

FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING MOULTON NIGUEL WATER DISTRICT 27500 La Paz Road, Laguna Niguel September 16, 2015 8:30 AM Approximate Meeting Time: 3 Hours

1. CALL MEETING TO ORDER

2. APPROVE THE MINUTES OF THE AUGUST 19, 2015 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

3. PUBLIC COMMENTS

Persons wishing to address the Board of Directors on matters <u>not listed</u> on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item <u>listed</u> on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

DISCUSSION ITEMS

- 4. Water Shortage Contingency Plan Continued Implementation
- 5. MNWD Website Redesign Contract Award
- 6. Investment Policy Update
- 7. Rebate Application for Turf Removal

INFORMATION ITEMS

- 8. Outreach Update
- 9. Monthly Financial Report
 - a. Summary of Financial Results

- b. Budget Comparison Report
- c. Financial Statements
- d. Restricted Cash and Investments with Fiscal Agent
- e. Unrestricted and Restricted Fund Balances
- f. Summary of Disbursements August 2015
- 10. Future Agenda Items (Any items added under this section are for discussion at future meetings only)
- 11. Late Items (Appropriate Findings to be Made)
 - a. Need to take immediate action; and
 - b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

ADJOURNMENT

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than seventy-two (72) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board on the District website at <u>www.mnwd.com</u>.



DRAFT MINUTES OF THE REGULAR MEETING OF THE FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT

August 19, 2015

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 8:30 AM on August 19, 2015. There were present and participating:

DIRECTORS

Duane Cave	Director
Scott Colton	Vice President
Richard Fiore	Director
Donald Froelich	President
Gary Kurtz	Director (via teleconference)
Larry Lizotte	Director
Brian Probolsky	Vice President/Chair (arrived at 8:41 a.m.)

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

General Manager
Assistant General Manager
Director of Engineering & Operations
Director of Human Resources
Recording Secretary
Board Secretary
Assistant Director of Engineering
Public Financial Management
MNWD
MNWD
MNWD
MNWD
Chandler Asset Management
Public Financial Management

1. CALL MEETING TO ORDER

The meeting was called to order by Richard Fiore at 8:30 a.m.

2. APPROVE THE MINUTES OF THE JULY 15, 2015 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY DUANE CAVE, AND SECONDED BY DONALD FROELICH, MINUTES OF THE JULY 15, 2015 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS PRESENTED. A ROLL CALL VOTE WAS TAKEN AND THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, AND LARRY LIZOTTE ALL VOTING 'AYE'. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.

3. PUBLIC COMMENTS

None.

PRESENTATION ITEMS

10. Monthly Financial Report

This item was taken first. Carol Wayman-Piascik presented the monthly financial report.

Brian Probolsky arrived at 8:41 a.m.

4. Quarterly Investment Report - Chandler Asset Management

Jayson Schmidt from Chandler Asset Management presented the Quarterly Investment Report. Key topics presented were the account profile, portfolio holdings, and economic update.

DISCUSSION ITEMS

5. Rebate Programs Update

Drew Atwater presented the Rebate Program Modifications. Discussion ensued regarding the various recommendations. Staff recommends that the Board of Directors:

- 1. Maintain constant funding at \$2 sq. ft. for turf removal projects
- 2. Set temporary caps for residential, commercial, and public agency turf removal projects at the following levels:
 - a. 3,000 Square foot cap on residential projects
 - b. 10,000 square foot cap on commercial projects
 - c. 25,000 square foot cap on public agency projects

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- 3. Eliminate toilet supplemental funding
- 4. Match Soil Moisture Sensor & Controller Funding to Smart Timer Funding
- 6. Enterprise Resources Planning (ERP) Support Services Contract Amendment

Matt Collings gave a brief description of the item. Staff recommends that the Board of Directors increase the value of the ERP Support Services contract for FY 2015-16 by \$75,000 from \$111,000 to \$186,000; and authorize the General Manager to execute the contract amendment. Discussion ensued regarding the contract amendment.

7. Disposal of Surplus Property Policy

Joone Lopez provided some background information on the Disposal of Surplus Property Policy. Staff recommends that the Board of Directors approve the resolution entitled, "Approving Updated Policy for Disposal of Surplus Property." Discussion ensued regarding the policy. Staff will modify the policy based on comments from the Board of Directors and bring back to the Board of Directors' meeting for approval.

INFORMATION ITEMS

8. Outreach Update

Joone Lopez, Richard Fiore and Matt Collings provided an update on outreach efforts.

9. Operations Center Consolidation and Improvement Project Update

This item was not discussed.

11. Future Agenda Items (Any items added under this section are for discussion at future meetings only)

None.

12. Late Items (Appropriate Findings to be Made)

Staff has none.

ADJOURNMENT

The meeting was adjourned at 11:44 a.m.

Respectfully submitted,

Tim Bonita Recording Secretary



STAFF REPORT

Board of Directors	MEETING DATE: September 16, 2015		
Joone Lopez, General Manager Drew Atwater, Senior Financial and Resource Analyst			
Water Shortage Contingency	y Plan Continued Implementation		
District-wide			
	Joone Lopez, General Manag Drew Atwater, Senior Financ Water Shortage Contingency		

SUMMARY:

<u>Issue</u>: Prolonged drought conditions and State regulations require the District to continue implementation of its Water Shortage Contingency Plan.

<u>Recommendation:</u> It is recommended that the Board of Directors approve the resolution entitled, "Declaring Water Shortage Stage 2".

<u>Fiscal Impact</u>: Conservation penalties will be assessed on customers in violation of the Water Shortage Contingency Plan Ordinance under Stage 2 implementation.

BACKGROUND:

On April 1, 2015, Governor Jerry Brown issued an Executive Order to address prolonged drought conditions and restricted water supplies. The State Water Resources Control Board has issued mandatory regulations to effect the Executive order and aims to reduce statewide water usage by 25% through February 2016. The result of the mandatory regulations require that Moulton Niguel Water District reduce District-wide water consumption by 20%.

In February 2015, in compliance with the Proposition 218 process, the Board of Directors adopted Ordinance No. 15-01, "Water Conservation Rules and Regulations" ("Ordinance"). The Ordinance prescribes incremental stages of water reductions based on varying water shortage conditions, utilizing the water budget rate structure and other conservation tools. A summary of the various stages and the impacts to the different customer classes has been provided in attachment 2.

Water Shortage Contingency Plan Continued Implementation September 16, 2015 Page **2** of **2**

On May 1, 2015 the Board of Directors adopted Resolution 15-16 which implemented Stage 2 of the Water Shortage Contingency Plan commencing July 1, 2015. Under that Resolution, Stage 2 remains in effect until October 29, 2015. Per the Water Shortage Contingency Plan, every 120 days after implementation of a Stage the Board of Directors needs to determine if a different Stage should be implemented.

DISCUSSION:

To ensure timely response to the mandatory regulations and progress towards meeting the 20% water usage reduction goal by February 2016, staff is recommending that the Board of Directors continue the implementation of Stage 2 of the District's Water Shortage Contingency Plan.

Currently, the District has seen a remarkable response by customers reducing their water consumption. However, if customers revert back to last year's behavior, the District will miss the mandated target. To maintain reduced water usage throughout the District, it is recommended that the Board approve the continued implementation of Stage 2 of the Water Shortage Contingency Plan to be effective on November 1, 2015. In Stage 2, customers who exceed their water budget must pay a penalty. Any potable water customer using water in excess of their water budget will pay conservation penalties equal to \$9.04 for each billing unit over their budget and recycled water customers will pay \$8.21 for each billing unit over their budget.

Any stage implemented shall be in effect for up to 120 days, at which point the Board will review and determine whether to continue a water shortage stage.

Attachments:

- 1. Resolution entitled, "Continuing Water Shortage Stage 2"
- 2. Water Shortage Contingency Plan Stages
- 3. State Water Resources Control Board Resolution No. 2015-0032
- 4. Ordinance 15-01; "Water Conservation Rules and Regulations"

RESOLUTION NO. 15-__

RESOLUTION OF THE BOARD OF DIRECTORS OF MOULTON NIGUEL WATER DISTRICT CONTINUING WATER SHORTAGE STAGE 2

WHEREAS, California Constitution article X, section 2 and California Water Code section 100 provide that because of conditions prevailing in the state of California (the "State"), it is the declared policy of the State that the general welfare requires that the water resources of the State shall be put to beneficial use to the fullest extent of which they are capable, the waste or unreasonable use of water shall be prevented, and the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and the public welfare; and

WHEREAS, pursuant to California Water Code section 106, it is the declared policy of the State that the use of water for domestic use is the highest use of water and that the next highest use is for irrigation; and

WHEREAS, pursuant to California Water Code section 375, the Moulton Niguel Water District (the "District") is authorized to adopt and enforce a water conservation program to reduce the quantity of water used by persons within its jurisdiction for the purpose of conserving the water supplies of the District; and

WHEREAS, Governor Brown proclaimed a condition of statewide drought and called upon local agencies to take aggressive, immediate action to reduce water consumption locally and regionally; and

WHEREAS, pursuant to Ordinance No. 15-01 the District is authorized to declare water shortage stages; and

WHEREAS, because of the prevailing conditions in the State, the current statewide drought, and the declared policy of the State, the District hereby finds and determines that it is necessary and appropriate for the District to adopt, implement, and enforce water shortage response measures to reduce the quantity of water used by consumers within the District to ensure that there is sufficient water for human consumption, sanitation, and fire protection all in conformance with Ordinance No. 15-01; and

NOW, THEREFORE, the Board of Directors of the Moulton Niguel Water District does hereby **RESOLVE, DETERMINE, AND ORDER** as follows:

<u>Section 1.</u> Water Shortage Stage 2. Pursuant to Ordinance No. 15-01, the Board hereby declares and finds that continuing October 30, 2015, a Water Shortage Stage 2 shall remain in effect within the District through February 28, 2015. Such mandatory water shortage response measures, reductions in water use, and penalties during a Water Shortage Stage 2 as are set forth in Ordinance No. 15-01 are necessary for the following reasons:

- (1) District water supply conditions and storage levels;
- (2) statewide water supply conditions;

- (3) local water supply and demand conditions; and
- (4) actions by surrounding wholesale and retail water agencies.

<u>Section 3.</u> Severability. If any provision, section, subsection, sentence, clause or phrase or sections of this Resolution, or the application of same to any person or set of circumstances, is for any reason held to be unconstitutional, void or invalid, the invalidity of the remaining portions of this Resolution shall not be affected, it being the intent of the Board of Directors in adopting this Resolution that no portions, provisions, or regulations contained herein shall become inoperative, or fail by reason of the unconstitutionality of any other provision hereof, and all provisions of this Resolution are declared to be severable for that purpose.

Section 4. Effective. This Resolution shall be effective immediately upon adoption.

APPROVED, ADOPTED, and SIGNED this 17th day of September, 2015.

President MOULTON NIGUEL WATER DISTRICT And of the Board of Directors thereof

Secretary MOULTON NIGUEL WATER DISTRICT And of the Board of Directors thereof

Moulton Niguel Water District Water Shortage Contingency Plan

Account Type	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Residential (Single and Multi- Family)	 Stay within budget No adjustments to bills for pool fills 	- Stay within budget or pay penalty - No adjustments to bills	 Reduce outdoor water usage by 40% or pay penalty No adjustments to bills 	 Reduce outdoor water usage by 70% or pay penalty No adjustments to bills 	 Reduce indoor water use to 40 gallons per person per day No outdoor water usage No adjustments to bills
Commercial	 Stay within budget No adjustments to bills for pool fills 	 Stay within budget or pay penalty No adjustments to bills 	 Stay within budget or pay penalty No adjustments to bills 	 Stay within budget or pay penalty No adjustments to bills 	 Stay within budget or pay penalty No adjustments to bills
Outdoor Irrigation	- Stay within budget	 Stay within budget or pay penalty No adjustments to bills 	 Reduce outdoor water usage by 40% or pay penalty No adjustments to bills 	 Reduce water usage by 70% or pay penalty No adjustments to bills 	- No water use - No adjustments to bills
ထု Recycled Water	 Stay within budget No potable water for outdoor irrigation (i.e. golf courses) 	 Stay within budget or pay penalty No adjustments to bills 	 Reduce water usage by 10% or pay penalty No adjustments to bills 	 Reduce water usage by 20% or pay penalty No adjustments to bills 	 Reduce water usage by 30% or pay penalty No adjustments to bills

THERE ARE PENALTIES FOR EXCEEDING WATER BUDGETS IN STAGES 2-5

Order of Targeted Reductions:

- Target inefficient users first
 Outdoor water budget reduced in Stages 3 and 4
 Indoor water budget reduced in Stage 5

Note: The District's Water Shortage Contingency Plan was adopted in the form of an ordinance and included in a public Proposition 218 notice. This ordinance is the legal structure by which penalties may be imposed if violated.



Moulton Niguel Water District Water Conservation Best Management Practices

Conservation through Best Management Practices (BMP's). Water is our most vital resource, the following water conservation BMPs have been established to conserve water, prevent waste or unreasonable use or unreasonable method of use of water, and preserve the District's water supplies. The BMPs shall be in effect at all times. The BMPs shall not apply to the use of recycled water. This is an excerpt from the Water Shortage Contingency Plan, Water Conservation BMP's.

- 1. Installation of Water Conservation Devices
- 2. Standards for Water Conservation Devices
- 3. Limits on Watering Hours between the hours of 9:00 a.m. and 5:00 p.m. on any day
- 4. Limits on Water Duration
- 5. No Watering During Rain
- 6. Plant Low-Water Demand Plants and Trees
- 7. No Excessive Water Flow or Runoff
- 8. No Washing Down Hard or Paved Surfaces
- 9. Obligation to Fix Leaks, Breaks or Malfunctions
- 10. Re-circulating Water Required for Water Fountains and Decorative Water Features

- 11. Limits on Washing Vehicles
- 12. Drinking Water Served Upon Request Only
- 13. Commercial Lodging Establishments Must Provide Option to Not Launder Linens Daily
- 14. No Installation of Single Pass Cooling Systems.
- 15. No Installation of Non-re-circulating Water Systems in Commercial Car Washes and Laundry Systems
- 16. Restaurants Required to Use Water Conserving Dish Wash Spray Valves
- 17. Swimming Pools and Spa Covers
- 18. Water Waste and Unreasonable Water Use Prohibited

For a more information about MNWD's Water Shortage Contingency Plan and Best Management Practices, please visit our website at www.MNWD.com

STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2015-0032

TO ADOPT AN EMERGENCY REGULATION FOR STATEWIDE URBAN WATER CONSERVATION

WHEREAS:

- 1. On April 25, 2014, Governor Edmund G. Brown Jr. issued an executive order (April 2014 Proclamation) to strengthen the State's ability to manage water and habitat effectively in drought conditions, and called on all Californians to redouble their efforts to conserve water. The April 2014 Proclamation finds that the continuous severe drought conditions present urgent challenges across the State, including water shortages in communities and for agricultural production, increased wildfires, degraded habitat for fish and wildlife, threat of saltwater contamination, and additional water scarcity, if drought conditions continue into 2015. The April 2014 Proclamation also suspends the environmental review required by the California Environmental Quality Act to allow the emergency regulation and other actions to take place as quickly as possible;
- 2. The April 2014 Proclamation refers to the <u>Governor's Proclamation No. 1-17-2014</u>, issued on January 17, 2014, declaring a drought State of Emergency to exist in California due to severe drought conditions (January 2014 Proclamation). The January 2014 Proclamation finds that dry conditions and lack of precipitation present urgent problems to drinking water supplies and cultivation of crops, which put farmers' long-term investments at risk. The conditions also threaten the survival of animals and plants that rely on California's rivers, including many species in danger of extinction. The January 2014 Proclamation also calls on all Californians to reduce their water usage by 20 percent;
- On December 22, 2014, in light of the continued lack of rain, Governor Brown issued <u>Executive Order B-28-14</u>, which extends the California Environmental Quality Act suspension through May 31, 2016 for Water Code section 13247 and certain activities identified in the January 2014 and April 2014 proclamations;
- 4. On April 1, 2015, Governor Brown issued a new Executive Order that directs the State Water Board to impose restrictions on urban water suppliers to achieve a statewide 25 percent reduction in potable urban usage through February 2016; require commercial, industrial, and institutional users to implement water efficiency measures; prohibit irrigation with potable water of ornamental turf in public street medians; and prohibit irrigation with potable water outside newly constructed homes and buildings that is not delivered by drip or microspray systems; along with other directives;
- 5. Water Code section 1058.5 grants the State Water Board the authority to adopt emergency regulations in certain drought years in order to: "prevent the waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion, of water, to promote water recycling or water conservation, to require curtailment of diversions when water is not available under the diverter's priority of right, or in furtherance of any of the foregoing, to require reporting of diversion or use or the preparation of monitoring reports";

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- On July 15, 2014, the State Water Board adopted an emergency regulation to support water conservation (<u>Resolution No. 2014-0038</u>), and that regulation became effective July 28, 2014 upon approval by the Office of Administrative Law (OAL);
- On March 17, 2015, the State Water Board amended and readopted the emergency regulation to support water conservation (<u>Resolution No. 2015-0013</u>), which became effective March 27, 2015 upon approval by OAL;
- The current emergency regulation has supported Californians' water conservation efforts, with over 125 billion gallons saved from August 2014 through March 2015; however, statewide water use is only nine percent less than the same months in 2013. Achieving a 25 percent reduction in use will require even greater conservation efforts across the state. In particular, many communities must dramatically reduce their outdoor water use;
- 9. In many areas, 50 percent or more of daily water use is for lawns and outdoor landscaping. Outdoor water use is generally discretionary, and many irrigated landscapes will survive while receiving a decreased amount of water;
- 10. Although urban water suppliers have placed restrictions on outdoor watering, the State Water Board continues to receive reports of excessive outdoor water use;
- 11. Water conservation is the easiest, most efficient and most cost-effective way to quickly reduce water demand and extend supplies into the next year, providing flexibility for all California communities. Water saved this summer is water available later in the season or next year, reducing the likelihood of even more severe water shortages should the drought continue;
- Education and enforcement against water waste is a key tool in conservation programs. When conservation becomes a social norm in a community, the need for enforcement is reduced or eliminated;
- 13. Public information and awareness is critical to achieving conservation goals, and the Save Our Water campaign, run jointly by the Department of Water Resources (DWR) and the Association of California Water Agencies, is an excellent resource for conservation information and messaging that is integral to effective drought response (<u>http://saveourwater.com</u>);
- 14. Many California communities are facing social and economic hardship due to this drought. The rest of us can make adjustments to our water use, including landscape choices that conserve even more water;
- 15. The California Constitution declares, at article X, section 2, that the water resources of the state must be put to beneficial use in a manner that is reasonable and not wasteful. Relevant to the current drought conditions, the California Supreme Court has clarified that "what may be a reasonable beneficial use, where water is present in excess of all needs, would not be a reasonable beneficial use in an area of great scarcity and great need. What is a beneficial use at one time may, because of changed conditions, become a waste of water at a later time." (*Tulare Dist. v. Lindsay Strathmore Dist.* (1935) 3 Cal.2d 489, 567.) In support of water conservation, the legislature has, through Water Code section 1011, deemed reductions in water use due to conservation as equivalent

to reasonable beneficial use of that water. Accordingly, this regulation is in furtherance of article X, section 2 during this drought emergency. This temporary emergency regulation is not to be used in any future administrative or judicial proceedings as evidence or finding of waste and unreasonable use of any individual water user or water supplier subject to this regulation, and are not to affect or otherwise limit any rights to water conserved under applicable law, including without limitation, water conserved consistent with Water Code section 1011;

- 16. Directive two of the Governor's April 1, 2015 Executive Order directs the State Water Board to consider the relative per capita usage of each urban water supplier's service area and require that areas with high per capita use achieve proportionally greater reductions than areas with low per capita use;
- 17. On April 7, 2015, the State Water Board issued a draft framework proposing increasing levels of required water reduction based upon residential per capita per day use (R-GPCD) for the proposed regulation, and solicited public comments. The Board received over 300 comments on the framework, primarily relating to the levels of required water reduction;
- 18. On April 18, the State Water Board issued draft regulatory language for public comment based on the April 7 framework and the comments received. The draft regulatory language reflected careful consideration of all comments including those directed at the levels of required reduction. Again, the Board received close to 300 comments;
- 19. On April 28, 2015, the State Water Board issued a final version of draft regulatory language for comment, followed on April 29 by a formal public notice that it would consider the adoption of the emergency regulation at the Board's regularly-scheduled May 5 and 6, 2015 public meeting, in accordance with applicable State laws and regulations. The State Water Board also distributed for public review and comment a Finding of Emergency that complies with State laws and regulations;
- 20. As discussed above, the State Water Board is adopting the emergency regulation because of the continuing emergency drought conditions, the need for prompt action to prevent the waste and unreasonable use of water and to promote conservation, and the specific actions called for in the Governor's April 1, 2015 Executive Order; and
- 21. Nothing in the regulation or in the enforcement provisions of the regulation precludes a local agency from exercising its authority to adopt more stringent conservation measures. Moreover, the Water Code does not impose a mandatory penalty for violations of the regulation adopted by this resolution, and local agencies retain the enforcement discretion in enforcing the regulation to the extent authorized. Local agencies are encouraged to develop their own progressive enforcement practices to promote conservation.

THEREFORE BE IT RESOLVED THAT:

1. The State Water Board adopts California Code of Regulations, title 23, section 866 and re-adopts sections 863, 864, and 865, as appended to this resolution as an emergency regulation;

- 2. State Water Board staff will submit the regulation to OAL for final approval;
- 3. If, during the approval process, State Water Board staff, the State Water Board, or OAL determines that minor corrections to the language of the regulation or supporting documentation are needed for clarity or consistency, the State Water Board Executive Director or the Executive Director's designee may make such changes;
- 4. This regulation shall remain in effect for 270 days after filing with the Secretary of State unless the State Water Board determines that it is no longer necessary due to changed conditions, or unless the State Water Board renews the regulation due to continued drought conditions as described in Water Code section 1058.5;
- 5. The State Water Board directs staff to provide the Board with monthly updates on the implementation of the emergency regulation and its effect. These updates shall include information regarding the progress of the Building Standards Commission, Department of Housing and Community Development, and other state agencies in the adoption and implementation of emergency regulations or other requirements that implement increased outdoor irrigation efficiency for new construction. These regulations and other requirements will extend existing efficiency standards for new construction to the outdoor environment and ensure that California's new homes are constructed to meet the growing demand with the most efficient standards;
- 6. The State Water Board directs staff to condition funding upon compliance with the emergency regulation, to the extent feasible;
- 7. The State Water Board directs staff to work with DWR and the Save Our Water campaign to disseminate information regarding the emergency regulation; and
- 8. The State Water Board directs staff to update the electronic reporting portal to include data fields for the new reporting required by the emergency regulation.

THEREFORE BE IT FURTHER RESOLVED THAT:

- The State Water Board shall work with DWR, the Public Utilities Commission, and other agencies to support urban water suppliers' actions to implement rates and pricing structures to incent additional conservation, as required by directive eight in the Governor's April 1, 2015 Executive Order. The Fourth District Court of Appeal's recent Decision in *Capistrano Taxpayer Association Inc. v. City of San Juan Capistrano* (G048969) does not foreclose the use of conservation-oriented rate structures;
- 10. The State Water Board calls upon water suppliers to:
 - a. ensure that adequate personnel and financial resources exist to implement conservation requirements not only for 2015, but also for another year of drought should it occur. Water suppliers that face budget shortfalls due to reduced sales should take immediate steps to raise necessary revenues in a way that actively promotes continued conservation;
 - b. expedite implementation of new conservation programs by minimizing internal review periods and utilizing emergency authorities, as appropriate;

- c. consider the relative water use and conservation practices of their customers and target those with higher water use to achieve proportionally greater reductions than those with low use;
- d. minimize financial impacts to low-income customers;
- e. preserve safe indoor water supplies in areas with very low R-GPCD and where necessary to protect public health and safety;
- f. promote low-water use methods of preserving appropriate defensible space in fire-prone areas, consistent with local fire district requirements;
- g. educate customers on the preservation of trees;
- h. promote on-site reuse of water; and
- i. promptly notify staff of the supplier's need for an alternate method of compliance pursuant to resolved paragraph 16.
- 11. The State Water Board calls upon all businesses within California's travel and tourism sectors to inform visitors of California's dire drought situation and actions visitors should take to conserve water;
- 12. The State Water Board commends wholesale water agencies that have set aggressive conservation targets for their retail water suppliers;
- 13. The State Water Board commends water suppliers that have made investments to boost drought-resistant supplies, such as advanced treated recycled water and desalination. Those investments help to make communities more resilient in the face of drought;
- 14. The State Water Board commends the many water suppliers that have already surpassed their 20x2020 conservation targets. Long-term conservation efforts are critical to maintaining economic and social well-being, especially in light of the impacts of climate change on California's hydrology;
- 15. During this drought emergency, heightened conservation that extends urban resilience is necessary. The State Water Board's focus is primarily on immediate reductions in outdoor water use. Some short-term conservation efforts, such as landscape conversions and installation of efficient appliances, will also support long-term conservation objectives, and are encouraged wherever possible;
- 16. The State Water Board recognizes that some commercial and industrial customers, while accounting for a significant portion of total use in a service area, have already taken steps to significantly reduce their water consumption and cannot further reduce their use without substantial impacts. However, the Board also recognizes that in many areas there are significant opportunities for reductions in water use by industries and commercial enterprises that have yet to take action, especially those with large areas of non-functional turf. The Board directs staff to respond promptly upon receipt of any request for alternate enforceable methods of compliance. If the supplier believes the conservation standard is unachievable due to firm commercial and industrial water use

17. Some water suppliers have called for further refinement of the tiers to reflect a range of factors that contribute to water use, including but not limited to temperature, lot size, and income. Others have called for an approach that provides greater recognition for early investments in conservation, the development of local, drought resistant water supplies, and health and safety needs. These suggestions and many others are important considerations in the development of a more comprehensive, and long term, conservation framework. The State Water Board directs staff to work with stakeholders on a thoughtful process to devise options for extended and expanded emergency regulations should the drought continue into 2016.

CERTIFICATION

The undersigned Clerk to the Board does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on May 5, 2015.

AYE:Chair Felicia Marcus
Vice Chair Frances Spivy-Weber
Board Member Tam M. Doduc
Board Member Steven Moore
Board Member Dorene D'AdamoNAY:NoneABSENT:NoneABSTAIN:None

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Jeanine Townsend Clerk to the Board

ADOPTED TEXT OF EMERGENCY REGULATION

Article 22.5. Drought Emergency Water Conservation.

Sec. 863. Findings of Drought Emergency.

(a) The State Water Resources Control Board finds as follows:

(1) On January 17, 2014, the Governor issued a proclamation of a state of emergency under the California Emergency Services Act based on drought conditions;

(2) On April 25, 2014, the Governor issued a proclamation of a continued state of emergency under the California Emergency Services Act based on continued drought conditions;

(3) On April 1, 2015, the Governor issued an Executive Order that, in part, directs the State Board to impose restrictions on water suppliers to achieve a statewide 25 percent reduction in potable urban usage through February, 2016; require commercial, industrial, and institutional users to implement water efficiency measures; prohibit irrigation with potable water of ornamental turf in public street medians; and prohibit irrigation with potable water outside newly constructed homes and buildings that is not delivered by drip or microspray systems;

(4) The drought conditions that formed the basis of the Governor's emergency proclamations continue to exist;

(5) The present year is critically dry and has been immediately preceded by two or more consecutive below normal, dry, or critically dry years; and

(6) The drought conditions will likely continue for the foreseeable future and additional action by both the State Water Resources Control Board and local water suppliers will likely be necessary to prevent waste and unreasonable use of water and to further promote conservation.

Authority: Section 1058.5, Water Code.

References: Cal. Const., Art., X § 2; Sections 102, 104, 105, and 275, Water Code; *Light v. State Water Resources Control Board* (2014) 226 Cal.App.4th 1463.

Sec. 864. End-User Requirements in Promotion of Water Conservation.

(a) To prevent the waste and unreasonable use of water and to promote water conservation, each of the following actions is prohibited, except where necessary to address an immediate health and safety need or to comply with a term or condition in a permit issued by a state or federal agency:

(1) The application of potable water to outdoor landscapes in a manner that causes runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures;

(2) The use of a hose that dispenses potable water to wash a motor vehicle, except where the hose is fitted with a shut-off nozzle or device attached to it that causes it to cease dispensing water immediately when not in use;

(3) The application of potable water to driveways and sidewalks; and

(4) The use of potable water in a fountain or other decorative water feature, except where the water is part of a recirculating system;

(5) The application of potable water to outdoor landscapes during and within 48 hours after measurable rainfall;

(6) The serving of drinking water other than upon request in eating or drinking establishments, including but not limited to restaurants, hotels, cafes, cafeterias, bars, or other public places where food or drink are served and/or purchased;

(7) The irrigation with potable water of ornamental turf on public street medians; and

(8) The irrigation with potable water of landscapes outside of newly constructed homes and buildings in a manner inconsistent with regulations or other requirements established by the California Building Standards Commission and the Department of Housing and Community Development.

(b) To promote water conservation, operators of hotels and motels shall provide guests with the option of choosing not to have towels and linens laundered daily. The hotel or motel shall prominently display notice of this option in each guestroom using clear and easily understood language.

(c) Immediately upon this subdivision taking effect, all commercial, industrial and institutional properties that use a water supply, any portion of which is from a source other than a water supplier subject to section 865, shall either:

(1) Limit outdoor irrigation of ornamental landscapes or turf with potable water to no more than two days per week; or

(2) Reduce potable water usage supplied by sources other than a water supplier by 25 percent for the months of June 2015 through February 2016 as compared to the amount used from those sources for the same months in 2013.

(d) The taking of any action prohibited in subdivision (a) or the failure to take any action required in subdivisions (b) or (c), is an infraction, punishable by a fine of up to five hundred dollars (\$500) for each day in which the violation occurs. The fine for the infraction is in addition to, and does not supersede or limit, any other remedies, civil or criminal.

Authority: Section 1058.5, Water Code.

References: Cal. Const., Art., X § 2; Sections 102, 104, 105, 275, 350, and 10617, Water Code; *Light v. State Water Resources Control Board* (2014) 226 Cal.App.4th 1463.

Sec. 865. Mandatory Actions by Water Suppliers.

- (a) As used in this section:
 - (1) "Distributor of a public water supply" has the same meaning as under section 350 of the Water Code, except it does not refer to such distributors when they are functioning solely in a wholesale capacity, but does apply to distributors when they are functioning in a retail capacity.
 - (2) "R-GPCD" means residential gallons per capita per day.

- (3) "Total potable water production" means all potable water that enters into a water supplier's distribution system, excluding water placed into storage and not withdrawn for use during the reporting period, or water exported outsider the supplier's service area.
- (4) "Urban water supplier" means a supplier that meets the definition set forth in Water Code section 10617, except it does not refer to suppliers when they are functioning solely in a wholesale capacity, but does apply to suppliers when they are functioning in a retail capacity.

(b) In furtherance of the promotion of water conservation each urban water supplier shall:

(1) Provide prompt notice to a customer whenever the supplier obtains information that indicates that a leak may exist within the end-user's exclusive control.

(2) Prepare and submit to the State Water Resources Control Board by the 15th of each month a monitoring report on forms provided by the Board. The monitoring report shall include the amount of potable water the urban water supplier produced, including water provided by a wholesaler, in the preceding calendar month and shall compare that amount to the amount produced in the same calendar month in 2013. The monitoring report shall specify the population served by the urban water supplier, the percentage of water produced that is used for the residential sector, descriptive statistics on water conservation compliance and enforcement efforts, and the number of days that outdoor irrigation is allowed, and monthly commercial, industrial and institutional sector use. The monitoring report shall also estimate the gallons of water per person per day used by the residential customers it serves.

(c)(1) To prevent the waste and unreasonable use of water and to meet the requirements of the Governor's April 1, 2015 Executive Order, each urban water supplier shall reduce its total potable water production by the percentage identified as its conservation standard in this subdivision. Each urban water supplier's conservation standard considers its service area's relative per capita water usage.

(2) Each urban water supplier whose source of supply does not include groundwater or water imported from outside the hydrologic region in which the water supplier is located, and that has a minimum of four years' reserved supply available may, submit to the Executive Director for approval a request that, in lieu of the reduction that would otherwise be required under paragraphs (3) through (10), the urban water supplier shall reduce its total potable water production by 4 percent for each month as compared to the amount used in the same month in 2013. Any such request shall be accompanied by information showing that the supplier's sources of supply do not include groundwater or water imported from outside the hydrologic region and that the supplier has a minimum of four years' reserved supply available.

(3) Each urban water supplier whose average July-September 2014 R-GPCD was less than 65 shall reduce its total potable water production by 8 percent for each month as compared to the amount used in the same month in 2013.

(4) Each urban water supplier whose average July-September 2014 R-GPCD was 65 or more but less than 80 shall reduce its total potable water production by 12 percent for each month as compared to the amount used in the same month in 2013.

(5) Each urban water supplier whose average July-September 2014 R-GPCD was 80 or more but less than 95 shall reduce its total potable water production by 16 percent for each month as compared to the amount used in the same month in 2013.

(6) Each urban water supplier whose average July-September 2014 R-GPCD was 95 or more but less than 110 shall reduce its total potable water production by 20 percent for each month as compared to the amount used in the same month in 2013.

(7) Each urban water supplier whose average July-September 2014 R-GPCD was 110 or more but less than 130 shall reduce its total potable water production by 24 percent for each month as compared to the amount used in the same month in 2013.

(8) Each urban water supplier whose average July-September 2014 R-GPCD was 130 or more but less than 170 shall reduce its total potable water production by 28 percent for each month as compared to the amount used in the same month in 2013.

(9) Each urban water supplier whose average July-September 2014 R-GPCD was170 or more but less than 215 shall reduce its total potable water production by32 percent for each month as compared to the amount used in the same month in 2013.

(10) Each urban water supplier whose average July-September 2014 R-GPCD was 215 or more shall reduce its total potable water production by 36 percent for each month as compared to the amount used in the same month in 2013.

(d)(1) Beginning June 1, 2015, each urban water supplier shall comply with the conservation standard specified in subdivision (c).

(2) Compliance with the requirements of this subdivision shall be measured monthly and assessed on a cumulative basis.

(e)(1) Each urban water supplier that provides potable water for commercial agricultural use meeting the definition of Government Code section 51201, subdivision (b), may subtract the amount of water provided for commercial agricultural use from its potable water production total, provided that any urban water supplier that subtracts any water provided for commercial agricultural use from its total potable water production shall:

(A) Impose reductions determined locally appropriate by the urban water supplier, after considering the applicable urban water supplier conservation standard specified in subdivision (c), for commercial agricultural users meeting the definition of Government Code section 51201, subdivision (b) served by the supplier;

(B) Report its total potable water production pursuant to subdivision (b)(2) of this section, the total amount of water supplied for commercial agricultural use, and shall identify the reduction imposed on its commercial agricultural users and each recipient of potable water for commercial agricultural use;

(C) Certify that the agricultural uses it serves meet the definition of Government Code section 51201, subdivision (b); and

(D) Comply with the Agricultural Water Management Plan requirement of paragraph 12 of the April 1, 2015 Executive Order for all commercial agricultural water served by the supplier that is subtracted from its total potable water production.

(2) Submitting any information pursuant to subdivision (e)(1)(B) or (C) of this section that is found to be materially false by the board is a violation of this regulation, punishable by civil liability of up to five hundred dollars (\$500) for each day in which the violation occurs. Every day that the error goes uncorrected constitutes a separate violation. Civil liability for the violation is in addition to, and does not supersede or limit, any other remedies, civil or criminal.

(f)(1) To prevent waste and unreasonable use of water and to promote water conservation, each distributor of a public water supply that is not an urban water supplier shall take one or more of the following actions:

(A) Limit outdoor irrigation of ornamental landscapes or turf with potable water by the persons it serves to no more than two days per week; or

(B) Reduce by 25 percent reduction its total potable water production relative to the amount produced in 2013.

(2) Each distributor of a public water supply that is not an urban water supplier shall submit a report by December 15, 2015, on a form provided by the Board, that either confirms compliance with subdivision (f)(1)(A) or identifies total potable water production, by month, from June through November, 2015, and total potable water production, by month, for June through November 2013.

Authority: Section 1058.5, Water Code.

References: Cal. Const., Art., X § 2; Sections 102, 104, 105, 275, 350, 1846, 10617 and 10632, Water Code; *Light v. State Water Resources Control Board* (2014) 226 Cal.App.4th 1463.

Sec. 866. Additional Conservation Tools.

(a)(1) To prevent the waste and unreasonable use of water and to promote conservation, when a water supplier does not meet its conservation standard required by section 865 the Executive Director, or the Executive Director's designee, may issue conservation orders requiring additional actions by the supplier to come into compliance with its conservation standard.

(2) A decision or order issued under this article by the board or an officer or employee of the board is subject to reconsideration under article 2 (commencing with section 1122) of chapter 4 of part 1 of division 2 of the California Water Code.

(b) The Executive Director, or his designee, may issue an informational order requiring water suppliers, or commercial, industrial or institutional properties that receive any portion of their supply from a source other than a water supplier subject to section 865, to submit additional information relating to water production, water use or water conservation. The failure to provide the information requested within 30 days or any additional time extension granted is a violation subject to civil liability of up to \$500 per day for each day the violation continues pursuant to Water Code section 1846.

Authority: Section 1058.5, Water Code.

References: Cal. Const., Art., X § 2; Sections 100, 102, 104, 105, 174, 186, 187, 275, 350, 1051, 1122, 1123, 1825, 1846, 10617 and 10632, Water Code; *Light v. State Water Resources Control Board* (2014) 226 Cal.App.4th 1463.

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ORDINANCE NO. 15-___

AN ORDINANCE OF THE MOULTON NIGUEL WATER DISTRICT PRESCRIBING WATER CONSERVATION RULES AND REGULATIONS

WHEREAS, California Constitution article X, section 2 and California Water Code section 100 provide that because of conditions prevailing in the state of California (the "State"), it is the declared policy of the State that the general welfare requires that the water resources of the State shall be put to beneficial use to the fullest extent of which they are capable, the waste or unreasonable use of water shall be prevented, and the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and the public welfare; and

WHEREAS, pursuant to California Water Code section 106, it is the declared policy of the State that the use of water for domestic use is the highest use of water and that the next highest use is for irrigation; and

WHEREAS, pursuant to California Water Code section 375, the Moulton Niguel Water District (the "District") is authorized to adopt and enforce a water conservation program to reduce the quantity of water used by persons within its jurisdiction for the purpose of conserving the water supplies of the District; and

WHEREAS, on January 17, 2014, the Governor Brown proclaimed a condition of statewide drought and called upon local agencies to take aggressive, immediate action to reduce water consumption locally and regionally by 20%; and

WHEREAS, because of the prevailing conditions in the State, the current statewide drought, and the declared policy of the State, the District hereby finds and determines that it is necessary and appropriate for the District to adopt, implement, and enforce a water conservation program to reduce the quantity of water used by consumers within the District to ensure that there is sufficient water for human consumption, sanitation, and fire protection; and

WHEREAS, pursuant to California Water Code section 350 the Board of Directors is authorized to declare a water shortage emergency to prevail within its jurisdiction when it finds and determines that the District will not be able to or cannot satisfy the ordinary demands and requirements of water consumers without depleting the water supply of the District to the extent that there would be insufficient water for human consumption, sanitation, and fire protection, and as more fully set forth in this chapter; and #4.

WHEREAS, in the event the District determines that it is necessary to declare that a water shortage emergency exists, the District will be authorized, pursuant to the Water Shortage Contingency Plan adopted pursuant to this Ordinance, to implement certain shortage response measures and a water conservation and regulatory program to regulate water consumption activities within the District and ensure that the water delivered in the District is put to beneficial use for the greatest public benefit, with particular regard to domestic use, including human consumption, sanitation, and fire protection, and that the waste or unreasonable use of water is prevented; and

WHEREAS, the District is authorized to prescribe and define by ordinance restrictions, prohibitions, and exclusions for the use of water during a threatened or existing water shortage and adopt and enforce a water conservation and regulatory program to: (i) prohibit the waste of District water or the use of District water during such period; (ii) prohibit use of water during such periods for specific uses that the District may from time to time find nonessential; and (iii) reduce and restrict the quantity of water used by those persons within the District for the purpose of conserving the water supplies of the District; and

WHEREAS, the District hereby finds and determines that as hereby amended, the District shall: (i) implement water conservation and water shortage response measures; (i) regulate the water consumption activities of persons within the District for the purposes of conserving and protecting the District's water supplies, reducing the quantity of water consumed, and deterring and preventing the waste or unreasonable use or unreasonable method of use of valuable water resources; and (ii) establish and collect regulatory fees and impose administrative penalties as set forth herein to accomplish these purposes and/or recover the costs of the District's water conservation and regulatory program; and

WHEREAS, the District hereby finds and determines that it is desirable to codify the rules and regulations governing its actions, and the actions of persons using and consuming water within the District, particularly during declared water shortages and water shortage emergencies, to protect the general welfare and the District's water supplies, and to reduce water consumption in accordance with the declared policies and laws of the State.

NOW THEREFORE BE IT ORDAINED by the Board of Directors of the Moulton Niguel Water District as follows:

Section 1. Findings and Determinations

The District hereby finds and determines that the above recitals are true and correct and incorporated herein.

Section 2. Amendments to District Rules and Regulations.

Moulton Niguel Water District's Article IV Rules and Regulations, Section 5.N., and Exhibit G, amendments to Section 5.N., are hereby amended in their entirety and replaced with the following rules and regulations governing water conservation:

N. <u>Water Conservation</u>

1. Findings and Intent

(A) **Findings.** The Board of Directors finds and determines that because of the prevailing conditions in the State, and the declared policy of the State, it is necessary and appropriate for the District to adopt, implement, and enforce a water conservation program to reduce the quantity of water used by persons within the District to ensure that there is sufficient water for human consumption, sanitation, and fire protection. The District further finds and determines that during periods of drought, water shortages, and water shortage emergencies the general welfare requires that the District maximize the beneficial use of its available water resources to the extent that it is capable, and that the waste or unreasonable use, or unreasonable method of use of water shall be prevented and the conservation of water is to be extended with the view to the reasonable and beneficial use thereof in the interests of the people of the District and for the public health, safety, and welfare.

- (B) Intent. This Section 5.N. is intended to establish:
 - (1) permanent water conservation BMPs and response measures;

(2) rules, regulations, and restrictions on water use (the "Rules") to be implemented during declared water shortage stages, with increasing restrictions on water use in response to decreasing water supplies and worsening water shortage conditions.

(C) **Demand Management Through Rate Structure Design.** The District's water budget-based rate structure is designed and intended to be a water demand management tool and to proportionately recover the costs of providing water service within the District. The District's efforts in managing its water supply are best achieved through its water budget-based rate structure and the calculated water budgets provided to the District's customers.

(D) **Use of Property.** This Section 5.N. is not intended to repeal, abrogate, annul, impair or in any way interfere with the free use of property by covenant, deed, or other

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private agreement or with restrictive covenants running with the land to which the District provides water services.

2. Purposes and Scope

(A) **Purposes.** The purposes of this Section 5.N. are to:

(1) protect the health, safety and welfare of the citizens and property owners of the District;

(2) assure the maximum beneficial use of available water supplies;

(3) attempt to provide sufficient water supplies to meet, at a minimum, the basic needs of human consumption, sanitation, and fire protection; and

(4) authorize restrictions in water use during declared water shortages to maximize the beneficial use of water, and the imposition of penalties for violations of the Rules.

(B) **Scope.** The provisions of this Section 5.N. shall apply to all persons within the District and all property served by the District wherever situated. Nothing in this Section 5.N. is intended to affect or limit the ability of the District to respond to an emergency, including an emergency that affects the ability of the District to supply water.

3. <u>Definitions</u>

For the purposes of this Section 5.N., the following words, terms, and phrases shall have the following meanings:

(A) "Appellant" means the person appealing the imposition of a penalty imposed by the District for a violation of the Rules pursuant to this Section 5.N.

(B) "BMPs" mean best management practices.

(C) "Calculated water budget" means the water budget calculated by the District for each customer in accordance with the District's water rate structures.

(D) "Calculated recycled water budget" means the recycled water budget calculated by the District for each customer in accordance with the District's recycled water rate structure.

(E) "Ccf" means one hundred cubic feet.

(F) "District" means the Moulton Niguel Water District.

(G) "General Manager" means the General Manager of the District or her or his authorized designee.

(H) "Immediate emergency" shall have the meaning set forth in Section 5.N.6.(D).

(I) "I9 Account customers" shall have the meaning set forth in Section 5.N.9.(A).

(J) "Person" means any natural person, firm, joint venture, joint stock company, partnership, public or private association, club, company, corporation, business trust, organization, public or private agency, government agency or institution, school district, college, university, any other user of water provided by the District, or the manager, lessee, agent, servant, officer or employee of any of them or any other entity which is recognized by law as the subject of rights or duties.

(K) "Plant factor" means the water needs of specific types of plants as established through guidelines provided by state law and the State Department of Water Resources' Model Water Efficient Landscape Ordinance established under Assembly Bill 1881.

(L) "Potable Water" means that water furnished to the customer which complies with federal and State drinking water regulations and standards, or any other applicable standards, for human consumption.

(M) "Property owner" or "owner" means the record owner of real property as shown on the most recently issued equalized assessment roll.

(N) "Recycled water" means water which, as a result of treatment of waste, is suitable for a direct beneficial use or a controlled use that would not otherwise occur and is therefore considered a valuable resource.

(O) "Rules" shall have the meaning set forth in in Section 5.N.1.(B)(2).

(P) "RC9 Account customers" shall have the meaning set forth in Section 5.N.14(A)(1).

(Q) "State" means the state of California, including any department or regulatory agency thereof.

(R) "Water customer" or "customer" means a person who, according to the District's records, has an account with the District and receives water service or recycled water service to a parcel of property.

(S) "Water shortage emergency" means a condition existing within the District in which the ordinary water demands and requirements of persons within the District cannot be satisfied without depleting the water supply of the District to the extent that there would be insufficient water for human consumption, sanitation, and fire protection. A water shortage emergency includes both an immediate emergency, in which the District is unable to meet current water needs of persons within the District, as well as a threatened water shortage, in which the District determines that its future supply of water may not meet an anticipated future demand.

(T) "WUCOLS" shall have the meaning set forth in Section 5.N.8.(D).

4. Water Conservation Best Management Practices

(A) **Conservation through BMP's.** Recognizing that water is our most vital resource, the following water conservation BMPs have been established to conserve water, prevent the waste or unreasonable use or unreasonable method of use of water, and preserve the District's water supplies. The BMPs shall be in effect at all times. Except as otherwise provided in this Section 5.N.4., the BMPs shall not apply to the use of recycled water.

(B) **Installation of Water Conservation Devices.** No water shall be provided by the District for internal or external use to any residential, commercial, industrial, agricultural, recreational, governmental, or public building or structure of any kind which is constructed or altered and in which either internal or external irrigation or domestic water piping or water fixtures are to be installed, extended, or altered in any way, including, but not limited to, any plumbing, water piping, or water fixtures for which a construction permit is required to be obtained from the County of Orange or its successor, or for which District approval of plans and service applications are required, unless the new, extended, or altered plumbing, water piping, or other water using facilities conform to the requirements and standards of this Section 5.N.4.(C) of the Rules and Regulations.

(C) **Standards for Water Conservation Devices.** The required water conservation devices and standards of the District are those set forth on Exhibit "F" to these Rules and Regulations. Nothing herein provided shall be deemed to relieve any person from compliance with the plumbing code of the County of Orange or any other state or local plumbing or building requirements.

(D) **Limits on Watering Hours.** Watering or irrigating any lawn, landscape or other vegetated area with potable water should be avoided between the hours of 9:00 a.m. and 5:00 p.m. on any day, except by use of a hand-held bucket or similar container, a hand-held hose equipped with an automatic shut-off nozzle or device, or for very short periods of time for the express purpose of adjusting or repairing an irrigation system.

(E) Limits on Water Duration. Watering or irrigating any lawn, landscape or other vegetated area with potable water using a landscape irrigation system or watering device that is not continuously attended should be limited to no more than eight minutes of watering per station every other day during the summer and less than six minutes during the spring, fall and winter. This subsection does not apply to landscape irrigation systems that exclusively use very low-flow irrigation systems where no emitter produces more than two gallons of water per hour.

(F) **No Watering During Rain.** Watering or irrigating any lawn, landscape or other vegetated area with potable water should be avoided when it is raining.

(G) **Plant Low-Water Demand Plants and Trees.** When installing new landscaping, plant only low-water demand trees and plants. New turf should only be installed for functional purposes. Functional turf is defined as turf used for athletic or high traffic areas.

(H) **No Excessive Water Flow or Runoff.** Watering or irrigating any lawn, landscape or other vegetated area in a manner that causes or allows excessive flow or runoff of potable or recycled water onto an adjoining sidewalk, driveway, street, alley, gutter or ditch should be avoided.

(I) **No Washing Down Hard or Paved Surfaces.** Washing down hard or paved surfaces, including but not limited to sidewalks, walkways, driveways, parking areas, tennis courts, patios or alleys, should be avoided except when necessary to alleviate safety or sanitary hazards, and then only by use of a hand-held bucket or similar container, a hand-held hose equipped with an automatic shut-off device or a low-volume, high-pressure cleaning machine equipped to recycle any water used.

(J) **Obligation to Fix Leaks, Breaks or Malfunctions.** Excessive use, loss or escape of potable or recycled water through breaks, leaks or other malfunctions in the water user's plumbing or distribution system should be avoided for any period of time after such escape of water should have reasonably been discovered and corrected. It is unlawful for any person to permit for the forgoing for more than five days after receiving notice from the District of any such break, leak, or other malfunction.

(K) **Re-circulating Water Required for Water Fountains and Decorative Water Features.** Operating a water fountain or other decorative water feature that does not use re-circulated water is prohibited.

(L) Limits on Washing Vehicles. Using potable water to wash or clean a vehicle, including but not limited to any automobile, truck, van, bus, motorcycle, boat or trailer, whether motorized or not, should be avoided, except by use of a hand-held bucket or similar container, a hand-held hose equipped with an automatic water shut-off nozzle or a low volume power washer with an automatic water shut-off nozzle. This paragraph does not apply to commercial car washes or the washing of vehicles regulations where the health, safety, and welfare of the public is contingent upon frequent vehicle cleaning, such as garbage trucks and vehicles used to transport food and perishables.

(M) **Drinking Water Served Upon Request Only.** Eating or drinking establishments, including but not limited to a restaurant, hotel, café, cafeteria, bar, club or other public place where food or drinks are sold, served, or offered for sale, should only provide drinking water to persons when expressly requested.

(N) **Commercial Lodging Establishments Must Provide Option to Not Launder Linens Daily.** Hotels, motels and other commercial lodging establishments should provide customers the option of not having towels and linens laundered daily. Commercial lodging establishments should prominently display notice of this option in each bathroom using clear and easily understood language.

(O) **Installation of Single Pass Cooling Systems.** Single pass cooling systems shall not be installed in buildings requesting new potable water service.

(P) Installation of Non-re-circulating Water Systems in Commercial Car Washes and Laundry Systems. Non-recirculating water systems in commercial car washes and laundry systems shall not be installed.

(Q) **Restaurants Required to Use Water Conserving Dish Wash Spray Valves.** Food preparation establishments, such as restaurants or cafés, shall not use nonwater conserving dish wash spray valves.

(R) **Swimming Pools and Spa Covers.** Property owners who have a swimming pool or a spa are encouraged to cover the facilities to minimize water loss due to evaporation.

(S) Water Waste and Unreasonable Water Use Prohibited. The waste or unreasonable use or unreasonable method of use of water by any person shall be prohibited at all times.

5. <u>Water Shortages</u>

(A) **Reductions in Water Supply.** Should the BMPs be inadequate to protect the District's potable water supply, the District Board of Directors reserves the right to implement further mandatory Rules to reduce the amount of water used within the District. The Rules are necessary to respond to any significant reductions to the District's water supply as a result of drought, natural disasters, regulatory action, and planned or unplanned potable water shortages, including but not limited to, shortages arising from the following circumstances or events that are or may impact the District's water supply:

(1) the District's wholesale water supplier has determined that a drought, water shortage, or water shortage emergency exists or has implemented or taken other actions requiring a reduction in water demand;

(2) Metropolitan Water District of Southern California ("MWD") Water Supply Allocation Plan implementation or other actions requiring a reduction in water demand;

(3) regional or statewide importation or local distribution systems or facility(ies) have failed or have been shut down (e.g., a main break, reservoir, pipeline, canal, or other distribution or conveyance system failure);

(4) alternative water supplies are limited or unavailable;

(5) the State has determined that a drought, water shortage or water shortage emergency exists;

(6) the State has implemented restrictions on the use of water or reduced or restricted the delivery of wholesale water to the District; and

(7) any other natural disaster that impacts the availability of water to the District.

(B) **Application.** The provisions of this Section 5.N. shall apply to all persons using potable water within the District, regardless of whether any person using potable water or recycled water has a contract or account for water service.

6. <u>Declaration of Water Shortages</u>

(A) **District Water Supply.** The General Manager shall monitor the projected supply and demand for water by the District's customers on a frequent basis during periods of a water shortage or drought and shall recommend to the Board of Directors the extent of the conservation measures required through the implementation and/or termination of particular water shortage stages to prudently plan and supply water to its customers. The General Manager will recommend the appropriate stage of response to a water shortage based on the best information available at the time. In addition to the circumstance and events set forth in Section 5.N.5(A), conditions that may be considered include, but are not limited to:

- (1) District water supply conditions and storage levels;
- (2) statewide water supply conditions;
- (3) local water supply and demand conditions; and
- (4) actions by surrounding wholesale and retail water agencies; and

(5) any other conditions the General Manager believes will adversely affect the District's available water supply.

(B) **Declaration of Water Shortage Stages.** The declaration of any water shortage stage declared pursuant to Section 5.N.7 shall be made by the recommendation of the General Manager and the adoption of a resolution of the Board of Directors. The water shortage stage designated shall become effective immediately upon adoption of the resolution by the Board of Directors.

(C) **Notice and Publication.** Within ten (10) days of the adoption of the resolution declaring the applicable water shortage stage, the District shall make a public announcement of the applicable water shortage stage, which shall be published a minimum of three (3) times in a daily newspaper of general circulation and posted on the District's website.

(1) Such declaration and notice shall provide the extent, terms, and conditions respecting the use and consumption of water in accordance with the applicable water shortage stage as provided in this Section 5.N.

(2) The District will periodically provide the public with information about the Rules, including conditions under which each water shortage stage is to be initiated or terminated and the conservation response measures to be implemented in each stage.

(3) Upon such declaration and publication of the notice required herein, due and proper notice shall be deemed to have been given each and every person supplied water within the District of the Rules governing the applicable water shortage stage.

(D) **Declaration of Water Shortage Emergency.** Excepting in event of a breakage or failure of a dam, pump, pipe line or conduit causing an immediate emergency (an "immediate emergency"), the declaration of a water shortage emergency during any water shortage shall be made in accordance with California Water Code sections 350 *et seq.*

(1) The declaration of a water shortage emergency other than an immediate emergency shall be made only after a public hearing at which consumers have an opportunity to be heard to protest the declaration and to present their respective needs to the Board of Directors.

(2) Notice of the time and place of the public hearing shall be published pursuant to Section 6061 of the Government Code at least seven days prior to the date of the public hearing in a newspaper printed, published, and circulated within the area in which the water supply is distributed, or if there is no such newspaper, in any newspaper printed, published, and circulated in the Orange County.

(3) After the close of the public hearing, the Board of Directors shall be authorized to adopt a resolution declaring a water shortage emergency. The resolution shall take effect immediately upon adoption.

(4) After adopting the resolution, the declaration of the Board of Directors of the water shortage emergency shall be made by public announcement on the

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District's website and shall be published a minimum of one time in a newspaper of general circulation.

(5) The Rules on water use during the water shortage emergency shall remain in full force and effect during the period of the emergency and until the supply of water available for distribution within the District's service area has been replenished or augmented. After adopting the resolution, the declaration of the Board of Directors of the appropriate water shortage stage shall be made by public announcement on the District's website and shall be published a minimum of one time in a newspaper of general circulation.

(E) **Determination of Immediate Emergency.** Notwithstanding the forgoing, if an immediate emergency occurs and the Board of Directors cannot meet in time to act to protect the public interest pursuant to this Section 5.N., the General Manager is hereby authorized and directed to implement such provisions of this Section 5.N. upon his or her written determination that the District cannot supply adequate water to meet the ordinary demands of water consumers, and that such implementation is necessary to protect the public health and safety.

(1) The implementation of any such provisions shall take effect immediately upon making a public announcement of the immediate emergency and publication of such immediate emergency on the District's website.

(2) Such written determination shall be delivered to the Board of Directors and considered at a general or special meeting for review, revocation, or ratification. Such meeting shall be held upon the earliest date that a quorum of the Board of Directors is available.

(3) At the Board of Directors meeting, the General Manager shall update the Board of Directors on the severity and length of the immediate emergency.

(4) During an immediate emergency, the District may specify temporary restrictions on the use of potable and recycled water. Any person who willfully fails to comply with those temporary restrictions may be subject to an administrative penalty of \$500 per offense and have his or her water meter locked by the District.

(F) **Implementation of Water Shortage Stages.** As water supply conditions either deteriorate or improve, the General Manager will return to the Board of Directors to recommend, as appropriate, revising the appropriate water shortage stage of response.

(1) It shall not be necessary to implement any water shortage stage prior to another; the water shortage stages may be implemented in any reasonable order. Except for a water shortage emergency or immediate emergency, any stage implemented shall be in effect for up to 120 days, at which point the Board shall determine whether to continue a water shortage stage.

(2) The District will implement an appropriate stage based on current water conditions. Higher stages will be implemented as shortages continue and/or if customers' responses to the water shortage measures in effect do not bring about desired water savings.

(3) Restrictions, penalties and enforcement will build on each other as higher stages are implemented. All prior tier reductions and variance procedure modifications in lower stages are cumulative into the higher stages.

(G) Actions or Restrictions by the State or Other Agencies. In the event the State or other agencies, through executive action, emergency legislation or other actions, impose conditions, requirements, or procedures that are not included in this Section 5.N., the General Manager is authorized to implement such measures as are reasonably required to bring the District's actions in each stage into functional conformity with such conditions, requirements, or procedures.

(H) **Public Outreach.** When the Board of Directors determines that a water shortage condition exists, any or all of the following notification procedures may be implemented:

(1) Notify the general public stakeholders, elected officials and other key decision-makers regarding the water shortage condition, actions to be taken, goals customers are intended to achieve, and how these actions and goals will be implemented.

(2) The public at large will be informed of the situation and actions the District will be taking. Communications may occur through any of the following: billing inserts, special mailings, telephone contact, e-mail, social media, roadway signage, water conservation booths, and other booths in the community, community association meetings, newsletters, and education programs, etc. Literature appropriate to the drought circumstance will be provided regarding the water shortage condition, conservation methods, and watersavings devices. (3) Use of all forms of media may be employed. This would include public service announcements on radio and cable television, social media as well as earned media, and advertisements in local newspapers.

(4) The District's web site, www.MNWD.com, will be the central location for messaging and customer communications

7. Water Shortage Stage 1 – Potable Water Reductions

(A) **Voluntary Reductions.** During a Water Shortage Stage 1 ("Stage 1"), the District's conservation efforts will be focused on voluntary reductions in potable water use. Potable water customers may reduce demand by following the District's BMPs.

(B) **Refills of Swimming Pools.** Any customer who refills a swimming pool shall not receive a variance to his or her calculated water budget and shall be billed for water used according to the applicable tier for the corresponding use. No bill variance adjustments shall be granted.

8. Water Shortage Stage 2 – Mandatory Potable Water Use Rules

(A) **Mandatory Rules Governing Potable Water Budgets.** During a Water Shortage Stage 2 ("Stage 2"), all potable water customers shall be prohibited from using potable water in excess of their calculated water budget.

(B) **Penalties.** During a Stage 2, any potable water customer who willfully uses water in excess of his or her calculated potable water budget shall be in violation of these Rules and shall pay an administrative penalty of \$7.43 for each ccf, or portion thereof, of potable water used in excess of his or her calculated potable water budget.

(1) Such penalty shall be in addition to the water service fees the District imposes for the potable water delivered to the customer.

(C) **Refills of Swimming Pools.** During a Stage 2, any customer who refills a swimming pool shall not receive a variance to their calculated water budget and shall be billed for water used according to the applicable tier for the corresponding use. No bill variance adjustments shall be granted.

(D) **Plant Variances.** During a Stage 2, any person installing new landscaping, a new plant variance will only be granted for California friendly vegetation as

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defined by the Water Use Classifications of Landscape Species ("WUCOLS") to have low or very low watering needs for the South Coastal Region. The classifications can be found at http://ucanr.edu/sites/WUCOLS/Plant_Search/.

9. Water Shortage Stage 3 – Mandatory Potable Water Use Rules

(A) **Recalculation of Potable Water Budgets.** During a Water Shortage Stage 3 ("Stage 3"), potable water customers' water budgets shall be recalculated as follows:

(1) all single-family residential, multi-family residential, and potable irrigation customers, except for irrigation customers in high traffic areas ("19 Account customers"), shall have their outdoor water budgets reduced by 40%, resulting in outdoor water budgets being recalculated using a plant factor of 0.42.

(2) I9 Account customers shall have their outdoor water budgets reduced by 40%, resulting in outdoor water budgets recalculated using a plant factor of 0.6.

(B) **Mandatory Rules Governing Potable Water Budgets.** During a Stage 3, all potable water customers shall be prohibited from using water in excess of their recalculated water budgets.

(C) **Penalties.** During a Stage 3, any potable water customer who willfully uses water in excess of his or her recalculated water budget shall be in violation of these Rules and shall pay an administrative penalty of \$7.43 for each ccf, or portion thereof, of water used in excess of his or her recalculated water budget.

(1) The penalty shall be in addition to the water service fees the District imposes for the water delivered to the customer.

(2) The penalty corresponds to water usage above the modifications to tier widths.

(D) **Refills of Swimming Pools.** During a Stage 3, any customer who refills a swimming pool shall not receive a variance to their calculated water budget and shall be billed for water used according to the applicable tier for the corresponding use. No bill variance adjustments shall be granted.

(E) **Plant Variances.** During a Stage 3, any person installing new landscaping, a new plant variance will only be granted for California friendly vegetation as

defined by the WUCOLS to have low or very low watering needs for the South Coastal Region. The classifications can be found at http://ucanr.edu/sites/WUCOLS/Plant_Search/.

10. Water Shortage Stage 4 – Mandatory Potable Water Use Rules

(A) **Recalculation of Potable Water Budgets.** During a Water Shortage Stage 4 ("Stage 4"), potable water customers' water budgets shall be recalculated as follows:

(1) single-family residential, multi-family residential, and potable irrigation customers, except for I9 Account customers, shall have their outdoor water budgets reduced by 70%, resulting in outdoor water budgets being recalculated using a plant factor of 0.21; and

(2) I9 Account customers shall have their outdoor water budgets recalculated using a plant factor of 0.30.

(B) **Mandatory Rules Governing Potable Water Budgets.** During a Stage 4, all potable water customers shall be prohibited from using water in excess of their recalculated water budgets.

(C) **Penalties.** During a Stage 4, any potable water customer who willfully uses water in excess of his or her recalculated water budget shall be in violation of these Rules and shall pay an administrative penalty of \$7.43 for each ccf, or portion thereof, of water used in excess of his or her recalculated or assigned water budget.

(1) Such penalty shall be in addition to the water service fees the District imposes for the water delivered.

(2) The penalty corresponds to water usage above the modifications to tier widths.

(D) **Refills of Swimming Pools.** During a Stage 4, any customer who refills a swimming pool shall not receive a variance to their calculated water budget and shall be billed for water used according to the applicable tier for the corresponding use. No bill variance adjustments shall be granted.

(E) **Plant Variances.** During a Stage 4, any person installing new landscaping, a new plant variance will only be granted for California friendly vegetation as

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defined by the WUCOLS to have low or very low watering needs for the South Coastal Region. The classifications can be found at http://ucanr.edu/sites/WUCOLS/Plant_Search/.

11. Water Shortage Stage 5 – Mandatory Potable Water Use Rules

(A) **Recalculation of Potable Water Budgets.** During a Water Shortage Stage 5 ("Stage 5"), potable customers' water budgets shall be recalculated as follows:

(1) all single-family residential and multi-family residential customers shall have their indoor water budgets reduced from 60 gallons per capita per day to 40 gallons per capita per day;

(2) all Commercial potable water customers shall be prohibited from using potable water in excess of their calculated water budgets;

(B) **Mandatory Rules Governing Potable Water Budgets.** During a Stage 5, all single-family residential and multi-family residential customers shall be prohibited from using water in excess of their recalculated indoor water budgets. Outdoor budgets will be reduced to zero.

(C) **Mandatory Rules Governing Potable Water Use**. During a Stage 5, all potable water irrigation customers shall be prohibited from using potable water. All outdoor irrigation with potable water shall be prohibited within the District's service area.

(D) **Penalties.** The following penalties shall be imposed for any violation of the Rules set forth in this Section 5.N.11:

(1) Any single-family residential and multi-family residential customer who willfully uses potable water in excess of his or her recalculated indoor water budget shall be in violation of these Rules and shall pay an administrative penalty of \$7.63 for each ccf, or portion thereof, of water used in excess of his or her recalculated indoor water budget.

(2) Any commercial customer who uses potable water in excess of his or her calculated water budget shall be subject to an administrative penalty of \$7.43 for each ccf, or portion thereof, of water used in excess of his or her calculated water budget.

(3) Any potable irrigation customer who uses potable water shall be subject to an administrative penalty of \$9.04 for each ccf, or portion thereof of potable water used and shall have its water meter locked off.

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(4) All penalties imposed pursuant to this Section 5.N.11. shall be in addition to the water service fees the District imposes for the water delivered to the forgoing customers.

(5) The penalties correspond to water usage above the modifications to tier widths.

(D) **Refills of Swimming Pools.** No customer shall refill a swimming pool during a Stage 5.

(E) **Plant Variances.** During a Stage 5, no customer shall install new landscaping.

12. <u>Water Shortage Stage 1 – Voluntary and Mandatory Recycled</u> <u>Water Use Rules</u>

(A) **Voluntary Reductions.** During a Stage 1, the District's conservation efforts will be focused on voluntary reductions in recycled water use. Recycled water customers may reduce demand by following the District's BMPs.

(B) **Mandatory Rules Governing Potable Water Use.** During a Stage 1, recycled water customers shall be prohibited from using potable water for outdoor irrigation.

13. <u>Water Shortage Stage 2 – Mandatory Recycled Water Use Rules</u>

(A) **Mandatory Rules Governing Recycled Water Budgets.** During a Stage 2, all recycled water customers shall be prohibited from using recycled water in excess of their calculated recycled water budget.

(B) **Penalties.** During a Stage 2, any recycled water customer who willfully uses recycled water in excess of his or her calculated recycled water budget shall be subject to an administrative penalty of \$7.04 for each ccf, or portion thereof, of recycled water used in excess of his or her assigned recycled water budget. Such penalties shall be in addition to the recycled water service fees the District imposes for the recycled water delivered to the customer.

14. <u>Water Shortage Stage 3 – Mandatory Recycled Water Use Rules</u>

(A) **Recalculation of Recycled Water Budgets.** During a Stage 3, all recycled water customers' recycled water budgets shall be recalculated as follows:

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(1) All recycled water customers, except recycled water customers in high traffic areas ("RC9 Account customers"), shall have their outdoor recycled water budget reduced by 10%, resulting in outdoor recycled water budgets recalculated using a plant factor of 0.72.

(2) All RC9 Account customers shall have their outdoor recycled water budget reduced by 10%, resulting in outdoor recycled water budgets recalculated using a plant factor of 0.90.

(B) **Mandatory Rules Governing Recycled Water Budgets.** During a Stage 3, all Recycled Water customers shall be prohibited from using recycled water in excess of their recalculated recycled water budget.

(C) **Penalties.** During a Stage 3, any recycled water customer who uses recycled water in excess of his or her recalculated recycled water budget shall be subject to an administrative penalty of \$7.04 for each ccf, or portion thereof, of recycled water used in excess of his or her recalculated recycled water budget.

(1) Such penalties shall be in addition to the recycled water service fees the District imposes for the recycled water delivered to the customer.

(2) The penalty corresponds to recycled water used above the modifications to tier widths. By way of example, recycled water used in excess 90% of Tier 1 for recycled water customers (except RC9 Account customers) shall be charged an additional penalty of \$7.04 for each ccf or portion thereof.

15. <u>Water Shortage Stage 4 – Mandatory Recycled Water Use Rules</u>

(A) **Recalculation of Recycled Water Budgets.** During a Stage 4, all recycled water customers' recycled water budgets shall be recalculated as follows:

(1) All Recycled Water customers, except for RC9 Account customers, shall have their recycled water budgets reduced by 20%, resulting in outdoor recycled water budgets recalculated using a plant factor of 0.64.

(2) RC9 Account customers shall have their outdoor recycled water budgets reduced by 20%, resulting in outdoor recycled water budgets recalculated using a plant factor of 0.80.

(B) **Mandatory Rules Governing Recycled Water Budgets.** During a Stage 4, all recycled water customers shall be prohibited from using recycled water in excess of their recalculated recycled water budget.

(C) **Penalties.** During a Stage 4, any recycled water customer who uses recycled water in excess of his or her recalculated recycled water budget shall be subject to an administrative penalty of \$7.04 for each ccf, or portion thereof, of recycled water used in excess of his or her recalculated recycled water budget.

(1) Such penalties shall be in addition to the recycled water service fees the District imposes for the recycled water delivered.

(2) The penalty corresponds to recycled water use above the modifications to tier widths. By way of example, recycled water use above 80% of Tier 1 for recycled water customers (except for RC9 Account customers) is charged a penalty of \$7.04.

16. <u>Water Shortage Stage 5 – Mandatory Recycled Water Use Rules</u>

(A) **Recalculation of Recycled Water Budgets.** During a Stage 5, all recycled water customers' recycled water budgets shall be recalculated as follows:

(1) All recycled water customers, except for RC9 Account customers, shall have their outdoor recycled water budget reduced by 30%, resulting in outdoor recycled water budgets recalculated using a plant factor of 0.56.

(2) All RC9 Account customers shall have their outdoor recycled water budget reduced by 30%, resulting in outdoor recycled water budgets recalculated using a plant factor of 0.70.

(B) **Mandatory Rules Governing Recycled Water Budgets.** During a Stage 5, all recycled water customers shall be prohibited from using recycled water in excess of their recalculated recycled water budget.

(C) **Penalties.** During a Stage 5, any recycled water customer who uses recycled water in excess of his or her recalculated recycled water budget shall be subject to

an administrative penalty of \$7.04 for each ccf, or portion thereof, of recycled water used in excess of his or her recalculated recycled water budget.

(1) Such penalties shall be in addition to the recycled water service fees the District imposes for the recycled water delivered.

(2) The penalty corresponds to recycled water use above the modifications to tier widths. By way of example, recycled water use above 70% of Tier 1 for recycled water customers (except for RC9 Account customers) shall be charged a penalty of \$7.04.

17. <u>Violations and Remedies</u>

(A) **Misdemeanor Violations.** It shall be unlawful for any person to willfully violate the provisions of this Section 5.N.. A violation of any of these provisions is a misdemeanor in accordance with California Water Code section 377.

(B) **Other Remedies.** In addition to any other remedies provided in this Section 5.N or available under applicable law, the District may alternatively seek injunctive relief in the Superior Court or take enforcement action, including discontinuing or appropriately limiting water service to any customer, for violations of this Section 5.N. All remedies provided herein shall be cumulative and not exclusive.

18. <u>Notice and Collection of Penalties</u>

(A) **Notice and Due Process.** As set forth in Section 5.N.6(C), upon the declaration of a water shortage stage and publication of the notice required herein, due and proper notice shall be deemed to have been given each and every person supplied water within the District of the Rules governing the applicable water shortage stage.

(B) **Collection of Penalties.** Any penalty imposed pursuant to the Rules of any applicable water shortage stage set forth in this Section 5.N. may be collected on a customer's water bill. Any penalty shall be applicable to water used in violation of the Rules during the first complete billing cycle after the declaration of the applicable water shortage stage.

(C) **Notice of Violation**. The receipt of a water bill with any applicable penalties shall serve as notice of violation of the District's Rules.

19. <u>Appeal Procedures</u>

Any person (an "Appellant") who wishes to appeal the imposition of an administrative penalty imposed by the District pursuant to this Section 5.N. shall comply with the following procedures:

(A) **Appeal Request Form.** An Appeal Request form shall be submitted to the Conservation Department.

(1) Appeal Request forms may be obtained at the District's Main Office or downloaded from the District's website at www.MNWD.com.

(2) An Appeal Request form shall be received by the District no later than thirty calendar days from the date that the Appellant's water bill for the four-week period in which the penalty or penalties were imposed is due.

(B) **Additional Documentation.** Additional documentation may be requested at the discretion of the District. Such documentation may include, but is not limited to, school records, driver's licenses, business licenses, lease agreements.

(C) **Site Survey.** After an Appeal Request form has been received, a site survey may be required by District staff to verify the irrigated square footage of the property where the water was delivered. The site survey will be at no charge to the person and will require the person who submitted the Appeal Request form to be present.

(D) **District Response.** A response to an Appeal Request shall be provided by the District within thirty calendar days from receipt of the Appeal Request form.

(E) **Review of Denial of Appeal Request.** If an Appeal Request is denied, the Appeal Request form may be resubmitted by the Appellant for review by the District's Assistant General Manager. The Decision by the District's Assistant General Manager shall be final.

Section 3. Conflicting Provisions

If provisions of Section 5.N. are in conflict with each other, other provisions of the Article IV, any other resolution or ordinance of the District, or any State law or regulation, the more restrictive provisions shall apply.

Section 4. Severability

If any provision, section, subsection, sentence, clause or phrase or sections of this Ordinance, or the application of same to any person or set of circumstances, is for any reason held to be unconstitutional, void or invalid, the invalidity of the remaining portions of this Ordinance shall not be affected, it being the intent of the Board of Directors in adopting this Ordinance that no portions, provisions, or regulations contained herein shall become inoperative, or fail by reason of the unconstitutionality of any other provision hereof, and all provisions of this Ordinance are declared to be severable for that purpose.

Section 5. Effective

This Ordinance shall be effective immediately upon adoption.

APPROVED, ADOPTED and SIGNED this 19th day of February, 2015.

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Donald Froelich, President MOULTON NIGUEL WATER DISTRICT and the Board of Directors thereof

Jaine Unlik

Paige Gulck, Secretary MOULTON NIGUEL WATER DISTRICT and the Board of Directors thereof

STATE OF CALIFORNIA)) ss. COUNTY OF ORANGE)

I, PAIGE GULCK, Secretary of the Board of Directors of the MOULTON NIGUEL WATER DISTRICT, do hereby certify that the foregoing ordinance was duly adopted by the Board of Directors of said District at a regular meeting of said Board held on the 19th day of February, 2015 that it was so adopted by the following vote:

AYES: CAVE, COLTON, FIORE, FROELICH, KURTZ, LIZOTTE, PROBOLSKY

NOES:

ABSTAIN:

ABSENT:

Skill

Paige/Gulck, Secretary MOULTON NIGUEL WATER DISTRICT and of the Board of Directors thereof **#4**

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STAFF REPORT

TO:Board of DirectorsMEETING DATE: September 16, 2015FROM:Joone Lopez, General Manager
Megan Yoo Schneider, Policy and Outreach AnalystSUBJECT:MNWD Website Redesign Contract AwardDIVISION:District-Wide

SUMMARY:

<u>Issue</u>: The existing Moulton Niguel Water District (District) website is in need of a thorough refresh to provide a user-friendly site that is easily navigable and provides current and relevant information pertinent to the District.

<u>Recommendation:</u> It is recommended that the Board of Directors approve the Professional Services Agreement with GigaSavvy for the not-to-exceed amount of \$90,840; and authorize the General Manager to execute the agreement.

<u>Fiscal Impact</u>: Sufficient funds are included in the approved FY 2015-16 Operating budget.

BACKGROUND:

The current District website was most recently updated in 2012. The site update consisted of technological enhancements, including a search bar and smart phone compatibility. Since 2012, website technologies have improved, and as a result, the website requires another refresh to allow for increased compatibility, greater navigation, and ease of operation.

Both customer feedback and available website analytics have demonstrated the need to update the website and conduct a comprehensive website navigation analysis. Limitations to the current website have spurred the need to develop an interim drought landing page to provide customers with a temporary tool to assist them in navigating the content on the website. A comprehensive update to the website would allow for greater functionality, compatibility with current mobile technologies, and allow for more frequent updates and enhancements to the website.

MNWD Website Refresh September 16, 2015 Page **2** of **2**

DISCUSSION:

District staff explored website update options by speaking to several website developers, and cost proposals were received from two firms. The GigaSavvy team demonstrated a high level of understanding of the District's needs in regards to the website. The team offered a comprehensive approach to providing a website refresh with a strong technological foundation that would ensure the ability to maintain the new website while staying abreast of any changes in technological standards by performing timely updates and upgrades to the website and its supporting infrastructure.

The GigaSavvy proposal includes a fixed fee of \$73,440 for strategic and account planning, website design, front end development, back end development, content migration, and site launch services. The proposed estimated timeframe for the website refresh would be a period of 18 to 20 weeks. The GigaSavvy team will coordinate with the outreach team and consultants to ensure that all the website's features and its functionality are aligned with our customers' website needs.

Hosting and maintenance services are also included in the proposal. Monthly hosting services are estimated to be \$150 to \$400, and monthly maintenance services are estimated to range from \$1,500 to \$2,500. These estimates are budgetary and actual amounts will depend on needs based on the final website product. The proposed agreement includes six months of hosting and maintenance services to ensure consistent and optimal operation of the District website.

Attachment: Scope of Work from GigaSavvy

Executive Summary

Goal

Create a refreshed, interactive online experience that 1) promotes public awareness & information and 2) drives/supports online billing capabilities.

Our Objective(s)

Gigasavvy will provide the design and development services to create a new website platform that drives increased engagement for public constituents within Molten Niguel Water District (MNWD) through improved design, targeted messaging, and enhanced user functionality to achieve the Utility's overarching goals.

Summary of Services

The following is a proposed outline of web services we will execute for the MNWD over the course of the next five months:

- Strategic & Account Planning
- Website Design
- Front End Development
- Back End Development
- Content Migration
- Site Launch Services

Project Summary

Gigasavvy will redesign and develop a new website platform for the Moulton Niguel Water district. The new website will include a modern, customized design that incorporates tailored messaging around water conservation and public awareness information to MNWD's residential and business customers.

The new website design will accurately and professionally represent MNWD so that the refreshed experience connects the districts residential and business customers seeking information regarding water conservation, water news and events, and services related to their accounts. Hence, the website's marketing positioning will be focused around key calls to actions to drive conversion and engagement through contact forms, phone numbers, and services information.

Gigasavvy will design and develop a portfolio of unique designs templates for the website including a homepage, events page, account lookup page, meeting calendar page, news & publications pages, conservation page, and two (2) general content templates. Additionally, we will create a overarching style guide for contact form based pages and applications. We will work with MNWD to reorganize the website via a new sitemap. Hence, we will focus designing and laying out the top priority pages and migrate up to 30 pages of existing website content based on the new website's architecture/sitemap.

To provide maximum usability, Gigasavvy will incorporate responsive design technology so that the website renders across desktop and laptop computers, smart phones, and tablet devices. The website will be built using Gigasavvy's advanced WordPress Content

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Management System (CMS) implementation. The WordPress CMS will be highly customized for maximum usability making it incredibly easy to manage, edit content (i.e. marketing copy, blog, images, etc), change navigation, and build web forms & landing pages. Gigasavvy will provide a one (1) hour CMS management training session upon launch.

Project Deliverables

Account Setup, Kickoff, & Discovery

- Account Setup
- Research
- Kickoff Meeting
 - Goal Identification

Website Design

- Home Page Design
- 2 General Content Pages Design
- Events Page Design
- Account Look-Up Page Design
- Forms Style Guide Design
- Meeting Calendar Page Design
- News & Publications Page Design
- Conservation Page Design
- Blog Primary Design
- Blog Post Detail Page Design
- Responsive Design
- Icon Design

Website Development & Content Migration

- HTML/CSS/jQuery Coding
- WordPress Design Integration
- Blog Development
- WordPress Customization (ACF, WP API)
- Form Development (4)
- Site Content Migration (up to 30 pages)
- Downloadable File Migration

Pre & Post Launch

- 301 Re-Directs (2,200)
- Quality Assurance Testing
- Site Checklist Completion
- Client Sign-Off
- Site Launch

Critical Project Notes

- MNWD will be responsible for providing Gigasavvy with all content for this project. This includes all marketing content, images, graphics, etc.
- MNWD will be responsible for acquiring any/all plugin licenses associated with this project (TBD).
- MNWD will also be responsible for providing timely feedback and communications throughout the course of the project and will be held accountable to a mutually agreed upon work calendar in order to maintain a timely final launch.
- Existing site functionality will be linked to existing systems for e-bill, careers, usage calculator, account lookup, etc. Gigasavvy will provide a separate quote for the calculator application and customer account integrations.
- GigaSavvy can provide hosting and website management services if necessary. We house all of our clients on Linode. If MNWD selects an outside vendor, we recommend Linode or Rackspace.
- Ongoing marketing planning will require additional discovery meetings with the Gigasavvy marketing team.
- A separate proposal will be developed that outlines an aligned strategy and associated costs to achieve MNWD's goals and objectives

Estimated Timeline

Below is a proposed timeline to complete the MNWD website redesign project. To execute this project, we estimate an eighteen (18) to twenty (20) week project duration. The timeline is based upon creating all of the proposed deliverables outlined within this scope. However, MNWD may request to add or remove deliverables. Any change in the scope of work may modify the timeline.

WEEKS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Account Setup, Kickoff, & Discovery																		
Website Design																		
Website Development																		
Content Migration																		
Pre Launch Testing & Fixes																		
Website Launch																		
Post Launch Testing & Fixes																		

Proposed Budget

Below is a proposed budget to execute the website redesign project for MNWD. To execute this project, we estimate an eighteen (18) to twenty (20) week project duration. The timeline is based upon creating all of the proposed deliverables outlined within this scope. However, MNWD may request to add or remove deliverables. Any change in the scope of work may modify the pricing.

Description	Total Cost
MNWD - Website Redesign & Development Project	\$ 73,440
Total Project Cost	\$ 73,440

- Quotes are valid for 30 days from the date of the proposal
- Note: Additional costs for Portal Design & Development & Calculator Application projects are not included within this scope of work. We will provide separate estimates for these projects

Budget Estimates for Hosting & Ongoing Maintenance	Total Cost			
Gigasavvy Hosting Services (monthly)	\$150 -\$400			
Maintenance Services (monthly)	\$1,500 - \$2,500			

- Estimates are for budgetary purposes
- A separate agreement specifying each service & deliverables will be provided based on MNWD's needs

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STAFF REPORT

TO:Board of DirectorsMEETING DATE: September 16, 2015FROM:Matt Collings, Assistant General Manager
Drew Atwater, Senior Financial and Resource AnalystSUBJECT:Investment PolicyDIVISION:District-Wide

SUMMARY:

<u>Issue</u>: The Moulton Niguel Water District's (District) current investment policy has been updated to include current industry best practices and permitted investments.

<u>Recommendation</u>: It is recommended that the Board of Directors approve the resolution entitled, "Approving Updated Investment Policy".

Fiscal Impact: Potentially increase investment returns and reduce risk.

BACKGROUND:

The District's current investment policy has been in place for almost five years. The District's Investment Policy identifies the permitted investments, controls and procedures for the investment of District funds and identifies the responsible agents. District staff will review and recommend updates to the Investment Policy periodically to ensure that it is current with state law, permitted investments and industry standards. Since the District last updated its investment policy, the types of investments permitted under state law have expanded, and now include highly rated municipal securities and Supranationals. The addition of these particular investment vehicles potentially can increase returns benefiting ratepayers. Additionally, the current policy has outdated references. The current policy has been updated to reflect these changes and clarify internal controls.

DISCUSSION:

Staff worked with the District's investment agent, Chandler Asset Management, as well as its Financial Advisor to review current industry best practices, update

Investment Policy September 16, 2015 Page **2** of **2**

permitted investments consistent with state law, and clarify controls in the policy. The main proposed changes to the policy are to:

- Add the new Limited Maturity Fund in the policy to support the planned drawdown of funds for ongoing capital improvements,
- Allow investment in certain municipal securities, Supranationals, as well as Other Local Government Investment Pools: CALTRUST, and California Asset Management Program, as currently permitted under state law, in addition to the states Local Agency Investment Fund (LAIF)
- Reorganize the policy with references to government code to clarify fiscal controls.

Attachments:

- 1. Resolution entitled, "Adopting Annual Investment Policy for Public Funds" with Exhibit A, Statement of Investment Policy.
- 2. Current Policy Adopted in January of 2011

RESOLUTION NO. 15-____

#6.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT ADOPTING ANNUAL INVESTMENT POLICY FOR PUBLIC FUNDS

WHEREAS, from time to time the Moulton Niguel Water District ("District") has updated and adopted its administrative policy "Annual Investment Policy for Public Funds" ("Investment Policy"), the most recent revisions and adoption occurring in 2011; and

WHEREAS, the Board of Directors ("Board") has been presented with an updated Investment Policy, which is set forth as Exhibit A to this Resolution.

NOW, THEREFORE, the Board of Directors of Moulton Niguel Water District does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

<u>Section 1.</u> The Board approves and adopts the Investment Policy set forth in Exhibit A, attached hereto and incorporated herein by reference as though fully set forth in this Resolution, as the Investment Policy of the Moulton Niguel Water District, and the Board rescinds Resolution No. 11-01 dated January 20, 2011.

ADOPTED, SIGNED and APPROVED this 17th day of September, 2015.

MOULTON NIGUEL WATER DISTRICT

Ву____

President MOULTON NIGUEL WATER DISTRICT and the Board of Directors thereof

By___

Secretary MOULTON NIGUEL WATER DISTRICT and the Board of Directors thereof

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MOULTON NIGUEL WATER DISTRICT STATEMENT OF INVESTMENT POLICY

ADOPTED: SEPTEMBER 17, 2015

I. BACKGROUND

A. Prudent management of the District includes the adoption of appropriate goals, objectives, policies and guidelines for the investment of available funds.

B. The District's cash management system is designed to monitor and forecast accurately expenditures and revenues, thus enabling the District to invest funds to the fullest extent possible.

C. This policy serves to organize and formalize the District's investmentrelated activities, while complying with all applicable statutes governing the investment of public funds.

D. This policy supersedes any previous Investment Policies of the Moulton Niguel Water District.

II. PURPOSE

A. This statement is set forth by the District for the following purposes:

1. To establish a clear understanding for the Board, District management, responsible employees and third parties of the objectives: policies and guidelines for the investment of District funds.

2. To offer guidance to any investment adviser on the investment of District funds.

3. To establish a basis for evaluating investment results.

#6

Statement of Investment Policy Moulton Niguel Water District September 17, 2015

> B. The general purpose of this Investment Policy is to outline a philosophy and attitude, which will guide the investment of District funds toward the desired investment goals. It is intended to be sufficiently specific to be meaningful, yet adequately flexible to be practical.

III. INVESTMENT AUTHORITY

A. In accordance with Section 53600 et seq. of the Government Code of the state of California, the authority to invest public funds is expressly delegated to the Board of Directors for subsequent delegation to the Treasurer. Investments are limited to those instruments specified by this Investment Policy.

B. The Moulton Niguel Water District may engage the services of one or more external investment advisers who are registered under the Investment Advisers Act of 1940 to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

IV. PRUDENCE

A. Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the Agency are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

"...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

B. The Treasurer or designated investment advisor and other authorized persons responsible for managing District funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Treasurer or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the governing body in a timely fashion and appropriate action should be taken to control adverse developments.

V. STATEMENT OF OBJECTIVES

A. The District's investment program is based first upon the principals of safety and liquidity. The expected return on investments is considered only after the first two criteria are met.

B. In order of priority, three fundamental criteria shall be followed:

1. SAFETY. Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities with independent returns.

Statement of Investment Policy Moulton Niguel Water District September 17, 2015

2. LIQUIDITY. The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

3. RETURN ON INVESTMENTS. The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

C. Funds are divided into three categories:

1. Funds needed for current operating expenses and capital requirements, known as the "Liquid Fund,"

2. Funds needed over the next one to five years known as the "Limited Maturity Fund", and

3. Funds not currently needed, known as the "Operating Reserve Fund."

D. The District shall inform the investment adviser from time to time of amounts to be allocated to each of the three categories.

E. The investment goals of the Liquid Fund shall be:

1. To preserve principal,

2. To provide liquidity for operating and maintenance expenses, debt service payments, and capital requirements, and

3. To earn a total rate of return commensurate with the first two goals.

- F. The investment goals of the Limited Maturity Fund shall be:
 - 1. To preserve principal,

2. To provide liquidity for operating and maintenance expenses, debt service payments, and capital requirements within the next one to five years, and

- 3. To earn a total rate of return commensurate with the first two goals.
- G. The investment goal of the Operating Reserve Fund shall be:
 - 1. To preserve principal and

2. To provide growth over the long term by earning the rate of return available from the longer-term investments permitted under the California Government Code.

VI. INVESTMENT PERFORMANCE OBJECTIVES AND GUIDELINES

A. Liquid Fund

1. The investment performance objectives for the Liquid Fund shall be to earn a return over a market cycle, which equals or exceeds the return on 90-day Treasury Bills.

2. The average maturity of the Liquid Fund shall not exceed 90 days, and the maximum final stated maturity of individual securities in the Liquid Fund may not exceed one year.

3. The District's Finance Director/Treasurer shall communicate periodically with the investment adviser in order to keep the adviser informed as to the District's specific short-term liquidity requirements.

4. The Liquid Fund shall maintain a minimum fund balance sufficient to provide adequate cash reserves to pay current operating expenses.

Statement of Investment Policy Moulton Niguel Water District September 17, 2015

B. Limited Maturity Fund

1. The investment performance objective of the Limited Maturity Fund is to earn a return that equals or exceeds the return of the Bank of America Merrill Lynch 1-3 Year US TreasuryAgency Index.

C. Operating Reserve Fund

1. The investment performance objective for the Operating Reserve Fund shall be to earn a rate of return over a market cycle, which exceeds the return on the Merrill Lynch 1-10 Year US Corporate and Government Index, or an equivalent index determined by the District.

2. The maximum stated final maturity of individual investments in the Operating Reserve Fund is ten years.

VII. INVESTMENT POLICIES

A. Investment of District funds is governed by California Government Code Section 53601 et seq., a copy of which is attached to this policy as Exhibit B. A Summary of Permitted Investments, prepared by District's current investment adviser is attached as Exhibit A.

B. The District manages its investments under the prudent investor standard.

C. The District's Finance Director/Treasurer is designated by the Board of Directors as the officer responsible for the investment of District funds; provided, the Board may designate such responsibility to investment advisers pursuant to VII.D. below. The investment function shall be overseen by the Finance and Information Technology Committee of the Board of Directors.

D. The Board of Directors may allocate its funds to professional investment advisers in a manner consistent with the District's objectives. Such advisers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such advisers must be registered under the Investment Advisers Act of 1940, and shall enter into a written agreement for this service with the District. E. Because the Operating Reserve Fund has the specific purpose of providing for long-term growth, and because cash flow requirements of the District are met through other investments, the Board of Directors hereby grants authority for the purchase of securities with maturities in excess of five years in the Operating Reserve Fund only.

F. The maximum stated final maturity of individual investments in the Operating Reserve Fund is be ten years.

G. No more than 40% of the Operating Reserve Fund may be invested in securities with maturities in excess of five years.

H. Investment securities and cash shall be held in a bank custody account in the name of the District

I. All investments shall be made as "delivery vs. payment" transactions.

VIII. Authorized Financial Institutions, Broker/Dealers, Depositories

A. The District shall work with financial institutions that are reputable and trustworthy, knowledgeable and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

B. In accordance with Section 53601.5, institutions eligible to transact investment business with the District include:

1. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.

2. Nationally or state-chartered banks.

3. The Federal Reserve Bank.

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4. Direct issuers of securities eligible for purchase.

C. Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.

D. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

E. Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

IX. AUTHORIZED INVESTMENTS

A. The District's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

B. Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy (with the exception of credit quality). At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy. C. An appropriate risk level shall be maintained by purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

D. The authorized investments are as listed below:

1. MUNICIPAL SECURITIES include obligations of the District, the State of California, any of the other 49 states, and any local District within the State of California, provided that:

a) The securities are rated "A" or higher by at least one nationally recognized statistical rating organization ("NRSRO").

b) No more than 5% of the portfolio may be invested in any single issuer.

c) No more than 30% of the portfolio may be in Municipal Securities.

d) The maximum stated maturity does not exceed five (5) years, with the exception of securities that have a "put" feature of five years or less.

2. U.S. TREASURIES and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage of the portfolio that the District may invest in U.S. Treasuries, provided that:

a) The maximum maturity is five (5) years, with the exception of securities held in the Operating Reserve, which can have a stated maturity of 10 years.

3. FEDERAL AGENCIES or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage of the portfolio that the District may invest in Federal District or Government-Sponsored Enterprises (GSEs), provided that: Statement of Investment Policy Moulton Niguel Water District September 17, 2015

a) No more than 25% of the portfolio may be invested in any single District/GSE issuer.

b) The maximum maturity does not exceed five (5) years, with the exception of securities held in the Operating Reserve, which may have a stated maturity of 10 years.

4. BANKER'S ACCEPTANCES, provided that:

a) They are issued by institutions which have short-term debt obligations rated "A-1" or higher by at least one NRSRO; or longterm debt obligations which are rated "A" or higher by at least one NRSRO.

b) No more than 40% of the portfolio may be invested in Banker's Acceptances.

c) No more than 5% of the portfolio may be invested in any single issuer.

d) The maximum maturity does not exceed 180 days.

5. COMMERCIAL PAPER, provided that:

a) The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.

b) The securities are rated "A-1" or higher by at least one NRSRO.

c) The securities are issued by corporations which have longterm obligations rated "A" or higher by at least one NRSRO.

d) The District may purchase no more than 10% of the outstanding commercial paper of any single issuer.

e) No more than 25% of the portfolio may be invested in Commercial Paper.

f) No more than 5% of the portfolio may be invested in any single issuer.

g) The maximum maturity does not exceed 270 days.

6. NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS), issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

a) The amount of the NCD insured up to the FDIC limit does not require any credit ratings.

b) Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or higher by at least one NRSRO; or long-term obligations rated "A" or higher by at least one NRSRO.

c) No more than 30% of the total portfolio may be invested in NCDs

d) No more than 5% of the portfolio may be invested in any single issuer.

e) The maximum maturity does not exceed five (5) years.

7. FEDERALLY INSURED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

a) The amount per institution is limited to the maximum covered under federal insurance.

b) No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.

c) The maximum maturity does not exceed five (5) years.

8. COLLATERALIZED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

a) No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
b) The maximum maturity does not exceed five (5) years.

9. COLLATERALIZED BANK DEPOSITS. District deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651.

Statement of Investment Policy Moulton Niguel Water District September 17, 2015

10. REPURCHASE AGREEMENTS collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the District may invest, provided that:

a) Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.

b) Repurchase Agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).

c) The maximum maturity does not exceed one (1) year.

11. STATE OF CALIFORNIA LOCAL DISTRICT INVESTMENT FUND (LAIF), provided that:

a) The District may invest up to the maximum amount permitted by LAIF.

b) LAIF's investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LAIF itself from the District's list of allowable investments, provided LAIF's reports allow the Treasurer and the outside investment adviser to adequately judge the risk inherent in LAIF's portfolio.

12. LOCAL GOVERNMENT INVESTMENT POOLS

a) The District may invest up to the maximum amount permitted by the following respective Local Government Investment Pools:

(1) CALTRUST

(2) California Asset Management Program (CAMP)

b) Local Government Investment Pool investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LGIPs itself from the District's list of allowable investments, provided the specific LGIP's reports allow the Treasurer and the outside investment adviser to adequately judge the risk inherent in LGIP's portfolio.

13. CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

a) The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

b) The securities are rated "A" or higher by at least one NRSRO.

c) No more than 30% of the total portfolio may be invested in *MTNs*.

d) No more than 5% of the portfolio may be invested in any single issuer.

e) The maximum maturity does not exceed five (5) years.

14. MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

a) Such Funds meet either of the following criteria:

(1) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or

(2) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.

(3) No more than 20% of the total portfolio may be invested in Money Market Mutual Funds.

(4) No more than 10% of the portfolio may be invested in any one Fund.

Statement of Investment Policy Moulton Niguel Water District September 17, 2015

15. SUPRANATIONALS, provided that:

a) Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

b) The securities are rated "AA" or higher by a NRSRO.

c) No more than 30% of the total portfolio may be invested in these securities.

d) No more than 10% of the portfolio may be invested in any single issuer.

e) The maximum stated maturity does not exceed five (5) years.

16. Prohibited Investment Vehicles and Practices

a) State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.

b) In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

c) Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

d) Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

e) Purchasing or selling securities on margin is prohibited.

f) The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
g) The purchase of foreign currency denominated securities is prohibited.

X. Collateralization

A. CERTIFICATES OF DEPOSIT (CDs). The District shall require any commercial bank or savings and loan association to deposit eligible securities with an Agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

B. COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The District shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

C. REPURCHASE AGREEMENTS. The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

1. The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.

2. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.

3. The District and its investment adviser shall receive monthly statements of collateral.

XI. Delivery, Safekeeping and Custody

A. DELIVERY-VERSUS-PAYMENT (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

Statement of Investment Policy Moulton Niguel Water District September 17, 2015

B. SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the District's portfolio shall be held in safekeeping in the District's name by a third party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

C. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable.

XII. Maximum Maturity

A. To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

XIII. REPORTING AND REVIEWS

A. Transactions and portfolio holdings

1. The bank custodian and the investment adviser shall each provide monthly statements of holdings and account activity to the District's Director of Finance/Treasurer. The bank custodian shall also provide such information to the District's Investment Adviser(s).

2. Confirmations of all transactions and movement of funds shall be forwarded promptly to the District by the investment adviser. The investment adviser shall ensure a duplicate confirmation is provided to the District by the broker.

B. Investment performance

1. The investment adviser shall meet at least quarterly with District management and/or with the Finance & Information Technology Committee of the Board of Directors to review account activity, economic conditions and investment performance.

XIV. AMENDMENTS

A. This Investment Policy is subject to amendment from time to time by the Board of Directors. Any changes must be approved by the Board of Directors and communicated in writing to the Director of Finance/Treasurer and other responsible employees, appropriate third parties and investment advisers.

B. It shall be the responsibility of the investment adviser to inform the District of changes to the California Government Code, which affect the investment of District funds. Such changes shall be considered promptly by the Board of Directors.

C. The Investment Policy shall be reviewed and approved annually each fiscal year during the budget process.

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MOULTON NIGUEL WATER DISTRICT STATEMENT OF INVESTMENT POLICY Adopted January 20, 2011

I. BACKGROUND

- A. Prudent management of the District includes the adoption of appropriate goals, objectives, policies and guidelines for the investment of available funds.
- B. The District's cash management system is designed to monitor and forecast accurately expenditures and revenues, thus enabling the District to invest funds to the fullest extent possible.
- C. The District investment program is based first upon the principals of safety and liquidity. The expected return on investments is considered only after the first two criteria are met.
- II. PURPOSE
 - A. This statement is set forth by the District for the following purposes:
 - 1. To establish a clear understanding for the Board, District management, responsible employees and third parties of the objectives, policies and guidelines for the investment of District funds.
 - 2. To offer guidance to any investment adviser on the investment of District funds.
 - 3. To establish a basis for evaluating investment results.
 - B. The general purpose of this Investment Policy is to outline a philosophy and attitude, which will guide the investment of District funds toward the desired investment goals. It is intended to be sufficiently specific to be meaningful, yet adequately flexible to be practical.

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III. INVESTMENT GOALS

- A. Funds are divided into two categories:
 - 1. Funds needed for current operating expenses and capital requirements, known as the "*Liquid Fund*," and
 - 2. Funds not currently needed, known as the "Operating Reserve Fund."
- B. The District shall inform the investment adviser from time to time of amounts to be allocated to each of the two categories.
- C. The investment goals of the *Liquid Fund* shall be:
 - 1. To provide liquidity for operating expenses and capital requirements,
 - 2. To preserve capital, and
 - 3. To earn a total rate of return commensurate with the first two goals.
- D. The investment goal of the *Operating Reserve Fund* shall be to preserve real capital and provide growth over the long term by earning the rate of return, which is available from the longer-term investments permitted under the California Government Code.

IV. INVESTMENT PERFORMANCE OBJECTIVES

- A. The investment performance objectives for the *Liquid Fund* shall be to earn a return over a market cycle, which equals or exceeds the return on 90-day Treasury Bills.
- B. The investment performance objective for the *Operating Reserve Fund* shall be to earn a rate of return over a market cycle, which exceeds the return on the Merrill Lynch One-to-Ten Year Government Index, or an equivalent index determined by the District.

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V. INVESTMENT POLICIES

- A. Investment of District funds is governed by California Government Code Section 53601 *et seq.*, a copy of which is attached to this policy as Exhibit B. A Summary of Permitted Investments, prepared by District's current investment adviser is attached as Exhibit A.
- B. The District manages its investments under the prudent investor standard, which states "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and a familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part [of] an overall investment strategy, investments may be acquired as authorized by law."
- C. The District's Finance Director/Treasurer is designated by the Board of Directors as the officer responsible for the investment of District funds; provided, the Board may designate such responsibility to investment advisers pursuant to V.D. below. The investment function shall be overseen by the Investment Committee of the Board of Directors.
- D. The Board of Directors may allocate its funds to professional investment advisers in a manner consistent with the District's objectives. Such advisers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such advisers must be registered under the Investment Advisers Act of 1940, and shall enter into a written agreement for this service with the District.

- E. Because the *Operating Reserve Fund* has the specific purpose of providing for long-term growth, and because cash flow requirements of the District are met through other investments, the Board of Directors hereby grants authority for the purchase of securities with maturities in excess of five years in the *Operating Reserve Fund* only.
 - 1. The maximum stated final maturity of individual investments in the *Operating Reserve Fund* should be ten years.
 - 2. No more than 40% of the *Operating Reserve Fund* may be invested in securities with maturities in excess of five years.
- F. Investment securities and cash shall be held in a bank custody account in the name of the District
- G. All investments shall be made as "delivery vs. payment" transactions.

VI. INVESTMENT GUIDELINES

- A. Liquid Fund
 - 1. The *Liquid Fund* shall be invested in the State's Local Agency Investment Fund (LAIF), or in short term securities permitted by the California Government Code Section 53601 *et seq.*
 - 2. The average maturity of the *Liquid Fund* shall not exceed 90 days, and the maximum final stated maturity of individual securities in the *Liquid Fund* may not exceed one year.
 - 3. The District's Finance Director/Treasurer shall communicate periodically with the investment adviser in order to keep the adviser informed as to the District's specific short-term liquidity requirements.
 - 4. The *Liquid Fund* shall maintain a minimum fund balance sufficient to provide adequate cash reserves to pay current operating expenses.

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B. The Operating Reserve Fund

- 1. The Operating Reserve Fund shall be invested in securities permitted under the California Government Code Section 53601, et seq.
- 2. Over a market cycle, the benchmark for the duration of the *Operating Reserve Fund* shall be the duration of the Merrill Lynch One-to-Ten Year Government Index.
- 3. Over a market cycle, the duration of the *Operating Reserve Fund* typically will vary within a range of ±20% of the duration of the Merrill Lynch One-to-Ten Year Government Index.
- 4. A minimum of 10% of the *Operating Reserve Fund* shall be invested in securities with maturities less than two years.
- 5. A maximum of 40% of the *Operating Reserve Fund* may be invested in securities with maturities in excess of five years. Such investments shall be only in securities issued by the U.S. government or its agencies.
- 6. The maximum stated final maturity of individual investments in the *Operating Reserve Fund* should be ten years.

VII. DIVERSIFICATION REQUIREMENTS

- A. The District is subject to all the diversification requirements described in the California Government Code, Section 53601*et seq.*
- B. With the exception of securities issued by the U.S. government and its agencies, no more than 5% of the portfolio may be invested in securities of any one issuer.
- C. No individual holding shall constitute more than 5% of the total debt outstanding of any issuer.
- D. The use of reverse repurchase agreements is further restricted in that:
 - 1. The maximum maturity of reverse repurchase agreements may not exceed 90 days.

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- 2. Securities purchased with the proceeds of reverse repurchase agreements must be matched to the exact maturity date of the reverse repo, and must also be matched as to coupon structure (i.e., a fixed coupon on both the reverse and the reinvestment security.
- 3. Reverse repurchase agreements are limited to no more than 10% of the portfolio.
- E. Corporate securities which are downgraded by any rating agency to a level below that which is allowed under the California Government Code shall be reevaluated immediately, and a decision shall be made by the Finance Committee to either sell the security immediately or continue to hold it. If the decision is made to hold the security, it shall be subject to monthly review until its maturity or sale date.

VIII. REPORTING AND REVIEWS

- A. Transactions and portfolio holdings
 - 1. The bank custodian and the investment adviser shall each provide monthly statements of holdings and account activity to the District's Director of Finance/Treasurer. The bank custodian shall also provide such information to the District's Investment Adviser(s).
 - 2. Confirmations of all transactions and movement of funds shall be forwarded promptly to the District by the investment adviser. The investment adviser shall ensure a duplicate confirmation is provided to the District by the broker.
- B. Investment performance
 - 1. The investment adviser shall meet at least quarterly with District management and/or with the Finance Committee of the Board of Directors to review account activity, economic conditions and investment performance.

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IX. AMENDMENTS

- A. This Investment Policy is subject to amendment from time to time by the Board of Directors. Any changes must be approved by the Board of Directors and communicated in writing to the Director of Finance/Treasurer and other responsible employees, appropriate third parties and investment advisers.
- B. It shall be the responsibility of the investment adviser to inform the District of changes to the California Government Code, which affect the investment of District funds. Such changes shall be considered promptly by the Board of Directors.

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APPENDIX A

SUMMARY OF PERMITTED INVESTMENTS WITH STATUTORY AND POLICY LIMITATIONS

INVESTMENT	COMMENTS		
U.S. Treasuries	No maximum exposure; max maturity = 10 years		
Federal Agencies	No maximum exposure; max maturity = 10 years		
Mortgage-backed	20% maximum exposure together w/ CMOs and asset-backed; five year max maturity		
Commercial paper	25% max exposure		
Banker's Accept.	40% maximum exposure		
Medium Term Notes	30% maximum exposure; minimum quality = "A"; Five year maximum maturity		
Mutual Funds	Maximum exposure = 20%		
Secured TDs	Collateralized 110% or insured		
Negotiable CDs	30% maximum exposure		
LAIF	State-imposed maximum of \$50 million		
CMOs	20% maximum combined w/ asset-backed and		
	mortgages		
Asset-backed	20% maximum combined w/ CMOs and		
	mortgages		
Repurchase Agree.	Limited to 10% of portfolio		
Reverse Repos	Limited to 10% of portfolio		
Municipal Bonds	NO		
OCIP	NO		



STAFF REPORT

то:	Board of Directors	MEETING DATE: September 16, 2015			
FROM:	Matt Collings, Assistant General Manager				
SUBJECT:	Rebate Application for Turf Removal				
DIVISION:	District-wide				

SUMMARY:

<u>Issue</u>: The District has received an exemption request for a rebate application that exceeded the maximum allowable acreage for turf removal as defined in the approved Board policy.

<u>Recommendation:</u> It is recommended that the Board of Directors consider the rebate application for the identified project without a limitation on the maximum allowable acreage for the project and direct staff accordingly.

<u>Fiscal Impact</u>: Sufficient funds are available within the Water Use Efficiency Fund to fund the identified rebate applications. Additional information is provided within the staff report.

BACKGROUND:

More than half of the water used at the District is for outdoor landscapes. Water efficient landscapes can decrease water use up to 70 percent through a combination of proper plant selection and irrigation technology. However, the cost of installing climate-applicable plants is sometimes an obstacle to turning traditional grass landscapes into more water-efficient environments. The District's turf replacement program is designed to help residents, businesses, and public agencies make that conversion.

The proposed project was submitted on July 8, 2015 and, based on that time frame, is eligible to receive \$1 per square foot from MWDOC and an additional \$0.75 per square foot from the District as a recycled water site. The program provides limitations on the amount of turf removal and/or synthetic turf installation that qualifies for the rebate. The relevant cap for the applicant is 25,000 square feet for District funding.

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All rebates from the District are funded through the Water Efficiency Fund using the incremental revenue generated from the higher consumption tiers (Tiers 3, 4 and 5) in the water budget-based rate structure.

DISCUSSION:

#7.

In recent months, the District has expanded its outreach efforts to promote water use efficiency in response to the drought emergency. Customers have responded with requests for nearly 3 million square feet of turf removal and more than 600,000 square feet of synthetic turf installation. The District has received one additional request from a customer to remove nearly 30,000 square feet of turf. Table 1 identifies the customer and the rebate requests for each of the programs.

Table 1 – Rebate Requests

Customer	Division	Proposed Turf Removal (Sq. Feet)	Proposed Synthetic Turf Installation (Sq. Feet)	Proposed Rebate Value (\$)
U.S. General Services Admin. – Acct #91-01490	7	29,704	0	\$22,278
Total		29,704	0	\$22,278

The values provided above are based on estimates from each of the project proponents and may vary as each project becomes more defined. The proposed rebate value does not include the \$1.00 per square foot from MWDOC for Commercial projects and is only based on the supplemental incentive provided by the District. The proposed rebate incentives for the identified project would be funded from the Water Efficiency Fund.

Staff is recommending the Board remove the maximum allowable acreage to allow the General Manager or her designee to consider each application based on the overall project objectives, various funding sources, and current available budget for rebate funding. Removal of the maximum acreage by the Board of Directors does not constitute an approval of the rebate application, but allows each application to be considered for the full amount of turf removal or synthetic turf installation.

THIS ITEM WILL BE HANDED OUT **PRIOR TO THE** MEETING

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