

AGENDA
IRVINE RANCH WATER DISTRICT
WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE
MONDAY, NOVEMBER 7, 2016

CALL TO ORDER 3:00 p.m. Committee Room, Second Floor, District Office
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE Committee Chair: Steve LaMar _____
Member: John Withers _____

<u>ALSO PRESENT</u>	Paul Cook	_____	Cheryl Clary	_____
	Beth Beeman	_____	Patrick Sheilds	_____
	Mark Tettemer	_____	Christine Compton	_____
	Fiona Sanchez	_____	Amy McNulty	_____
	Paul Weghorst	_____	Kellie Welch	_____
	Ray Bennett	_____	Jo Ann Corey	_____
	Lindsey Stuvick	_____		_____
		_____		_____

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. BUDGET BASED RATES GUIDE PROJECT UPDATE – SANCHEZ/WEGHORST

Recommendation: Receive and file.

6. UPDATE ON DEVELOPMENT OF COUNTY-WIDE RECYCLED WATER INSPECTION AND TESTING REQUIREMENTS – TETTEMER/WEGHORST

Recommendation: Receive and file.

ACTION

7. REVIEW OF 2016 LEGISLATIVE ACTIVITIES AND 2017 LEGISLATIVE PLANNING – COMPTON/COOK

Recommendation: That the Board provide input on the proposed 2017 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 2017.

OTHER BUSINESS

8. 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 7, 2016

Prepared by: F. Sanchez

Submitted by: P. Weghorst

Approved by: Paul Cook 

WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE

BUDGET BASED RATES GUIDE PROJECT UPDATE

SUMMARY:

IRWD has led a coalition of agencies water budget based rates structures in the development of a web-based Budget Based Rates. The web-based guide uses case studies to provide water agencies with practical information on how to effectively implement such rate structures. At the Committee meeting, staff will present an overview of the project and provide a preview of the website which is expected to be online in December 2016.

BACKGROUND:

In 2015, IRWD initiated a collaborative project to develop a web-based Budget Based Rates Guide on how to implement these types of rate structures. The purpose of the guide is to assist agencies in implementing budget based rates by providing practical information and case studies that depict the perspectives of the various water agencies that participated in the development of the guide. The agencies that participated in this effort included Eastern Municipal Water District, Western Municipal Water District, Elsinore Valley Municipal Water District, Valencia Water Company, Moulton Niguel Water District, Rancho California Water District, El Toro Water District, Las Virgenes Municipal Water District, Inland Empire Utilities Agency, Santa Margarita Water District, and Coachella Valley Water District. The case studies demonstrate that each agency has unique service area characteristics which have resulted in different approaches to the implementation of a budget based rate structure.

Guide Material Development:

To assist in the development of the Budget Based Rates Guide, IRWD retained RMC Consulting. RMC coordinated with the project partners in collecting all the necessary information, developing the content and preparing a wireframe design for the website. The participating agencies provided funding and/or in-kind services for the project. Although the project was initiated in 2015, work on the guide was delayed to allow the participating agencies to focus on drought response efforts. RMC was able to provide a final compilation of the guide materials in August 2016. The materials that were provided mirror the website design structure. The Budget Based Rate Guide includes sections with the following titles:

- What is a Budget Based Rate Structure?;
- Setting a Water Budget;
- Variances and Long-Term Maintenance;
- Internal Communication;
- Billing Systems;
- Customer Outreach and Support;
- Financial Information;

- Rate Structure Design;
- Benefits of Budget Based Rates;
- Legal Considerations; and
- Drought Response.

Website Development:

IRWD is conducting the website development portion of the project and expects to have the site completed and online in December, 2016. The site will be maintained by IRWD and is structured to be easy to update with new agency case studies and other information. Once the site is fully functional, IRWD and the project partners will promote it on their websites, at conferences and at other relevant venues or functions. At the Committee meeting, staff will preview the Budget Based Rates Guide website.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

None.

November 7, 2016

Prepared by: M. Tettemer

Submitted by: P. Weghorst

Approved by: Paul Cook 

WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE

UPDATE ON DEVELOPMENT OF COUNTY-WIDE RECYCLED WATER INSPECTION AND TESTING REQUIREMENTS

SUMMARY:

In the fall of 2015, staff met with the State Water Resources Control Board Division of Drinking Water (DDW) to discuss concerns that DDW had associated with the inconsistent recycled water inspection and testing programs that have been implemented by water recycling agencies in Orange County. Since that time, IRWD has led an effort among the water recycling agencies to develop standards for implementing site inspection and testing programs. At the Committee meeting, staff will provide an overview of progress in the development of the standards.

BACKGROUND:

Title 22 of the California Code of Regulations provides a definition of recycled water, identifies approved uses of recycled water, and sets forth recycled water use site requirements. The regulations require that inspection of dual-plumbed sites must occur annually and that cross-connection tests must be performed every four years. Dual-plumbed sites include commercial buildings with indoor uses of recycled water and single family residential properties that are irrigated with recycled water.

Permits issued by the Santa Ana and San Diego Regional Water Quality Control Boards contain conditions associated with recycled water site inspections as well as requirements for site supervisors. Recycled water agencies often have difficulties in meeting the requirements to ensure that site supervisors are adequately identified and trained. There are no requirements in the regulations or permits to test non-dual-plumbed sites such as common areas owned by homeowner associations. Each water agency in Orange County has implemented unique programs for the inspection and testing of non-dual-plumbed sites. As a result, the frequency of inspection and testing of non-dual-plumbed sites is not consistent across the county.

Concerns Regarding Inconsistencies:

In the fall of 2015, IRWD staff was approached by staff from DDW to discuss their concerns associated with the inconsistent recycled water inspection and testing programs that have been implemented by the water recycling agencies in Orange County. At the meeting, DDW expressed the desire to establish more consistent inspection and testing processes among the water recycling agencies as well as more consistent site plan submittal programs. Having consistent inspection and testing programs would ensure compliance with regulatory requirements and would result in more regular contact with recycled water site supervisors. Regular inspections would also help water recycling agencies maintain current contact information for all site supervisors and would provide opportunities to review roles and responsibilities with the site supervisors.

Water Resources Policy and Communications Committee: Update on Development of County-Wide Recycled Water Inspection and Testing Requirements

November 7, 2016

Page 2

County-wide Coordination:

In February 2016, all agencies involved with recycled water in Orange County, DDW and the Orange County Health Care Agency (OCHCA) participated in a meeting to discuss the establishment of county-wide standards. All of the meeting attendees agreed that consistent standards would be beneficial. Since then, IRWD staff has led the effort to develop county-wide standards through the efforts of a “working group” comprised of several water recycling agencies, DDW and OCHCA. This group has been meeting monthly to establish:

- Methods and frequencies for inspection and testing of recycled water use sites;
- Information for site supervisors regarding their roles and responsibilities;
- Standardized site inspection forms;
- Minimum information required on plans for submission to DDW and OCHCA; and
- Description of the DDW and OCHCA review process.

To date, there have been nine working group meetings and two “all agency” meetings where progress has been shared and input solicited from the participants. At the Committee meeting, staff will provide an overview of the draft standards and information that have been developed to date. Staff will also describe the next steps as the process nears completion.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

None.

November 7, 2016

Prepared and

submitted by: C. Compton 

Approved by: Paul Cook 

WATER RESOURCES POLICY AND COMMUNICATIONS COMMITTEE

REVIEW OF 2016 LEGISLATIVE ACTIVITIES AND 2017 LEGISLATIVE PLANNING

SUMMARY:

This report provides a review of IRWD's 2016 legislative priorities and government relations activities, and an overview of expected 2017 legislative and regulatory issues in Washington, D.C., Sacramento, and regionally. Also described are proposals that the District's associations and stakeholders are considering for sponsorship. The report proposes an initial 2017 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 2017 regional, state and federal legislative issues of interest to IRWD, and adopt the proposed Initial 2017 Legislative and Regulatory Resource Allocation Plan and the Legislative / Regulatory Issues and Activities of High Concern to IRWD in 2017.

BACKGROUND:

2016 IRWD Priorities and Activities:

In November 2015, the Board reviewed an overview of expected 2016 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 2016 Legislative and Regulatory Resource Allocation Plan and the Legislative / Regulatory Issues and Activities of High Concern to IRWD in 2016, which guided the District's governmental relations activities this year.

The 2016 priorities directed staff to engage in policy discussions to protect IRWD's revenues and the District's ability to use its water budget-based tiered rate structure to respond to the drought and water supply shortage. The priorities also directed staff to engage in discussions regarding water and sewer rates reform measures, conservation and drought regulations, the expanded use of recycled water, and energy efficiency in the water and wastewater sectors. 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 groundwater management, storm-induced overflow restrictions, and other State Water Resources Control Board (State Board) regulations.

At the federal level, IRWD and IRWD's federal legislative advocate engaged on legislation defining environmental infrastructure projects, federal drought legislation, and the Water Resources Development Act (WRDA). Additionally, the District promoted the Syphon Reservoir Recycled Water Storage Project, engaged productively on legislation proposing a Santa Ana Mountains to Sea National Monument, and advocated for the reauthorization of the Bureau of Reclamation's Water Reclamation and Reuse Program (Title XVI).

At the local level, IRWD continued to work to build stronger relationships with its community stakeholders.

Expected 2017 Federal Legislative Issues:

It is expected that the 115th 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 2017 political environment and federal issues with the Committee. More information is also provided below on several key issues of interest to the District.

Passage of the Water Resources Development Act and Defining Environmental Infrastructure Projects:

In June 2015, 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 falling within the definition of environmental infrastructure projects. This decision made water resource projects ineligible under WRDA. IRWD worked throughout the year with Representative Walters to support the passage of H.R. 2689, which did not move forward, and sought to have the provisions of H.R. 2689 included in the House version of WRDA 2016. As of the writing of this report, the House of Representatives and the United State Senate have passed different versions of WRDA, neither of which includes the language sought by IRWD. It is unclear if the bill will move from conference before the 114th Congress adjourns in December. In 2017, IRWD will continue to strategically work in support of a clarification of the definition of environmental infrastructure projects, where appropriate, in the 115th Congress. IRWD will also continue to advocate for Congress to return to the passage of WRDA every two years.

Tax Parity for Water Efficiency Rebates:

As a means of encouraging greater water use efficiency and conservation, public water agencies throughout California have developed programs offering their customers rebates for the installation of water saving devices and landscapes. Last year, it became apparent that water use efficiency rebates are considered income and taxable under the Internal Revenue Code. This treatment of water efficiency rebates is different from energy efficiency rebates because Congress provided an express exception for energy conservation subsidies in the Energy Policy Act of 1992.

In 2016, IRWD supported congressional efforts to provide tax parity for water conservation rebates. Despite many conversations about the need for tax parity between water and energy efficiency rebates, tax parity has yet to be enacted. Given California's ongoing drought, it is expected that the tax parity issue will continue to be a topic of discussion within Congress and an issue of interest to IRWD.

Title XVI Authorization:

The Bureau of Reclamation's Water Reclamation and Reuse Program (Title XVI) identifies and investigates opportunities to reclaim and reuse wastewater and naturally impaired ground and surface water in the 17 Western States and Hawaii. Title XVI allows the Bureau of Reclamation to provide local projects proponents in the named states funding for the planning, design, and construction of water recycling and reuse projects. As currently enacted, only projects that have been authorized by Congress are eligible for funding, and as a result of the earmark ban new projects have not been authorized. Given the significant role Title XVI has played in the development of water recycling and reuse projects, IRWD has supported the establishment of a new authorization process for qualified water supply projects through the existing Title XVI program. IRWD will continue to work strategically in support of Title XVI reauthorization in 2017.

U.S. Army Corps of Engineers and Bureau of Reclamation Atmospheric River Research Funding and Reservoir Reoperation Process:

The U.S. Army Corps of Engineers currently uses long-term averages of winter storms and spring runoff to manage dams and reservoir levels for flood control. Recent advances have found that up to half of California's total annual precipitation, and almost all of its floods are caused by atmospheric river rain events. This means that the risk of flooding is dependent upon the atmospheric river storms that flow over California.

Research of atmospheric rivers shows promise that the size and strength of an atmospheric river may be able to be predicted several days before landfall so that those predictions could potentially be used in flood control and water management models. With this new information, it has become more clear that traditional dam operations to mitigate flood risks, which are based on long-term averages of precipitation, are no longer appropriate. Despite the advancements in atmospheric river forecasting, more research is needed so that atmospheric river forecasts can be tailored for water managers and incorporated into dam management. IRWD, in concept, has supported and will continue to support federal programs and funding for atmospheric river research aimed at improving the U.S. Army Corps of Engineers' and Bureau of Reclamation's reservoir operations.

Additionally, the District will continue to seek appropriate language requiring the U.S. Army Corps of Engineers and Bureau of Reclamation to consider reoperation of a reservoir when requested to do so by a water agency downstream of the reservoir, and language allowing a water agency downstream of the reservoir to propose and fund improvements in reservoir operations, if it is in its interest.

Water Allocations from the Colorado River:

Seven western states rely on the Colorado River as a source of water supply for their residents. Beginning nearly a century ago, the water of the Colorado River has been allocated to each state and Mexico through various compacts, agreements and statutes – collectively known as The Law of the Colorado River. The Law of the Colorado River also establishes how water allocations

will be impacted when there is a shortage along the river. In light of the extended drought in the Upper and Lower Colorado River Basins, states that would receive the largest cutback in their water allocations are interested in changing the allocation priorities of the river. There has been some discussion regarding proposed changes in Washington, D.C. Given IRWD's interest, the District will closely monitor this issue in 2017 and engage where appropriate.

Expected 2017 Statewide Legislative Issues:

As California continues to face the historic drought, it is expected that the California Legislature will take up a number of issues of interest to the water and wastewater communities in 2017. Staff and IRWD's state legislative advocate will discuss the expected 2017 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.

Enactment of a Long-term Conservation Framework and Adoption of Continued Emergency Conservation Regulations:

In response to the five-year statewide drought, Governor Brown issued Executive Order B-29-15 on April 1, 2015, mandating a 25% reduction in statewide potable water use between June 2015 and February 2016. On May 5, 2015, the State Board adopted an Emergency Regulation to implement the provisions of the Executive Order. On May 9, 2016, Governor Brown issued his most recent drought-related executive order, Executive Order B-37-16. The recent order requires the state to transition from the temporary restrictions implemented during the drought to a statewide long-term conservation framework that aligns with the objective of the California Water Action Plan to "Make Conservation a California Way of Life."

Over the last several months the California Department of Water Resources (DWR) and the State Board have been working to develop the long-term conservation framework. While these state agencies have statutory authority to implement portions of the framework, legislation will be required to implement a majority of the new framework. Legislation on the framework is expected in 2017. Additionally, in early 2017, the State Board will consider modifying or extending the emergency drought regulations-related urban water conservation. IRWD will continue to engage productively on the long-term conservation framework and emergency drought regulations, and will continue to advocate for policies that recognize the need for flexibility and regional differences such as growth, climate, and local investments in water recycling and extraordinary supplies.

Prohibition on Ocean Discharges:

In 2016, SB 163, authored by Senator Bob Hertzberg (D, Van Nuys), proposed a ban on ocean discharge of treated wastewater. Specifically, the bill would have declared that the discharge of treated wastewater from ocean outfalls, except in compliance with the bill's provisions, is a waste and unreasonable use of water in light of the cost-effective opportunities to recycle water for further beneficial use. While Senator Hertzberg did not move SB 163 forward in 2016, he has stated that he will reintroduce the proposal in 2017.

Over the past few months, staff has been working with a coalition led by the California Association of Sanitation Agencies and WaterReuse California to discuss the coalition's plan of action on any reintroduction on SB 163. IRWD will engage and be a key member of the coalition as it did in 2016.

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 Water Foundation sought legislation in 2016 to address tiered water rate structures, stormwater funding, and voluntary low income rate subsidization. Given the interest in Proposition 218 reform, it is likely that the topic will continue to be an issue of discussion in Sacramento. IRWD will continue to communicate the District's concern over any water rate legislation which is not consistent with the California Constitution, not voluntary in nature, or that does not provide sufficient clarity or flexibility to water agencies. As authorized by the Board, staff will continue to work with interested parties on issues related to tiered water rates.

As discussions surrounding water infrastructure funding continue, and if a public goods charge for water is raised in those discussions, IRWD will engage with the District's industry and association partners to oppose a public goods charge for water consistent with the Board-adopted policy principle.

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

As California continues to deal with drought facing increasing demands on its fresh water 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 State Board's *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 State Board 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) that 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 State Board to find a solution to mitigate the impact of storm-induced overflow restrictions. Staff has continued conversations with the State Board on the use of recycled water in decorative lakes to replace evaporative water losses. Staff will continue to work towards a solution to this issue.

California State Budget:

On October 12, 2016, State Controller Betty Yee released her monthly report on the State's finances. She announced that the State took in \$10.57 billion in revenue during the month of September. This amount was above the estimates contained in 2016-2017 Budget Act by 1.5 percent. The State closed the first quarter (July 1 through September 30, 2016) of its fiscal year with \$24.55 billion in revenues, which is 0.1 percent lower than anticipated. The State also ended September with \$28.51 billion in unused borrowable resources, which is \$2.02 billion more than expected.

Given the potential impact of the State's finances and the Fiscal Year 2017-18 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 2017 Government Relations Activities and Staff Resource Allocations:

Staff will discuss with the Committee a proposed list of issues of high concern to IRWD for 2017, which is attached as Exhibit "A", and an initial plan for allocating 2017 staff resources to legislative and regulatory issues, which is attached as Exhibit "B".

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.

Expected 2017 Association Proposals:

IRWD's association and industry partners are in the process of completing their 2017 legislative planning. A summary of those planning efforts is provided below:

Association of California Water Agencies:

The Association of California Water Agencies (ACWA) held its 2017 legislative planning meeting on October 21, 2016. ACWA will pursue greater funding for biomass generation within California and will be meeting with the Administration to discuss the likelihood of support for another biomass bill. In January, the ACWA State Legislative Committee will determine if the association will sponsor legislation on biomass in 2017. Additionally, ACWA will be engaged in discussions regarding water conservation and the long-term conservation framework in 2017.

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 6. 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 2017. Staff will provide the Committee with an update on any new developments.

California Municipal Utilities Association:

CMUA will hold its 2017 legislative and regulatory planning meeting on November 9. As of the writing of this report, only one specific proposal has been released for consideration at the meeting. CMUA's Legislative Committee will consider sponsoring a bill banning metallic balloons. Staff will provide the Board with an update on any new developments.

California Association of Sanitation Agencies:

CASA has not met to discuss its 2017 legislative and regulatory efforts. The planning meeting will be held on December 9. 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 update on any new developments.

California Special Districts Association:

The California Special Districts Association (CSDA) held its 2017 legislative and regulatory planning meeting on November 3. As of the writing of this report, CSDA will consider co-sponsoring legislation with the California State Association of Counties to provide technical clean-up to AB 2476 (Daly, 2016) related to parcel tax notifications and will consider co-sponsoring legislation with the California Association of Local Agency Formation Commissions to require special district representation on all Local Agency Formation Commissions throughout the state. Staff will provide the Committee with an update on the CSDA planning meeting and on any new developments related to these two proposals.

WateReuse California:

The WateReuse Association of California held its 2017 legislative and regulatory planning meeting on November 2. Staff will provide the Board with an oral update on any new developments, and will provide more information on the proposals considered at the association's November 2 planning meeting.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

That the Board provide input on the proposed 2017 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 2017.

LIST OF EXHIBITS:

Exhibit "A" – Legislative / Regulatory Issues and Activities of High Concern to IRWD in 2017
Exhibit "B" – Proposed Initial IRWD's 2017 Legislative and Regulatory Resource Allocation Plan

EXHIBIT "A"

LEGISLATIVE/REGULATORY ISSUES & ACTIVITIES OF HIGH CONCERN TO IRWD IN 2017

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 2017.

2017 Federal Issues and Activities of High Concern:

- 1) Advocate for the establishment of a new authorization process for qualified water supply projects through the existing Bureau of Reclamation Water Reclamation and Reuse Program (Title XVI).
- 2) 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.
- 3) Seek appropriate statutory language requiring the U.S. Army Corps of Engineers and Bureau of Reclamation to consider reoperation of a reservoir when requested to do so by a water agency downstream of the reservoir, and language allowing a water agency downstream of the reservoir to propose and fund improvements in reservoir operations, if it is in its interest.
- 4) Support congressional efforts to enact a water resources bill every two years which includes the authorization of projects of benefit to the Orange County community.
- 5) Seek 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, and
 - 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.
- 6) 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 Bay Delta Conservation Plan (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.

- 7) 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.

2017 State Issues and Activities of High Concern:

- 1) Protect IRWD's revenues and the District's ability to use its water budget-based tiered rate structure to respond to the drought and water supply shortages.
- 2) Engage in discussions surrounding water and wastewater infrastructure financing including discussions related to Proposition 218 reforms to protect IRWD's interests and oppose 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 Legislature and the State Board on the development and enactment of a long-term conservation framework for California and on any additional emergency conservation regulations. Advocate for policies that provide local agencies flexibility and recognize investments in local supplies and regional factors such as growth and climate differences. Engage with the State Board 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 Titles 17 and 22, including relief of dual-plumbed inspection/testing requirements;
 - A "Fit for Purpose" regulatory approach for recycled water;
 - Permissive advanced indirect and direct potable water reuse regulations; and
 - Eliminating operational constraints on recycled water operations and use.
- 5) Promote policies that 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, and
 - Policies and incentives that encourage water and wastewater agencies to implement renewable and solar energy projects in order to offset their energy needs.

- 6) 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.

2017 Regional Issue and Activities of 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 to operate its water and wastewater systems.

EXHIBIT “B”
DRAFT
IRWD’s Initial 2017 Legislative and Regulatory
Resource Allocation Plan

Expected 2017 Legislative/Regulatory Issues	Priority for Staff Resources
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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
Reservoir Reoperation – Advocate for appropriate language requiring the U.S. Army Corps of Engineers and Bureau of Reclamation to consider reoperation of a reservoir when requested to do so by a water agency downstream of the reservoir, and language allowing a water agency downstream of the reservoir to propose and fund improvements in reservoir operations, if it is in its interest.	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
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.	Very High
Water Resource Development Act – Seek enactment of a WRDA bill every two years.	Very High
Atmospheric River Research – Advocate for federal programs and funding for atmospheric river research aimed at improving the U.S. Army Corps of Engineers’ and Bureau of Reclamation’s reservoir operations.	High
California Water Fix 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
Tax Parity for Water Efficiency Rebates – Advocate for tax parity between water and energy efficiency rebates.	High
Total Maximum Daily Load Limits – Advocate that the Environmental Protection Agency use the best available science when setting Total Maximum Daily Load (TMDL) limitations related to Clean Water Act compliance and approve TMDLs for California based on relevant studies related to California’s environment and local conditions.	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</i>

Expected 2015 Legislative/Regulatory Issues	Priority for Staff Resources
	<i>have ruled against the new WOTUS rule, that the resource allocation be changed 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 changed to very high.</i>
Water Allocations from the Colorado River – Monitor discussions related to the Colorado River and advocate for policies that would fairly protect California’s and IRWD’s interests in the Colorado River.	Moderate <i>*Staff proposes, if a significant threat is raised against California’s water rights, that the resource allocation be changed 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>
STATE ISSUES	
Conservation, Water Use Efficiency and Water Shortage Contingency Plans – Engage productively in policy discussions related to a long-term conservation framework for California and changes in the requirements for water shortage contingency plans.	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. Communicate the District’s concern over any water rate legislation which is not consistent with the California Constitution, not voluntary in nature, or that does not provide sufficient clarity or flexibility to water agencies.	Very High
Public Goods Charge on Water – Oppose a statewide user fee consistent with IRWD’s Water Infrastructure Financing Policy Paper.	Very High

Expected 2015 Legislative/Regulatory Issues	Priority for Staff Resources
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 Titles 17 and 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 water reuse regulations. • Eliminate operational constraints on recycled water operations and use.	Very High
Revenues – Protect IRWD’s revenue sources, and seek measures to ensure reliability in revenues.	Very High
State Board – Engage with the State Board on any further conservation regulations and advocate for continued recognition of local supply conditions, growth, climate differences, extraordinary supplies and IPR projects. Engage with the State Board on policy, regulatory and permits issues of concern to IRWD including the Water Quality Enforcement Policy, the Statewide Mercury Program, the Environmental Laboratory Accreditation Program, and expansion of “Waters of the State” designations.	Very High
Water Budget-Based Tiered Rates – Protect the District’s ability to use its water budget-based tiered rate structured to respond to the drought and water supply shortages.	Very High
Water Bond Implementation – Engage productively in discussions surrounding the implementation of the water bond in order to protect IRWD’s interests.	Very High
Water Transfers and Markets – Engage in discussion on additional legislation related to establishing a water market in California.	Very High
California Water Fix 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
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>

Expected 2015 Legislative/Regulatory Issues	Priority for Staff Resources
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 and constructed treatment wetlands. 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). Monitor for changes in certification requirements.	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 and 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 changed 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>
Public Records Act – Monitor 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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<u>REGIONAL ISSUES</u>	
Santa Ana and San Diego Regional Water Quality Control Boards – Develop a closer working relationship with Regional Board staff. Work with the Board on issues of concern to IRWD including: • Adjusting storm-induced overflow protections and expand the use of recycled water in decorative lakes, • Proposed modifications to Basin Plans, and • Establishing pollution credit trading programs.	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 respond to emergencies and 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; and • Seeking less restrictive engine regulations.	High <i>*Staff will work with IRWD’s industry and association to further these discussions with AQMD.</i>