

California Association of Sanitation Agencies:

CASA has not met to discuss its 2016 legislative and regulatory efforts. The planning meeting will likely be held in December. As of the writing of this report, no specific proposals or topics have been released for consideration at the meeting. Staff will provide the Committee with an oral update on any new developments.

California Special Districts Association:

The California Special Districts Association (CSDA) will hold its 2016 legislative and regulatory planning meeting on November 6. As of the writing of this report, CSDA will consider sponsoring legislation related to the grand jury process, audit processes and public utility district elections. Staff will provide the Committee with an oral update on any new developments.

WaterReuse California:

The WaterReuse Association of California will hold its 2016 legislative and regulatory planning meeting on November 16. As of the writing of this report, no specific proposals or topics have been released by the association for consideration at the meeting although the Metropolitan

Water District of Southern California has suggested two proposals related to recycled water. Staff will provide the Committee with an oral update on any new developments, and will provide more information on the proposals which may be considered at the association's November 16 meeting.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

That the Board provide input on the proposed 2016 regional, state and federal legislative issues of interest to IRWD, and adopt the proposed Initial 2016 Legislative and Regulatory Resource Allocation Plan and the Legislative / Regulatory Issues and Activities of High Concern to IRWD in 2016.

LIST OF EXHIBITS:

- Exhibit "A" – Alternative Method of Funding Water and Sewer Services Amendments to Article X of California Constitution
- Exhibit "B" – Legislative / Regulatory Issues and Activities of High Concern to IRWD in 2016
- Exhibit "C" – Proposed Initial IRWD's 2016 Legislative and Regulatory Resource Allocation Plan

EXHIBIT “A”

October 12, 2015

Draft Ballot Measure – Constitutional Amendment

Alternative Method of Funding Water and Sewer Services Amendments to Article X of California Constitution

Section 1. Title

This measure shall be known as the California Clean Water Supply, Conservation and Flood Protection Act of 2016

Section 2. Findings and Declarations

- A. California’s historic drought and the likelihood that climate change will increase the severity of droughts and heavy floods mean we must provide local communities with the tools to further encourage conservation and discourage excessive use of water; to effectively manage and increase water supplies; to capture, clean and eliminate pollution from local water sources; and to better protect people and property from the dangers of floods.
- B. That includes authorizing local agencies to design rates to encourage conservation and discourage excessive use of water.
- C. Local agencies should also invest in infrastructure to capture and clean water polluted by toxic chemicals and trash; recycle and reuse rainwater and stormwater runoff; and prevent toxic stormwater and urban runoff from contaminating rivers, lakes, streams, coastal waters and other sources of drinking water.
- D. We must also improve local flood control by better capturing and managing storm and flood waters and upgrading storm drains, sewer and drainage systems to protect properties from floods and increase the supply of water available for public use.
- E. Existing state laws governing the financing of water supply, clean water, conservation and floodwater protection were not developed with California’s current water realities in mind.
- F. An alternative system for financing critical water supplies, water quality, water conservation and flood protection projects is needed.

October 12, 2015

G. This measure establishes an alternative funding method that authorizes local agencies to:

- i. Set rates for customers to encourage conservation, prevent waste, and discourage excessive use of water.
- ii. Levy charges, subject to landowner protest, for flood control and for management of stormwater to protect coastal waters, rivers, lakes and sources of drinking water from contamination.
- iii. Use fees to reduce water, sewer and refuses charges for low-income customers.

H. Any local agency that utilizes this alternative financing system should be required to adhere to strict accountability, transparency and ratepayer protections. This includes:

- i. Providing local ratepayers with a description of the need for the proposed fee or charge and a list of the projects and purposes projected to be funded by any proposed fee or charge in advance of any public hearing or consideration of the fee or charge;
- ii. Posting the description of the proposal on the agency's Internet website with all applicable exhibits;
- iii. Providing local ratepayers a notice of the date and time of the public hearing the local agency will hold on the proposed fee and charges;
- iv. If written protests against the fee or charge are presented by a majority of persons to whom the local agency sent the notice about the proposal then the local agency shall not impose, increase or extend the fee or charge;
- v. All money must be spent for the local purpose for which the fee or charge was imposed and cannot be taken by state government;
- vi. Revenues derived from the fee or charge shall not exceed the reasonable cost to the local agency of providing the water or sewer service or be used for any purpose other than that for which it was imposed;
- vii. The manner in which the costs are allocated to a fee payor shall bear a fair or reasonable relationship to the fee payor's burden on or benefits received from the water service or sewer service;
- viii. The initiative power of voters may be used to repeal or reduce the fee or charge in the future with the filing of a petition calling for an election on the question;
- ix. Independent annual audits shall be made available to the public showing how all funds are spent.

I. This new funding system will allow local agencies to invest in the water supplies, water quality, flood protection and water management and

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conservation programs we need, while guaranteeing a high level of accountability and ratepayer protections.

Section 3. Section 8 is hereby added to Article X of the California Constitution to read as follows:

SEC. 8 Water and Sewer Service

(a). Alternative funding method. This section provides alternative procedures and requirements for funding water service and sewer service independent of any other procedures and requirements in this constitution for funding these services. Local agencies that adhere to the procedures and requirements of this section, including the strict accountability requirements to protect local ratepayers, may use the provisions of this section instead of any other procedures or requirements in this constitution for funding the cost of providing water service and sewer service. The revenues derived from the fees or charges imposed in accordance with this section may only be used by the local agency that imposed, increased or extended the fee or charge, and like other fees or charges imposed, increased or extended by local agencies, the Legislature is prohibited from reallocating, transferring, borrowing, appropriating, restricting the use of, or otherwise using the proceeds of such fees or charges.

(b) Definitions. As used in this section:

(1) "Fee" or "charge" means any levy other than an ad valorem tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a public service having a direct relationship to property ownership.

(2) "Local agency" means any city, county, city and county, including a charter city or county, special district, or any other local or regional governmental entity.

(3) "Sewer service" means a system of public improvements, facilities, projects, or services for the collection, conveyance, conservation, drainage, disposal or treatment of storm water, flood water, dry weather runoff, sewage or industrial waste to: (A) conserve and protect sources of drinking water or the natural environment from toxic chemicals, biological contaminants, and other pollutants; (B) improve public health and safety; (C) prevent the flooding of public or private property; or (D) comply with federal or state laws, rules, and regulations.

(4) "Water service" means any system of public improvements, facilities, projects or services intended to provide for the production, management, storage, supply, treatment, recycling, conservation or distribution of water from any source.

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(c) Requirements for new, increased or extended fees or charges. A fee or charge for water service or sewer service shall not be imposed, increased, or extended by a local agency pursuant to this section unless it meets all of the following requirements:

(1) Revenues derived from the fee or charge shall not exceed the reasonable cost to the local agency of providing the water service or sewer service.

(2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.

(3) The manner in which the costs of the water service or sewer service are allocated to a fee payor shall bear a fair or reasonable relationship to the fee payor's burden on or benefits received from the water service or sewer service.

(d) Notice, public hearing and majority protest. A local agency shall follow the procedures of this subdivision in imposing, increasing, or extending a fee or charge for water service or sewer service pursuant to this section:

(1) The local agency shall provide written notice by mail of the new fee or charge or the proposed increase in or extension of an existing fee or charge to the fee payor listed in the local agency's billing or customer service records. The local agency may include the notice in the agency's regular billing statement for the fee or charge to the person at the address to which the agency customarily mails the billing statement for water service or sewer service. If the customer is billed only electronically, the agency shall provide notice by mail.

(2) The notice required by paragraph (1) shall include the amount of the fee or charge proposed to be imposed on the recipient of the notice or the basis upon which the amount of the fee or charge will be calculated, together with the date, time and location of a public hearing on the fee or charge. The notice also shall state that if written protests against the fee or charge are presented by a majority of persons to whom the local agency sent the notice required by paragraph (1), then the local agency shall not impose, increase or extend the fee or charge.

(3) The notice required by paragraph (1) shall include a general description of the services, facilities and improvements projected to be funded with the proceeds derived from the new fee or charge or proposed increase in, or extension of the fee or charge. A more complete description of the projected services, facilities and improvements shall be posted in an accessible location and on the local agency's Internet website and shall include any applicable exhibits.

(4) If the local agency desires to preserve any authority it may have to record or enforce a lien on the parcel to which service is provided, the local agency shall also

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mail notice to the record owner's address shown on the last equalized assessment roll if that address is different than the billing or service address.

(5) The local agency shall conduct a public hearing upon the proposed fee or charge not less than 45 days after mailing the notice required by paragraph (1). At the public hearing, the local agency shall consider all oral and written protests against the fee or charge. If written protests against the fee or charge are presented by a majority of persons to whom the local agency sent the notice required by paragraph (1), then the local agency shall not impose, increase or extend the fee or charge. One written protest per billing address shall be counted in calculating a majority protest pursuant to this paragraph.

(e) Conservation fee or charges; low-income households. To carry out the intent and purposes of this section, a local agency that imposes, extends, or increases a fee or charge pursuant to this section may:

(1) Allocate the cost of water service or sewer service through a rate structure reasonably designed to encourage conservation and resource management in furtherance of the policy established in section 2; and

(2) Increase the amount of a fee or charge to derive sufficient revenues to reduce such fee or charge for lower-income households.

(f) Burden of proof. The local agency bears the burden of proving by a preponderance of the evidence that a fee or charge for water service or sewer service is not a tax as that word is defined in subdivision (e) of section 1 of Article XIIIC, that the amount is no more than necessary to cover the reasonable costs of the water service or sewer service, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burden on, or benefits received from, the water service or sewer service

(g) Initiative power for fees or charges. Notwithstanding any other provision of this Constitution, including, but not limited to Sections 8 and 9 of Article II, the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any fee or charge for water service or sewer service adopted, increased or extended pursuant to this section. The power of the initiative to affect such fees or charges shall be applicable to all local agencies and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.

(h) Mandatory audit. Any local agency that approves a fee or charge for water service or sewer service in accordance with this section shall cause to be prepared an independent financial audit of the receipt and expenditure of the revenues derived from the fee or charge. Such an audit may be part of a comprehensive audit

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of the agency's finances, but the audit shall identify the revenues received and expended in accordance with this section with sufficient clarity to help ratepayers compare the use of the funds to the description provided in paragraph (3) of subdivision (c).

EXHIBIT “B”

DRAFT

LEGISLATIVE/REGULATORY ISSUES & ACTIVITIES OF HIGH CONCERN TO IRWD IN 2016

As a state and federal leader in water resources public policy and governance, the Irvine Ranch Water District (IRWD) has worked tirelessly to promote policy initiatives that allow the District, along with other water purveyors in California, to enhance the quality and reliability of water supplies throughout the state. While IRWD will engage in a number of legislative and regulatory issues of interest to the District, the following are issues and activities of high concern to the District in 2016.

2016 Federal Issues and Activities of High Concern:

- 1) Advocate for legislative clarification that water resources projects and water resources development projects are considered environmental infrastructure projects and eligible for consideration under the Water Resources Development Act of 1986 and the Water Resources Reform and Development Act of 2014.
- 2) Seek the quick and collaborative implementation of the Water Resources Reform and Development Act. Advocacy would include promotion of the following:
 - Timely development by the U.S. Army Corps of Engineers of Section 1014 Non-Federal Interest Feasibility Study Guidelines which allow local water-related environmental infrastructure, and resource protection and development projects to move through a streamlined feasibility study process more quickly, and provide a clear and equitable approach to project qualification.
 - Congressional efforts to enact a water resources bill every two-years which includes the authorization of projects of benefit to the Orange County community.
- 3) Seeking federal authorization and appropriation of funds for the Syphon Reservoir Recycled Water Storage Project. Advocacy would include promotion of the following:
 - Engaging with U.S. Army Corps of Engineers at the Area, Regional and Headquarters levels to facilitate review of the Syphon Reservoir Recycled Water Storage Project in order to obtain the Corps recommendation for funding in its Report to Congress.
 - Working to ensure the professional staffs of the House and Senate authorizing committees are both educated and committed to authorizing the Syphon Reservoir Recycled Water Storage Project.
- 4) Advocate for a change in the operation of the Delta, consistent with the co-equal goals of ecosystem protection and water supply reliability, and seek the federal actions necessary to implement a solution in the Bay Delta, consistent with IRWD's BDCP Policy Principles and BDCP comment letters, that provides a long-term solution to California's water crisis; will

provide a reliable high-quality water supply to residents, agriculture and businesses across the state; and will protect and improve the Delta ecosystem.

- 5) Continue to work to strengthen relationships with Members of Congress, professional staff, and within Federal agencies to improve IRWD's avenues for engagement of national public policy issues of interest to the District.

2016 State Issues and Activities of High Concern:

- 1) Protect IRWD's revenues and the District's ability to use its allocation-based tiered rate structure to respond to the drought and water supply shortages.
- 2) Engage in discussions surrounding water and wastewater infrastructure financing including engaging in discussions related to Proposition 218 reforms to protect IRWD's interests and opposing efforts to establish a public goods charge on water consistent with the Board's adopted policy.
- 2) Engage in discussions surrounding legislation to mandate elimination of ocean discharges in order to protect the District's interest.
- 3) Engage with the SWRCB on any further conservation regulations and advocate for policy changes such as recognition of growth, climate differences, extraordinary supplies and IPR projects. Engage with the SWRCB on policy, regulatory and permits issues of concern to IRWD.
- 4) Promote the expanded use of recycled water and its acceptance as a resource and not a waste by advocating for the removal of hindrances to recycled water projects. Advocacy would include promotion of the following:
 - Removal of recycled water as a waste, including address recycled water discharge requirements.
 - Updating Title 17 & 22, including relief of dual-plumbed inspection/testing requirements.
 - A "Fit for Purpose" regulatory approach for recycled water.
 - Permissive advanced indirect and direct potable reuse regulations.
- 5) Engage productively in discussions surrounding the implementation of the water bond in order to protect IRWD's interests, and to promote policies consistent with the Water Resources Funding Policy Principles adopted by the Board in August 2013. Advocacy would include promotion of the following:
 - Keeping water bond funds free from additional contracting rules and requirements.

- Supporting legislative action to appropriate funds to the programs identified in the water bond— particularly funding for recycled water projects.
- 6) Promote policies which encourage energy reliability in Orange County and energy efficiency in the water and wastewater sectors without an increase in cost to or mandates on local entities. Advocacy would include promotion of the following:
- Allocation of Cap-and-Trade revenues to projects that reduce the greenhouse gas emissions and energy demands in the water and wastewater sectors.
 - Policies and incentives which encourage water and wastewater agencies to implement renewable and solar energy projects in order to offset their energy needs.
- 7) Advocate for a change in the operation of the Delta, consistent with the co-equal goals of ecosystem protection and water supply reliability, and seek the state actions necessary to implement a solution in the Bay Delta, consistent with IRWD's BDCP Policy Principles and BDCP comment letters, that provides a long-term solution to California's water crisis; will provide a reliable high-quality water supply to residents, agriculture and businesses across the state; and will protect and improve the Delta ecosystem.

2016 Regional of and Activities High Concern:

- 1) Engage with the Santa Ana Regional Quality Control Board and community stakeholders to discuss adjusting storm-induced overflow protections and expanding use of recycled water in decorative lakes.
- 2) Engage with the South Coast Air Quality Management District to identify regulatory changes that will positively impact air quality while improving IRWD's ability to respond to emergencies, and ability to operate its water and wastewater systems.

EXHIBIT “C”
DRAFT
IRWD’s Initial 2016 Legislative and Regulatory
Resource Allocation Plan

Expected 2016 Legislative/Regulatory Issues	Priority for Staff Resources
FEDERAL ISSUES	
Environmental Infrastructure Projects- Advocate for legislative clarification that water resources projects and water resources development projects are considered environmental infrastructure projects and eligible for consideration under the Water Resources Development Act of 1986 and the Water Resources Reform and Development Act of 2014. Advocate for a broad definition of water resources projects and water resources development projects which includes water supply, drinking water projects, surface water protection and development programs, and wastewater infrastructure projects that increase water supply reliability such as water recycling, desalination, and stormwater collection projects.	Very High
Syphon Reservoir Recycled Water Storage Project- Engage with the U.S. Army Corps of Engineers, and Congressional staff on funding the project.	Very High
Water Resource Reform and Development Act- Seek implementation of WRRDA Section 1014.	Very High
California Water Fix/BDCP Implementation- Advocate for a change in the operation of the Delta, consistent with the co-equal goals of ecosystem protection and water supply reliability to respond to the drought; seek the federal actions necessary to implement a permanent solution in the Bay Delta.	High
Title XVI, Water Reclamation and Reuse Program, Reauthorization- Advocate for the establishment of a new project authorization process for the U.S. bureau of Reclamation’s Title XVI Program.	High
Clean Water Act Definition of “Waters of the U.S.”- Support efforts to modify the definition of “Waters of the U.S.” to limit impacts to IRWD, including IRWD’s reservoirs; obtain a "Waters of the U.S." exemption for the constructed treatment wetlands and IRWD facilities.	Moderate <i>*Staff proposes, if legislative action looks promising and/or the courts have ruled against the new WOTUS rule, that the resource allocation be changes to very high.</i>
Tax-Exempt Municipal Bonds- Maintain the current tax-exempt status of municipal bonds; oppose efforts to place a cap on tax-exempt municipal bonds as part of any federal tax reform measure. Oppose prohibitions on the use of tax-exempt bonds if a local government uses WIFI or any similar program.	Moderate <i>*Staff proposes, if a significant threat is raised again tax-exempt municipal bonds, that the resource allocation be changes to very high.</i>
Water Supply/Reliability Projects- Support federal investment in water supply and reliability projects including large surface storage.	Low <i>*Proposed IRWD resource allocation is low because staff will work through IRWD's association and industry partners on this issue.</i>

Expected 2015 Legislative/Regulatory Issues	Priority for Staff Resources
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STATE ISSUES	
Allocation-Based Tiered Rates- Protect the District's ability to use its allocation-based tiered rate structured to respond to the drought and water supply shortages.	Very High
Limitations on Ocean Discharges- Engage productively in discussions surrounding proposals to eliminate ocean discharges to protect the District's interests; support efforts to promote funding of treatment process upgrades that improve water quality and reuse options.	Very High
Proposition 218 Reforms- Engage in discussions surrounding Prop. 218 reform efforts to protect IRWD's interests; engage in low income rate relief discussions to protect IRWD's allocation-based tiered rate structure approach to water rates; advocate for procedural changes to rate lawsuits that balance an agency's need for certainty and the rights of ratepayers.	Very High
Public Goods Charge on Water- Oppose a statewide user fee consistent with IRWD's Water Infrastructure Financing Policy Paper.	Very High
Recycled Water- Promote the expanded use of recycled water, and its acceptance as a resource by advocating for the removal of hindrances to recycled water projects and storage. Seek to: • Remove recycled water as a waste, including address recycled water discharge requirements. • Update Title 17 & 22, including relief of dual-plumbed inspection/testing requirements. • Promote a "Fit for Purpose" regulatory approach for recycled water. • Promote permissive advanced indirect and direct potable reuse regulations.	Very High
Revenues- Protect IRWD's revenue sources, and seek measures to ensure reliability in revenues.	Very High
SWRCB- Engage with the SWRCB on any further conservation regulations and advocate for policy changes such as recognition of growth, climate differences, extraordinary supplies and IPR projects; engage with the SWRCB on policy, regulatory and permits issues of concern to IRWD.	Very High
Water Bond Implementation- Engage productively in discussions surrounding the implementation of the water bond, if approved by the voters, in order to protect IRWD's interests.	Very High
Water Transfers & Markets- Engage in discussion on additional legislation related to establishing a water market in California.	Very High
California Water Fix/BDCP Implementation- Advocate for a change in the operation of the Delta, consistent with the co-equal goals of ecosystem protection and water supply reliability; seek the state actions necessary to implement a solution in the Bay Delta.	High
Energy- Advocate for policies which encourage energy reliability in Orange County and energy efficiency in the water and wastewater sectors, including allocation of Cap-and-Trade revenues to the water and wastewater industries and expanded availability of direct access programs, without an increase in cost to or mandates on local entities; seek incentives for energy self-reliance projects (i.e. storage, generation, efficiency).	High
Groundwater- Engage productively in discussions on regulations related to the implementation of the Sustainable Groundwater Management Act and groundwater management in California to protect IRWD's interests; promote greater water banking opportunities that would benefit the District.	High
Conservation- Support proposals that seek to encourage greater voluntary conservation throughout the state.	Moderate

Expected 2015 Legislative/Regulatory Issues	Priority for Staff Resources
Groundwater Clean-up- Support efforts to obtain state funding to clean-up groundwater contamination in the Orange County basin, and funding for basin replenishment.	Moderate <i>*Proposed IRWD resource allocation is moderate because staff will work with and through IRWD's industry and community partners on this issue.</i>
Integrated Regional Water Management Program- Seek changes to the IRWMP allocation process that benefits IRWD; oppose program changes that expand funding eligibility to projects that do not further water supply reliability.	Moderate
Natural Treatment System/San Joaquin Marsh- Obtain a "Waters of the State" exemption for the Natural Treatment System (NTS) and San Joaquin Marsh; advocate for a maximum benefit approach to regulation of constructed treatment wetlands and NTS facilities.	Moderate
Operators Certifications- Address inconsistent certification processes for operator certifications (treatment, distribution, and recycling).	Moderate
Political Reform Act/FPPC Issues- Monitor for changes to the Political Reform Act and FPPC regulations that could impact IRWD.	Moderate
Public Agency Liability & Public Contracting- Oppose efforts to impose greater liability on public agencies for work performed by its contractors; oppose proposals that make public contracting for labor, service or public works projects more cumbersome. Eliminate bonding requirements for water efficiency and conservation.	Moderate
Biosolids- Seek a broader spectrum of permissible use of biosolids processing byproducts including a possible fertilizer designation; reduce restrictions surrounding biosolids processing; and seek "feed-in-tariff" rules of benefit to biosolid bioenergy projects.	Low <i>*Proposed IRWD resource allocation is low because staff will work through IRWD's association and industry partners on this issue.</i>
CEQA Reform- Seek reforms to CEQA that are beneficial to IRWD.	Low <i>*Staff proposes, if sincere CEQA reform effort arises, that the resource allocation be changes to high.</i>
Grant Reporting- Seek changes in state grant reporting requirements to ease the burden of grant recipients while maintaining transparency.	Low <i>*Proposed IRWD resource allocation is low because staff will work through IRWD's association and industry partners on this issue.</i>
Grant Reporting- Seek changes in state grant reporting requirements to ease the burden of grant recipients while maintaining transparency.	Low <i>*Proposed IRWD resource allocation is low because staff will work through IRWD's association and industry partners on this issue.</i>
Public Records Act- Monitoring proposed changes to the Public Records Act that could impact IRWD costs.	Low

Expected 2015 Legislative/Regulatory Issues	Priority for Staff Resources
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REGIONAL ISSUES	
Santa Ana Regional Water Quality Control Board- Develop a closer working relationship with regional board staff; work with the Board to adjust storm-induced overflow protections and expand the use of recycled water in decorative lakes.	Very High
South Coast Air Quality Control Board- Work with the Board to identify regulatory changes that will positively impact air quality while improving IRWD's ability to response to emergency and ability to operate its water and wastewater systems. Discussion may include: • Seeking a change to public fleet/truck alternative fuel rules to ensure that emergency response is not adversely affected. • Seeking permit exemption for diesel generators and motors greater than 50 hp. • Seeking exemption from other restrictions imposed by AQMD that hamper IRWD's operations and emergency response capabilities. • Engine regulations more restrictive	High <i>*Staff will work with IRWD's industry and association to further these discussions with AQMD.</i>

November 5, 2015

Prepared and

Submitted by: C. Compton

Approved by: Paul Cook 

WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE

ACWA 2015 MEMBERSHIP MEETING AND 2016-2017 ELECTION

SUMMARY:

The Association of California Water Agencies (ACWA) will hold a general session membership meeting at the ACWA Fall Conference on December 2, 2015. At the meeting, ACWA members will elect the 2016-2017 ACWA President and Vice President, and be asked to approve a number of amendments to the Association's bylaws. In order to participate in the membership meeting, each ACWA member must designate a voting delegate on the proxy designation form—a form ACWA has requested be returned to the Association as soon as possible. Staff recommends that the Board support the slate of candidates selected by the ACWA Nominating Committee endorsing Kathleen Tiegs for ACWA President and Brett Hastey for ACWA Vice President; support the proposed bylaw amendments; and designate Director Steven LaMar as IRWD's voting delegate for the December 2 membership meeting.

BACKGROUND:

Every two years ACWA holds a membership meeting at its Fall Conference so that the association's membership can elect the ACWA President and Vice President, who will serve for the next two years. In addition to the election of officers, the membership meeting is the time when ACWA's members are asked to vote on proposed amendments to the Association's bylaws. This year's membership meeting will be held on December 2, 2015.

On October 14, ACWA sent a memorandum to each of its members outlining the issues to be considered at this year's membership meeting. The **General Session Membership Meeting Memorandum** is attached as Exhibit "A". The memorandum discusses the ACWA Nominating Committee's recommended slate of candidates and the bylaw changes the membership is being asked to consider.

2016-2017 Recommended Slate of Officers:

As called for in the ACWA bylaws, the ACWA Nominating Committee has met and has recommended a slate of candidates for the 2016-2017 ACWA President and Vice President. The Committee is recommending that ACWA Vice President Kathleen Tiegs be elected President for the 2016-2017 term and that Region 2 Board Member Brent Hastey be elected Vice President. IRWD has received information from both Vice President Tiegs and Mr. Hastey which is attached as Exhibit "B" and Exhibit "C".

Staff recommends that the Board support the slate of candidates recommended by the ACWA Nominating Committee.

2015 Proposed Bylaw Changes:

ACWA staff and an ACWA Legal Affairs Committee workgroup have proposed a number of changes to the Association's bylaws to make the bylaws consistent with the updated ACWA Board Policy Manual, California nonprofit corporation law requirements, ACWA business practices since the 2012 reorganization, and to provide clarification on the roles and responsibilities of various parties within ACWA.

The General Session Membership Meeting Memorandum outlines the specific changes and includes a redline version of the proposed amendments. The changes largely make the bylaws more clear and consistent with ACWA's current operations. The ACWA Board of Directors has recommended adoption of the proposed amendments and after reviewing the proposed changes, staff recommends the Board support the proposed amendments.

ACWA Voting Process:

Each ACWA member wishing to participate in a membership meeting must designate a voting representative and submit a proxy designation form identifying that individual as its representative prior to the membership meeting. The designated voting representative is then required to register, sign in as the proxy holder, and obtain a proxy card prior to the membership meeting. This year designated representatives must register and obtain their proxy cards, which are required for voting, on Wednesday, December 2, 2015, between 9:00 a.m. and 12:30 p.m. at the ACWA General Session Desk.

To help expedite the sign-in process, ACWA has requested that its members indicate their voting delegates on the proxy designation form enclosed in the General Session Membership Meeting Memorandum. ACWA has requested that the proxy designation form be return to the Association as soon as possible. Staff recommends that the Board designate Director LaMar as IRWD's voting delegate for the December 2 membership meeting.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

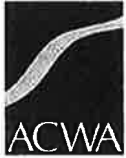
Not applicable.

RECOMMENDATION:

That the Board support the slate of candidates selected by the ACWA Nominating Committee endorsing Kathleen Tieg for ACWA President and Brett Hastey for ACWA Vice President; support the proposed bylaw amendments; and designate Director Steven LaMar as IRWD's voting delegate for ACWA's December 2, 2015 membership meeting.

LIST OF EXHIBITS:

- Exhibit "A" – ACWA General Session Membership Meeting Memorandum
- Exhibit "B" – ACWA Presidential Candidate Correspondence to IRWD
- Exhibit "C" – ACWA Vice Presidential Candidate Correspondence to IRWD



MEMORANDUM

TO: ACWA Public Agency Members
General Managers and Board Presidents

CC: ACWA Board of Directors

FROM: John A. Coleman, ACWA President
Kathleen J. Tiegs, ACWA Vice President
Timothy Quinn, ACWA Executive Director

DATE: October 14, 2015

SUBJECT: General Session Membership Meeting at ACWA 2015 Fall Conference

There will be a General Session Membership Meeting of ACWA's membership at the 2015 Fall Conference in Indian Wells, California, on **Wednesday, December 2**. The meeting will be held in the Crystal Ballroom, Renaissance Indian Wells at 1:05 p.m. The purpose of the meeting is to formally nominate and elect ACWA's President and Vice President for the 2016-2017 term and to conduct a vote by the membership on proposed amendments to the Association's Bylaws as recommended by the Board of Directors at its meetings on July 31 and September 25, 2015.

ELECTION OF PRESIDENT/VICE PRESIDENT

The ACWA Nominating Committee has announced a 2016-2017 slate that recommends current Vice President Kathleen J. Tiegs for ACWA President and Region 2 Board Member Brent Hastey for ACWA Vice President. As provided by ACWA's Bylaws (Article 9), nominations from the floor will be accepted prior to the vote. Such nominations and seconds must be supported by a resolution of the governing body of the member making and seconding such nomination. (See attached for General Session/Election Procedures.)

PROPOSED AMENDMENTS TO ACWA'S BYLAWS

In response to the priority actions identified in the 2014-2015 Strategic and Business Plan, staff has been working to comprehensively review and update its governance documents (i.e., Board Policy Manual and the Association's Bylaws). The proposed bylaws amendments have been reviewed by a Legal Affairs Committee Workgroup and represent the Board's actions to address the following issues:

1. Consistency with updated Board Policy Manual
2. Consistency with California nonprofit corporation law requirements
3. Consistency with business practices post 2012 reorganization
4. Clarification of roles and responsibilities

5. Clarification of election procedures of ACWA's Board Officers
6. Other minor clean-up items

The Board of Directors recommends adoption of the proposed amendments to the Association's Bylaws through a vote of the membership. ACWA staff is available in advance of the membership meeting on December 2 to answer any questions you may have. A Legal Affairs Committee representative will also provide an overview of these changes during the General Session Membership Meeting before the item is called for a vote. (The proposed bylaws amendments are attached.)

MEMBERSHIP VOTING PROCESS

ACWA will issue each member agency **present** one proxy card for voting purposes based on the designated voting representative identified by the member agency on the proxy designation form. The designated voting representative is required to register and sign as the proxy holder to receive the proxy card. Proxy cards will **only** be available for pick-up on **Wednesday, December 2**, between **9:00 a.m. and 12:30 p.m.** at the **ACWA General Session Desk** in the alcove area outside of the **Crystal Ballroom, Renaissance Indian Wells**, where the luncheon and General Session Membership Meeting will be held.

To expedite the sign-in process at the **ACWA General Session Desk**, please indicate your voting delegate on the enclosed proxy designation form and return it by email (**donnap@acwa.com**) or fax (**916-325-4857**) at your earliest convenience. If there is a last minute change of delegate, please let us know before the meeting date by contacting ACWA's Executive Assistant/Clerk of the Board, Donna Pangborn, at 916-441-4545 or **donnap@acwa.com**.

If you have any questions, do not hesitate to contact us by telephone or e-mail.

dgp

Enclosures:

1. General Session/Election Procedures
2. Proposed ACWA Bylaws Amendments – Redline Version
3. Proposed ACWA Bylaws Amendments – Clean Version
4. Proxy Form

GENERAL SESSION/ELECTION PROCEDURES FOR ACWA 2015 FALL CONFERENCE

The following information is provided to inform the ACWA member agency delegates attending the 2015 Fall Conference of the procedures to be used pertaining to the nomination and election of ACWA officers and the vote by the membership on proposed amendments to the bylaws during the General Session Membership Meeting.

PROXY CARDS – (REQUIRED FOR VOTING)

ACWA will issue each member agency **present** one proxy card for voting purposes based on the designated voting representative identified by the member agency. In order to vote during the General Session Membership Meeting, the designated voting representative is required to register and sign as the proxy holder by 12:30 p.m. on Wednesday, December 2. Upon registration and sign-in, the voting delegate will receive the required proxy cards. Proxy cards will be available for pick-up on **Wednesday, December 2, between 9:00 a.m. and 12:30 p.m.** at the ACWA General Session Desk in the alcove area outside of the **Crystal Ballroom, Renaissance Indian Wells**, where the luncheon and General Session Membership Meeting will be held.

GENERAL SESSION MEMBERSHIP MEETING, WEDNESDAY, DEC. 2 (DOORS OPEN AT 12:50 P.M.)

1. The General Session Membership Meeting will be called to order at 1:05 p.m. and a quorum will be determined. The presence of 50 formally designated voting representatives is required to establish a quorum for transacting business.
2. A Legal Affairs Committee representative will provide an overview of the agenda and election procedures.
3. Nominating Committee Chair Paul Kelley will present the committee's report and announce the candidate for ACWA President.
4. President John Coleman will call for floor nominations for ACWA President.
5. If there are no floor nominations for President, the election will proceed. President Coleman will close the nominations and delegates will vote by holding up their "Yes" or "No" proxy voting cards.
6. If there are floor nominations for President, the nomination will follow the procedures established by Article 9 of ACWA's Bylaws, stating floor nominations and seconds must be supported by a resolution of the governing body of the member making and seconding such nomination. **Note: If there are floor nominations, the election of officers will proceed during Wednesday's General Session as outlined below and the proposed bylaws amendments will move to Thursday as outlined in item 12 below.**
 - a. Ballots will be distributed to the voting delegates.
 - b. Delegates will complete their ballots and place them in the ballot box, which will be centrally located in the Crystal Ballroom meeting room.
 - c. Tellers' Committee will count the ballots. President Coleman has appointed the following staff members to serve as the Teller's Committee: Clerk of the Board Donna Pangborn, Director of Member Services Paula Currie, and Regional Affairs Representative Katie Dahl.
 - d. A Legal Affairs Committee representative will serve as the proctor to oversee the ballot counting process.
 - e. Candidates are welcome to designate an observer to be present during the ballot counting process.
 - f. Results of the ballot count will be announced. Election of ACWA's officers will be determined by a majority of the members present and voting. If any one candidate does not receive a majority of the vote, successive ballot counts will be conducted until a candidate is elected, consistent with Robert's Rules of Order.

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7. Nominating Committee Chair Paul Kelley will announce the candidate for ACWA Vice President.
8. President John Coleman will call for floor nominations for ACWA Vice President.
9. If there are no floor nominations for Vice President, the election will proceed. President Coleman will close the nominations and delegates will vote by holding up their "Yes" or "No" proxy voting cards.
10. If there are floor nominations for Vice President, the nominations will follow the procedures described in item 6 above, and the election will proceed according to the steps outlined in 6.a. through 6.f.

IF THERE ARE NO FLOOR NOMINATIONS FOR THE ELECTION OF OFFICERS, THE WEDNESDAY GENERAL SESSION MEMBERSHIP MEETING WILL PROCEED WITH A VOTE ON THE PROPOSED BYLAWS AMENDMENTS.

11. A Legal Affairs Committee representative will provide an overview of the proposed bylaws amendments.
 - a. Consideration of bylaws amendments.
 - b. Request for motion / second from the floor to approve the proposed bylaws amendments.
 - c. Discussion of proposed amendments.
 - d. Opportunity for members to offer changes to proposed bylaws amendments (should there be any proposed changes to the proposed bylaws amendments, a majority vote of the voting members present is required for the changes to be added to the bylaws amendment for consideration of adoption of complete package.)
 - e. Call for the question. A two-thirds vote of the members present and voting is required to amend the ACWA Bylaws.

IF THERE ARE FLOOR NOMINATIONS FOR THE ELECTION OF OFFICERS, THE PRESENTATION AND VOTE ON THE PROPOSED BYLAWS AMENDMENTS WILL BE HANDLED IN THE FOLLOWING MANNER.

12. There will be a **Q&A Session** for the proposed bylaws amendments on Thursday, December 3, at the Hyatt Regency, Indian Wells Ballroom I-M, at 8:00 a.m. Replacement proxy cards will be available at the end of the Q&A Session, if needed.
13. The vote by the membership on the proposed bylaws amendments will occur at the Thursday, General Session Membership Meeting, at the Hyatt Regency, Indian Wells Ballroom I-M, at 1:20 p.m.
 - a. The General Session Membership Meeting will be called to order at 1:20 p.m. and a quorum will be determined. The presence of 50 formally designated voting representatives is required to establish a quorum for transacting business.
 - b. Request for motion / second from the floor to approve the proposed bylaws amendments.
 - c. Opportunity for members to offer changes to proposed bylaws amendments (should there be any proposed changes to the proposed bylaws amendments, a majority vote of the voting members present is required for the changes to be added to the bylaws amendment for consideration of adoption of complete package.)
 - d. Call for the question. A two-thirds vote of the members present and voting is required to amend the ACWA Bylaws.



Association of California Water Agencies

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BYLAWS of the Association of California Water Agencies

Proposed Bylaws Amendments – Redline Version

Amended by the ACWA Members: May 7, 2014

Proposed amendments: July 31 and September 25, 2015

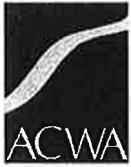


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BYLAWS OF THE
ASSOCIATION OF CALIFORNIA WATER AGENCIES

(As amended by the Members on May 7, 2014)

Proposed amendments approved by ACWA Board: July 31 and September 25, 2015

ARTICLE 1 – GENERAL

Section 1. Name. The name of this California nonprofit corporation shall be the Association of California Water Agencies (hereinafter referred to as the Association).

Section 2. Principal Office. The principal office for the transaction of business of the Association is located at 910 K Street, Suite 100, Sacramento, California; provided, however, that the Board of Directors may change the location of the principal office by resolution and without amendment of these bylaws.

Section 3. Purposes. The purposes of the Association shall be to work together with its members and others for the best interests of California and its citizens and landowners who use, need and depend upon water; to encourage the orderly development of the waters of the state; to seek means of obtaining and making available to all of California a dependable water supply of the best possible quality at the lowest possible cost, giving due consideration to environmental factors involved therein; to provide inspiration and leadership in meeting and solving the water supply problems of this state; to propose and advocate such policies and measures—local, state and federal—that serve the best interests of the Association, opposing those of contrary nature; to assist in promoting the health, safety and welfare of the employees of its members; and to do all other things that are in the best interests of its members.

ARTICLE 2 – MEMBERSHIP AND DUES

Section 1. Membership.

- A. **Members.** Only a public district, public agency, or public organization created and operated for the purpose of controlling, treating, developing, acquiring, using or supplying water for any purpose for inhabitants or lands within the state of California, or for the protection, drainage or reclamation of lands within the state of California, may become a member of the Association. Such an entity will become a member upon written application, approval by the Board of Directors, and the payment of the required dues. Acceptance to membership shall authorize full participation in Association activities. Except as otherwise provided in subsection (B) below, in no case may an organization other than a state, a political subdivision (as defined in § 1.103-1(b) of the Income Tax Regulations) of a state or an entity the income of which is excluded from gross income under § 115 of the Internal Revenue Code be a member of the Association.

- B. **Honorary Life Members.** Any person who has rendered conspicuous service in furthering the purposes of the Association may, by vote of the Board of Directors, be granted an honorary life membership in the Association without payment of dues or assessments. All past presidents of the Association shall automatically be honorary life members without vote of the Board of Directors. Honorary life members shall not be entitled to a vote or to hold office automatically because of their status as honorary life members.
- C. **Termination of Members.** Membership shall cease upon the failure of any member to pay the dues provided for in Section 2 of this Article. The membership of any member may be terminated at any time by such member sending written notification of its intention to withdraw to the Association's principal office. The Board of Directors may terminate the membership of any member upon 30 days' written notice by first-class mail when it is determined at any regular Board meeting or at any special Board meeting called for that purpose that continuance of such membership would not be in the best interests of the Association. Withdrawal or termination of membership ends any participation in Association activities and shall terminate a member's interest in the Association's assets.

Section 2. Dues. The annual dues of each member of the Association shall be established by the Board of Directors; provided, however, that any member may apply for a change in its dues because of conditions that differentiate such applicant from other members.

Section 3. Liability of Members. No member shall be liable for any obligation incurred by the Association with the following exception: (1) the payment of the annual dues while it remains a member; and (2) the payment of emergency assessments, which shall not exceed 10 percent of current annual dues for each member in any calendar year while it remains a member. No emergency assessment may be levied against any member during its first two years of membership in the Association.

ARTICLE 3 – OFFICERS

Following is an overview of the proposed amendments to Article 3:

- Provides language clarifying that the President and Vice President are the **elected** officers of the Association.
- Deletes the general counsel language since the position does not exist in ACWA's organizational structure. ACWA's legal counsel is provided by outside counsel based on direction from the Board during the 2012 reorganization.
- Deletes the fidelity bond language, which is now covered in newly proposed Article 10, Indemnification of Directors, Officers, and Other Agents.

Section 1. President and Vice President.

- A. **General.** The president and vice president of the Association shall be the elected officers of the Association. At the time of their election the president and vice president shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association. The president and vice president shall be elected by the members of the Association at its fall conference in each odd-numbered year, shall take office on January 1 of the calendar year following election, and shall hold office until such time as their successors take office or are appointed. An elected president shall not be permitted to succeed himself/herself to that office. Except as provided in this Article, should vacancies occur in either office of the president or vice president, the Board of Directors shall appoint persons to fill such offices for the unexpired terms thereof.
- B. **President.** The president shall preside at all meetings of the Board of Directors, the Executive Committee, and the general membership; shall appoint members of all committees, including the chair and vice chair of each, upon recommendation from members and regions (as communicated by the region chairs), with each such committee chair and vice chair ratified by the Board of Directors; and shall perform all other duties necessary to carry out the functions of the office. The president shall be a non-voting *ex officio* member of each committee, but shall not be an *ex officio* member of the Nominating Committee or the region boards.

The president may be expelled from office with or without cause, upon the satisfaction of the following two events: (1) a two-thirds vote of the Board of Directors; and (2) a subsequent simple majority vote of the members of the Association during a meeting of the membership.

- C. **Vice President.** The vice president shall, in the absence of the president, assume all of the duties of that office and, if a vacancy occurs, succeed thereto for the unexpired term. The vice president shall sit as a member of the Executive Committee of the ACWA Joint Powers Insurance Authority and shall perform such other duties as assigned by the president.

Section 2. Executive Director/Secretary, and Controller-~~Treasurer, and General Counsel.~~

- A. **General.** The executive director/secretary and controller-~~treasurer~~ of the Association shall also be officers of the Association. The executive director/secretary shall be appointed by and hold office at the pleasure of the Board of Directors of the Association.
- B. **Executive Director/Secretary.** The executive director/secretary shall: (1) advise and assist the Board of Directors, all committees, the boards of each region, and the workgroups of each region; (2) be responsible for administering the total operations of the Association; (3) employ, direct, and release all employed staff in accordance with the policies adopted by the Board of Directors and consistent with the budget adopted by the Board of Directors; (4) provide relevant information to the Board of Directors needed by the Board to take actions; (5) give members notice and record minutes of all meetings of the membership, Board of Directors, and Executive

Committee; and (6) have such other powers and perform such other duties as may be provided and assigned by the Board of Directors directly or through the president of the Board or the Executive Committee. The executive director/secretary, with the assistance of the controller-/treasurer, shall render a report to the Board of Directors at the first meeting following the close of each calendar year showing the membership of the Association, the receipts and expenditures during the year, and the work accomplished during the previous year.

- C. **Controller-/Treasurer.** The controller-/treasurer shall report to and act under the direction of the executive director/secretary. The controller-/treasurer shall be a signatory on all accounts held by the Association and shall act as a fiduciary for all assets of the Association.

~~D. **General Counsel.** The general counsel shall advise the Board of Directors and executive director/secretary on all legal issues facing the Association including maintaining and developing the legal and contractual infrastructure required of a US-based nonprofit and such internal issues as organizational policy, document retention, filing and registration requirements, labor law, contracts, and leases.~~

~~**Section 3. Bonds.** The Board of Directors shall require fidelity bonds to be furnished for all officers and/or employees handling the finances of the Association in such amounts as it shall deem desirable or necessary, said bond, or bonds, to be approved by the Board of Directors and premiums paid by the Association.~~

ARTICLE 4 – BOARD OF DIRECTORS

Following is an overview of the proposed amendments to Article 4:

- Moves the Council of Past Presidents from the Board membership section to its own section under Article 8 to comply with the nonprofit corporation requirements set forth in the California Corporations Code which does not allow for non-voting directors.
- Provides language clarifying the role and function of the Immediate Past President position.
- Deletes the reference to general counsel as previously explained in Article 3.

Section 1. Membership. The Board of Directors shall consist of:

- A. The Association president and vice president.
- B. The chair and vice chair of each region.
- C. The chair of each standing committee.
- D. The most immediate active past president.
- E. The vice president of the ACWA/Joint Powers Insurance Authority.

~~F. The members of the Council of Past Presidents, who will be non-voting members.~~

Section 2. Term of Office. The term of office of all members of the Board of Directors shall commence on January 1 of the calendar year following election of the president and vice president, except for those persons who serve on the Board of Directors by nature of their position as chairs of standing committees, whose terms shall instead commence upon their ratification by the Board of Directors. Except as provided in Article 4, Section 11, the term of office for all members of the Board of Directors shall terminate on December 31 of the following odd-numbered year two years later, or until their successors take office.

Section 3. Attendance Requirement. Any member of the Board of Directors who misses two consecutive regular Board meetings without being excused by the Board will no longer be a member of the Board of Directors.

Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held bimonthly at such times and places as the Board may determine.

Section 5. Special Meetings. Special meetings may be called by the president upon the president's own volition or shall be called by the president when requested in writing by five directors. Prior to conducting such a special meeting, the president shall consult with the Executive Committee to ensure that adequate information is available to the Board of Directors for any necessary decisions; and where such meeting is called upon the president's own volition, the president shall also consult with the Executive Committee as to the necessity of the special meeting. Notice for special meetings shall be provided in the following manner: (1) upon 10 days' written notice sent by mail to each director and addressed to each at the address as shown upon the records of the Association; or (2) upon 48 hours' notice with notice provided by electronic means. When the meeting is called upon the president's own volition, the president shall choose the form of notice; when the meeting is called by a request of five directors, the five directors shall choose the form of notice and the president shall promptly call the meeting. No business except those items described in the notice shall be transacted at any special meeting, except by consent of three-fourths of the members of the Board of Directors present.

Section 6. Meeting Requirements and Quorums. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission. At any meeting of the Board of Directors, the attendance of 50 percent of the voting members of the Board of Directors, or their permitted alternates as specified in these bylaws, shall constitute a quorum for the transaction of any business. The Board may hold a closed session for discussion of personnel matters or enforcement of violations of the code of conduct.

Section 7. Alternates. Each region shall designate an alternate for each chair and vice chair, who shall meet the qualification requirements for chair and vice chair, to act at meetings of the Board of Directors when the chair or vice chair is unable to attend. The vice chair of each standing committee will be the alternate to act at meetings of the Board of Directors when the chair is unable to attend. An alternate

may not act or vote on behalf of more than one member of the Board of Directors. A member of the Board of Directors may not act as an alternate for any other member.

Section 8. Vacancies for Standing Committee Chairs and Vice Chairs. Should a vacancy occur in the office of any standing committee chair or vice chair before the end of the term, the president shall appoint a new committee chair or vice chair to fulfill the unexpired term of such committee chair or vice chair subject to ratification by the Board of Directors. A vacancy in the office of any such standing committee chair or vice chair as described in the previous sentence shall be deemed to exist when the chair or vice chair: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 9. Duties, Authorities, and Delegation. Subject to the provisions and limitations of California Nonprofit Corporation Law, other applicable laws, and the provisions of these bylaws, the Association's activities and affairs are to be exercised by or under the direction of the Association's Board of Directors. The Board of Directors is responsible for the overall supervision, control, and direction of the Association. The Board of Directors shall: (1) employ and release the executive director/secretary; (2) set performance expectations for the executive director/secretary; (3) receive, review, and consider approval of executive director/secretary recommended compensation, other terms and conditions of employment, and annual evaluations as prepared by the Executive Committee; (4) annually adopt a budget; and (5) set the level of dues for the Association. Except as to the duties listed in the previous sentence, and subject to Article 3, Section 2, the Board of Directors may delegate the supervision, control, and direction of the Association's affairs to any person or group, including a committee, provided the Association Board retains ultimate responsibility for the actions of such person or group. Where such powers are delegated, the delegation shall be documented in writing.

~~**Section 10. Council of Past Presidents.** There shall be a Council of Past Presidents composed of all past presidents of the Association. Each member of the council shall be non-voting members of the Board of Directors, except for the most immediate active past president who shall be a voting member. Past presidents shall serve on the council until each no longer is able to or wishes to serve. The president and/or executive director/secretary, with approval of the Board of Directors, may assign specific responsibilities to the council from time to time.~~

Section 10. Immediate Past President. The immediate past president automatically assumes this position after serving as the Association's elected president and is a voting member of the Board of Directors and Executive Committee. The term of office for the immediate past president shall commence on January 1 of the calendar year following election of the president and vice president and shall terminate on December 31 of the following odd-numbered year two years later. In the event the most immediate active past president is unavailable to serve, the most recent and available active past president in succession shall serve in this capacity.

Section 11. Code of Conduct of Board Members.

- A. **Code of Conduct: Purpose and Adoption.** The Board of Directors shall establish, and update as appropriate, a code of conduct for its Directors that recognizes the Association's commitment of integrity, respect, and fair representation to its members and the public they serve and establishes minimum ethical standards for the performance of the duties of office. The code shall be consistent with the procedural processes contained in this section. The code shall be distributed to all new Directors and shall be distributed annually to all members of the Association.
- B. **Violations and Enforcement Process.** A violation of the code of conduct may result in removal, public censure, or private reprimand of a Director, or such other action as contained in the code of conduct. However, removal and public censure shall be reserved only for serious violations. A Director may not be removed or publically censured absent an affirmative vote of two-thirds of the voting members of the Board of Directors. A Director may be privately reprimanded for a violation of the code of conduct upon the majority vote of the quorum. Complaints of violation of the code of conduct may be filed with the president, or the vice-president if the allegations are made against the president. The president may refer a complaint of violation to the executive director/secretary ~~or the general counsel~~ for investigation. The executive director/secretary ~~or general counsel~~ may retain a special investigator or special counsel to conduct or assist the investigation. A Director accused of a violation shall be provided a copy of the complaint. A Director that takes any hostile or retaliatory action, directly or indirectly, against a complainant is subject to removal from the Board in conformance with the process identified above. Prior to scheduling a Board action on a complaint, the president shall consult with the Executive Committee, ~~the general counsel~~, and the chair of the Legal Affairs Committee. A Director accused of a violation of the code of conduct shall be provided at least 15 days' written notice of any meeting of the Board at which a determination of enforcement will be considered. A determination of enforcement may be made only at a regular meeting of the Board and shall be made in closed session. The determinations of the Board under this section shall not be admissible in any criminal or civil proceeding brought against the Director for conduct that violates any other law.

ARTICLE 5 – REGIONS

Following is an overview of the proposed amendments to Article 5:

- Provides clean-up language that correlates with Board policies and region guidelines.

Section 1. Boundaries of Each Region.

- A. There shall be a maximum of 10 regions within the state. The Board of Directors shall determine the regional boundaries. Insofar as is practicable, the regions shall have a numerical balance in members of the Association; make geographic sense; and promote regional problem solving.

- B. A member of the Association may file a written petition to the Board of Directors requesting a change in regions. Such petition shall set forth the reasons for such requested change. The Board shall, within a reasonable time, act upon such petition and set forth the reasons for its action. Such action by the Board shall be based on factors in (A) above, as well as others deemed by the Board of Directors to be relevant to the decision.

Section 2. Officers.

- A. The officers of each region shall be a chair and vice chair and three to five region board members who shall be elected by the region by September 30, or the preceding Friday if September 30 falls on a weekend, of odd-numbered years. ~~By resolution of the region board, the~~ A region board may choose to maintain a board of fewer than five to seven but not less than three members as provided in the region's rules and regulations. The officers of the region board shall take office on January 1 of the calendar year following election and shall hold office for two years, or until their successors take office. Regions shall hold elections by electronic ballot. ACWA staff shall verify the legitimacy of the ballots.
- B. The officers of each region shall: (1) exercise the powers and perform duties of the region during the interim between region meetings; and (2) make recommendations to the president regarding appointments to committees. The chair and vice chair shall be the region's representatives to the ACWA Board of Directors.
- C. Each officer of a region shall be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the office, the individual may not serve during the remaining term of that office unless that individual can again meet the criteria for the office and is appointed to complete the term ~~pursuant to the next sentence~~. The region board, ~~by resolution,~~ may adopt more stringent criteria for the qualifications of its board members, qualifications as part of the region's rules and regulations.
- D. Should a vacancy occur in any of the region board positions before the end of the term, the remaining members of the region board shall appoint a new member. A vacancy in the office of any region board position ~~as described in the previous sentence~~ shall be deemed to exist when a region board member: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 3. Nominating Committees. There shall be a nominating committee for each region consisting of three or more designees, each representing a member of the Association located within the region, appointed by the chair of the region and approved by the region board. Nominating committees shall be formed by February 28 of each odd-numbered year. The nominating committee shall announce its

nominations for chair, vice chair, and region board members by August 1 of an election year. All regions must complete the election process by September 30 of the election year, or the preceding Friday if the September 30 falls on a weekend.

Section 4. Meetings. The meetings of each region shall be held at both the spring and fall conferences and at such other times and places as may be determined by the region chair. Representatives of five or more members of the Association from the region present at any region meeting shall constitute a quorum for purposes of conducting the business of the region. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission.

Section 5. Workgroups. Workgroups may be appointed by the region chair as needed.

Section 6. Rules. Each region shall organize and adopt rules and regulations for the conduct of its meetings and affairs not inconsistent with the Articles of Incorporation or bylaws of the Association. Each region shall abide by the code of conduct adopted by the Board of Directors of the Association.

ARTICLE 6 – EXECUTIVE COMMITTEE

Following is an overview of the proposed amendments to Article 6:

- Provides additional language clarifying the discrete powers and defined authority of the Executive Committee.
- Clarifies the following pertaining to meeting attendance:
 - All Board members may attend any meeting of the Executive Committee.
 - Meetings may be closed to others at the discretion of the President or committee.

Section 1. Membership. There shall be an Executive Committee consisting of the following: the president of the Association, who shall be the chair thereof; the vice president; the most immediate active past president; the chair of the Finance Committee; and three at-large representatives selected from and by the members of the Board of Directors. The election of the three at-large representatives to the Executive Committee shall occur at the first Board of Directors meeting held in each even-numbered year and the elected representatives shall serve immediately following their election and until such time as their successors take office. To the extent practical, the Executive Committee should be constituted so as to reflect the geographic extent of the Association and the functions of the members of the Association.

Section 2. Powers. The Executive Committee shall have the following authority:

- A. **Personnel.** Subject to the budget adopted by the Board of Directors, the Executive Committee shall perform the following personnel actions: (1) recommend compensation for the executive director/secretary to the Board of Directors for approval; (2) perform annual reviews of the executive director/secretary and submit that review to the Board of Directors; (3) review and

~~approve employee-the classification and compensation plan and publicly posted salary schedule for Association employees and compensation levels~~ submitted by the executive director/secretary, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors; (4) establish personnel policies for the conduct and behavior of employees, which shall be reviewable by the Board of Directors; and (5) undertake such other personnel actions as may be requested by the executive director/secretary in support of his or her oversight of all other personnel matters, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors.

B. **Delegation.** The Executive Committee may act pursuant to any authority specifically delegated to it by the Board of Directors. The delegation shall indicate whether the authority is still subject to the ultimate authority of the Board.

C. **Authority to Act Between Meetings.** The Executive Committee may act for the Board of Directors between Board meetings when calling a special meeting of the Board of Directors is impracticable, provided that no such action of the Executive Committee shall be binding on the Board of Directors until authorized or approved by the Board. The Executive Committee has the authority to authorize actions recommended by the Legal Affairs Committee (such as the filing of letter briefs and amicus curiae briefs) by electronic means without the need for an in-person or telephonic meeting, but such actions shall be ratified by the Board of Directors at its next meeting.

~~D. **Other Duties.** The Executive Committee shall perform such other duties and assume such other responsibilities as are referred to it by the president.~~

Section 3. Reporting. The president, or any person designated by the president, shall report to the Board of Directors, at each regular Board meeting, any action taken by the Executive Committee since the last preceding regular Board meeting. The minutes of Executive Committee meetings, which at that time may still be in draft form, shall be mailed (using the U.S. Postal Service, express delivery, electronic means, or otherwise) to each member of the Board of Directors at least five days prior to Board meetings, except in cases in which the Executive Committee meets during or immediately prior to a conference of the Association or immediately prior to a Board meeting, in which case the minutes, which may still be in draft form, shall be mailed to each director promptly thereafter.

Section 4. Meetings. The Executive Committee shall hold regularly scheduled meetings as set by the president. Special meetings of the Executive Committee may be called by the president upon notice to the members of that committee or upon written request of three Executive Committee members. Notice for special Executive Committee meetings shall be provided to the entire Board: (1) upon five days' written notice sent by mail, or (2) upon 24 hours' notice with notice provided by electronic means; and all such meetings shall be open to the Board of Directors. Any meeting, regular or special, may be held in person or by telephone conference, web video conference or other electronic video screen communication or electronic transmission. All members of the Board of Directors may attend any The meetings of the Executive Committee. Meetings of the Executive Committee may be closed to others at

the discretion of the President or committee, shall be open to all members of the Board of Directors, but may be closed to others at the discretion of the Executive Committee. Only members of the Executive Committee are allowed to vote on matters at a meeting of the committee.

Section 5. Minutes. The minutes of the Executive Committee meetings shall be kept by the executive director/secretary at the Association's principal office. Actions of the Executive Committee shall be reported to the Board of Directors as provided in Section 3 of this Article and shall be available to any member of the Board of Directors upon request to the executive director/secretary.

ARTICLE 7 – STANDING COMMITTEES

Following is an overview of the proposed amendments to Article 7:

- Clarifies terms for standing committee vice chairs.

Section 1. Qualification. In order to serve on any ACWA standing committee, an individual must be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the appointment, the individual may not serve during the remaining term of that appointment unless that individual can again meet the criteria for appointment and is appointed to complete the term.

Section 2. Term of Office. The term of office of standing committee members shall be two years commencing on January 1 of each even-numbered year. The term of office of standing committee chairs and vice chairs, who serve on the Board of Directors, shall be approximately two years and shall commence as soon after January 1 of the even-numbered year as they may be appointed by the president and ratified by the then-seated Board of Directors, and shall terminate on December 31 of the odd-numbered year approximately two years later or until their successors are appointed and ratified.

Section 3. Meetings. Meetings of standing committees may be called at such times and places designated by the respective chair thereof except where provided otherwise by these bylaws. Subject to the provisions of these bylaws and any actions that may be taken by the Board of Directors, the chairs of each standing committee may establish their own rules for the efficient operation of the committee they each chair. The chairs of each standing committee are authorized to create subcommittees and workgroups in order to complete the work of the committee.

Section 4. Business Development Committee. There shall be a Business Development Committee whose duty it is to develop and recommend to the Board of Directors programs and activities to be provided or administered by the Association that generate non-dues revenue and provide a service or benefit to Association members. The committee shall consist of at least one representative from each region and one representative from the other standing committees.

Section 5. Communications Committee. There shall be a Communications Committee whose duty it shall be to develop and make recommendations to the Board of Directors regarding a comprehensive internal and external communications program for the Association and to promote development of sound public information and education programs and practices among members of the Association. The committee shall consist of no more than 40 individuals. Of that number, at least one individual shall be from each region.

Section 6. Energy Committee. There shall be an Energy Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one representative from each region.

Section 7. Federal Affairs Committee. There shall be a Federal Affairs Committee whose duty it shall be to review all federal legislative proposals and regulatory proposals affecting members of the Association, after consulting with other appropriate committees, and to develop Association positions consistent with existing policy, where it has been established; recommend sponsorship of bills that will resolve problems or improve conditions for members of the Association; and assist in the establishment of the Association's federal legislative program. The committee shall consist of at least one and no more than five individuals from each region.

Section 8. Finance Committee. There shall be a Finance Committee whose duty it shall be to make recommendations to the Board of Directors regarding annual budgets, dues formula and schedules and other revenue-producing income, annual audit and selection of an auditor, and investment strategies. The committee shall consist of the president and vice president of the Association as *ex officio* members, the Finance Committee chair, one member of the region board from each of the Association's 10 regions (either chair or vice chair), and one additional representative from each region with experience in financial matters.

Section 9. Groundwater Committee. There shall be a Groundwater Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one representative from each region.

Section 10. Legal Affairs Committee. There shall be a Legal Affairs Committee whose duty it shall be to support the mission of the Association, and more particularly to deal with requests for assistance involving legal matters of significance to members of the Association, including but not limited to state and federal court litigation, water rights matters, selected regulatory and resources agency matters, proposed bylaw revisions, review of legislation as requested by the State Legislative Committee, etc. The committee shall consider matters and issues submitted to it in order to determine which ones are of major significance to the members of the Association and, assuming a finding of major significance, recommend to the Board of Directors the position(s) which the committee believes the Association should take with respect thereto. The committee shall be composed of between 35 and 45 attorneys, each of whom shall be, or act as, counsel for a member of the Association, representing diverse interests

within the Association, including but not limited to, different geographical areas throughout the state, large and small agencies, agricultural and urban agencies, agencies created under the various enabling statutes, etc. Further, there shall be at least one representative from each region on the committee.

Section 11. Local Government Committee. There shall be a Local Government Committee whose duty it shall be to recommend policies to the State Legislative Committee, as appropriate, and Board of Directors on matters affecting water agencies as a segment of local government in California. The committee shall consist of at least one and no more than three individuals from each region.

Section 12. Membership Committee. There shall be a Membership Committee whose duty it shall be to assist staff in developing membership recruitment and retention programs, make recommendations to the Board of Directors regarding membership policies, eligibility, and applications for membership and review and make recommendations to the Finance Committee regarding an equitable dues structure. The committee shall consist of at least one member from each region.

Section 13. State Legislative Committee. There shall be a State Legislative Committee whose duty it shall be to review all state legislative proposals affecting members of the Association and to establish Association positions, consistent with existing policy, where it has been established; sponsor bills that will resolve problems or improve conditions for members of the Association; and assist in the establishment of the Association's legislative program. The committee shall consist of individuals representing a variety of types of members and at least one and no more than four individuals from each region.

Section 14. Water Management Committee. There shall be a Water Management Committee whose duty it shall be to recommend policy and programs to the Board of Directors on any area of concern in water management. The committee shall consist of at least one and no more than four individuals from each region.

Section 15. Water Quality Committee. There shall be a Water Quality Committee whose duty it shall be to develop and recommend Association policy, positions, and programs to the Board of Directors, to promote cost-effective state and federal water quality regulations that protect the public health, to enable interested members of the Association to join together to develop and coordinate with other organizations, and to present unified comments regarding agricultural and domestic water quality regulations. The committee shall consist of at least one individual from each region.

ARTICLE 8 – SPECIAL COUNCILS, COMMITTEES, AND TASK FORCES

Following is an overview of the proposed amendments to Article 8:

- Moves the Council of Past Presidents from Article 4, Board of Directors, to its own section under Article 8 to comply with the nonprofit corporation requirements set forth in the California Corporations Code which does not allow for non-voting directors. The language describes the

Council as the means by which past presidents continue to make valuable contributions to the Association.

- Provides additional language to clarify the role and function of the Nominating Committee.

Section 1. Council of Past Presidents. There shall be a Council of Past Presidents composed of all past presidents of the Association who serve on the council until each is no longer able to or wishes to serve. The council shall provide a mechanism for past presidents to continue to make valuable contributions to the Association. With approval of the Board of Directors, the president and/or executive director/secretary may assign specific responsibilities to the council from time to time. Members of the Council of Past Presidents are invited to attend and participate in the Association's Board meetings.

Section 1.2. Nominating Committee. There shall be a Nominating Committee consisting of five or more persons appointed by the president prior to the Association's fall conference in each odd-numbered year, whose purpose shall be to nominate qualified individuals for the offices of president and vice president of the Association. Not later than 48 hours prior to the election of officers of the Association, ~~the~~ The Nominating Committee shall publish its nominations for the offices of president and vice president of the Association not less than 10 or more than 90 days before the membership meeting is held at fall conference. Additional nominations may be made by any member of the Association for candidates for the office of president and vice president. Additional nominations shall be made from the floor during the election of president and vice president at the membership meeting scheduled for said purposes.

Section 2. Other Committees and Task Forces. Other committees and task forces may be appointed by the president from time to time as needed, consistent with and supportive of the mission of the Association.

ARTICLE 9 – MEETINGS OF MEMBERS

Following is an overview of the proposed amendments to Article 9:

- Expands the definition of membership meeting to include the timing of officer elections, to comply with nonprofit corporation requirements set forth in the California Corporations Code.
- Provides detailed information on how membership meetings and special meetings are noticed to comply with nonprofit corporation requirements set forth in the California Corporations Code.
- Provides clarifying language for how quorums are determined for purposes of transacting business at membership meetings.
- Provides detailed information pertaining to the election process for the Association's Board officers.

Section 1. Meetings. Meetings of the members of the Association shall be held at the Association's conferences at such times as may be determined by the Board of Directors to conduct necessary business and to elect the president and vice president, which occurs at the fall conference in each odd-numbered year.

Section 2. Special Meetings. Special meetings of the members of the Association may be called by the Board of Directors, the president of the Board of Directors, or by 5 percent or more of the members of the Association. Except when called by the Board, a request for a special meeting must be in writing and must be delivered in person or mailed by first-class mail addressed to the president of the Board at the principal office of the Association, with a copy to the executive director/secretary. The request must state the general nature of the business proposed to be transacted at the meeting.

A special meeting that has been called by written request of 5 percent of the member agencies of the Association to the Board of Directors shall be set by the Board of Directors on a date that is not less than 35 or more than 90 days after receipt of the request. ~~The executive director/secretary shall cause notice to be given to all members of the Association, which notice shall state the place, date, and time of the meeting and the general nature of the business to be transacted at the meeting. No business except that specified in the request and notice may be transacted at said special meeting.~~

Section 3. Notice Requirements for Membership Meetings. Written notice of any membership meeting shall be given to each voting member of the Association. The notice shall state the date, time, and place of the meeting; the means by which members may participate; and the general nature of the business to be transacted. The notice of any meeting at which Board officers are to be formally nominated and elected shall include the names of the recommended slate of candidates for the offices of president and vice president in addition to the election procedures. The member notification information shall also be posted on the Association's website.

Except as otherwise provided in these bylaws or California law, a written notice of regular membership meetings shall be given not less than 10 or more than 90 days before the date of the meeting to each member who, on the record date for notice of the meeting, is entitled to vote; provided, however, that if notice is given by mail, and the notice is not mailed by first-class, registered, or certified mail, that notice shall be given not less than 20 days before the meeting.

Section 4. Notice Requirements for Special Meetings. The executive director/secretary shall cause notice to be given to all members of the Association of the date, time, and place of the meeting and the general nature of the business to be transacted at the meeting. No business except that specified in the request and notice may be transacted at said special meeting. If notice of the requested special meeting is not given within 20 days after receipt of the request, the person or persons requesting the meeting may give the notice.

Section 3.5 Voting. Each member of the Association shall be entitled to one vote that shall be cast by its authorized representative. All questions, except amendments or revisions of these bylaws, shall be

determined by a majority of the members present and voting. A roll call may be requested by any representative.

Section-4.6 Amendment of Bylaws. These bylaws may be amended or revised by two-thirds of the member agencies of the Association present and voting at any meeting.

Section-5.7 Quorums. The presence of the authorized representative of 50 members of the Association at any meeting of the members shall constitute a quorum for transacting business.

Section-6.8. Amendments, Revisions, and Resolutions. Before any amendments or revisions to the bylaws, or resolutions, may be considered at any meeting of the Association, any such amendment, revision, or resolution shall be submitted to the executive director/secretary at least 30 days prior to the first day of such meeting. The executive director/secretary shall promptly distribute any proposed amendments or revisions to the Legal Affairs Committee for the Legal Affairs Committee to develop an unbiased analysis of the amendments or revisions. Following development of an analysis for the proposed amendments or revisions, the executive director/secretary shall distribute copies of any resolutions, amendments or revisions, including any applicable analyses, to all members of the Association at least five days prior to presentation at such meeting. The 30-day rule may be suspended at any meeting of the Association by consent of three-fourths of the members present. Voting on resolutions, amendments, or revisions shall proceed as provided by Sections 3 and 4 of this Article.

Section 9. Nomination of President and Vice President.

- A. Qualification.** At the time of their election, the president and vice president of the Association shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association.
- B. Nominating Committee Process.** All nominations for the positions of president and vice president shall be accompanied by an official resolution from the Association member agency on whose board the nominee serves. Said resolution shall be signed by an authorized signatory of the member agency's Board of Directors.
- C. Nominations from the Floor.** Additional nominations may be made by any member of the Association for the office of president and vice president. Said nominations and seconds shall be made from the floor during the election of the offices of president and vice president at the membership meeting scheduled for said purposes (as provided for in the penultimate sentence of Article 8, Section 2). Such nominations and seconds shall be made by a member of the Association and must be supported by a resolution of the governing body of the member making and seconding such nomination. The member agency on whose board the nominee serves shall submit a resolution of support if they are not the agency making the floor nomination or second.

Section 10. Additional Procedures for Election of Officers. The Board shall have the authority to develop additional procedures for elections of president and vice president when not otherwise covered by these bylaws.

~~**Section 7. Nominations for Officers from the Floor.** Additional nominations and seconds, if any, for candidates for the office of president and vice president (as provided for in the last sentence of Article 8, Section 1) will be made from the floor, during the election of the officers of president and vice president, by a member of the Association. Such nominations and seconds must be supported by a resolution of the governing body of the member making and seconding such nomination.~~

ARTICLE 10 –INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHER AGENTS

Following is an overview of the proposed amendments to Article 10:

- Creates new article/language that sets forth provisions for the indemnification of directors, officers, and other agents to comply with nonprofit corporation requirements which are set forth in the California Corporations Code.

Section 1. Right of Indemnity. To the fullest extent permitted by law, this Corporation shall indemnify its Directors, Officers, employees, and other persons described in Section 7237(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 7237(a) of the California Corporations Code.

Section 2. Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California Corporations Code, the Board shall promptly determine under Section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification.

Section 3. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these bylaws in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance. The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its Officers, Directors, employees, and other agents, against any

liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

ARTICLE 11~~0~~ – MISCELLANEOUS

Following is an overview of the proposed amendments to Article 11:

- Creates new language that sets forth the parameters for the disposition of the Association's assets upon dissolution of the organization consistent with the California Corporations Code and the Articles of Incorporation.

Section 1. Conduct of Meetings. All meetings of the Association shall be conducted in accord with the code of conduct and in substantial accordance with the latest edition of Robert's Rules of Order Newly Revised unless the Board adopts alternate rules of conduct for itself and/or its committees, region boards, and region workgroups.

Section 2. Funds. The funds of the Association shall be used to further the aims and purposes of this Association. They shall be kept by the controller-/treasurer and paid out by checks or other electronic means, which shall only be valid with two authorized signatures. The Board of Directors shall designate by resolution which persons, other than the controller-/treasurer, may sign for expenditures. The Finance Committee shall implement procedures to ensure necessary internal controls over the receipt and expenditures of Association funds and arrange for an external audit. Audit reports shall be presented to the Board of Directors.

Section 3. Disposition of Assets upon Dissolution. The Association's properties and assets are irrevocably dedicated to the fulfillment of the Association's purposes as described in Article 2 of the Articles of Incorporation. No part of the Association's net earnings, properties and assets, on dissolution or otherwise, may inure to the benefit of any private person. Upon the dissolution of the Association, all debts thereof shall be paid and its affairs settled, and all remaining assets shall be distributed to the Association's member political subdivisions for a public purpose, consistent with the provisions of the California Nonprofit Corporation Law relating to public benefit corporations then in effect and with the Articles of Incorporation.

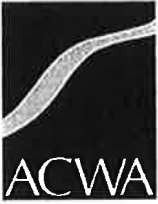
Section 3. Definitions. As used in these bylaws, the term "notice provided by electronic means" shall refer to notice given by fax or e-mail.

Amended comprehensively December 1, 2010

Amended May 9, 2012

Amended May 7, 2014

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Association of California Water Agencies

Since 1910

Working together to protect and improve California's water

BYLAWS of the Association of California Water Agencies

Proposed Bylaws Amendments – Clean Version

Amended by the ACWA Members: May 7, 2014

Proposed amendments: July 31 and September 25, 2015



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BYLAWS OF THE
ASSOCIATION OF CALIFORNIA WATER AGENCIES

(As amended by the Members on May 7, 2014)

Proposed amendments approved by ACWA Board: July 31 and September 25, 2015

ARTICLE 1 – GENERAL

Section 1. Name. The name of this California nonprofit corporation shall be the Association of California Water Agencies (hereinafter referred to as the Association).

Section 2. Principal Office. The principal office for the transaction of business of the Association is located at 910 K Street, Suite 100, Sacramento, California; provided, however, that the Board of Directors may change the location of the principal office by resolution and without amendment of these bylaws.

Section 3. Purposes. The purposes of the Association shall be to work together with its members and others for the best interests of California and its citizens and landowners who use, need and depend upon water; to encourage the orderly development of the waters of the state; to seek means of obtaining and making available to all of California a dependable water supply of the best possible quality at the lowest possible cost, giving due consideration to environmental factors involved therein; to provide inspiration and leadership in meeting and solving the water supply problems of this state; to propose and advocate such policies and measures—local, state and federal—that serve the best interests of the Association, opposing those of contrary nature; to assist in promoting the health, safety and welfare of the employees of its members; and to do all other things that are in the best interests of its members.

ARTICLE 2 – MEMBERSHIP AND DUES

Section 1. Membership.

- A. **Members.** Only a public district, public agency, or public organization created and operated for the purpose of controlling, treating, developing, acquiring, using or supplying water for any purpose for inhabitants or lands within the state of California, or for the protection, drainage or reclamation of lands within the state of California, may become a member of the Association. Such an entity will become a member upon written application, approval by the Board of Directors, and the payment of the required dues. Acceptance to membership shall authorize full participation in Association activities. Except as otherwise provided in subsection (B) below, in no case may an organization other than a state, a political subdivision (as defined in § 1.103-1(b) of the Income Tax Regulations) of a state or an entity the income of which is excluded from gross income under § 115 of the Internal Revenue Code be a member of the Association.

- B. **Honorary Life Members.** Any person who has rendered conspicuous service in furthering the purposes of the Association may, by vote of the Board of Directors, be granted an honorary life membership in the Association without payment of dues or assessments. All past presidents of the Association shall automatically be honorary life members without vote of the Board of Directors. Honorary life members shall not be entitled to a vote or to hold office automatically because of their status as honorary life members.
- C. **Termination of Members.** Membership shall cease upon the failure of any member to pay the dues provided for in Section 2 of this Article. The membership of any member may be terminated at any time by such member sending written notification of its intention to withdraw to the Association's principal office. The Board of Directors may terminate the membership of any member upon 30 days' written notice by first-class mail when it is determined at any regular Board meeting or at any special Board meeting called for that purpose that continuance of such membership would not be in the best interests of the Association. Withdrawal or termination of membership ends any participation in Association activities and shall terminate a member's interest in the Association's assets.

Section 2. Dues. The annual dues of each member of the Association shall be established by the Board of Directors; provided, however, that any member may apply for a change in its dues because of conditions that differentiate such applicant from other members.

Section 3. Liability of Members. No member shall be liable for any obligation incurred by the Association with the following exception: (1) the payment of the annual dues while it remains a member; and (2) the payment of emergency assessments, which shall not exceed 10 percent of current annual dues for each member in any calendar year while it remains a member. No emergency assessment may be levied against any member during its first two years of membership in the Association.

ARTICLE 3 – OFFICERS

Section 1. President and Vice President.

- A. **General.** The president and vice president of the Association shall be the elected officers of the Association. At the time of their election the president and vice president shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association. The president and vice president shall be elected by the members of the Association at its fall conference in each odd-numbered year, shall take office on January 1 of the calendar year following election, and shall hold office until such time as their successors take office or are appointed. An elected president shall not be permitted to succeed himself/herself to that office. Except as provided in this Article, should vacancies occur in either office of the president or vice president, the Board of Directors shall appoint persons to fill such offices for the unexpired terms thereof.

- B. **President.** The president shall preside at all meetings of the Board of Directors, the Executive Committee, and the general membership; shall appoint members of all committees, including the chair and vice chair of each, upon recommendation from members and regions (as communicated by the region chairs), with each such committee chair and vice chair ratified by the Board of Directors; and shall perform all other duties necessary to carry out the functions of the office. The president shall be a non-voting *ex officio* member of each committee, but shall not be an *ex officio* member of the Nominating Committee or the region boards.

The president may be expelled from office with or without cause, upon the satisfaction of the following two events: (1) a two-thirds vote of the Board of Directors; and (2) a subsequent simple majority vote of the members of the Association during a meeting of the membership.

- C. **Vice President.** The vice president shall, in the absence of the president, assume all of the duties of that office and, if a vacancy occurs, succeed thereto for the unexpired term. The vice president shall sit as a member of the Executive Committee of the ACWA Joint Powers Insurance Authority and shall perform such other duties as assigned by the president.

Section 2. Executive Director/Secretary and Controller/Treasurer.

- A. **General.** The executive director/secretary and controller/treasurer of the Association shall also be officers of the Association. The executive director/secretary shall be appointed by and hold office at the pleasure of the Board of Directors of the Association.
- B. **Executive Director/Secretary.** The executive director/secretary shall: (1) advise and assist the Board of Directors, all committees, the boards of each region, and the workgroups of each region; (2) be responsible for administering the total operations of the Association; (3) employ, direct, and release all employed staff in accordance with the policies adopted by the Board of Directors and consistent with the budget adopted by the Board of Directors; (4) provide relevant information to the Board of Directors needed by the Board to take actions; (5) give members notice and record minutes of all meetings of the membership, Board of Directors, and Executive Committee; and (6) have such other powers and perform such other duties as may be provided and assigned by the Board of Directors directly or through the president of the Board or the Executive Committee. The executive director/secretary, with the assistance of the controller/treasurer, shall render a report to the Board of Directors at the first meeting following the close of each calendar year showing the membership of the Association, the receipts and expenditures during the year, and the work accomplished during the previous year.
- C. **Controller/Treasurer.** The controller/treasurer shall report to and act under the direction of the executive director/secretary. The controller/treasurer shall be a signatory on all accounts held by the Association and shall act as a fiduciary for all assets of the Association.

ARTICLE 4 – BOARD OF DIRECTORS

Section 1. Membership. The Board of Directors shall consist of:

- A. The Association president and vice president.
- B. The chair and vice chair of each region.
- C. The chair of each standing committee.
- D. The most immediate active past president.
- E. The vice president of the ACWA/Joint Powers Insurance Authority.

Section 2. Term of Office. The term of office of all members of the Board of Directors shall commence on January 1 of the calendar year following election of the president and vice president, except for those persons who serve on the Board of Directors by nature of their position as chairs of standing committees, whose terms shall instead commence upon their ratification by the Board of Directors. Except as provided in Article 4, Section 11, the term of office for all members of the Board of Directors shall terminate on December 31 of the following odd-numbered year two years later, or until their successors take office.

Section 3. Attendance Requirement. Any member of the Board of Directors who misses two consecutive regular Board meetings without being excused by the Board will no longer be a member of the Board of Directors.

Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held bimonthly at such times and places as the Board may determine.

Section 5. Special Meetings. Special meetings may be called by the president upon the president's own volition or shall be called by the president when requested in writing by five directors. Prior to conducting such a special meeting, the president shall consult with the Executive Committee to ensure that adequate information is available to the Board of Directors for any necessary decisions; and where such meeting is called upon the president's own volition, the president shall also consult with the Executive Committee as to the necessity of the special meeting. Notice for special meetings shall be provided in the following manner: (1) upon 10 days' written notice sent by mail to each director and addressed to each at the address as shown upon the records of the Association; or (2) upon 48 hours' notice with notice provided by electronic means. When the meeting is called upon the president's own volition, the president shall choose the form of notice; when the meeting is called by a request of five directors, the five directors shall choose the form of notice and the president shall promptly call the meeting. No business except those items described in the notice shall be transacted at any special meeting, except by consent of three-fourths of the members of the Board of Directors present.

Section 6. Meeting Requirements and Quorums. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission. At any meeting of the Board of Directors, the attendance of 50 percent of the voting members of the Board of Directors, or their permitted alternates as specified in these bylaws, shall constitute a quorum for the transaction of any business. The Board may hold a closed session for discussion of personnel matters or enforcement of violations of the code of conduct.

Section 7. Alternates. Each region shall designate an alternate for each chair and vice chair, who shall meet the qualification requirements for chair and vice chair, to act at meetings of the Board of Directors when the chair or vice chair is unable to attend. The vice chair of each standing committee will be the alternate to act at meetings of the Board of Directors when the chair is unable to attend. An alternate may not act or vote on behalf of more than one member of the Board of Directors. A member of the Board of Directors may not act as an alternate for any other member.

Section 8. Vacancies for Standing Committee Chairs and Vice Chairs. Should a vacancy occur in the office of any standing committee chair or vice chair before the end of the term, the president shall appoint a new committee chair or vice chair to fulfill the unexpired term of such committee chair or vice chair subject to ratification by the Board of Directors. A vacancy in the office of any such standing committee chair or vice chair as described in the previous sentence shall be deemed to exist when the chair or vice chair: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 9. Duties, Authorities, and Delegation. Subject to the provisions and limitations of California Nonprofit Corporation Law, other applicable laws, and the provisions of these bylaws, the Association's activities and affairs are to be exercised by or under the direction of the Association's Board of Directors. The Board of Directors is responsible for the overall supervision, control, and direction of the Association. The Board of Directors shall: (1) employ and release the executive director/secretary; (2) set performance expectations for the executive director/secretary; (3) receive, review, and consider approval of executive director/secretary recommended compensation, other terms and conditions of employment, and annual evaluations as prepared by the Executive Committee; (4) annually adopt a budget; and (5) set the level of dues for the Association. Except as to the duties listed in the previous sentence, and subject to Article 3, Section 2, the Board of Directors may delegate the supervision, control, and direction of the Association's affairs to any person or group, including a committee, provided the Association Board retains ultimate responsibility for the actions of such person or group. Where such powers are delegated, the delegation shall be documented in writing.

Section 10. Immediate Past President. The immediate past president automatically assumes this position after serving as the Association's elected president and is a voting member of the Board of Directors and Executive Committee. The term of office for the immediate past president shall commence on January 1 of the calendar year following election of the president and vice president and

shall terminate on December 31 of the following odd-numbered year two years later. In the event the most immediate active past president is unavailable to serve, the most recent and available active past president in succession shall serve in this capacity.

Section 11. Code of Conduct of Board Members.

- A. **Code of Conduct: Purpose and Adoption.** The Board of Directors shall establish, and update as appropriate, a code of conduct for its Directors that recognizes the Association's commitment of integrity, respect, and fair representation to its members and the public they serve and establishes minimum ethical standards for the performance of the duties of office. The code shall be consistent with the procedural processes contained in this section. The code shall be distributed to all new Directors and shall be distributed annually to all members of the Association.
- B. **Violations and Enforcement Process.** A violation of the code of conduct may result in removal, public censure, or private reprimand of a Director, or such other action as contained in the code of conduct. However, removal and public censure shall be reserved only for serious violations. A Director may not be removed or publically censured absent an affirmative vote of two-thirds of the voting members of the Board of Directors. A Director may be privately reprimanded for a violation of the code of conduct upon the majority vote of the quorum. Complaints of violation of the code of conduct may be filed with the president, or the vice-president if the allegations are made against the president. The president may refer a complaint of violation to the executive director/secretary for investigation. The executive director/secretary may retain a special investigator or special counsel to conduct or assist the investigation. A Director accused of a violation shall be provided a copy of the complaint. A Director that takes any hostile or retaliatory action, directly or indirectly, against a complainant is subject to removal from the Board in conformance with the process identified above. Prior to scheduling a Board action on a complaint, the president shall consult with the Executive Committee and the chair of the Legal Affairs Committee. A Director accused of a violation of the code of conduct shall be provided at least 15 days' written notice of any meeting of the Board at which a determination of enforcement will be considered. A determination of enforcement may be made only at a regular meeting of the Board and shall be made in closed session. The determinations of the Board under this section shall not be admissible in any criminal or civil proceeding brought against the Director for conduct that violates any other law.

ARTICLE 5 – REGIONS

Section 1. Boundaries of Each Region.

- A. There shall be a maximum of 10 regions within the state. The Board of Directors shall determine the regional boundaries. Insofar as is practicable, the regions shall have a numerical balance in members of the Association; make geographic sense; and promote regional problem solving.

- B. A member of the Association may file a written petition to the Board of Directors requesting a change in regions. Such petition shall set forth the reasons for such requested change. The Board shall, within a reasonable time, act upon such petition and set forth the reasons for its action. Such action by the Board shall be based on factors in (A) above, as well as others deemed by the Board of Directors to be relevant to the decision.

Section 2. Officers.

- A. The officers of each region shall be a chair and vice chair and three to five region board members who shall be elected by the region by September 30, or the preceding Friday if September 30 falls on a weekend, of odd-numbered years. A region may maintain a board of fewer than five but not less than three members as provided in the region's rules and regulations. The officers of the region board shall take office on January 1 of the calendar year following election and shall hold office for two years, or until their successors take office. Regions shall hold elections by electronic ballot. ACWA staff shall verify the legitimacy of the ballots.
- B. The officers of each region shall: (1) exercise the powers and perform duties of the region during the interim between region meetings; and (2) make recommendations to the president regarding appointments to committees. The chair and vice chair shall be the region's representatives to the ACWA Board of Directors.
- C. Each officer of a region shall be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the office, the individual may not serve during the remaining term of that office unless that individual can again meet the criteria for the office and is appointed to complete the term. The region board may adopt more stringent criteria for board member qualifications as part of the region's rules and regulations.
- D. Should a vacancy occur in any of the region board positions before the end of the term, the remaining members of the region board shall appoint a new member. A vacancy in the office of any region board position shall be deemed to exist when a region board member: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 3. Nominating Committees. There shall be a nominating committee for each region consisting of three or more designees, each representing a member of the Association located within the region, appointed by the chair of the region and approved by the region board. Nominating committees shall be formed by February 28 of each odd-numbered year. The nominating committee shall announce its nominations for chair, vice chair, and region board members by August 1 of an election year. All regions

must complete the election process by September 30 of the election year, or the preceding Friday if the September 30 falls on a weekend.

Section 4. Meetings. The meetings of each region shall be held at both the spring and fall conferences and at such other times and places as may be determined by the region chair. Representatives of five or more members of the Association from the region present at any region meeting shall constitute a quorum for purposes of conducting the business of the region. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission.

Section 5. Workgroups. Workgroups may be appointed by the region chair as needed.

Section 6. Rules. Each region shall organize and adopt rules and regulations for the conduct of its meetings and affairs not inconsistent with the Articles of Incorporation or bylaws of the Association. Each region shall abide by the code of conduct adopted by the Board of Directors of the Association.

ARTICLE 6 – EXECUTIVE COMMITTEE

Section 1. Membership. There shall be an Executive Committee consisting of the following: the president of the Association, who shall be the chair thereof; the vice president; the most immediate active past president; the chair of the Finance Committee; and three at-large representatives selected from and by the members of the Board of Directors. The election of the three at-large representatives to the Executive Committee shall occur at the first Board of Directors meeting held in each even-numbered year and the elected representatives shall serve immediately following their election and until such time as their successors take office. To the extent practical, the Executive Committee should be constituted so as to reflect the geographic extent of the Association and the functions of the members of the Association.

Section 2. Powers. The Executive Committee shall have the following authority:

- A. **Personnel.** Subject to the budget adopted by the Board of Directors, the Executive Committee shall perform the following personnel actions: (1) recommend compensation for the executive director/secretary to the Board of Directors for approval; (2) perform annual reviews of the executive director/secretary and submit that review to the Board of Directors; (3) review and approve the classification and compensation plan and publicly posted salary schedule for Association employees submitted by the executive director/secretary, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors; (4) establish personnel policies for the conduct and behavior of employees, which shall be reviewable by the Board of Directors; and (5) undertake such other personnel actions as may be requested by the executive director/secretary in support of his or her oversight of all other personnel matters, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors.

- B. **Delegation.** The Executive Committee may act pursuant to any authority specifically delegated to it by the Board of Directors. The delegation shall indicate whether the authority is still subject to the ultimate authority of the Board.
- C. **Authority to Act Between Meetings.** The Executive Committee may act for the Board of Directors between Board meetings when calling a special meeting of the Board of Directors is impracticable, provided that no such action of the Executive Committee shall be binding on the Board of Directors until authorized or approved by the Board. The Executive Committee has the authority to authorize actions recommended by the Legal Affairs Committee (such as the filing of letter briefs and amicus curiae briefs) by electronic means without the need for an in-person or telephonic meeting, but such actions shall be ratified by the Board of Directors at its next meeting.

Section 3. Reporting. The president, or any person designated by the president, shall report to the Board of Directors, at each regular Board meeting, any action taken by the Executive Committee since the last preceding regular Board meeting. The minutes of Executive Committee meetings, which at that time may still be in draft form, shall be mailed (using the U.S. Postal Service, express delivery, electronic means, or otherwise) to each member of the Board of Directors at least five days prior to Board meetings, except in cases in which the Executive Committee meets during or immediately prior to a conference of the Association or immediately prior to a Board meeting, in which case the minutes, which may still be in draft form, shall be mailed to each director promptly thereafter.

Section 4. Meetings. The Executive Committee shall hold regularly scheduled meetings as set by the president. Special meetings of the Executive Committee may be called by the president upon notice to the members of that committee or upon written request of three Executive Committee members. Notice for special Executive Committee meetings shall be provided to the entire Board: (1) upon five days' written notice sent by mail, or (2) upon 24 hours' notice with notice provided by electronic means; and all such meetings shall be open to the Board of Directors. Any meeting, regular or special, may be held in person or by telephone conference, web video conference or other electronic video screen communication or electronic transmission. All members of the Board of Directors may attend any meeting of the Executive Committee. Meetings of the Executive Committee may be closed to others at the discretion of the President or committee. Only members of the Executive Committee are allowed to vote on matters at a meeting of the committee.

Section 5. Minutes. The minutes of the Executive Committee meetings shall be kept by the executive director/secretary at the Association's principal office. Actions of the Executive Committee shall be reported to the Board of Directors as provided in Section 3 of this Article and shall be available to any member of the Board of Directors upon request to the executive director/secretary.

ARTICLE 7 – STANDING COMMITTEES

Section 1. Qualification. In order to serve on any ACWA standing committee, an individual must be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the appointment, the individual may not serve during the remaining term of that appointment unless that individual can again meet the criteria for appointment and is appointed to complete the term.

Section 2. Term of Office. The term of office of standing committee members shall be two years commencing on January 1 of each even-numbered year. The term of office of standing committee chairs and vice chairs shall be approximately two years and shall commence as soon after January 1 of the even-numbered year as they may be appointed by the president and ratified by the then-seated Board of Directors, and shall terminate on December 31 of the odd-numbered year approximately two years later or until their successors are appointed and ratified.

Section 3. Meetings. Meetings of standing committees may be called at such times and places designated by the respective chair thereof except where provided otherwise by these bylaws. Subject to the provisions of these bylaws and any actions that may be taken by the Board of Directors, the chairs of each standing committee may establish their own rules for the efficient operation of the committee they each chair. The chairs of each standing committee are authorized to create subcommittees and workgroups in order to complete the work of the committee.

Section 4. Business Development Committee. There shall be a Business Development Committee whose duty it is to develop and recommend to the Board of Directors programs and activities to be provided or administered by the Association that generate non-dues revenue and provide a service or benefit to Association members. The committee shall consist of at least one representative from each region and one representative from the other standing committees.

Section 5. Communications Committee. There shall be a Communications Committee whose duty it shall be to develop and make recommendations to the Board of Directors regarding a comprehensive internal and external communications program for the Association and to promote development of sound public information and education programs and practices among members of the Association. The committee shall consist of no more than 40 individuals. Of that number, at least one individual shall be from each region.

Section 6. Energy Committee. There shall be an Energy Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one representative from each region.

Section 7. Federal Affairs Committee. There shall be a Federal Affairs Committee whose duty it shall be to review all federal legislative proposals and regulatory proposals affecting members of the Association,

after consulting with other appropriate committees, and to develop Association positions consistent with existing policy, where it has been established; recommend sponsorship of bills that will resolve problems or improve conditions for members of the Association; and assist in the establishment of the Association's federal legislative program. The committee shall consist of at least one and no more than five individuals from each region.

Section 8. Finance Committee. There shall be a Finance Committee whose duty it shall be to make recommendations to the Board of Directors regarding annual budgets, dues formula and schedules and other revenue-producing income, annual audit and selection of an auditor, and investment strategies. The committee shall consist of the president and vice president of the Association as *ex officio* members, the Finance Committee chair, one member of the region board from each of the Association's 10 regions (either chair or vice chair), and one additional representative from each region with experience in financial matters.

Section 9. Groundwater Committee. There shall be a Groundwater Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one representative from each region.

Section 10. Legal Affairs Committee. There shall be a Legal Affairs Committee whose duty it shall be to support the mission of the Association, and more particularly to deal with requests for assistance involving legal matters of significance to members of the Association, including but not limited to state and federal court litigation, water rights matters, selected regulatory and resources agency matters, proposed bylaw revisions, review of legislation as requested by the State Legislative Committee, etc. The committee shall consider matters and issues submitted to it in order to determine which ones are of major significance to the members of the Association and, assuming a finding of major significance, recommend to the Board of Directors the position(s) which the committee believes the Association should take with respect thereto. The committee shall be composed of between 35 and 45 attorneys, each of whom shall be, or act as, counsel for a member of the Association, representing diverse interests within the Association, including but not limited to, different geographical areas throughout the state, large and small agencies, agricultural and urban agencies, agencies created under the various enabling statutes, etc. Further, there shall be at least one representative from each region on the committee.

Section 11. Local Government Committee. There shall be a Local Government Committee whose duty it shall be to recommend policies to the State Legislative Committee, as appropriate, and Board of Directors on matters affecting water agencies as a segment of local government in California. The committee shall consist of at least one and no more than three individuals from each region.

Section 12. Membership Committee. There shall be a Membership Committee whose duty it shall be to assist staff in developing membership recruitment and retention programs, make recommendations to the Board of Directors regarding membership policies, eligibility, and applications for membership and review and make recommendations to the Finance Committee regarding an equitable dues structure. The committee shall consist of at least one member from each region.

Section 13. State Legislative Committee. There shall be a State Legislative Committee whose duty it shall be to review all state legislative proposals affecting members of the Association and to establish Association positions, consistent with existing policy, where it has been established; sponsor bills that will resolve problems or improve conditions for members of the Association; and assist in the establishment of the Association's legislative program. The committee shall consist of individuals representing a variety of types of members and at least one and no more than four individuals from each region.

Section 14. Water Management Committee. There shall be a Water Management Committee whose duty it shall be to recommend policy and programs to the Board of Directors on any area of concern in water management. The committee shall consist of at least one and no more than four individuals from each region.

Section 15. Water Quality Committee. There shall be a Water Quality Committee whose duty it shall be to develop and recommend Association policy, positions, and programs to the Board of Directors, to promote cost-effective state and federal water quality regulations that protect the public health, to enable interested members of the Association to join together to develop and coordinate with other organizations, and to present unified comments regarding agricultural and domestic water quality regulations. The committee shall consist of at least one individual from each region.

ARTICLE 8 – SPECIAL COUNCILS, COMMITTEES, AND TASK FORCES

Section 1. Council of Past Presidents. There shall be a Council of Past Presidents composed of all past presidents of the Association who serve on the council until each is no longer able to or wishes to serve. The council shall provide a mechanism for past presidents to continue to make valuable contributions to the Association. With approval of the Board of Directors, the president and/or executive director/secretary may assign specific responsibilities to the council from time to time. Members of the Council of Past Presidents are invited to attend and participate in the Association's Board meetings.

Section 2. Nominating Committee. There shall be a Nominating Committee consisting of five or more persons appointed by the president prior to the Association's fall conference in each odd-numbered year, whose purpose shall be to nominate qualified individuals for the offices of president and vice president of the Association. The Nominating Committee shall publish its nominations for the offices of president and vice president of the Association not less than 10 or more than 90 days before the membership meeting is held at fall conference. Additional nominations may be made by any member of the Association for candidates for the office of president and vice president. Additional nominations shall be made from the floor during the election of president and vice president at the membership meeting scheduled for said purposes.

Section 2. Other Committees and Task Forces. Other committees and task forces may be appointed by the president from time to time as needed, consistent with and supportive of the mission of the Association.

ARTICLE 9 – MEETINGS OF MEMBERS

Section 1. Meetings. Meetings of the members of the Association shall be held at the Association's conferences at such times as may be determined by the Board of Directors to conduct necessary business and to elect the president and vice president, which occurs at the fall conference in each odd-numbered year.

Section 2. Special Meetings. Special meetings of the members of the Association may be called by the Board of Directors, the president of the Board of Directors, or by 5 percent or more of the members of the Association. Except when called by the Board, a request for a special meeting must be in writing and must be delivered in person or mailed by first-class mail addressed to the president of the Board at the principal office of the Association, with a copy to the executive director/secretary. The request must state the general nature of the business proposed to be transacted at the meeting.

A special meeting that has been called by written request of 5 percent of the member agencies of the Association to the Board of Directors shall be set by the Board of Directors on a date that is not less than 35 or more than 90 days after receipt of the request.

Section 3. Notice Requirements for Membership Meetings. Written notice of any membership meeting shall be given to each voting member of the Association. The notice shall state the date, time, and place of the meeting; the means by which members may participate; and the general nature of the business to be transacted. The notice of any meeting at which Board officers are to be formally nominated and elected shall include the names of the recommended slate of candidates for the offices of president and vice president in addition to the election procedures. The member notification information shall also be posted on the Association's website.

Except as otherwise provided in these bylaws or California law, a written notice of regular membership meetings shall be given not less than 10 or more than 90 days before the date of the meeting to each member who, on the record date for notice of the meeting, is entitled to vote; provided, however, that if notice is given by mail, and the notice is not mailed by first-class, registered, or certified mail, that notice shall be given not less than 20 days before the meeting.

Section 4. Notice Requirements for Special Meetings. The executive director/secretary shall cause notice to be given to all members of the Association of the date, time, and place of the meeting and the general nature of the business to be transacted at the meeting. No business except that specified in the request and notice may be transacted at said special meeting. If notice of the requested special meeting is not given within 20 days after receipt of the request, the person or persons requesting the meeting may give the notice.

Section 5. Voting. Each member of the Association shall be entitled to one vote that shall be cast by its authorized representative. All questions, except amendments or revisions of these bylaws, shall be determined by a majority of the members present and voting. A roll call may be requested by any representative.

Section 6. Amendment of Bylaws. These bylaws may be amended or revised by two-thirds of the member agencies of the Association present and voting at any meeting.

Section 7. Quorums. The presence of the authorized representative of 50 members of the Association at any meeting of the members shall constitute a quorum for transacting business.

Section 8. Amendments, Revisions, and Resolutions. Before any amendments or revisions to the bylaws, or resolutions, may be considered at any meeting of the Association, any such amendment, revision, or resolution shall be submitted to the executive director/secretary at least 30 days prior to the first day of such meeting. The executive director/secretary shall promptly distribute any proposed amendments or revisions to the Legal Affairs Committee for the Legal Affairs Committee to develop an unbiased analysis of the amendments or revisions. Following development of an analysis for the proposed amendments or revisions, the executive director/secretary shall distribute copies of any resolutions, amendments or revisions, including any applicable analyses, to all members of the Association at least five days prior to presentation at such meeting. The 30-day rule may be suspended at any meeting of the Association by consent of three-fourths of the members present. Voting on resolutions, amendments, or revisions shall proceed as provided by Sections 3 and 4 of this Article.

Section 9. Nomination of President and Vice President.

- A. **Qualification.** At the time of their election, the president and vice president of the Association shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association.
- B. **Nominating Committee Process.** All nominations for the positions of president and vice president shall be accompanied by an official resolution from the Association member agency on whose board the nominee serves. Said resolution shall be signed by an authorized signatory of the member agency's Board of Directors.
- C. **Nominations from the Floor.** Additional nominations may be made by any member of the Association for the office of president and vice president. Said nominations and seconds shall be made from the floor during the election of the offices of president and vice president at the membership meeting scheduled for said purposes (as provided for in the penultimate sentence of Article 8, Section 2). Such nominations and seconds shall be made by a member of the Association and must be supported by a resolution of the governing body of the member making and seconding such nomination. The member agency on whose board the nominee serves shall submit a resolution of support if they are not the agency making the floor nomination or second.

Section 10. Additional Procedures for Election of Officers. The Board shall have the authority to develop additional procedures for elections of president and vice president when not otherwise covered by these bylaws.

ARTICLE 10 –INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHER AGENTS

Section 1. Right of Indemnity. To the fullest extent permitted by law, this Corporation shall indemnify its Directors, Officers, employees, and other persons described in Section 7237(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 7237(a) of the California Corporations Code.

Section 2. Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California Corporations Code, the Board shall promptly determine under Section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification.

Section 3. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these bylaws in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance. The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its Officers, Directors, employees, and other agents, against any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

ARTICLE 11 – MISCELLANEOUS

Section 1. Conduct of Meetings. All meetings of the Association shall be conducted in accord with the code of conduct and in substantial accordance with the latest edition of Robert's Rules of Order Newly Revised unless the Board adopts alternate rules of conduct for itself and/or its committees, region boards, and region workgroups.

Section 2. Funds. The funds of the Association shall be used to further the aims and purposes of this Association. They shall be kept by the controller/treasurer and paid out by checks or other electronic means, which shall only be valid with two authorized signatures. The Board of Directors shall designate by resolution which persons, other than the controller/treasurer, may sign for expenditures. The Finance Committee shall implement procedures to ensure necessary internal controls over the receipt and

expenditures of Association funds and arrange for an external audit. Audit reports shall be presented to the Board of Directors.

Section 3. Disposition of Assets upon Dissolution. The Association's properties and assets are irrevocably dedicated to the fulfillment of the Association's purposes as described in Article 2 of the Articles of Incorporation. No part of the Association's net earnings, properties and assets, on dissolution or otherwise, may inure to the benefit of any private person. Upon the dissolution of the Association, all debts thereof shall be paid and its affairs settled, and all remaining assets shall be distributed to the Association's member political subdivisions for a public purpose, consistent with the provisions of the California Nonprofit Corporation Law relating to public benefit corporations then in effect and with the Articles of Incorporation.

Section 3. Definitions. As used in these bylaws, the term "notice provided by electronic means" shall refer to notice given by fax or e-mail.

Amended comprehensively December 1, 2010

Amended May 9, 2012

Amended May 7, 2014

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PROXY DESIGNATION FORM

**ASSOCIATION OF CALIFORNIA WATER AGENCIES
GENERAL SESSION MEMBERSHIP MEETING(S)**

WEDNESDAY, DECEMBER 2, 2015 AT 1:05

THURSDAY, DECEMBER 3, 2015 AT 1:20 (IF NEEDED)

TO: Donna Pangborn, Executive Assistant/Clerk of the Board

EMAIL: donnap@acwa.com

FAX: 916-325-4857

The person designated below will be attending the ACWA General Session Membership Meeting(s) on **Wednesday, December 2, 2015, (and December 3 if necessary)** as our voting delegate.

MEMBER AGENCY'S NAME	AGENCY'S TELEPHONE No.
MEMBER AGENCY'S AUTHORIZING REPRESENTATIVE	SIGNATURE
DELEGATE'S NAME	SIGNATURE
DELEGATE'S EMAIL	DELEGATE'S TELEPHONE No.
DELEGATE'S AFFILIATION (if different from assigning agency) ¹	DATE

¹ If your agency designates a delegate from another entity to serve as its authorized voting representative, please indicate the delegate's entity in the appropriate space above. Note: Delegates need to sign the proxy form indicating they have accepted the responsibility of carrying the proxy.

REMINDER: Proxy cards will be available for pick up on **Wednesday, December 2, 2015**, between **9:00 a.m.** and **12:30 p.m.** at the **ACWA General Session Desk** in the alcove area outside of the **Crystal Ballroom, Renaissance Indian Wells**, where the luncheon and General Session Membership Meeting will be held.



Cucamonga Valley Water District

Martin E. Zvirbulis
Secretary/General Manager/CEO

EXHIBIT "B"

10440 Ashford Street • Rancho Cucamonga, CA 91730-2799
P.O. BOX 638 • Rancho Cucamonga, CA 91729-0638
(909) 987-2591 • Fax (909) 476-8032

October 19, 2015

Board of Directors
Irvine Ranch Water District
PO Box 57000
Irvine, CA 92619

Dear President and Members of the Board:

I am honored to share with you that I have officially received the 2016-2017 nomination for President of the Association of California Agencies (ACWA). I am poised and ready to provide strong leadership and guidance to our over 430 member agencies that represent ACWA.

Over the summer many of our members confirmed their support of my nomination through resolutions, phone calls and one-to-one meetings with me. I thank you for your support and will do everything in my power to represent you and your agency's unique perspective to ensure sensible water policy is being proposed at both the state and federal level.

There are many wonderful characteristics about ACWA, but the attributes that I cherish the most are the diverse perspectives of our members. We have built a collaborative and supportive community that works together to solve issues that have lasting benefits to the regions that we serve. There are many more challenges before us that will require a style of leadership that seeks to find solutions that benefit our industry and our ratepayers. I am completely committed, willing and able to continue a legacy of leadership that helps resolve issues and provides a better water supply outlook for future generations.

I respectfully request your support to represent you and your organization and the millions of people that rely on our foresight and leadership to provide a high quality and reliable water supply to our customers. I look forward to seeing you at our Fall Conference in Indian Wells. Thank you for your continued support and please contact me should you have any questions about my candidacy at 909.635.4177.

Respectfully,

Kathleen J. Tiegs
Director

Kathleen Tiegs
For
2016-2017 Association of California Water Agencies
President

October 19, 2015

My Fellow ACWA Member:

Over the past two years I have had the pleasure to serve in the capacity as ACWA Vice-President working closely with President John Coleman, Past President Randy Record and my other colleagues on the ACWA board of directors. As a team, we work collaboratively engaging in issues that are critical to the water community as well as to the ratepayers that we represent at each of our agencies.



My experience with ACWA began on a regional basis having served on the ACWA Region 9 Board of Directors beginning in 2008. I also had the opportunity to serve as the Vice-Chair of the Federal Affairs Committee, and served on the Local Government and the Groundwater Committees. My active participation in the committees and the Region 9 board provided a strong foundation as I began to pursue other avenues to expand my understanding and knowledge of the ACWA organization. The experience I have gained over the past two years has well-equipped me to effectively dialogue with the Administration, regulatory agencies, and other special interest groups that impact our industry. More importantly it has given me the experience to lead our organization, and build upon the accomplishments of those that came before me.

Currently, I serve as the Chair of the Sustainable Groundwater Management Act Implementation Policy Group. The Group has provided a critical role working closely with the Administration and the Department of Water Resources to ensure members concerns are clearly voiced as the law is implemented. In order to be an effective leader I believe it is important to engage with members throughout the state so I can better understand the issues in all of the regions. I regularly attend ACWA committee meetings, as well as regional events so I can have a two-way conversation with members and hear what is important to them and their regions.

Currently, I serve on the Cucamonga Valley Water District (CVWD) Board of Directors. I was elected to CVWD in November 2005 and have served as both President and Vice-President of the Board of Directors. Prior to my serving on the CVWD Board, I enjoyed a career in water resources management for a local wholesale water agency for over 30 years. In April 2011, I was honored by State Assembly Member Mike Morrell as the 63rd Assembly District Woman of the Year.

Thank you for allowing me to share my experience, leadership and knowledge with you. I look forward to the opportunity to represent you and the water industry of California. Please feel contact me directly should you have questions about my candidacy (909) 635-4177.

Thank you in advance for your consideration.

Kathleen J. Tiegs

EXHIBT "C"

Brent Hastey for ACWA Vice President, 2016-2017



Brent Hastey was born and raised in the Plumas Lake area, representing the fifth generation of his family to live in Yuba County, California. He grew up irrigating pasture and swimming in the ditches on the ranch. Becoming active in politics in college, Mr. Hastey was first elected to public office in 1987, when he won an election for a seat on the Board of Reclamation District 784. He served in this position for six years, during three of which he chaired. In 1992, he was elected to the Board of Supervisors of Yuba County, on which he served until 2000. As a County Supervisor, he also served on the Boards of the Yuba County Water Agency (YCWA), Yuba County LAFCO, Regional Council of Rural Counties (RCRC), and The Sacramento Area Council of Governments (SACOG). In 1994, he became the founding Chairperson of the Yuba Sutter Economic Development Corporation (YSEDC), which he Chaired until 1996.

Brent Chaired the YCWA Board in 1996 and 1997, which was during the devastating flooding of 1997. He led the Board through this trying time, and testified before the United States Congress on the causes and emergency management of the flood. In response to this disaster and state water needs, the voters of California passed Proposition 13, which authorized the sale of \$1.97 billion dollars in bonds to support safe drinking, water quality, flood protection, and water reliability projects. Brent strongly supported the approval. In 2014, Brent was reelected to the Yuba County Water Agency Board of Directors. He currently serves on the ACWA Region 2 board, and is active on the following Committees: Local Government, Groundwater, and Energy.

In addition to his service in areas of water management in California, Brent has worked in the service of higher education both locally and on a statewide level. In 2010, He was elected to the Yuba Community College District, a district which serves eight counties and spans nearly 4,200 square miles of rural northern California. Recently, Brent was elected to the California Community College Trustee Board (CCCT). CCCT represents and acts in the best interest of California's 72 Community College Districts

Brent is also the founding Director of the Bank of Feather River, which started in 2007. He has been Chairman of the board since 2010. Bank of Feather River is a community bank specializing in agriculture lending.

In addition to his political service, he has long-valued the opportunity for community and global service through Rotary International. A member of South Yuba County Sunrise Rotary Club since 1986, Brent works to live out the organization's motto in everyday life: "Service Above Self."

Brent and his wife Alisan, a music educator in the Marysville Unified School District, have been married 32 years. They own and operate Plumas Lake Self Storage. Brent and Alisan have raised four amazing children, plenty of dogs, a few horses, and a donkey.

Brent has been involved with the Association of California Water Agencies throughout his tenure as a member of the Board of Directors of YCWA (an ACWA member). In addition to serving on the ACWA Region 2 Board, he has regularly attended ACWA spring and fall conferences, region meetings and programs and other ACWA workshops and programs. He views ACWA as the leading voice on California water issues and will make sure that leadership continues into the future.

November 5, 2015

Submitted by: P. Weghorst

Approved by: Paul Cook 

WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE

REVISED MWDOC RATE STRUCTURE POLICY POSITION PAPER

SUMMARY:

Irvine Ranch Water District policy position papers are reviewed periodically to determine if the positions are still valid, need revisions or if additional papers need to be written on different issues of importance to the District. Staff has modified the existing Municipal Water District of Orange County (MWDOC) Rate Structure Policy Position Paper that was last revised and approved in October 2004. Staff recommends that the Committee provide input on the updated paper and that the Board approve the policy position paper as amended based on input from the Committee.

BACKGROUND:

In 2004, IRWD began producing policy position papers on topics of particular interest and importance to the District. Because of the IRWD Board of Directors' standing in the water industry, the opinions of individual Board members are regularly solicited on issues of vital interest to the industry and the community. To keep these position papers current, staff occasionally recommends that the Board review the papers and when appropriate, incorporate revisions.

IRWD's MWDOC Rate Structure Policy Position Paper was last revised and adopted by the Board on October 2004. At that time, MWDOC collected volumetric based charges from its member agencies. In 2011, IRWD signed the *Agreement Between MWDOC and its Member Agencies on Budget, Activities, Charges, and Other Issues* that transitioned MWDOC to collecting fixed charges based on each member agency's number of retail service connections. In addition, MWDOC began charging its member agencies for *Core* and *Choice* services. The agreement will expire in 2016 and MWDOC is set to initiate a Cost of Service study that will be used to establish rates for its services upon expiration of the agreement.

Staff has updated the MWDOC Rate Structure Policy Position Paper. Staff recommends that the Committee provide input to the updated document as provided in Exhibit "A". A copy of the paper with changes identified from the October 2004 version of the document is provided as Exhibit "B".

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

None.

RECOMMENDATION:

That the Committee provide input on the updated Policy Position Paper titled *MWDOC Rate Structure* and that the Board approve the Policy Position Paper as amended based on input from the Committee.

LIST OF EXHIBITS:

Exhibit “A” – Updated Policy Paper: MWDOC Rate Structure

Exhibit “B” – Updated Policy Paper: MWDOC Rate Structure with Changes Identified from
October 2004

EXHIBIT "A"

Irvine Ranch Water District Policy Position on Municipal Water District of Orange County (MWDOC) Rate Structure

November 5, 2015

Issue Summary:

IRWD worked in close coordination with the Municipal Water District of Orange County (MWDOC) on the development and implementation of Metropolitan Water District's (MWD's) tiered rate structure. The MWD rate structure was carefully designed to utilize a "cost-of-service" approach and to provide a two-tiered supply pricing signal that was intended to encourage local resource development and conservation.

IRWD has reservations regarding MWDOC's implementation of the MWD rate structure that maintains an option to meld the tiered supply component. It has been IRWD's position that MWDOC's ability to meld rates not only abandons the conservation and local resource development pricing signal, but can create inequities. For example, in the long term, growth in demands for imported water in the non-basin areas of the county could result in inequities under a melded rate structure where Tier 2 water needed to serve a specific agency or group of agencies is being melded into the rates for all of MWDOC's customers. It has been the district's position that a tiered structure would eliminate the potential for these inequities and preserve the pricing signal for local resource development and conservation that was intended in the formulation of the MWD tiered rate structure.

MWDOC is currently contemplating performing a cost of service study. A key to the success of performing the study will be to include the open participation of the member retail agencies. The resulting tiered rate structure should ensure that the water allocation methodology is fair and equitable. A MWDOC cost of service study should consider options that include Tier-1 allocation methodologies that include take or pay subscriptions that would allow retailers to adjust their purchases of water based on projected demand. The cost of service study should result in rates and charges that avoid over-collection of revenues by MWDOC.

Currently, MWDOC's Tier-1 allocation from MWD is sufficient and results in a low probability of MWDOC having to pass through Tier-2 purchases to its member agencies. However, this may change in the future. Depending on the rate structure that could be adopted by MWDOC, IRWD recommends that MWDOC work with its member agencies to develop an equitable method to address the disposition of any over-collected Tier 2 revenue. Specifically, we believe this revenue should provide funding for re-investment in conservation and local water resource projects to minimize the need for Tier 2 purchases, and compensate those member agencies that have made, and continue to make, investments in these programs.

In 2011, IRWD with the majority of MWDOC's member agencies executed the Agreement Between MWDOC and its Member Agencies on Budget, Activities, Charges and Other Issues (Settlement Agreement) that accommodates the interests of the member agencies and promotes collaborative processes related to MWDOC budgets and charges. This agreement provides for MWDOC to establish a Core services budget to recover costs associated with services that are both essential to its mission and carried out on behalf of the entire MWDOC service area. The agreement also establishes a budget process for Choice services that allow individual member agencies to elect to receive and pay for certain services from MWDOC. The Core and Choice model for assigning costs to the member agencies has worked well and should be continued beyond the termination of the Settlement Agreement in 2016.

Policy Principles:

- IRWD supports Metropolitan Water District of Southern California's (MWD's) adoption of a tiered rate structure that uses a cost of service approach to allocate costs of supply, transmission and storage, treatment, and water resource management. This includes the division of MWD's supply component into two tiers to reflect existing lower cost supplies and higher cost marginal supplies, respectively.
- The MWD two tier rate structure was specifically designed to encourage water conservation and local resource development by sending a pricing signal to discourage increased demands on MWD.
- Consistent with the intent of MWD, the MWD rate structure including the tiered rate approach for selling water to its member agencies should be implemented by the Municipal Water District of Orange County (MWDOC).
- MWDOC's method for implementing the tiered rate structure and allocating lower cost Tier 1 water should be fair and equitable to its member agencies.
- MWDOC's method for implementing the tiered rate structure should minimize the over-collection of Tier 2 revenue from its member agencies.
- MWDOC shall work with its member agencies to develop an equitable method to address the disposition of any over-collected Tier 2 revenue that will: 1) provide funding for re-investment in conservation and local projects to minimize the need for Tier 2 purchases, and 2) reward member agencies that have, and continue, to make investments in these programs.
- MWDOC's method of passing through MWD wheeling charges for the delivery of retail agency controlled water that is conveyed through MWD's system should be consistent with MWD's administration code. Any additional charges added by

MWDOC should be based on actual costs associated with the wheeling transactions.

- MWDOC should maintain its existing Choice and Core services consistent with the provisions of the existing Settlement Agreement. Core services should be limited to services that are essential to MWDOC's mission of serving as the wholesaler of MWD water in its service area.
- Member agency participation in Desalination projects and water supplies other than purchases of MWD water through MWDOC should be considered Choice programs.
- Upon termination of the Settlement Agreement, MWDOC shall maintain its per retail connection charge method of generating revenue consistent with the terms of the Settlement Agreement.
- The accumulation of Reserves by MWDOC shall allow it to meet operating and emergency financial requirements for operating its District and shall be consistent with the limits and categories established in the agreement.
- Any cost of service study performed by MWDOC should include the open participation of the member agencies to ensure that the resulting tiered rate structure is fair and equitable and developed with the support of the member agencies.
- Once adopted, the implementation methodology for MWDOC's tiered rates should be reviewed periodically with its member agencies and Board to identify and correct any unanticipated inequities.

EXHIBIT "B"

Irvine Ranch Water District Policy Position on Municipal Water District of Orange County (~~Mwdoe~~MWDOC) Rate Structure

November 5, October 2015
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Issue Summary:

IRWD worked in close coordination with the Municipal Water District of Orange County (MWDOC) on the development and implementation of Metropolitan Water District's (MWD's) tiered rate structure. The MWD rate structure was carefully designed to utilize a "cost-of-service" approach and to provide a two-tiered supply pricing signal that was intended to encourage local resource development and conservation.

IRWD has ~~and continues to have~~ reservations regarding MWDOC's implementation of the MWD rate structure ~~that by maintains an option to melding~~ the tiered supply component. It has been IRWD's position that MWDOC's ability to melded rates ~~structure~~ not only abandons the conservation and local resource development pricing signal, but ~~can has created increasingly serious inequities between basin and non-basin agencies in the current short term environment of diminishing groundwater supplies. For example, iThe possible further lowering of the basin production percentage by the Orange County Water District in the next fiscal year will exacerbate these inequities.~~ In the long term, growth in demands for imported water in the non-basin areas of the county could ~~also~~ result in inequities under ~~athe~~ melded rate structure where Tier 2 water needed to serve a specific agency or group of agencies is being melded into the rates for all of MWDOC's customers. It has been the district's position that a tiered structure would eliminate the potential for these inequities and preserve the pricing signal for local resource development and conservation that was intended in the formulation of the MWD tiered rate structure.

MWDOC is currently contemplating performing a cost of service study. A key to the success of performing the study will be to include the open participation of the member retail agencies. The resulting fully implementing a tiered rate structure shouldis to ensure that the water allocation methodology is fair and equitable. A MWDOC cost of service study should consider options that include Tier-1 allocation methodologies that include take or pay subscriptions thatBecause of unusual past purchasing patterns some of the MWDOC member agencies would be "winners or losers" if the MWD allocation was arbitrarily passed through. MWDOC staff examined five different Tier 1 allocation methodologies, including a two year take or pay subscription method. This subscription method would allows retailers to adjust their allocation-purchases of water every other year-based on projected demand. The cost of service study should result in rates and charges that IRWD staff has concluded that if a tiered structure is implemented, the take or pay subscription method is preferable. It is our understanding that this option under

~~the tiered rate structure is favored by most agencies because it represents a reasonable compromise between the melded and tiered rates. Furthermore, it results in the lowest avoid over-collection of revenues by MWDOC.~~

~~Currently, MWDOC's Tier-1 allocation from MWD is sufficient and results in a low probability of MWDOC having to pass through Tier-2 purchases to its member agencies. However, this may change in the future. Implementation of any of the tiered rate structure alternatives has the potential to result in the over-collection of Tier 2 revenue by MWDOC. In light of this, Depending on the rate structure that could be adopted by MWDOC,~~ IRWD recommends that MWDOC work with its member agencies to develop an equitable method to address the disposition of any over-collected Tier 2 revenue. Specifically, we believe this revenue should provide funding for re-investment in conservation and local water resource projects to minimize the need for Tier 2 purchases, and compensate those ~~retail-agencieismember agencies~~ that have made, and continue to make, investments in these programs.

~~In 2011, IRWD with the majority of MWDOC's member agencies executed the Agreement Between MWDOC and its Member Agencies on Budget, Activities, Charges and Other Issues (Settlement Agreement) that accommodates the interests of the member agencies and promotes collaborative processes related to MWDOC budgets and charges. This agreement provides for MWDOC to establish a Core services budget to recover costs associated with services that are both essential to its mission and carried out on behalf of the entire MWDOC service area. The agreement also establishes a budget process for Choice services that allow individual member agencies to elect to receive and pay for certain services from MWDOC. The Core and Choice model for assigning costs to the member agencies has worked well and should be continued beyond the termination of the Settlement Agreement in 2016.~~

Policy Principles:

- IRWD supports Metropolitan Water District of Southern California's (MWD's) adoption of a tiered rate structure that uses a cost of service approach to allocate costs of supply, transmission and storage, treatment, and water resource management. This includes the division of MWD's supply component into two tiers to reflect existing lower cost supplies and higher cost marginal supplies, respectively.
- The MWD two tier rate structure was specifically designed to encourage water conservation and local resource development by sending a pricing signal to discourage increased demands on MWD.
- Consistent with the intent of MWD, the MWD rate structure including the tiered rate approach for selling water to its member agencies should be implemented by the Municipal Water District of Orange County (MWDOC).

- MWDOC's method for implementing the tiered rate structure and allocating lower cost Tier 1 water should be fair and equitable to its member agencies ~~and correct for abnormal past purchase patterns, where appropriate.~~
- MWDOC's method for implementing the tiered rate structure should minimize the over-collection of Tier 2 revenue from its member agencies.
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- MWDOC shall work with its member agencies to develop an equitable method to address the disposition of any over-collected Tier 2 revenue that will: 1) provide funding for re-investment in conservation and local projects to minimize the need for Tier 2 purchases, and 2) reward ~~retail agencies~~ member agencies that have, and continue, to make investments in these programs.
- MWDOC's method of passing through MWD wheeling charges for the delivery of retail agency controlled water that is conveyed through MWD's system should be consistent with MWD's administration code. Any additional charges added by MWDOC should be based on actual costs associated with the wheeling transactions.
- MWDOC should maintain its existing Choice and Core services consistent with the provisions of the existing Settlement Agreement. Core services should be limited to services that are essential to MWDOC's mission of serving as the wholesaler of MWD water in its service area.
- Member agency participation in Desalination projects and water supplies other than purchases of MWD water through MWDOC should be considered Choice programs.
- Upon termination of the Settlement Agreement, MWDOC shall maintain its per retail connection charge method of generating revenue consistent with the terms of the Settlement Agreement.
- The accumulation of Reserves by MWDOC shall allow it to meet operating and emergency financial requirements for operating its District and shall be consistent with the limits and categories established in the agreement.
- Any cost of service study performed by MWDOC should include the open participation of the member agencies to ensure that the resulting tiered rate structure is fair and equitable and developed with the support of the member agencies.

- Once adopted, the implementation methodology for MWDOC's tiered rates should be reviewed periodically with its member agencies and Board to identify and correct any unanticipated inequities.

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