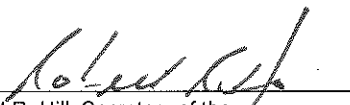


31 hereby certify that the following agenda was posted at least 72 hours prior to the time of the meeting so noticed below at 24251 Los Alisos Boulevard, Lake Forest, California.

  
Robert R. Hill, Secretary of the  
El Toro Water District and the Board of  
Directors thereof

## **AGENDA**

### **EL TORO WATER DISTRICT REGULAR MEETING OF THE BOARD OF DIRECTORS ENGINEERING COMMITTEE MEETING AND FINANCE/INSURANCE COMMITTEE MEETING**

**August 21, 2018**

**7:30 a.m.**

**CALL TO ORDER – Vice President Vergara**

**PLEDGE OF ALLEGIANCE – Director Adjarian**

**ORAL COMMUNICATION – PUBLIC COMMENT**

Members of the public may address the Committee at this time or they may reserve this opportunity with regard to an item on the agenda until said item is discussed by the Committee. Comments on other items will be heard at the time set aside for “COMMENTS REGARDING NON-AGENDA ITEMS.” The public will identify themselves when called on and limit their comments to three minutes.

#### **ITEMS RECEIVED TOO LATE TO BE AGENDIZED**

Determine need and take action to agendize items(s) which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

### **ENGINEERING COMMITTEE**

## **CONSENT CALENDAR**

(All matters under the Consent Calendar will be approved by one motion unless a Board member or a member of the public requests separate action or discussion on a specific item)

### **1. Approval of Minutes (Reference Material Included)**

Consider approving the minutes of the July 24, 2018 Engineering meeting.

## **APPROVAL OF ITEMS REMOVED FROM TODAY'S ENGINEERING**

### **COMMITTEE CONSENT CALENDAR**

The Board will discuss items removed from today's Engineering Committee Consent Calendar requiring further discussion.

**Recommended Action:** The Board will be requested to approve the items removed from today's consent Calendar.

### **2. Quarterly Review of the District's 401(k) Retirement Savings Plan (Reference Material Included)**

A HighMark representative will review and comment on the investment performance of the District's 401(k) Retirement Savings Plan.

## **ENGINEERING ACTION ITEMS**

### **3. Advanced Metering Infrastructure (AMI) Feasibility Study & Alternatives Analysis (Reference Material Included)**

Staff will review and comment on proposals received to prepare an AMI Feasibility Study & Alternatives Analysis.

**Recommended Action:** Staff recommends that the Board of Directors authorize the General Manager to enter into a Consultant Contract with MC Engineering, Inc. in the amount of \$64,550 to prepare an AMI Feasibility Study & Alternatives Analysis. Staff further recommends that the Board authorize the General Manager to fund the purchase cost from the designated Capital Reserves in accordance with the District's adopted Capital Reserve Policy.

## **ENGINEERING GENERAL INFORMATION ITEMS**

### **4. EI Toro Water District Capital Project Status Report (Reference Material Included)**

Staff will review and comment on the EI Toro Water District Capital Project Status Report.

5. **Engineering Items Discussed at Various Conferences and Meetings** (Oral Report)

The Committee will discuss any pertinent Engineering items discussed at Conferences.

**COMMENTS REGARDING NON-AGENDA ENGINEERING COMMITTEE ITEMS**

**CLOSE ENGINEERING COMMITTEE MEETING**

**FINANCE/INSURANCE COMMITTEE MEETING**

**CALL MEETING TO ORDER – Director Monin**

**CONSENT CALENDAR**

(All matters under the Consent Calendar will be approved by one motion unless a Board member or a member of the public requests separate action or discussion on a specific item)

6. **Approval of Minutes** (Reference Material Included)

Consider approving the minutes of the July 24, 2018 Finance Committee meeting.

7. **Financial Package - Authorization to Approve Bills for Consideration dated August 21, 2018 and Receive and File Financial Statements as of July 31, 2018** (Reference Material Included)

The Board will consider approving the Bills for Consideration dated August 21, 2018 and Receive and File Financial Statements as of July 31, 2018.

**APPROVAL OF ITEMS REMOVED FROM TODAY'S FINANCE COMMITTEE**

**CONSENT CALENDAR**

The Board will discuss items removed from today's Finance Committee Consent Calendar requiring further discussion.

**Recommended Action:** The Board will be requested to approve the items removed from today's consent Calendar.

**FINANCIAL ACTION ITEMS**

8. **Director Compensation Policy and Travel/Expense Reimbursement Policy Review** (Reference Material Included)

Staff will review and comment on Policy Statement 1985-5 (IV) Travel & Expense Reimbursement & Policy Statement 1993-10 (IV) Director's Compensation. The Board will consider whether any amendments are warranted. Amendments would require Staff to prepare resolutions for Board consideration.

**Recommended Action:** Staff recommends that 1) the Board of Directors provide Staff with specific direction regarding proposed amendments and 2) direct Staff to prepare necessary resolutions for the Board of Directors to consider at a subsequent Board Meeting.

9. **Resolution No. 18-8-1 Modifying Appointment of ETWD Standing Committee Members for the Calendar Year 2018** (Reference Material Included)

President Goldman will make new appointments to various Organizations and Committees of the Board for the calendar year 2018.

**Recommended Action:** The Board will consider adopting Resolution No. 18-8-1 modifying the appointment of Directors to the various Organizations and Standing Committees of the Board for the calendar year 2018.

RESOLUTION NO. 18-8-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
EL TORO WATER DISTRICT  
MODIFYING THE APPOINTMENT OF DIRECTORS  
TO VARIOUS ORGANIZATIONS AND STANDING  
COMMITTEES OF THE BOARD  
FOR THE CALENDAR YEAR 2018

10. **Resolution No. 18-8-5 Endorsing the Water Supply and Water Quality Act of 2018** (Reference Material Included)

Staff will review and comment on the Water Supply and Water Quality Act of 2018 which is an \$8.877 billion General Obligation Bond to fund various infrastructure Projects across the State inclusive of Safe Drinking Water and Water Quality (\$3.03 billion), Watershed and Fisheries Improvements (\$2.895 billion), Habitat Protection (\$940 million), Improved Water Conveyance (\$855 million), Groundwater Sustainability/Storage (\$685 million) and Surface Water Storage /Dam Repairs (\$472 million). Resolution No. 18-8-5 facilitates ETWD's endorsement of Proposition 3.

**Recommended action:** Staff recommends that the Board of Directors consider adopting Resolution No. 18-8-5 endorsing Proposition 3 the Water Supply and Water Quality Act of 2018.

RESOLUTION NO. 18-8-5

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE EL TORO WATER DISTRICT  
ENDORING THE WATER SUPPLY  
AND WATER QUALITY ACT OF 2018

**FINANCIAL INFORMATION ITEMS**

**11. Tiered Water Usage and Revenue Tracking (Reference Material Included)**

Staff will review and comment on monthly and year to date Tiered Water Usage and Revenue tracking.

**COMMENTS REGARDING NON-AGENDA FIC ITEMS**

**CLOSE FINANCE AND INSURANCE COMMITTEE MEETING**

**ATTORNEY REPORT**

**CLOSED SESSION**

At this time the Board will go into Closed Session as follows:

1. In accordance with Government Code Section 54956.96 in order to receive, discuss, and/or take action concerning information obtained by the District's representative pertaining to a closed session of the South Orange County Wastewater Authority ("SOCWA"), a joint powers agency.
2. In accordance with Government Code Section 54956.9 (d)(3) to consider taking action on a claim for damages to underground electrical facilities filed by Southern California Edison (SCE) on June 20, 2018.

**REGULAR SESSION**

**REPORT ON CLOSED SESSION (Legal Counsel)**

Mr. Granito will provide an oral report on the Closed Session.

**ADJOURNMENT TO 7:30 a.m., Tuesday, September 25, 2018.**

*The agenda material for this meeting is available to the public at the District's Administrative Office, which is located at 24251 Los Alisos Blvd., Lake Forest, Ca. 92630. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate public inspection at the same location.*

**Request for Disability-Related Modifications or Accommodations**

*If you require any disability-related accommodation, including auxiliary aids or services, in order to participate in this public meeting, please telephone the District's Recording Secretary, Polly Welsch at (949) 837-7050, extension 225 at least forty-eight (48) hours prior to said meeting. If you prefer, your request may be submitted in writing to El Toro Water District, P.O. Box 4000, Laguna Hills, California 92654, Attention: Polly Welsch.*

Engineering/FIC Committee

August 21, 2018

MINUTES OF THE REGULAR MEETING  
OF THE  
ENGINEERING COMMITTEE MEETING

July 24, 2018

Vice President Vergara called the Meeting of the Engineering Committee to order at 7:30 a.m. on July 24, 2018.

Director Monin led in the Pledge of Allegiance to the flag.

Present at today's meeting were Committee Members JOSE F. VERGARA, MARK MONIN, KATHRYN FRESHLEY, and FRED ADJARIAN.

Committee Member M. SCOTT GOLDMAN and DENNIS P. CAFFERTY, Assistant General Manager/District Engineer were absent.

Also present were ROBERT R. HILL, General Manager/Secretary, JUDY CIMORELL, Human Resources Manager, RICK OLSON, Operations Superintendent, NEELY SHAHBAKHTI, Finance Manager/Controller, NANCY LAURSEN, Accountant/Insurance Administrator, BOBBY YOUNG, Project Engineer, GILBERT J. GRANITO, General Counsel, RICHARD BABBE, CAMP Representative, and POLLY WELSCH, Recording Secretary.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

Vice President Vergara asked if there were any items received too late to be agendized. Mr. Hill replied no.

CAMP Presentation

Mr. Hill stated that the CAMP presentation also includes some charts on the CalTrust performance.

Mr. Babbe stated that there are still two more rate hikes anticipated for the year. He further stated that inflation hit the 2% Fed target for the first time in 6 years, and that yields have increased sharply driven by strong economic fundamentals.

Mr. Babbe stated that the economic growth slowed in the first quarter, with the labor market favorable, and a lot of versatility in the market. He further stated that the portfolio continues to perform well, and higher interest rates having driven higher income.

Mr. Babbe stated that the labor market remains strong in the second quarter. He further stated that the S&P has waffled between positive and negative territory.

Mr. Babbe stated that they are watching the 1-5 year corporate spreads, flattening yield curves, second quarter expectations, and economic indicators. He further stated that the pace of the increase in interest rates has declined due to increased market uncertainty, while conditions still remain favorable to trend higher during the remainder of 2018.

Mr. Babbe stated that the portfolio composition is in compliance with the District's Investment Policy. He further stated that it is well diversified across sectors and issuers.

Mr. Babbe stated that the individual investments are concentrated in the 1-3 year maturity range, consistent with the benchmark, and the District maintains significant assets in LAIF to provide liquidity and a cushion against market value fluctuations.

Mr. Babbe stated that the portfolio's yield continues to trend higher as it adjusts to current interest rate levels, and should trend upward with any further increases in interest rate. He further stated that the pool can change rapidly when interest rates change.

Director Monin asked what fee CAMP charges. Mr. Babbe replied 10 basis points.

Director Monin stated that he would like to see an additional line added to page 15, Portfolio Earnings, to show net of fees on the total return.

Director Monin asked questions on the CalTrust TMPXX symbol for the yield, which currently shows 2.06.

Director Adjarian suggested that CAMP provide quarterly updates to the Board instead of bi-annual reviews.

Mr. Hill suggested that we have a Special Board meeting with the full Board to discuss changes to the CAMP portfolio and investment strategies.

At approximately 8:07 o'clock a.m. Mr. Babbe left the meeting.

#### Consent Calendar

#### Approval of the Minutes

. Vice President Vergara asked for a Motion

. Motion: Director Adjarian made a Motion, seconded by Director Freshley and unanimously carried across the Board to approve the Consent Calendar.

#### Roll Call Vote

Director Adjarian	aye
Director Monin	aye
Vice President Vergara	aye
Director Freshley	aye



## Engineering General Information Items

### Capital Project Status Report

#### Oso Lift Station Improvement Project

Mr. Hill stated that staff is working with MNWD on an agreement providing for an emergency overflow connection which could be utilized in other situations. He further stated that we are waiting to hear back from MNWD.

Vice President Vergara asked if there will be any cost to the District. Mr. Hill replied that staff is not sure if any monetary stipulations will be included in the agreement.

#### State Revolving Fund Agreement

Mr. Hill stated that we started out with a 20-year term and staff negotiated to a 11-year term, which the State did agree at 1.7% interest rate. He further stated that the 6-month operating reserve was being depleted while we waited on a disbursement from the State.

#### Poseidon

Mr. Hill stated that there was an article in the newspaper where the OCWD Board voted 6-2 to approve a nonbinding contract term sheet with Poseidon.

Mr. Hill stated that they were looking for commitments from agencies outside the basin, and we will discuss whether or not to commit to another project.

### Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

### Comments Regarding Non-Agenda Engineering Committee Items

There were no comments.

Adjournment

There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Vice President Vergara made a Motion, seconded by Director Adjarian and unanimously carried that today's meeting be adjourned at 8:14 o'clock a.m. to Tuesday, August 21, 2018 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Roll Call:

Director Monin	aye
Director Adjarian	aye
Vice President Vergara	aye
Director Freshley	aye

Respectfully submitted,

---

POLLY WELSCH  
Recording Secretary

APPROVED:

---

M. SCOTT GOLDMAN, President  
of the El Toro Water District and the  
Board of Directors thereof

---

ROBERT R. HILL, Secretary  
of the El Toro Water District and the  
Board of Directors thereof

**El Toro Water District 401(k) Plan  
Second Quarter 2018**

Robert Adams, CFA  
Vice President and Senior Portfolio Manager  
HighMark Capital Management  
(949) 553-7171  
robert.adams@unionbank.com

## Economic and Market Perspectives Q3 2018

### Introduction

After a tumultuous first quarter, investors found themselves adjusting to the shifting cross currents in global financial markets as the second quarter unfolded. Trade tensions took center stage, while worries about another wave of populism in Europe clouded investor optimism over domestic tax reform. Meanwhile, the Federal Reserve (“Fed”) pressed on with its campaign to raise short-term interest rates and even suggested it might pick up its pace, albeit modestly.

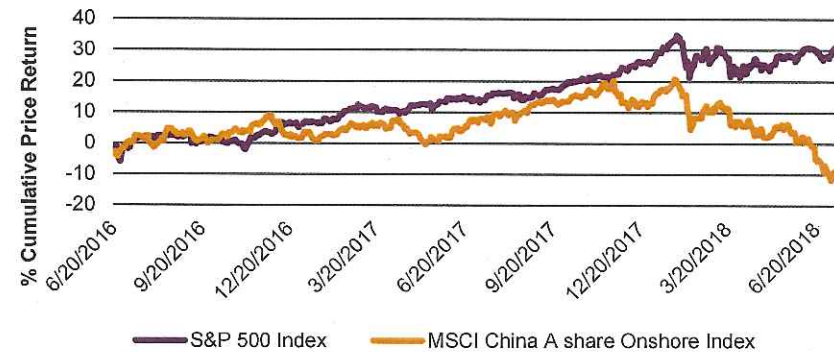
The shining bright spot of the second quarter was a robust corporate earnings season that handily beat analyst expectations. For the first quarter, earnings per share for the S&P 500 Index had increased nearly 25% year-over-year— the best performance since the third quarter of 2010, according to Factset. Investors took comfort in the expectation that domestic firms would use the windfall to fund equity-market friendly activity including share buybacks, increased capital expenditures and mergers and acquisitions.

Positive corporate earnings news and generally strong domestic economic data helped U.S. stock prices to recover lost ground from the first quarter. Looking to avoid exposure to the most trade-sensitive companies globally, investors favored shares of smaller companies with secular growth characteristics while shunning emerging market names<sup>1</sup>.

Within fixed income markets, yields moved higher as the bellwether 10-year Treasury Note crossed the 3% mark in May for the first time since 2013. As the quarter closed out, long-term yields fell and the yield curve flattened, fueling fears of dimming economic growth. Most notably, investment-grade credit spreads widened from historically tight levels on concerns of growing leverage in the corporate sector. Indicative of the thirst for corporate debt, AT&T became the world’s most indebted company with \$180 billion in total debt after completing its acquisition of Time Warner.

Overseas, China remains an area to watch closely, both given its influence on the global economy and the ongoing structural challenges it faces. A growing rift with the U.S. on trade complicates the developing nation’s cyclical picture, causing investors to flee the local equity market; which, until recently, had been tracking the U.S. stock market closely, as illustrated in the chart below.

Parting Ways



Source: Bloomberg

### Economic Highlights

**U.S. Growth:** The domestic economy grew at an annualized rate of 2% in the first quarter. The lackluster growth was consistent with trends for first-quarter readings of the past several years despite fiscal stimulus. Economists are forecasting an acceleration of growth in the second quarter<sup>2</sup>.

**Inflation:** May’s Core Consumer Price Expenditure Index, the Fed’s preferred measure of inflation that excludes the costs of volatile food and energy prices, hit 2% for the first time since April 2012. Rising energy prices pushed May’s headline inflation reading, the Consumer Price Index, to 2.8% - its fastest pace since February 2012<sup>3</sup>.

<sup>1</sup> Morningstar. In the second quarter, the Russell 2000 Index outperformed the MSCI Emerging Markets Index.

<sup>2</sup> BEA.gov

<sup>3</sup> U.S. Bureau of Labor Statistics

**Fed Funds:** In June, the Fed increased its short-term borrowing rate for the second time this year by 0.25% to 1.75% - 2.0%. The monetary policy setting body expects to hike rates an additional two more times before the end of the year, according to its survey of voting members known as the "dot plot."

**Employment:** Through June, the U.S. economy averaged 215,000 new jobs per month. Meanwhile, the unemployment rate ticked up to 4.0% from 3.8% in June, but this reflected good news as workforce participation has rallied after hitting a low of 62.3% in 2015. Wage growth has picked up modestly but remains tame at 2.7%, quelling fears of a meaningful acceleration in broader inflation<sup>3</sup>.

**Housing:** Higher mortgage rates have yet to slow the housing market with low inventory continuing to support healthy price appreciation. In April, home prices rose by 6.4% over the prior 12 months according to the S&P Case-Schiller National Home Price Index.

**Corporate Earnings:** According to Factset, S&P 500 earnings grew by 25% in the first quarter as companies began reaping the benefits of tax reform. Consensus estimates for the second quarter call for a 20% increase in earnings with an 8.8% growth rate on top line revenue. A continued rebound in energy sector earnings has also contributed to strong results overall.

**Consumer Confidence:** Trade tensions and rising fuel prices weighed on consumer expectations, putting modest downward pressure on the Conference Board's Consumer Confidence Index. The index level stood at 126.4 in June, off its 14-year high of 130.0 in February.

**Energy:** Oil prices continued to rally as OPEC supply constraints and depleting inventories pushed West Texas Intermediate Crude up during the quarter to \$74 per barrel - a level not seen since late 2014<sup>4</sup>. At the end of the quarter, the national average for a gallon of regular gasoline was \$2.85 versus \$2.45 at the beginning of the year<sup>5</sup>.

### Market Returns as of June 30, 2018

As of 6/30/2018	% Total Return					
	Q2 2018	YTD 2018	1-Year	3-Year	5-Year	10-Year
S&P 500	3.4	2.7	14.4	11.9	13.4	10.2
MSCI EAFE	-1.2	-2.8	6.8	4.9	6.4	2.8
MSCI Emerging Markets	-8.0	-6.7	8.2	5.6	5.0	2.3
Bloomberg Barclays US Aggregate Bond	-0.2	-1.6	-0.4	1.7	2.3	3.7
ICE BofA ML US Treasury Bills	0.5	0.8	1.3	0.7	0.4	0.4
Bloomberg Commodity	0.4	0.0	7.4	-4.5	-6.4	-9.0

**Source:** Morningstar Direct  
Periods greater than one year are annualized.

### Sizing up a Standoff

As the cloud of a looming trade war continued to hang ominously over global financial markets during the second quarter, investor sentiment swung with every headline. Escalating threats of tariffs and other protectionist measures between the U.S. and its major trading partners were unwelcome offsets to a domestic fiscal stimulus package that was only starting to work its way through the economy. A brewing element of uncertainty sent investors into the areas of the market most immune from global trade strife.

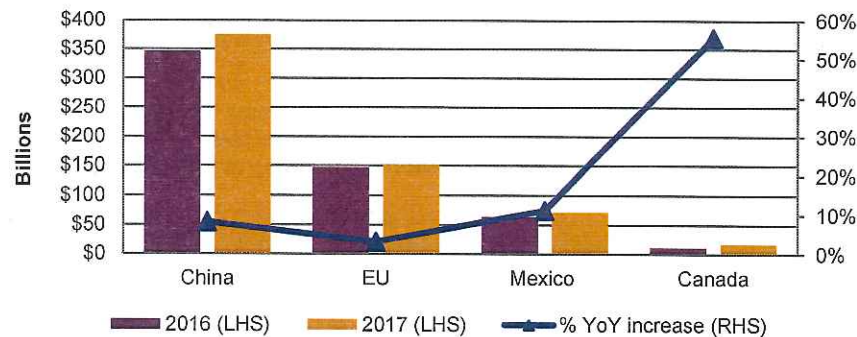
To be sure, the timing of the Trump administration's all-encompassing trade offensive was no coincidence. With tax reform blowing a strengthening wind at the back of the American economy, the President felt he would now be in a better bargaining position to reset what his administration views as unbalanced trading terms and practices.

America's largest trading partners -- China, the EU, Mexico and Canada -- now find themselves simultaneously confronted by an unhappy customer. China, in particular, finds itself in President Trump's crosshairs not only for its substantially large trade surplus with the U.S., but also for a pattern of trade abuses that includes systematic intellectual property theft.

<sup>4</sup> Federal Reserve Bank of St. Louis

<sup>5</sup> EIA.gov

### U.S. Merchandise Trade Deficit



Source: United States Census Bureau

In addition to the steel and aluminum import tariffs announced during the first quarter, President Trump included \$50 billion worth of products from China to be subject to a 25% tariff, most of which are scheduled to take effect early in the third quarter. In response to a Chinese announcement of retaliatory tariffs, President Trump has asked the United States Trade Representative, Robert Lighthizer, to identify an additional \$200 billion of Chinese imports for a 10% tariff. As the retaliation intensified, further salvos included a proposal for restrictions on Chinese investment in U.S. companies. There seemed almost no end in sight to the exchanges.

Such aggressive tactics on multiple fronts comes with the potential for both high risk and uncertain reward. As we noted in last quarter's Perspectives, protectionist policies are often lose-lose propositions. History has proven that the intention of protecting domestic industries is typically not achieved and the result causes significant, unintended harm to the economy. Could this time be different? To answer this question, it is important to first understand the administration's end game.

A key distinction in comparing current trade tensions and past periods of protectionism is the motivation behind such actions. Typically, governments have used tariffs as direct mechanisms to protect domestic industries from international competition. In this instance, however, tariffs and other measures are intended as leverage to remove existing barriers between America and its trading partners.

Peter Navarro, the administration's Director of Trade and Industrial Policy, framed the President's perspective succinctly by saying, "We're already in a trade war with China. The problem is we've not been fighting back. Trump, through tariffs, wants to call a truce."

In other words, from the administration's perspective, President Trump's trade strategy is a means to an end to level the playing field. For example, during a tense G7 summit in early June, President Trump unexpectedly offered a fully free trade agreement to the leaders of the other six major countries. "No tariffs, no barriers, that's the way it should be," he said. Of course, such a resolution is much easier said than done, so it was no surprise that the President didn't find any willing takers on the spot. Perhaps the President was bluffing, but the offer did serve to reinforce his intentions.

The good news is that all indications point to the desire for negotiated settlements. Offers have been made, but no agreement has been reached with any country and negotiations remain ongoing. W-what then will each side be willing to settle for, and, perhaps more importantly, how far will this go? Both questions have no clear answer at this point. What is clear is that President Trump's conviction on this issue runs deep and he is unlikely to settle for symbolic concessions to win a political victory as many have anticipated. That's the bad news. We shouldn't expect any side to capitulate without a fight.

Such a proposition is clearly unsettling to global financial markets that crave certainty. There is no way to accurately predict the timing of an outcome that boils down to a test of political wills. On a positive note, some trading partners have already offered concessions. However, nothing yet has met the threshold of acceptability for the Trump administration. Until this happens, we expect elevated levels of volatility to persist across all asset classes and currencies.

Signs of progress will continue to be "risk-on" catalysts for investors, while further deterioration of the possibility for compromise will jeopardize the underpinnings of the global economic expansion and possibly cause a full blown global recession.

Ultimately, markets will not care about the motivation behind the tariffs if they are implemented for a protracted period of time. Even if a compromise is eventually reached significant economic damage can be done to all parties. Motivations only matter in the context of understanding the possibility of potential outcomes. While we acknowledge that no side wants to feel the pain of a trade war, the risks that all sides are digging in appear to be rising -- most recently with President Trump's call for

increased tariffs on European auto imports, a step quickly countered with reciprocal threats by the EU.

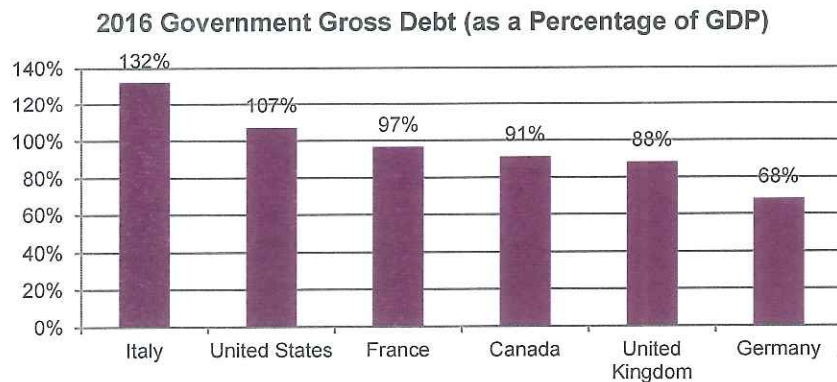
There is no denying that the investment implications of the standoff are significant and largely binary. Sorting through the game theory, our base case assumption is that rational thought will prevail and agreements are reached before irreversible damage is done. However, we cannot rule out the worst- case scenario, as those odds appear to be rising, and we advise investors not to stray far from their strategic asset allocation policy in the hope that their risk-on bets can time favorable equity market bounces.

### Geopolitical Challenges & Equity Markets

#### Italy

Political uncertainty in Italy caused volatility in global equity markets in May, with interest rates and spreads also spiking, threatening any potential rebound in growth and introducing new risks to the region. While representing less than one percent of world equity markets, Italy is worth watching as it is a highly indebted country and any aggressive moves to leave the Euro currency or threats of debt cancellation could carry contagion risks for both the region and the world.

As shown in the chart below, Italy's Debt to GDP percentage is among the highest in the developed world, and nearly double that of Germany.



Source: International Monetary Fund, World Economic Outlook Database, April 2018

Governing has historically proven to be difficult in Italy, with 65 governments since the end of the Second World War. The 66th Italian government was recently formed with the extreme populist groups Five Star Movement and The League gaining control. Both parties have been vocal about leaving the Euro and the alliance is an unlikely combination of the extreme left-wing Five Star Movement and The League which represents the extreme right wing in Italy.

The popularity of extremist parties from both sides of the political spectrum results from over 20 years of subpar economic growth. Productivity growth and upward mobility have been dismal and Italy continues to lose export market share largely due to being uncompetitive in global markets. The coalition's agenda centers on cutting taxes, increasing deficit spending, reversing pension reforms, and cancelling outstanding Government debt, though recently much of this rhetoric has been dialed down.

Equity markets have seemingly recovered from the negative muscle memory of the European Debt Crisis of nearly a decade ago and today Europe is better equipped to handle potential disruptions from Italy's new government. The EU's economy is in stronger financial shape now versus 2011 and is at a better point in the growth cycle. Additionally, Europe's banking system is more financially sound and liquid than in the past, and financial institutions are subject to much more frequent stress tests by regulators. As a result, capital buffers in the banking system are double 2011's levels and can likely better absorb loan losses if Italy defaults on its debt.

Finally, the European Central Bank (ECB) has taken an aggressive stance in reminding markets that it will do "whatever it takes" to stabilize financial conditions. This is not mere posturing, as the ECB has many tools at its disposal including forward guidance, quantitative easing, zero interest rate policies, the European Stability Mechanism, and Outright Monetary Transactions.

We expect a collision course between Italy and its EU partners over spending and tax flexibility, and the potential for Italy to exit the Euro or the Eurozone is not an improbable event. In the event that it would occur, it would be much more painful for Italy than the United Kingdom's exit from the EU following the "Brexit" vote: the dual advantages of its own Pound currency and Central Bank would make the UK transition easier than in Italy where a monetary divorce would be far murkier.

While monetary separation might be smoother for the UK than for Italy, "Brexit" remains a source of considerable uncertainty as the deadline rapidly approaches. We believe that equity markets potentially misprice and underappreciate the challenges faced by the UK, as many issues and uncertainties remain and need to be sorted out.

## North Korea

While the meeting of President Trump and North Korean leader Kim Jong-un was indeed a historic event, it failed to generate any noticeable market reaction. Even South Korean markets did not respond significantly to the news. The big takeaway is that the U.S. received nothing more than a broad commitment to begin a process. This “commitment” is not binding, and no specific details were released.

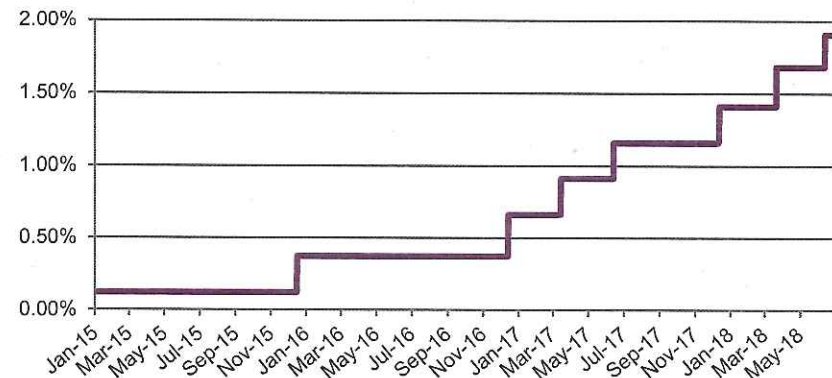
Markets seemed to mostly ignore the contentious saber rattling between the two leaders before the summit, and their lack of interest continued as the summit was seen as mere propaganda until concrete commitments and details emerge. Without question, however, the summit was generally positive for markets given the potential for de-escalating tensions between the two countries and their allies as well as the overall reduction of geopolitical risk.

Pressure from China and significant U.S. sanctions on financial institutions doing business with North Korea provided a key impetus for talks. However, sanctions remain in place and the U.S. military’s commitment to the region is unchanged. Our outlook is that it is too early in the process to claim any real or meaningful victory from the summit. North Korea has been unreliable and has not followed through on promises made in the past. The market remains skeptical that negotiations will be different this time.

## Fed Stays on Track

June’s Federal Open Market Committee (“FOMC”) meeting saw members raise the Federal Funds Rate to a range of 1.75% to 2%. The 2% upper bound is a notable milestone, as the last time the benchmark rate hit 2% was late in the summer of 2008 as the economy entered the Great Recession. The most recent rate hike, in our opinion, signals the beginning of the end of monetary policy required to see the U.S. through the recession and a definitive return to a more “normal” monetary policy.

**U.S. Federal Funds Effective Rate**



**Source:** Federal Reserve Bank of New York

In contrast to the dovish tone of May’s FOMC meeting, the statement released after the June 12 to 13 meeting was slightly more hawkish than expected. The statement stressed continuing an accommodative monetary policy and cited revised forecasts of strengthening growth and inflation closing in on Fed target of 2%. During the remainder of 2018, the Fed’s median projection is to raise rates twice more for a total of four for the year—one hike more than the three that were expected at the beginning of 2018.

The punchbowl is nearing overflow, with tight labor markets and strengthening GDP figures leading some to believe the Fed may need to slow the party with an additional hike before New Year’s Day. When he was appointed, Chairman Powell’s straightforward style of communicating with Fed watchers was seen as a positive development. Balancing an economy firing on all cylinders with concerns of overheating will require both nuance and plain speaking.



## Conclusion

Investors today find themselves in the midst of a painful but expected global normalizing process. Many of the headlines we see today are symptoms of a larger, underlying cause. Interest rates, inflation, volatility, and asset prices are recalibrating after nearly a decade of unprecedented government intervention in markets. While seemingly every asset class performed well during global Quantitative Easing, going forward macro fundamentals and appropriate valuations will drive market prices.

We will be watching several key indicators which may point a direction through the fog of the current investment environment. These include U.S. Dollar strength, inflationary pressures at home, changes in the domestic yield curve, and the ongoing battle between populist protectionism and free market orthodoxy around the world.

The rising tide that lifted all boats during this past expansion is now cresting, making the selection of individual boats much more important. Volatility and asset class performance dispersion have also returned to the markets, creating a fertile ground for active management. Investors will need to be highly discriminating in this climate and should avoid taking unnecessary risks without adequate compensation.

## Economic and Market Perspectives Q3 2018

David Wines, President & Chief Executive Officer  
James St. Aubin, Managing Director and Head of Investment Strategy  
Todd Lowenstein, Managing Director and Chief Equity Strategist

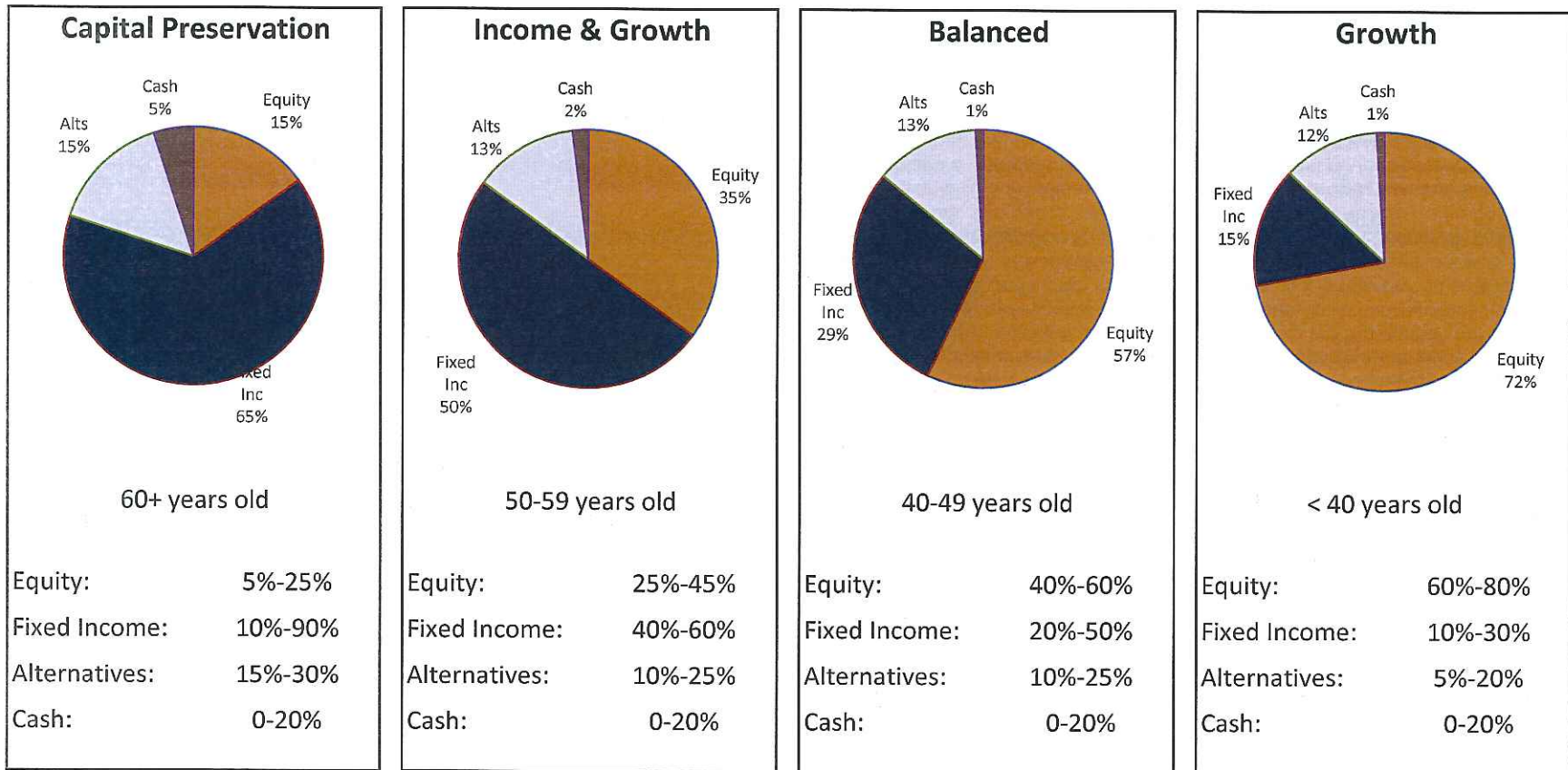
For more information, speak to your relationship manager or visit us at [unionbank.com/theprivatebank](http://unionbank.com/theprivatebank)

Economic and Market Perspectives is a publication of HighMark Capital Management, Inc. (HighMark). This publication is for general information only and is not intended to provide specific advice to any individual or institution. Some information provided herein was obtained from third-party sources deemed to be reliable. HighMark and its affiliates make no representations or warranties with respect to the timeliness, accuracy, or completeness of this publication and bear no liability for any loss arising from its use. All forward-looking information and forecasts contained in this publication, unless otherwise noted, are the opinion of HighMark, and future market movements may differ significantly from our expectations. HighMark, an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUFG Union Bank). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUFG Union Bank, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. The benchmarks referenced in this piece are used for comparative purposes only and are provided to represent the market conditions during the period(s) shown. Benchmark returns do not reflect the deduction of advisory fees, custody fees, transaction costs, or other investment expenses, but the returns assume the reinvestment of dividends and other earnings. An investor cannot invest directly in unmanaged indices. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

Entire publication © HighMark Capital Management, Inc. 2018. All rights reserved.

# INVESTMENT POOLS - ASSET ALLOCATION

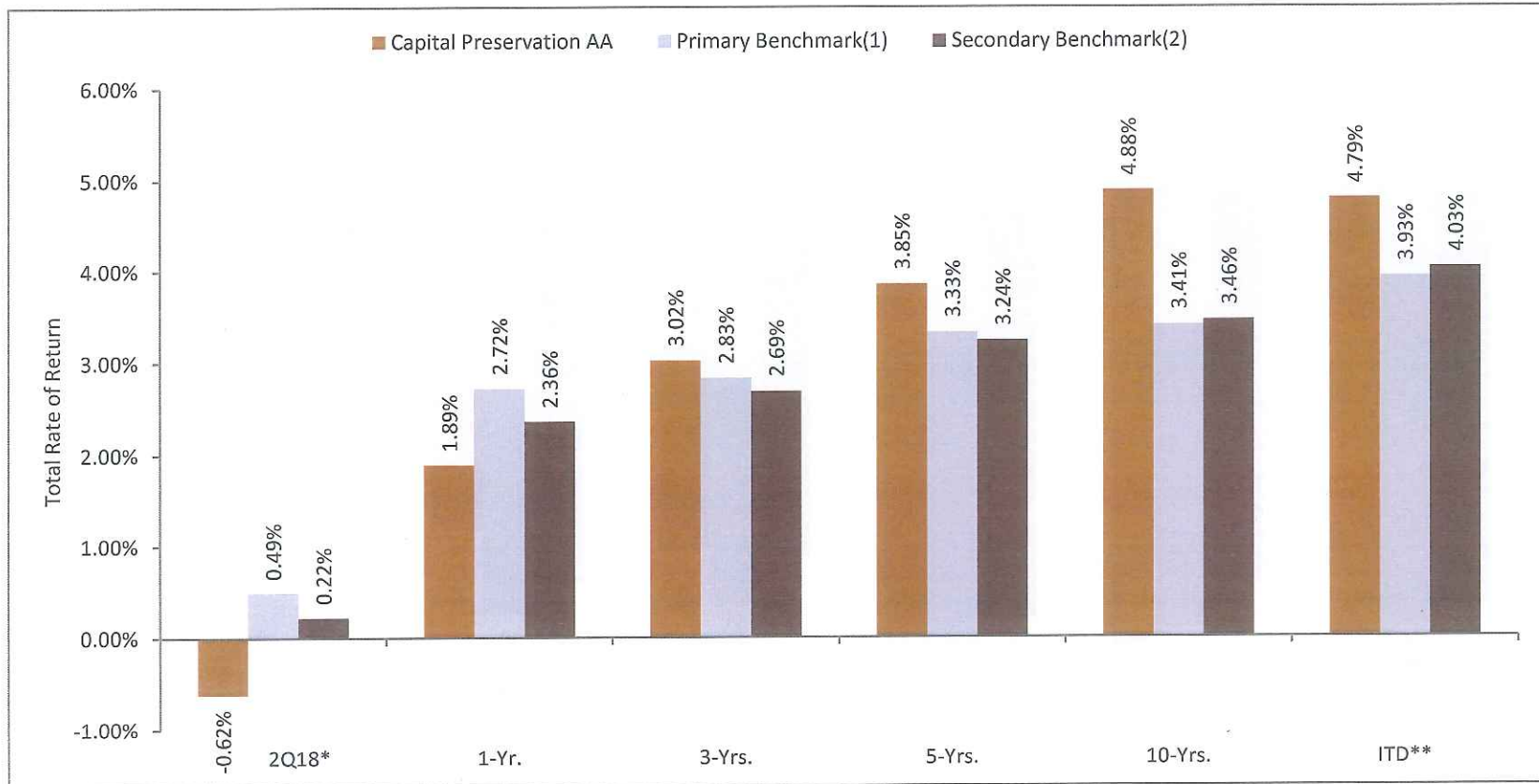
El Toro Water District - 401(k) Plan



# INVESTMENT RETURNS - CAPITAL PRESERVATION PORTFOLIO

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return  
as of June 30, 2018



\*\*Inception date: January 2006

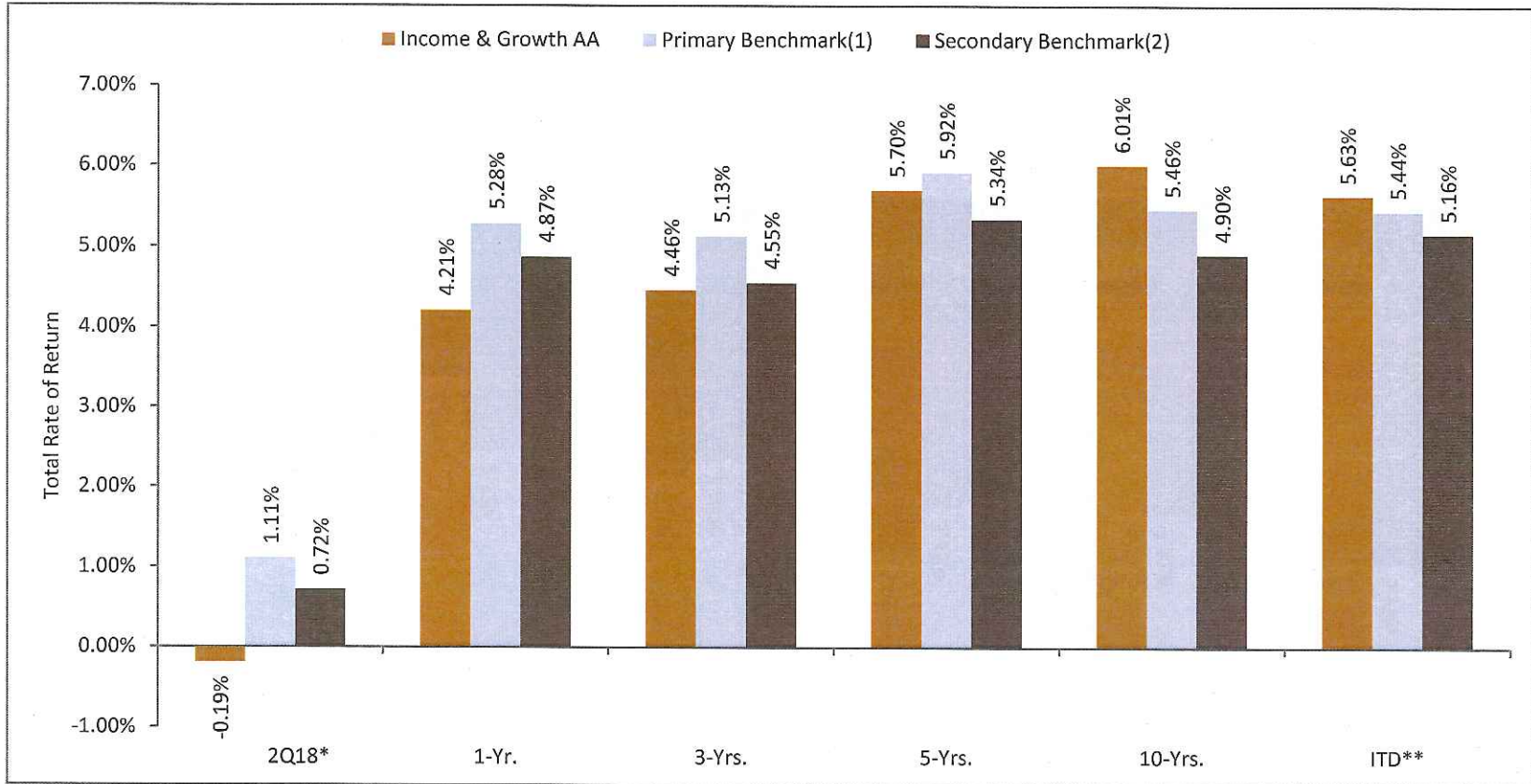
(2) Secondary Benchmark: 9% S&P 500, 1% Russell MidCap, 1% Russell 2000, 3% MSCI EAFE, 1% MSCI Emerging Markets, 44% Barclays US Aggregate Bond, 17% Barclays 1-3 Year Government/Credit Bond, 19% HFRI FOF, 5% Citigroup 3-Month Treasury Bill

Note: Primary and secondary benchmarks were changed as of 2Q14 to include alternatives

# INVESTMENT RETURNS - INCOME & GROWTH PORTFOLIO

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return  
as of June 30, 2018



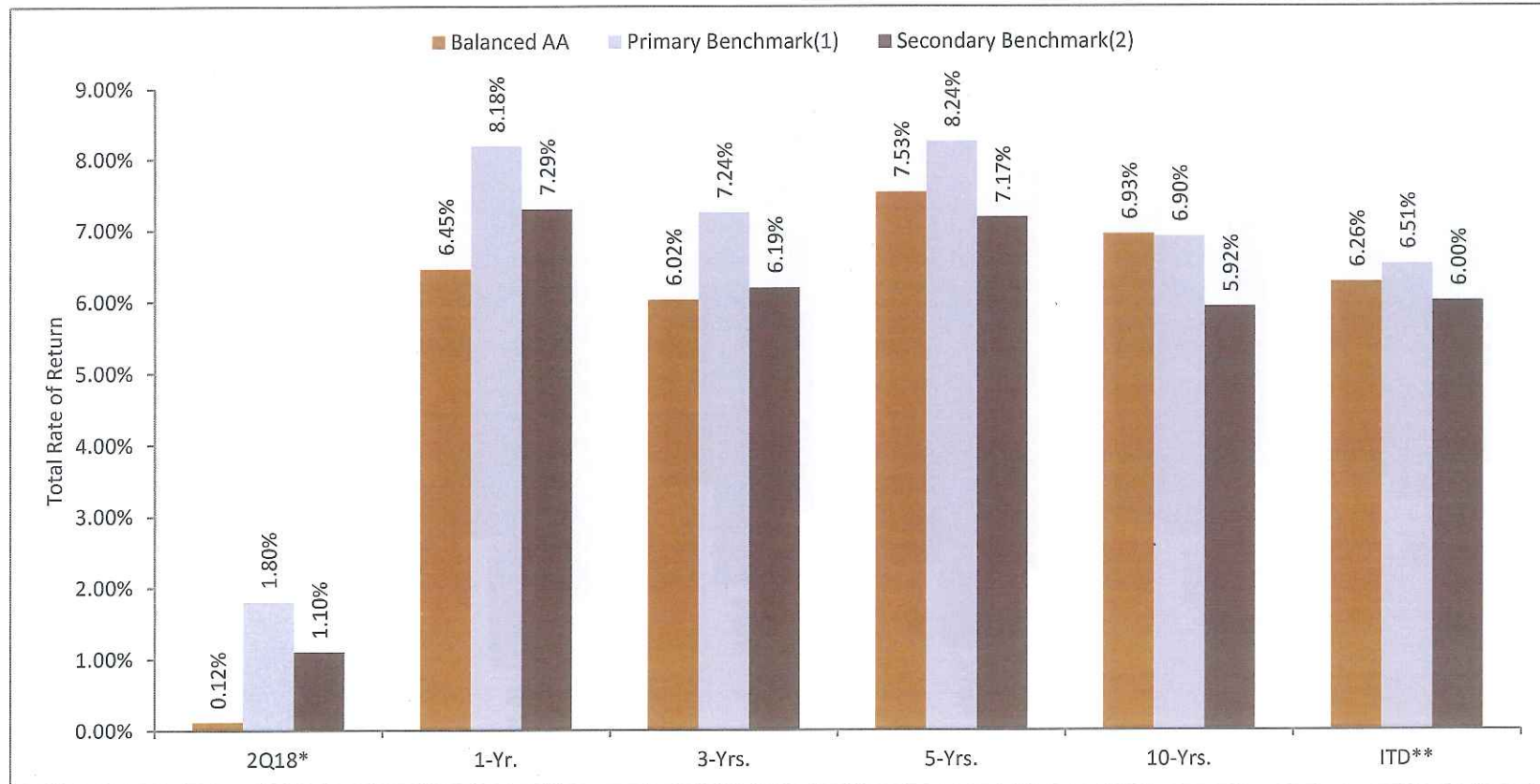
\*\*Inception date: January 2006

(2) Secondary Benchmark: 21% S&P 500, 3% Russell MidCap, 3% Russell 2000, 7% MSCI EAFE, 2% MSCI Emerging Market, 34% Barclays US Aggregate Bond, 13% Barclays 1-3 Year Government/Credit Bond, 15% HFRI FOF, 2% Citigroup 3-Month Treasury Bill

# INVESTMENT RETURNS - BALANCED PORTFOLIO

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return  
as of June 30, 2018



\*\*Inception date: January 2006

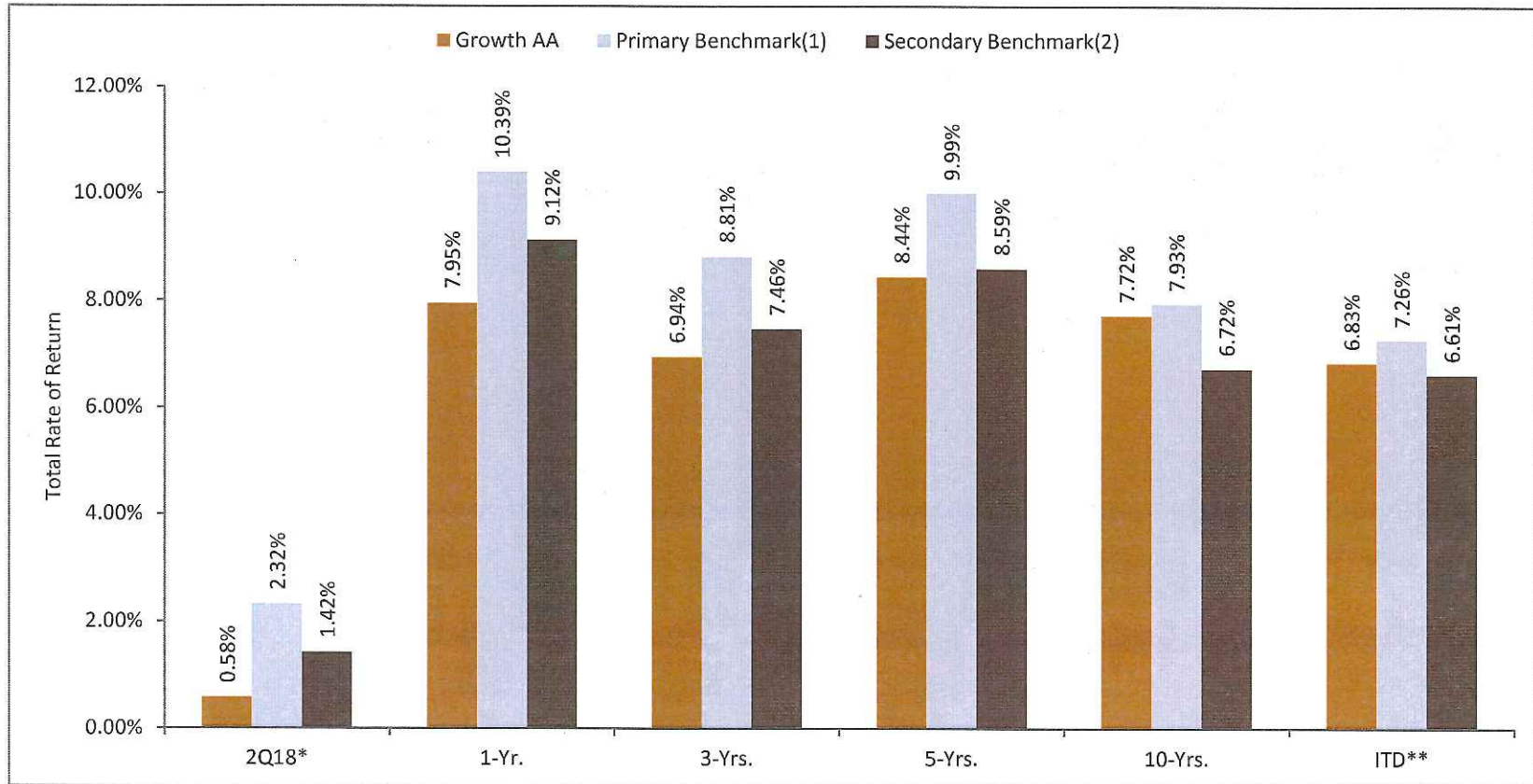
(2) Secondary Benchmark: 33% S&P 500, 4% Russell MidCap, 4% Russell 2000, 11% MSCI EAFE, 3% MSCI Emerging Market, 21% Barclays US Aggregate Bond, 8% Barclays 1-3 Year Government/Credit Bond, 15% HFRI FOF, 1% Citigroup 3-Month Treasury Bill

Note: Primary and secondary benchmarks were changed as of 2Q14 to include alternatives

# INVESTMENT RETURNS - GROWTH PORTFOLIO

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return  
as of June 30, 2018



\*\*Inception date: January 2006

(2) Secondary Benchmark: 42% S&P 500, 5% Russell MidCap, 5% Russell 2000, 14% MSCI EAFE, 4% MSCI Emerging Market, 12% Barclays US Aggregate Bond, 5% Barclays 1-3 year Government/Credit, 12% HFRI FOF, 1% Citigroup 3-Month Treasury Bill

Note: Primary and secondary benchmarks were changed as of 2Q14 to include alternatives

## MUTUAL FUND CHANGES DURING THIS QUARTER

There was one change in the fund lineup during the second quarter of 2018.

Emerging Market local currency debt presents an attractive risk-adjusted return opportunity, in line with our Asset Allocation Committee's outlook for continued global expansion and the expectation of a moderate rise of interest rates domestically. Therefore, we added a 5% (of our fixed income allocation) position to the Eaton Vance Emerging Markets Local Income Fund (EEIIX). The fund generates investment ideas through fundamental research on the economics and policies of emerging market countries as well as the analysis of prevailing global market trends. The strategy is implemented by a 21-person investment team with significant emerging markets experience, working together since 2008.

## INVESTMENT RETURNS - FIXED INCOME FUNDS

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return (%) as of 06/30/2018

Ticker	Name	MStar Rating*	3-Mos.**	YTD**	1-Yr.	3-Yrs.	5-Yrs.	10-Yrs.
<b>Short-Term Bond</b>								
PYSBX	Payden Low Duration Fund	3	0.17	-0.02	0.44	0.92	1.04	2.01
VFSUX	Vanguard Short-Term Investment-Grade Adm	4	0.20	-0.32	0.22	1.59	1.83	2.81
<b>Intermediate-Term Bond</b>								
DODIX	Dodge & Cox Income	5	-0.33	-1.23	0.37	2.64	3.09	4.86
DBLFX	DoubleLine Core Fixed Income I	5	-0.19	-0.92	0.64	2.42	3.18	-
PTRRX	PIMCO Total Return Instl	4	-0.44	-1.71	-0.12	2.10	2.49	4.85
PTRQX	Prudential Total Return Bond Q	5	-0.53	-1.88	0.59	3.15	3.75	5.74
<b>Emerging Market Debt</b>								
EEIIX	Eaton Vance Emerging Markets Local Income Fund I	4	-10.50	-6.77	-2.50	3.64	0.13	2.79

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios

Source: Morningstar Direct



## INVESTMENT RETURNS - EQUITY FUNDS

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return (%) as of 06/30/2018

Ticker	Name	MStar Rating*	3-Mos.**	YTD**	1-Yr.	3-Yrs.	5-Yrs.	10-Yrs.
<b>Large Blend</b>								
SMGIX	Columbia Contrarian Core Inst	4	1.74	-0.73	8.94	9.49	12.48	10.58
VGIAX	Vanguard Growth & Income Adm	4	3.60	2.88	15.15	11.88	13.57	9.77
<b>Large Value</b>								
DODGX	Dodge & Cox Stock	4	2.76	0.96	11.85	10.95	12.81	9.70
PKAIX	PIMCO RAE Fundamental US Institutional	4	2.73	1.16	13.22	9.80	-	-
<b>Large Growth</b>								
HNACX	Harbor Capital Appreciation Retirement	5	6.36	10.99	29.31	15.34	18.17	12.37
LSITX	ClearBridge Large Cap Growth IS	4	5.31	7.13	20.80	14.53	16.53	12.71
<b>Mid Value</b>								
VEVIX	Victory Sycamore Established Value I	5	2.51	1.38	11.50	11.56	13.91	11.20
<b>Mid Growth</b>								
APDMX	Artisan Mid Cap Advisor	2	3.57	7.73	12.70	7.73	11.29	10.85
<b>Small Blend</b>								
FSCRX	Fidelity® Small Cap Discovery	4	2.99	1.55	7.37	6.42	9.41	13.54
DCZRX	Delaware Small Cap Core R6	5	9.13	8.09	17.71	12.02	14.31	12.31

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios

Source: Morningstar Direct

## INVESTMENT RETURNS - EQUITY FUNDS

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return (%) as of 06/30/2018

Ticker	Name	MStar Rating*	3-Mos.**	YTD**	1-Yr.	3-Yrs.	5-Yrs.	10-Yrs.
<b>Small Growth</b>								
PRJIX	T. Rowe Price New Horizons I	5	8.28	15.07	28.51	16.63	17.65	16.12
<b>Small Cap Value</b>								
UBVLX	Undiscovered Managers Behavioral Val L	5	7.02	3.60	14.31	11.43	12.88	14.41
<b>Foreign Large Value</b>								
DODFX	Dodge & Cox International Stock	2	-5.12	-7.15	0.50	2.06	5.78	3.68
<b>Foreign Large Blend</b>								
NWHMX	Nationwide Bailand Intl Eqs R6	2	-5.95	-5.95	3.24	2.91	6.33	2.41
HEFA	iShares Currency Hedged MSCI EAFE ETF	4	3.10	-0.27	6.92	6.00	-	-
<b>Foreign Large Growth</b>								
MGRDX	MFS® International Growth R6	5	2.37	1.15	12.33	9.43	8.27	5.33
<b>Diversified Emerging Markets</b>								
HHHYX	Hartford Schroders Emerging Mkts Eq Y	4	-8.38	-6.07	9.85	7.51	5.91	2.84

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios

Source: Morningstar Direct

## INVESTMENT RETURNS - ALTERNATIVE FUNDS

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return (%) as of 06/30/2018

Ticker	Name	MStar Rating*	3-Mos.**	YTD**	1-Yr.	3-Yrs.	5-Yrs.	10-Yrs.
<b>Market Neutral</b>								
QMNIX	AQR Equity Market Neutral I	5	-8.50	-8.57	-4.27	4.89	-	-
BSIKX	BlackRock Strategic Income Opps K	3	-0.77	-0.42	1.97	2.34	2.90	4.34
<b>Managed Futures</b>								
AQMIX	AQR Managed Futures Strategy I	3	-2.57	-5.63	-1.02	-4.28	0.26	-
ASFYX	Natixis ASG Managed Futures Strategy Y	4	-2.05	-6.45	2.21	-2.36	4.27	-
<b>Merger Arbitrage</b>								
ARBNX	Arbitrage I	4	0.00	0.00	0.51	2.27	2.04	2.91
<b>Global Macro</b>								
EGRIX	Eaton Vance Glbl Macro Abs Ret Advtg I	4	-4.03	-3.47	-2.34	3.06	3.43	-
LAOSX	Western Asset Macro Opportunities IS	4	-5.61	-6.18	-2.84	4.72	-	-
<b>Fund of Hedge Funds</b>								
BXMIX	Blackstone Alternative Multi-Strategy I	4	-0.66	-1.30	0.67	2.44	-	-
QSPIX	AQR Style Premia Alternative I	5	-8.03	-7.41	2.40	4.44	-	-
<b>Commodities</b>								
EIPCX	Parametric Commodity Strategy Instl	4	0.18	-1.09	8.30	-0.83	-4.02	-
<b>Precious Metals</b>								
IAU	iShares Gold Trust	-	-5.59	-3.61	0.42	1.96	0.72	2.76

\*Morningstar overall rating | \*\*Returns for periods under one year are not annualized  
Returns are shown net of embedded expense ratios | Source: Morningstar Direct

## INVESTMENT RETURNS & RANKINGS - FIXED INCOME FUNDS

El Toro Water District - 401(k) Plan

		Annualized Total Rate of Return (%) as of 06/30/2018																						Lipper Category
Ticker	Name	Exp Ratio	MStar Rtg*	3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years			3 Yr Shrp%	3 Yr SD	
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg			
<b>Short-Term Bond</b>																								
PYSBX	Payden Low Duration Fund	0.44	3	0.17	71	78	-0.02	46	53	0.44	46	53	0.92	64	60	1.04	61	58	2.01	66	55	0.26	0.62	Lipper Sht Inv Grade Debt Funds
VFSUX	Vanguard Short-Term Investment-Grade Adm	0.10	4	0.20	65	68	-0.32	69	69	0.22	61	69	1.59	24	20	1.83	18	12	2.81	22	12	0.66	1.22	Lipper Sht Inv Grade Debt Funds
Peer Group	US Fund Short-Term Bond			0.28			-0.06			0.44			1.18			1.27			2.29			0.30	1.16	
Index	BBgBarc US Govt/Credit 1-3 Yr TR USD			0.28			0.08			0.21			0.71			0.84			1.65			-0.04	0.74	
<b>Intermediate-Term Bond</b>																								
DBLFX	DoubleLine Core Fixed Income I	-	5	-0.19	45	29	-0.92	15	12	0.64	9	12	2.42	12	27	3.18	6	21	-	-	n.a.	0.68	2.44	Lipper Core Plus Bond Funds
DODIX	Dodge & Cox Income	0.43	5	-0.33	66	63	-1.23	26	8	0.37	14	8	2.64	7	5	3.09	9	5	4.86	12	4	0.74	2.51	Lipper Core Bond Funds
PTTRX	PIMCO Total Return Instl	0.46	4	-0.44	77	56	-1.71	56	36	-0.12	31	36	2.10	27	49	2.49	33	54	4.85	12	31	0.48	2.84	Lipper Core Plus Bond Funds
PTRQX	Prudential Total Return Bond Q	0.42	5	-0.53	84	67	-1.88	70	13	0.59	10	13	3.15	3	8	3.75	2	6	5.74	2	n.a.	0.74	3.22	Lipper Core Plus Bond Funds
Peer Group	US Fund Intermediate-Term Bond			-0.24			-1.55			-0.36			1.68			2.20			3.89			0.37	2.57	
Index	BBgBarc US Agg Bond TR USD			-0.16			-1.62			-0.40			1.72			2.27			3.72			0.37	2.65	
<b>Emerging Market Debt</b>																								
EEIIX	Eaton Vance Emerging Markets Local Income Fund I	0.94	4	-10.50	29	27	-6.77	22	23	-2.50	21	23	3.64	2	3	0.13	12	5	2.79	1	n.a.	0.30	11.34	Lipper Emerging Market Local Currency Debt Funds
Peer Group	US Fund Emerging-Markets Local-Currency Bond			-10.01			-6.26			-2.11			1.24			-1.04			1.53			0.10	10.02	
Index	JPM GBI-EM Global Diversified TR USD			-10.42			-6.44			-2.33			1.96			-1.40			2.58			0.16	11.58	

\*Morningstar overall rating

Returns are shown net of embedded expense ratios. Mstar Rnkg - Fund's ranking within Morningstar's category ("Peer Group"). Funds are ranked in descending order by return. For example, a Fund with a 20 ranking indicates that it is ranked in the top 20th percentile. Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

## INVESTMENT RETURNS & RANKINGS - EQUITY FUNDS

El Toro Water District - 401(k) Plan

Ticker	Name	Annualized Total Rate of Return (%) as of 06/30/2018																				Lipper Category		
		Exp Ratio	MStar Rtg*	3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years				3 Yr Shrp%	3 Yr SD
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg			
<b>Large Blend</b>																								
SMGIX	Columbia Contrarian Core Inst	0.8	4	1.74	79	83	-0.73	89	90	8.94	89	90	9.49	66	66	12.48	43	37	10.58	10	11	0.88	10.04	Lipper Large-Cap Core Funds
VGIAX	Vanguard Growth & Income Adm	0.23	4	3.60	22	19	2.88	21	18	15.15	15	18	11.88	12	14	13.57	8	10	9.77	35	27	1.10	10.06	Lipper Large-Cap Core Funds
Peer Group	US Fund Large Blend			2.68			1.58			12.58			9.93			11.73			9.08			0.90	10.47	
Index	Russell 1000 TR USD			3.57			2.85			14.54			11.64			13.37			10.20			1.06	10.20	
Index	S&P 500 TR USD			3.43			2.65			14.37			11.93			13.42			10.17			1.09	10.16	
<b>Large Value</b>																								
DODGX	Dodge & Cox Stock	0.52	4	2.76	17	10	0.96	14	14	11.85	19	14	10.95	9	3	12.81	1	2	9.70	16	12	0.83	12.55	Lipper Large-Cap Value Funds
PKAIX	PIMCO RAE Fundamental US Institutional	0.40	4	2.73	17	17	1.16	12	7	13.22	12	7	9.80	24	13	-	-	n.a.	-	-	n.a.	0.92	9.87	Lipper Large-Cap Core Funds
Peer Group	US Fund Large Value			1.63			-0.95			9.04			8.35			9.94			8.30			0.75	10.73	
Index	Russell 1000 Value TR USD			1.18			-1.69			6.77			8.26			10.34			8.49			0.75	10.27	
<b>Large Growth</b>																								
HNACX	Harbor Capital Appreciation Retirement	0.59	5	6.36	26	34	10.99	20	6	29.31	6	6	15.34	16	n.a.	18.17	7	n.a.	12.37	14	n.a.	1.07	13.55	Lipper Large-Cap Growth Funds
LSITX	ClearBridge Large Cap Growth IS	0.7	4	5.31	47	65	7.13	50	65	20.80	49	65	14.53	25	31	16.53	21	26	12.71	12	n.a.	1.29	10.40	Lipper Large-Cap Growth Funds
Peer Group	US Fund Large Growth			5.13			7.51			20.58			12.21			14.37			10.23			0.98	11.80	
Index	Russell 1000 Growth TR USD			5.76			7.25			22.51			14.98			16.36			11.83			1.26	11.06	
<b>Mid Value</b>																								
VEVIX	Victory Sycamore Established Value I	0.62	5	2.51	48	49	1.38	30	43	11.50	23	43	11.56	7	5	13.91	2	4	11.20	13	n.a.	1.02	10.54	Lipper Mid-Cap Core Funds
Peer Group	US Fund Mid-Cap Value			2.55			0.19			8.86			7.99			10.12			9.16			0.67	11.57	
Index	Russell Mid Cap Value TR USD			2.41			-0.16			7.60			8.80			11.27			10.06			0.78	10.52	

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios. Mstar Rnkg - Fund's ranking within Morningstar's category ("Peer Group"). Funds are ranked in descending order by return. For example, a Fund with a 20 ranking indicates that it is ranked in the top 20th percentile.

Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

## INVESTMENT RETURNS & RANKINGS - EQUITY FUNDS

El Toro Water District - 401(k) Plan

Ticker	Name	Exp Ratio	MStar Rtg*	Annualized Total Rate of Return (%) as of 06/30/2018																			Lipper Category	
				3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years			3 Yr Shrp%		3 Yr SD
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg			
<b>Mid Growth</b>																								
APDMX	Artisan Mid Cap Advisor	1.05	2	3.57	52	64	7.73	32	91	12.70	86	91	7.73	77	85	11.29	74	n.a.	10.85	20	n.a.	0.60	12.50	Lipper Multi-Cap Growth Funds
Peer Group	US Fund Mid-Cap Growth			4.16			6.39			18.06			9.68			12.31			9.45			0.78	11.96	
Index	Russell Mid Cap Growth TR USD			3.16			5.40			18.52			10.73			13.37			10.45			0.92	11.04	
<b>Small Value</b>																								
UBVLX	Undiscovered Managers Behavioral Val L	0.88	5	7.02	43	34	3.60	51	50	14.31	27	50	11.43	19	18	12.88	9	17	14.41	1	2	0.90	12.09	Lipper Small-Cap Value Funds
Peer Group	US Fund Small Value			6.61			3.72			12.44			9.13			9.87			9.71			0.64	14.52	
Index	Russell 2000 Value TR USD			8.30			5.44			13.10			11.22			11.18			9.88			0.76	14.29	
<b>Small Blend</b>																								
DCZRX	Delaware Small Cap Core R6	0.79	5	9.13	8	6	8.09	15	17	17.71	21	17	12.02	13	n.a.	14.31	3	n.a.	12.31	5	n.a.	0.84	13.75	Lipper Small-Cap Core Funds
FSCRX	Fidelity® Small Cap Discovery	0.68	4	2.99	92	89	1.55	85	96	7.37	96	96	6.42	87	88	9.41	83	82	13.54	2	3	0.51	12.32	Lipper Small-Cap Core Funds
Peer Group	US Fund Small Blend			6.31			5.26			14.67			9.41			11.02			9.73			0.68	13.47	
Index	Russell 2000 TR USD			7.75			7.66			17.57			10.96			12.46			10.60			0.76	14.06	
<b>Small Growth</b>																								
PRJIX	T. Rowe Price New Horizons I	0.65	5	8.28	51	8	15.07	20	8	28.51	20	8	16.63	6	n.a.	17.65	4	n.a.	16.12	1	n.a.	1.26	12.37	Lipper Small-Cap Growth Funds
Peer Group	US Fund Small Growth			8.53			11.05			22.70			11.04			12.76			10.85			0.78	13.89	
Index	Russell 2000 Growth TR USD			7.23			9.70			21.86			10.60			13.65			11.24			0.72	14.57	

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios. Mstar Rnkg - Fund's ranking within Morningstar's category ("Peer Group"). Funds are ranked in descending order by return. For example, a Fund with a 20 ranking indicates that it is ranked in the top 20th percentile. Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

## INVESTMENT RETURNS & RANKINGS - EQUITY FUNDS

El Toro Water District - 401(k) Plan

Ticker	Name	Exp Ratio	MStar Rtg*	Annualized Total Rate of Return (%) as of 06/30/2018																		Lipper Category		
				3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years				3 Yr Shrp%	3 Yr SD
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg			
<b>Foreign Large Blend</b>																								
NWHMX	Nationwide Bailard Intl Eqs R6	0.85	2	-5.95	99	99	-5.95	95	90	3.24	89	90	2.91	85	86	6.33	40	n.a.	2.41	57	n.a.	0.25	10.98	Lipper International Multi-Cap Core
HEFA	iShares Currency Hedged MSCI EAFE ETF	0.03	4	3.10	3	4	-0.27	6	34	6.92	38	34	6.00	14	17	-	-	n.a.	-	-	n.a.	0.54	10.51	Lipper International Multi-Cap Core
Peer Group	US Fund Foreign Large Blend			-2.14			-3.06			6.08			4.56			5.92			2.61			0.39	11.50	
Peer Group	US Fund Europe Stock			-0.95			-2.36			5.07			5.17			6.85			2.94			0.40	12.74	
Index	MSCI EAFE NR USD			-1.24			-2.75			6.84			4.90			6.44			2.84			0.39	12.09	
Index	MSCI ACWI Ex USA NR USD			-2.61			-3.77			7.28			5.07			5.99			2.54			0.41	12.18	
<b>Foreign Large Value</b>																								
DODFX	Dodge & Cox International Stock	0.63	2	-5.12	97	93	-7.15	99	98	0.50	98	98	2.06	93	89	5.78	60	33	3.68	22	29	0.16	14.99	Lipper International Large-Cap Growth
Peer Group	US Fund Foreign Large Value			-2.69			-4.41			4.09			3.59			5.05			2.19			0.29	11.99	
Index	MSCI EAFE Value NR USD			-2.64			-4.61			4.25			3.30			5.37			2.17			0.26	13.14	
Index	MSCI ACWI Ex USA Value NR USD			-3.84			-5.28			4.64			3.51			4.75			2.03			0.27	13.12	
<b>Foreign Large Growth</b>																								
MGRDX	MF5* International Growth R6	0.81	5	2.37	8	2	1.15	23	16	12.33	29	16	9.43	12	4	8.27	29	9	5.33	14	6	0.80	11.14	Lipper International Multi-Cap Growth
Peer Group	US Fund Foreign Large Growth			-0.72			-0.43			10.53			6.62			7.72			3.92			0.54	11.75	
Index	MSCI EAFE Growth NR USD			0.11			-0.93			9.41			6.41			7.43			3.45			0.52	11.83	
Index	MSCI ACWI Ex USA Growth NR USD			-1.42			-2.28			9.90			6.56			7.18			3.01			0.53	11.84	
<b>Diversified Emerging Markets</b>																								
HHHYX	Hartford Schroders Emerging Mkts Eq Y	1.14	4	-8.38	36	36	-6.07	30	24	9.85	20	24	7.51	12	n.a.	5.91	18	n.a.	2.84	31	n.a.	0.51	15.08	Lipper Emerging Markets Funds
Peer Group	US Fund Diversified Emerging Mkts			-8.90			-7.05			6.09			4.76			4.05			2.09			0.33	14.95	
Index	MSCI EM NR USD			-7.96			-6.66			8.20			5.60			5.01			2.26			0.37	16.05	

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios. Mstar Rnkg - Fund's ranking within Morningstar's category ("Peer Group"). Funds are ranked in descending order by return. For example, a Fund with a 20 ranking indicates that it is ranked in the top 20th percentile.

Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

## INVESTMENT RETURNS & RANKINGS - ALTERNATIVE FUNDS

El Toro Water District - 401(k) Plan

Ticker	Name	Exp Ratio	MStar Rtg*	Annualized Total Rate of Return (%) as of 06/30/2018																		Lipper Category		
				3-Mos**		YTD**			1-Year			3-Years			5-Years			10-Years			3 Yr Shrp%		3 Yr SD	
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg		Lipper Rnkg		
<b>Market Neutral</b>																								
QMNIX	AQR Equity Market Neutral I	1.2	5	-8.50	100	99	-8.57	98	95	-4.27	94	95	4.89	3	9	-	-	n.a.	-	-	n.a.	0.68	6.13	Lipper Alt Equity Mkt Neutral
BSIKX	BlackRock Strategic Income Opps K	0.53	3	-0.77	73	68	-0.42	54	35	1.97	38	35	2.34	53	n.a.	2.90	21	n.a.	4.34	45	n.a.	0.90	1.74	Lipper Alt Credit Focus Funds
<b>Managed Futures</b>																								
AQMIX	AQR Managed Futures Strategy I	1.19	3	-2.57	73	75	-5.63	61	74	-1.02	74	74	-4.28	78	76	0.26	64	68	-	-	n.a.	-0.55	8.68	Lipper Alt Managed Futures
ASFYX	Natixis ASG Managed Futures Strategy Y	1.5	4	-2.05	63	64	-6.45	76	40	2.21	36	40	-2.36	68	64	4.27	23	18	-	-	n.a.	-0.23	10.88	Lipper Alt Managed Futures
<b>Merger Arbitrage</b>																								
ARBNX	Arbitrage I	1.22	4	0.00	52	95	0.00	47	76	0.51	57	76	2.27	33	68	2.04	32	58	2.91	38	73	0.77	1.95	Lipper Alt Event Driven Funds
<b>Global Macro</b>																								
EGRIX	Eaton Vance Gbl Macro Abs Ret Advtg I	1.2	4	-4.03	93	94	-3.47	93	92	-2.34	90	92	3.06	35	47	3.43	12	47	-	-	n.a.	0.58	4.02	Lipper Alt Global Macro Funds
LAOSX	Western Asset Macro Opportunities IS	1.21	4	-5.61	97	95	-6.18	98	92	-2.84	93	92	4.72	8	6	-	-	n.a.	-	-	n.a.	0.62	6.58	Lipper Alt Credit Focus Funds
<b>Fund of Hedge Funds</b>																								
BXMIX	Blackstone Alternative Multi-Strategy I	2.2	4	-0.66	67	61	-1.30	59	62	0.67	66	62	2.44	32	24	-	-	n.a.	-	-	n.a.	0.47	3.65	Lipper Alt Multi-Strategy Funds
QSPIX	AQR Style Premia Alternative I	1.49	5	-8.03	99	98	-7.41	96	41	2.40	42	41	4.44	8	21	-	-	n.a.	-	-	n.a.	0.56	6.82	Lipper Absolute Return
<b>Commodities</b>																								
EIPCX	Parametric Commodity Strategy Instl	0.65	4	0.18	59	60	-1.09	82	62	8.30	55	62	-0.83	23	24	-4.02	23	28	-	-	n.a.	-0.10	10.47	Lipper Commodities General
<b>Precious Metals</b>																								
IAU	iShares Gold Trust	0.25	-	-5.59	48	51	-3.61	13	7	0.42	20	7	1.96	8	7	0.72	10	7	2.76	1	1	0.15	14.56	Lipper Commodities Precious Metals

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios. Mstar Rnkg - Fund's ranking within Morningstar's category ("Peer Group"). Funds are ranked in descending order by return. For example, a Fund with a 20 ranking indicates that it is ranked in the top 20th percentile. Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)



## TARGET FUND ALLOCATIONS

### El Toro Water District - 401(k) Plan

	Capital Preservation	Income & Growth	Balanced	Growth		
<b>Equity</b>	<b>15%</b>	<b>35%</b>	<b>55%</b>	<b>72%</b>	<b>Ticker</b>	<b>Fund Name</b>
Large Cap Blend	1.99%	4.49%	6.92%	8.90%	SMGIX	Columbia Contrarian Core Inst
	1.99%	4.49%	6.92%	8.90%	VGIAX	Vanguard Growth & Income Adm
Large Cap Growth	0.65%	1.53%	2.38%	3.16%	HNACX	Harbor Capital Appreciation Retirement
	0.65%	1.53%	2.38%	3.16%	LSITX	ClearBridge Large Cap Growth IS
Large Cap Value	0.84%	1.97%	3.17%	4.13%	PKAIX	PIMCO RAE Fundamental US Institutional
	0.84%	1.97%	3.17%	4.13%	DODGX	Dodge & Cox Stock
Mid Cap Growth	0.56%	1.30%	2.05%	2.67%	APDMX	Artisan Mid Cap Advisor
Mid Cap Value	0.62%	1.48%	2.33%	3.01%	VEVIX	Victory Sycamore Established Value I
Small Cap Blend	0.37%	0.85%	1.40%	1.99%	DCZRX	Delaware Small Cap Core R6
	0.37%	0.85%	1.40%	1.99%	FSCRX	Fidelity® Small Cap Discovery
Small Cap Growth	0.65%	1.53%	2.47%	3.55%	PRJIX	T. Rowe Price New Horizons I
Small Cap Value	0.78%	1.79%	2.89%	4.08%	UBVLX	Undiscovered Managers Behavioral Val L
Foreign Large Blend	1.53%	3.62%	5.68%	7.10%	NWHMX	Nationwide Bailard Intl Eqs R6
	0.52%	1.23%	1.88%	2.33%	HEFA	iShares Currency Hedged MSCI EAFE ETF
Foreign Large Growth	1.13%	1.29%	2.05%	2.43%	MGRDX	MFS® International Growth R6
Foreign Large Value	0.58%	2.63%	4.17%	5.30%	DODFX	Dodge & Cox International Stock
Emerging Markets	0.90%	2.47%	3.78%	5.15%	HHHYX	Hartford Schrodgers Emerging Mkts Eq Y
<b>Alternatives</b>	<b>15%</b>	<b>13%</b>	<b>13%</b>	<b>12%</b>	<b>Ticker</b>	<b>Fund Name</b>
Global Macro	1.75%	1.52%	1.52%	1.40%	EGRIX	Eaton Vance Gbl Macro Abs Ret Advtg I
	1.75%	1.52%	1.52%	1.40%	LAOSX	Western Asset Macro Opportunities IS
Managed Futures	1.50%	1.30%	1.30%	1.20%	AQMIX	AQR Managed Futures Strategy I
	1.50%	1.30%	1.30%	1.20%	ASFYX	Natixis ASG Managed Futures Strategy Y
Merger/Arbitrage	1.50%	1.30%	1.30%	1.20%	ARBIX	Arbitrage I
Market Neutral	0.75%	0.65%	0.65%	0.60%	QMNIX	AQR Equity Market Neutral I
	0.75%	0.65%	0.65%	0.60%	BSIKX	BlackRock Strategic Income Opps K
Multi-Strategy / Fund of Funds	1.63%	1.41%	1.41%	1.30%	BXMIX	Blackstone Alternative Multi-Strategy I
	1.63%	1.41%	1.41%	1.30%	QSPIX	AQR Style Premia Alternative I
Commodities	1.50%	1.30%	1.30%	1.20%	EIPCX	Parametric Commodity Strategy Instl
Precious Metals	0.75%	0.65%	0.65%	0.60%	IAU	iShares Gold Trust
<b>Fixed Income</b>	<b>65%</b>	<b>50%</b>	<b>31%</b>	<b>15%</b>	<b>Ticker</b>	<b>Fund Name</b>
Short Term Bond	2.58%	2.08%	1.38%	0.58%	VFSUX	Vanguard Short-Term Investment-Grade Adm
	2.58%	2.08%	1.38%	0.58%	PYSBX	Payden Low Duration Fund
Intermediate-Term Bond	14.13%	10.83%	6.64%	3.29%	DBLFX	DoubleLine Core Fixed Income I
	14.13%	10.83%	6.64%	3.23%	PTTRX	PIMCO Total Return Instl
	14.19%	10.83%	6.70%	3.29%	PTRQX	Prudential Total Return Bond Q
	14.13%	10.83%	6.70%	3.29%	DODIX	Dodge & Cox Income
Emerging Market Debt	3.25%	2.50%	1.55%	0.75%	EELIX	Eaton Vance Emerging Markets Local Income Fund I
<b>Cash</b>	<b>5%</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>	<b>Ticker</b>	<b>Fund Name</b>
Cash & Equivalents	5.00%	2.00%	1.00%	1.00%	FIGXX	Fidelity Money Market Government Portfolio I
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		

Target Allocations are subject to change without notice.

# INVESTMENT PORTFOLIO SUMMARY - CAPITAL PRESERVATION

El Toro Water District - 401(k) Plan

Account Number: 6721011389

Data as of: 06/30/2018

Portfolio Manager:  
Robert L. Adams, CFA

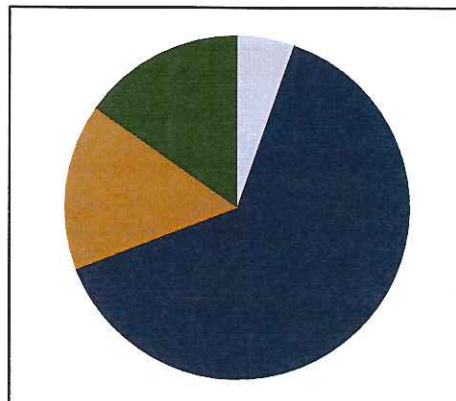
## Account Snapshot

Asset Class	Market Value	Tax Cost	Est. Annual Income	Current Yield (%)
Cash & Equivalents	\$257,162.40	\$257,162.40	\$850.74	0.33%
Fixed Income	\$3,057,189.23	\$3,166,611.96	\$23,460.03	0.77%
Equities	\$747,101.01	\$667,469.32	\$2,395.34	0.32%
Alternatives	\$733,451.52	\$758,830.99	\$717.10	0.10%
Other	\$0.00	\$0.00	\$0.00	0.00%
<b>Total</b>	<b>\$4,794,904.16</b>	<b>\$4,850,074.67</b>	<b>\$27,423.20</b>	<b>0.57%</b>

*Yields are gross of any fees and reflect the reinvestment of dividends and other income*

## Asset Allocation

5.4%	Cash & Equivalents
63.8%	Fixed Income
15.6%	Equities
15.3%	Alternatives
0.0%	Other



## Income Summary (1, 2)

Cash & Equivalents Income Earned YTD	\$1,701
Taxable Fixed Income Income Earned YTD	\$46,920
Tax-Exempt Fixed Income Income Earned YTD	\$0
Equity Income Earned YTD	\$4,791
Alternative Income Earned YTD	\$1,434
Other Income Earned YTD	\$0
<b>Total</b>	<b>\$54,846</b>

## Net Gain/Loss Summary (3)

	Realized	Unrealized
Net Short Term Gain/Loss	\$3,086	
Net Long Term Gain/Loss	-\$494	
<b>Total</b>	<b>\$2,592</b>	<b>-\$60,925</b>

(1) As of 06/30/2018

(2) Information is calculated on a calendar year basis and includes income, dividends, and capital gain distributions

(3) Gain/Loss information is for informational purposes only.

# HOLDINGS REPORT

## El Toro Water District 401(k) - Capital Preservation

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>CASH EQUIVALENTS</b>								
<b>MONEY MARKET FUNDS/CASH</b>								
n.a.	n.a.	CASH	(7,832.0200)	(\$7,832.02)	1.00	(\$7,832.02)	-3.05%	-0.16%
FPZXX	n.a.	CASH FUND	264,994.42	\$264,994.42	1.00	\$264,994.42	103.05%	5.35%
<b>TOTAL CASH</b>				<b>\$257,162.40</b>		<b>\$257,162.40</b>		<b>5.19% T</b>
<b>FIXED INCOME</b>								
<b>Short-Term Bond Funds</b>								
PYSBX	704329200	Payden Low Duration Fund	12,820.13	129,252.86	9.94	127,432.06	3.96%	2.57%
VFSUX	922031836	Vanguard Short-Term Investment-Grade Adm	12,241.97	130,607.82	10.46	128,051.04	3.98%	2.59%
				<u>\$259,860.68</u>		<u>\$255,483.10</u>		<u>5.16% T</u>
<b>Intermediate-Term Bond Funds</b>								
DBLFX	258620301	DoubleLine Core Fixed Income I	65,375.70	712,458.36	10.7	699,520.03	21.77%	14.13%
DODIX	256210105	Dodge & Cox Income	52,238.82	719,870.73	13.37	698,433.01	21.73%	14.11%
PTRQX	74440B884	Prudential Total Return Bond Q	49,976.64	733,337.66	14.09	704,170.80	21.91%	14.22%
PTRRX	693390700	PIMCO Total Return Instl	70,168.74	741,084.53	9.97	699,582.29	21.77%	14.13%
				<u>\$2,906,751.28</u>		<u>\$2,801,706.13</u>		<u>56.58% T</u>
<b>Emerging Market Debt</b>								
EEIIX	277923447	Eaton Vance Emerging Markets Local Income Fund I	27,647.46	162,515.91	5.67	156,761.09	4.88%	3.17% T
<b>TOTAL FIXED INCOME</b>				<b>\$3,329,127.87</b>		<b>\$3,213,950.32</b>		<b>64.91% T</b>
<b>EQUITY</b>								
<b>Large Cap Blend Funds</b>								
SMGIX	19765P406	Columbia Contrarian Core Inst	3,891.07	83,643.98	25.67	99,883.74	13.37%	2.02%
VGIAX	921913208	Vanguard Growth & Income Adm	1,265.52	89,156.41	78.79	99,710.64	13.35%	2.01%
				<u>\$172,800.39</u>		<u>\$199,594.38</u>		<u>4.03% T</u>
<b>Large Cap Value Funds</b>								
DODGX	256219106	Dodge & Cox Stock	209.57	38,347.75	201.86	42,304.61	5.66%	0.85%
PKAIX	72202L462	PIMCO RAE Fundamental US Institutional	3,746.24	39,983.63	11.3	42,332.55	5.67%	0.85%
				<u>\$78,331.38</u>		<u>\$84,637.16</u>		<u>1.71% T</u>

# HOLDINGS REPORT

## El Toro Water District 401(k) - Capital Preservation

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Large Cap Growth Funds</b>								
HNACX	411512528	Harbor Capital Appreciation Retirement	426.36	26,786.68	77.04	32,846.54	4.40%	0.66%
LSITX	52469H255	ClearBridge Large Cap Growth IS	685.11	30,294.00	48.23	33,043.00	4.42%	0.67%
				<u>\$57,080.68</u>		<u>\$65,889.54</u>		<u>1.33% T</u>
<b>Mid Cap Value Funds</b>								
VEVIX	92646A831	Victory Sycamore Established Value I	776.05	28,162.14	40.93	31,763.69	4.25%	0.64% T
<b>Mid Cap Growth Funds</b>								
APDMX	04314H659	Artisan Mid Cap Advisor	694.40	26,624.60	41.25	28,644.04	3.83%	0.58% T
<b>Small Cap Value Funds</b>								
UBVLX	904504842	Undiscovered Managers Behavioral Val L	539.92	35,570.25	72.45	39,116.91	5.24%	0.79% T
<b>Small Cap Blend Funds</b>								
DCZRX	24610B826	Delaware Small Cap Core R6	724.09	18,024.94	26.06	18,869.81	2.53%	0.38%
FSCRX	315912600	Fidelity® Small Cap Discovery	679.25	19,601.72	26.35	17,898.13	2.40%	0.36%
				<u>\$37,626.66</u>		<u>\$36,767.94</u>		<u>0.74% T</u>
<b>Small Cap Growth Funds</b>								
PRJIX	779562206	T. Rowe Price New Horizons I	557.10	28,147.36	60.56	33,737.79	4.52%	0.68% T
<b>Foreign Large Value Funds</b>								
DODFX	256206103	Dodge & Cox International Stock	1,272.55	52,545.19	43.01	54,732.33	7.33%	1.11% T
<b>Foreign Large Blend Funds</b>								
NWHMX	63868B815	Nationwide Bailard Intl Eqs R6	8,780.55	68,518.25	8.37	73,493.16	9.84%	1.48%
HEFA	46434V803	iShares Currency Hedged MSCI EAFE ETF	850.00	21,182.32	29.605	25,164.25	3.37%	0.51%
				<u>\$89,700.57</u>		<u>\$98,657.41</u>		<u>1.99% T</u>
<b>Foreign Large Growth Funds</b>								
MGRDX	552746356	MFS® International Growth R6	876.94	23,062.63	34.16	29,956.13	4.01%	0.60% T
<b>Diversified Emerging Markets</b>								
HHHYX	41665H797	Hartford Schrodgers Emerging Mkts Eq Y	2,787.96	37,817.47	15.64	43,603.69	5.84%	0.88%
				<u>\$37,817.47</u>		<u>\$43,603.69</u>		<u>0.88% T</u>
<b>TOTAL EQUITY</b>				<b>\$667,469.32</b>		<b>\$747,101.01</b>		<b>15.09% T</b>

# HOLDINGS REPORT

## El Toro Water District 401(k) - Capital Preservation

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>ALTERNATIVES</b>								
<b>Market Neutral</b>								
QMNIX	00191K799	AQR Equity Market Neutral I	3,104.51	36,429.21	11.2	34,770.49	4.65%	0.70%
BSIKX	09257E787	BlackRock Strategic Income Opps K	3,811.79	37,609.18	9.76	37,203.08	4.98%	0.75%
				\$74,038.39		\$71,973.57		1.45% T
<b>Managed Futures</b>								
AQMIX	00203H859	AQR Managed Futures Strategy I	8,630.98	85,735.42	8.71	75,175.81	10.06%	1.52%
ASFYX	63872T729	Natixis ASG Managed Futures Strategy Y	7,747.12	83,851.69	9.67	74,914.64	10.03%	1.51%
				\$169,587.11		\$150,090.45		3.03% T
<b>Merger Arbitrage</b>								
ARBXX	03875R205	Arbitrage I	5,701.10	74,357.44	13.08	74,570.36	9.98%	1.51% T
<b>Global Macro</b>								
EGRIX	277923264	Eaton Vance Gbl Macro Abs Ret Advtg I	8,549.57	85,525.70	10	85,495.69	11.44%	1.73%
LAOSX	95768D509	Western Asset Macro Opportunities IS	7,927.63	84,441.08	11.41	85,380.62	11.43%	1.72%
				\$169,966.78		\$170,876.31		3.45% T
<b>Commodities</b>								
EIPCX	277923223	Parametric Commodity Strategy Instl	13,252.47	72,823.55	5.42	71,828.40	9.61%	1.45% T

# HOLDINGS REPORT

## El Toro Water District 401(k) - Capital Preservation

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Precious Metals</b>								
IAU	464285105	iShares Gold Trust	2,975.00	36,032.34	12.02	35,759.50	4.79%	0.72% T
BXMIX	09257V201	Blackstone Alternative Multi-Strategy I	7,595.66	79,435.38	10.59	80,438.08	10.77%	1.62%
QSPIX	00203H420	AQR Style Premia Alternative I	8,099.26	82,590.00	9.62	77,914.85	10.43%	1.57%
				<u>\$162,025.38</u>		<u>\$158,352.93</u>		<u>3.20% T</u>
<b>TOTAL ALTERNATIVES</b>				<b>\$758,830.99</b>		<b>\$733,451.52</b>		<b>14.81% T</b>
<b>TOTAL - ALL ASSETS</b>				<b>\$5,012,590.58</b>		<b>\$4,951,665.25</b>		<b>100.00%</b>

# INVESTMENT PORTFOLIO SUMMARY - INCOME & GROWTH

## El Toro Water District - 401(k) Plan

Account Number: 6721021389  
 Data as of: 06/30/2018

Portfolio Manager:  
 Robert L. Adams, CFA

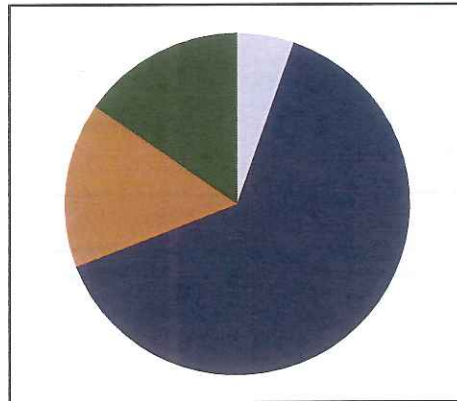
### Account Snapshot

Asset Class	Market Value	Tax Cost	Est. Annual Income	Current Yield (%)
Cash & Equivalents	\$206,746.07	\$206,746.07	\$967.92	0.47%
Fixed Income	\$5,774,268.12	\$6,004,649.33	\$43,404.82	0.75%
Equities	\$3,950,739.74	\$3,469,828.73	\$13,356.37	0.34%
Alternatives	\$1,478,836.90	\$1,526,950.69	\$1,512.62	0.10%
Other	\$0.00	\$0.00	\$0.00	0.00%
<b>Total</b>	<b>\$11,410,590.83</b>	<b>\$11,208,174.82</b>	<b>\$59,241.73</b>	<b>0.52%</b>

*Yields are gross of any fees and reflect the reinvestment of dividends and other income*

### Asset Allocation

- 1.8% Cash & Equivalents
- 50.6% Fixed Income
- 34.6% Equities
- 13.0% Alternatives
- 0.0% Other



### Income Summary (1, 2)

Cash & Equivalents Income Earned YTD	\$1,936
Taxable Fixed Income Income Earned YTD	\$86,810
Tax-Exempt Fixed Income Income Earned YTD	\$0
Equity Income Earned YTD	\$26,713
Alternative Income Earned YTD	\$3,025
Other Income Earned YTD	\$0
<b>Total</b>	<b>\$118,483</b>

### Net Gain/Loss Summary (3)

	Realized	Unrealized
Net Short Term Gain/Loss	\$19,951	
Net Long Term Gain/Loss	\$81,144	
<b>Total</b>	<b>\$101,096</b>	<b>\$202,416</b>

(1) As of 06/30/2018

(2) Information is calculated on a calendar year basis and includes income, dividends, and capital gain distributions

(3) Gain/Loss information is for informational purposes only.

# HOLDINGS REPORT

## El Toro Water District 401(k) - Income & Growth

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>CASH EQUIVALENTS</b>								
<b>MONEY MARKET FUNDS/CASH</b>								
n.a.	n.a.	CASH	(14,171.5400)	(\$14,171.54)	1.00	(\$14,171.54)	-6.85%	-0.12%
FPZXX	n.a.	CASH FUND	220,917.61	\$220,917.61	1.00	\$220,917.61	106.85%	1.94%
<b>TOTAL CASH</b>				<b>\$206,746.07</b>		<b>\$206,746.07</b>		<b>1.81% T</b>
<b>FIXED INCOME</b>								
<b>Short-Term Bond Funds</b>								
PYSBX	704329200	Payden Low Duration Fund	24,090.89	242,582.98	9.94	239,463.44	4.15%	2.10%
VFSUX	922031836	Vanguard Short-Term Investment-Grade Adm	22,987.79	244,783.10	10.46	240,452.23	4.16%	2.11%
				<u>\$487,366.08</u>		<u>\$479,915.67</u>		<u>4.21% T</u>
<b>Intermediate-Term Bond Funds</b>								
DBLFX	258620301	DoubleLine Core Fixed Income I	116,955.77	1,274,573.09	10.7	1,251,426.70	21.67%	10.97%
DODIX	256210105	Dodge & Cox Income	93,551.48	1,292,322.62	13.37	1,250,783.25	21.66%	10.96%
PTRQX	744408884	Prudential Total Return Bond Q	89,149.42	1,312,135.81	14.09	1,256,115.33	21.75%	11.01%
PTTRX	693390700	PIMCO Total Return Instl	125,795.72	1,346,061.15	9.97	1,254,183.29	21.72%	10.99%
				<u>\$5,225,092.67</u>		<u>\$5,012,508.57</u>		<u>43.93% T</u>
<b>Emerging Market Debt</b>								
EEIIX	277923447	Eaton Vance Emerging Markets Local Income Fund I	49,707.92	292,190.58	5.67	281,843.88	4.88%	2.47% T
<b>TOTAL FIXED INCOME</b>				<b>\$6,004,649.33</b>		<b>\$5,774,268.12</b>		<b>50.60% T</b>
<b>EQUITY</b>								
<b>Large Cap Blend Funds</b>								
SMGIX	19765P406	Columbia Contrarian Core Inst	19,736.36	399,321.39	25.67	506,632.46	12.82%	4.44%
VGIAX	921913208	Vanguard Growth & Income Adm	6,397.14	443,472.14	78.79	504,030.50	12.76%	4.42%
				<u>\$842,793.53</u>		<u>\$1,010,662.96</u>		<u>8.86% T</u>
<b>Large Cap Value Funds</b>								
DODGX	256219106	Dodge & Cox Stock	1,107.94	202,829.16	201.86	223,649.17	5.66%	1.96%
PKAIX	72202L462	PIMCO RAE Fundamental US Institutional	19,617.70	209,753.94	11.3	221,679.99	5.61%	1.94%
				<u>\$412,583.10</u>		<u>\$445,329.16</u>		<u>3.90% T</u>



# HOLDINGS REPORT

## El Toro Water District 401(k) - Income & Growth

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Large Cap Growth Funds</b>								
HNACX	411512528	Harbor Capital Appreciation Retirement	2,217.83	136,740.39	77.04	170,861.32	4.32%	1.50%
LSITX	52469H255	ClearBridge Large Cap Growth IS	3,547.55	156,922.61	48.23	171,098.43	4.33%	1.50%
				<u>\$293,663.00</u>		<u>\$341,959.75</u>		<u>3.00% T</u>
<b>Mid Cap Value Funds</b>								
VEVIX	92646A831	Victory Sycamore Established Value I	4,129.28	148,589.68	40.93	169,011.23	4.28%	1.48% T
<b>Mid Cap Growth Funds</b>								
APDMX	04314H659	Artisan Mid Cap Advisor	3,533.46	134,993.43	41.25	145,755.18	3.69%	1.28% T
<b>Small Cap Value Funds</b>								
UBVLX	904504842	Undiscovered Managers Behavioral Val L	2,812.13	184,686.47	72.45	203,739.04	5.16%	1.79% T
<b>Small Cap Blend Funds</b>								
DCZRX	24610B826	Delaware Small Cap Core R6	4,018.63	100,022.85	26.06	104,725.47	2.65%	0.92%
FSCRX	315912600	Fidelity® Small Cap Discovery	3,879.66	112,161.82	26.35	102,229.04	2.59%	0.90%
				<u>\$212,184.67</u>		<u>\$206,954.51</u>		<u>1.81% T</u>
<b>Small Cap Growth Funds</b>								
PRJIX	779562206	T. Rowe Price New Horizons I	2,899.78	144,864.24	60.56	175,610.62	4.45%	1.54% T
<b>Foreign Large Value Funds</b>								
DODFX	256206103	Dodge & Cox International Stock	6,840.12	280,262.52	43.01	294,193.48	7.45%	2.58% T
<b>Foreign Large Blend Funds</b>								
NWHMX	63868B815	Nationwide Bailard Intl Eqs R6	47,489.59	363,975.77	8.37	397,487.86	10.06%	3.48%
HEFA	46434V803	iShares Currency Hedged MSCI EAFE ETF	4,875.00	120,227.53	29.605	144,324.38	3.65%	1.26%
				<u>484,203.30</u>		<u>541,812.24</u>		<u>4.75% T</u>

# HOLDINGS REPORT

## El Toro Water District 401(k) - Income & Growth

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Foreign Large Growth Funds</b>								
MGRDX	552746356	MFS® International Growth R6	4,293.80	110,619.63	34.16	146,676.31	3.71%	1.29% T
<b>Diversified Emerging Markets</b>								
HHYX	41665H797	Hartford Schroders Emerging Mkts Eq Y	17,201.74	220,385.16	15.64	269,035.26	6.81%	2.36%
				\$220,385.16		\$269,035.26		2.36% T
<b>TOTAL EQUITY</b>				<b>\$3,469,828.73</b>		<b>\$3,950,739.74</b>		<b>34.62% T</b>

### ALTERNATIVES

#### Market Neutral

QMNIX	00191K799	AQR Equity Market Neutral I	6,363.97	74,566.18	11.2	71,276.46	1.80%	0.62%
BSIKX	09257E787	BlackRock Strategic Income Opps K	7,663.62	75,628.27	9.76	74,796.96	1.89%	0.66%
				\$150,194.45		\$146,073.42		1.28% T

#### Managed Futures

AQMIX	00203H859	AQR Managed Futures Strategy I	17,247.18	172,581.88	8.71	150,222.96	3.80%	1.32%
ASFYX	63872T729	Natixis ASG Managed Futures Strategy Y	15,464.55	167,007.74	9.67	149,542.24	3.79%	1.31%
				339,589.62		299,765.20		2.63% T

#### Merger Arbitrage

ARBNX	03875R205	Arbitrage I	11,397.77	148,933.56	13.08	149,082.83	3.77%	1.31% T
-------	-----------	-------------	-----------	------------	-------	------------	-------	---------

#### Global Macro

EGRIX	277923264	Eaton Vance Gbl Macro Abs Ret Advtg I	17,302.29	174,540.81	10	173,022.92	4.38%	1.52%
LAOSX	95768D509	Western Asset Macro Opportunities IS	16,055.87	168,333.67	10.77	172,921.72	4.38%	1.52%
				342,874.48		345,944.64		3.03% T

#### Commodities

EIPCX	277923223	Parametric Commodity Strategy Instl	26,638.82	146,444.51	5.42	144,382.42	3.65%	1.27% T
-------	-----------	-------------------------------------	-----------	------------	------	------------	-------	---------

#### Precious Metals

IAU	464285105	iShares Gold Trust	6,275.00	74,762.52	12.02	75,425.50	1.91%	0.66% T
-----	-----------	--------------------	----------	-----------	-------	-----------	-------	---------

# HOLDINGS REPORT

## El Toro Water District 401(k) - Income & Growth

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
Fund of Hedge Funds								
BXMIX	09257V201	Blackstone Alternative Multi-Strategy I	15,281.62	159,003.03	10.59	161,832.36	4.10%	1.42%
QSPIX	00203H420	AQR Style Premia Alternative I	16,250.58	165,148.52	9.62	156,330.53	3.96%	1.37%
				324,151.55		318,162.89		2.79% T
<b>TOTAL ALTERNATIVES</b>				<b>\$1,526,950.69</b>		<b>\$1,478,836.90</b>		<b>12.96% T</b>
<b>TOTAL - ALL ASSETS</b>				<b>\$11,208,174.82</b>		<b>\$11,410,590.83</b>		<b>100.00%</b>

# INVESTMENT PORTFOLIO SUMMARY - BALANCED

El Toro Water District - 401(k) Plan

Account Number: 6721031389  
Data as of: 06/30/2018

Portfolio Manager:  
Robert L. Adams, CFA

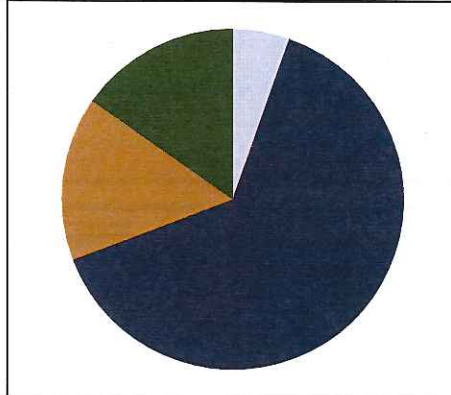
## Account Snapshot

Asset Class	Market Value	Tax Cost	Est. Annual Income	Current Yield (%)
Cash & Equivalents	\$45,175.29	\$45,175.29	\$173.03	0.38%
Fixed Income	\$798,800.56	\$828,346.19	\$5,426.39	0.68%
Equities	\$1,424,173.97	\$1,255,746.42	\$4,690.22	0.33%
Alternatives	\$328,953.52	\$339,004.94	\$324.35	0.10%
Other	\$0.00	\$0.00	\$0.00	0.00%
<b>Total</b>	<b>\$2,597,103.34</b>	<b>\$2,468,272.84</b>	<b>\$10,613.98</b>	<b>0.41%</b>

*Yields are gross of any fees and reflect the reinvestment of dividends and other income*

## Asset Allocation

1.7%	Cash & Equivalents
30.8%	Fixed Income
54.8%	Equities
12.7%	Alternatives
0.0%	Other



## Income Summary (1, 2)

Cash & Equivalents Income Earned YTD	\$346
Taxable Fixed Income Income Earned YTD	\$10,853
Tax-Exempt Fixed Income Income Earned YTD	\$0
Equity Income Earned YTD	\$9,380
Alternative Income Earned YTD	\$649
Other Income Earned YTD	\$0
<b>Total</b>	<b>\$21,228</b>

## Net Gain/Loss Summary (3)

	Realized	Unrealized
Net Short Term Gain/Loss	\$5,487	
Net Long Term Gain/Loss	\$28,754	
<b>Total</b>	<b>\$34,241</b>	<b>\$128,830</b>

(1) As of 06/30/2018

(2) Information is calculated on a calendar year basis and includes income, dividends, and capital gain distributions

(3) Gain/Loss information is for informational purposes only.

# HOLDINGS REPORT

## El Toro Water District 401(k) - Balanced

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>CASH EQUIVALENTS</b>								
<b>MONEY MARKET FUNDS/CASH</b>								
n.a.	n.a.	CASH	(1,957.0000)	(\$1,957.00)	1.00	(\$1,957.00)	-4.33%	-0.08%
FPZXX	n.a.	CASH FUND	47,132.29	\$47,132.29	1.00	\$47,132.29	104.33%	1.81%
<b>TOTAL CASH</b>				<b>\$45,175.29</b>		<b>\$45,175.29</b>		<b>1.74% T</b>
<b>FIXED INCOME</b>								
<b>Short-Term Bond Funds</b>								
PYSBX	704329200	Payden Low Duration Fund	3,580.90	35,976.59	9.94	35,594.13	4.46%	1.37%
VSUX	922031836	Vanguard Short-Term Investment-Grade Adm	3,419.43	36,272.10	10.46	35,767.21	4.48%	1.38%
				<u>\$72,248.69</u>		<u>\$71,361.34</u>		<u>2.75% T</u>
<b>Intermediate-Term Bond Funds</b>								
DBLFX	258620301	DoubleLine Core Fixed Income I	16,008.69	174,461.25	10.7	171,293.00	21.44%	6.60%
DODIX	256210105	Dodge & Cox Income	12,904.91	178,163.49	13.37	172,538.58	21.60%	6.64%
PTRQX	74440B884	Prudential Total Return Bond Q	12,302.63	180,680.63	14.09	173,344.06	21.70%	6.67%
PTTRX	693390700	PIMCO Total Return Instl	17,178.32	182,364.79	9.97	171,267.80	21.44%	6.59%
				<u>\$715,670.16</u>		<u>\$688,443.44</u>		<u>26.51% T</u>
<b>Emerging Market Debt</b>								
EEIIX	277923447	Eaton Vance Emerging Markets Local Income Fund I	6,877.56	40,427.34	5.67	38,995.78	4.88%	1.50% T
<b>TOTAL FIXED INCOME</b>				<b>\$828,346.19</b>		<b>\$798,800.56</b>		<b>30.76% T</b>
<b>EQUITY</b>								
<b>Large Cap Blend Funds</b>								
SMGIX	19765P406	Columbia Contrarian Core Inst	7,041.02	140,220.58	25.67	180,742.93	12.69%	6.96%
VGIAX	921913208	Vanguard Growth & Income Adm	2,291.35	160,168.73	78.79	180,535.15	12.68%	6.95%
				<u>\$300,389.31</u>		<u>\$361,278.08</u>		<u>13.91% T</u>
<b>Large Cap Value Funds</b>								
DODGX	256219106	Dodge & Cox Stock	414.29	76,096.70	201.86	83,627.97	5.87%	3.22%
PKAIX	72202L462	PIMCO RAE Fundamental US Institutional	7,328.96	78,436.39	11.3	82,817.26	5.82%	3.19%
				<u>\$154,533.09</u>		<u>\$166,445.23</u>		<u>6.41% T</u>

# HOLDINGS REPORT

## El Toro Water District 401(k) - Balanced

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Large Cap Growth Funds</b>								
HNACX	411512528	Harbor Capital Appreciation Retirement	804.98	49,831.91	77.04	62,015.58	4.35%	2.39%
LSITX	52469H255	ClearBridge Large Cap Growth IS	1,283.57	56,955.87	48.23	61,906.73	4.35%	2.38%
				<u>\$106,787.78</u>		<u>\$123,922.31</u>		<u>4.77% T</u>
<b>Mid Cap Value Funds</b>								
VEVIX	92646A831	Victory Sycamore Established Value I	1,490.43	53,946.06	40.93	61,003.46	4.28%	2.35% T
<b>Mid Cap Growth Funds</b>								
APDMX	04314H659	Artisan Mid Cap Advisor	1,279.26	48,469.55	41.25	52,769.43	3.71%	2.03% T
<b>Small Cap Value Funds</b>								
UBVLX	904504842	Undiscovered Managers Behavioral Val L	1,035.97	68,060.19	72.45	75,055.88	5.27%	2.89% T
<b>Small Cap Blend Funds</b>								
DCZRX	24610B826	Delaware Small Cap Core R6	1,414.72	35,499.97	26.06	36,867.55	2.59%	1.42%
FSCRX	315912600	Fidelity® Small Cap Discovery	1,364.04	39,504.86	26.35	35,942.37	2.52%	1.38%
				<u>\$75,004.83</u>		<u>\$72,809.92</u>		<u>2.80% T</u>
<b>Small Cap Growth Funds</b>								
PRJIX	779562206	T. Rowe Price New Horizons I	1,093.07	54,504.80	60.56	66,196.32	4.65%	2.55% T
<b>Foreign Large Value Funds</b>								
DODFX	256206103	Dodge & Cox International Stock	2,456.71	100,577.67	43.01	105,662.93	7.42%	4.07% T
<b>Foreign Large Blend Funds</b>								
NWHMX	63868B815	Nationwide Bailard Intl Eqs R6	16,866.30	130,496.61	8.37	141,170.91	9.91%	5.44%
HEFA	46434V803	iShares Currency Hedged MSCI EAFE ETF	1,625.00	40,738.59	29.605	48,108.13	3.38%	1.85%
				<u>171,235.20</u>		<u>189,279.04</u>		<u>7.29% T</u>
<b>Foreign Large Growth Funds</b>								
MGRDX	552746356	MFS® International Growth R6	1,619.75	42,410.71	34.16	55,330.69	3.89%	2.13% T
<b>Diversified Emerging Markets</b>								
HHHYX	41665H797	Hartford Schroders Emerging Mkts Eq Y	6,037.13	79,827.23	15.64	94,420.68	6.63%	3.64% T
<b>TOTAL EQUITY</b>					<b>\$1,255,746.42</b>		<b>\$1,424,173.97</b>	<b>54.84% T</b>

# HOLDINGS REPORT

## El Toro Water District 401(k) - Balanced

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>ALTERNATIVES</b>								
<b>Market Neutral</b>								
QMNIX	00191K799	AQR Equity Market Neutral I	1,372.65	16,117.79	11.2	15,373.72	1.08%	0.59%
BSIKX	09257E787	BlackRock Strategic Income Opps K	1,735.38	17,136.92	9.76	16,937.35	1.19%	0.65%
				\$33,254.71		\$32,311.07		1.24% T
<b>Managed Futures</b>								
AQMIX	00203H859	AQR Managed Futures Strategy I	3,814.18	38,220.63	8.71	33,221.53	2.33%	1.28%
ASFYX	63872T729	Natixis ASG Managed Futures Strategy Y	3,458.09	37,453.49	9.67	33,439.75	2.35%	1.29%
				75,674.12		66,661.28		2.57% T
<b>Merger Arbitrage</b>								
ARBNX	03875R205	Arbitrage I	2,575.87	33,557.21	13.08	33,692.42	2.37%	1.30% T
<b>Global Macro</b>								
EGRIX	277923264	Eaton Vance Gbl Macro Abs Ret Advtg I	3,860.87	38,242.38	10	38,608.72	2.71%	1.49%
LAOSX	95768D509	Western Asset Macro Opportunities IS	3,578.34	37,309.38	10.77	38,538.72	2.71%	1.48%
				75,551.76		77,147.44		2.97% T
<b>Commodities</b>								
EIPCX	277923223	Parametric Commodity Strategy Instl	5,982.37	32,896.80	5.42	32,424.46	2.28%	1.25% T
<b>Precious Metals</b>								
IAU	464285105	iShares Gold Trust	1,350.00	16,140.66	12.02	16,227.00	1.14%	0.62% T

# HOLDINGS REPORT

## El Toro Water District 401(k) - Balanced

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Fund of Hedge Funds</b>								
BXMIX	09257V201	Blackstone Alternative Multi-Strategy I	3,338.31	34,727.05	10.59	35,352.67	2.48%	1.36%
QSPIX	00203H420	AQR Style Premia Alternative I	3,652.51	37,202.63	9.62	35,137.18	2.47%	1.35%
				71,929.68		70,489.85		2.71% T
<b>TOTAL ALTERNATIVES</b>				<b>\$339,004.94</b>		<b>\$328,953.52</b>		<b>12.67% T</b>
<b>TOTAL - ALL ASSETS</b>				<b>\$2,468,272.84</b>		<b>\$2,597,103.34</b>		<b>100.00%</b>



# INVESTMENT PORTFOLIO SUMMARY - GROWTH

## El Toro Water District - 401(k) Plan

Account Number: 6721041389  
 Data as of: 06/30/2018

Portfolio Manager:  
 Robert L. Adams, CFA

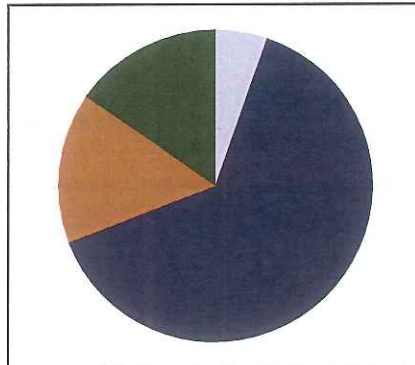
### Account Snapshot

Asset Class	Market Value	Tax Cost	Est. Annual Income	Current Yield (%)
Cash & Equivalents	\$40,320.20	\$40,320.20	\$170.35	0.42%
Fixed Income	\$200,887.80	\$207,903.74	\$1,399.63	0.70%
Equities	\$966,934.97	\$866,250.75	\$3,284.32	0.34%
Alternatives	\$157,303.94	\$162,017.83	\$145.76	0.09%
Other	\$0.00	\$0.00	\$0.00	0.00%
<b>Total</b>	<b>\$ 1,365,447</b>	<b>\$ 1,276,493</b>	<b>\$ 5,000</b>	<b>0.37%</b>

*Yields are gross of any fees and reflect the reinvestment of dividends and other income*

### Asset Allocation

- 3.0% Cash & Equivalents
- 14.7% Fixed Income
- 70.8% Equities
- 11.5% Alternatives
- 0.0% Other



### Income Summary (1, 2)

Cash & Equivalents Income Earned YTD	\$341
Taxable Fixed Income Income Earned YTD	\$2,799
Tax-Exempt Fixed Income Income Earned YTD	\$0
Equity Income Earned YTD	\$6,569
Alternative Income Earned YTD	\$292
Other Income Earned YTD	\$0
<b>Total</b>	<b>\$10,000</b>

### Net Gain/Loss Summary (3)

	Realized	Unrealized
Net Short Term Gain/Loss	\$21,515	
Net Long Term Gain/Loss	\$124,926	
<b>Total</b>	<b>\$146,441</b>	<b>\$88,954</b>

(1) As of 06/30/2018

(2) Information is calculated on a calendar year basis and includes income, dividends, and capital gain distributions

(3) Gain/Loss information is for informational purposes only.

# HOLDINGS REPORT

## El Toro Water District 401(k) - Growth

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>CASH EQUIVALENTS</b>								
<b>MONEY MARKET FUNDS/CASH</b>								
n.a.	n.a.	CASH	(520.3700)	(\$520.37)	1.00	(\$520.37)	-1.29%	-0.04%
FPZXX	n.a.	CASH FUND	40,840.57	\$40,840.57	1.00	\$40,840.57	101.29%	2.99%
<b>TOTAL CASH</b>				<b>\$40,320.20</b>		<b>\$40,320.20</b>		<b>2.95% T</b>
<b>FIXED INCOME</b>								
<b>Short-Term Bond Funds</b>								
PYSBX	704329200	Payden Low Duration Fund	771.33	7,763.44	9.94	7,667.03	3.82%	0.56%
VFSUX	922031836	Vanguard Short-Term Investment-Grade Adm	724.59	7,713.38	10.46	7,579.17	3.77%	0.56%
				<u>\$15,476.82</u>		<u>\$15,246.20</u>		<u>1.12% T</u>
<b>Intermediate-Term Bond Funds</b>								
DBLFX	258620301	DoubleLine Core Fixed Income I	4,118.94	44,887.80	10.7	44,072.64	21.94%	3.23%
DODIX	256210105	Dodge & Cox Income	3,291.48	45,473.50	13.37	44,007.14	21.91%	3.22%
PTRQX	744408884	Prudential Total Return Bond Q	3,147.77	46,169.28	14.09	44,352.08	22.08%	3.25%
PTTRX	693390700	PIMCO Total Return Instl	4,348.48	45,713.61	9.97	43,354.34	21.58%	3.18%
				<u>\$182,244.19</u>		<u>\$175,786.20</u>		<u>12.87% T</u>
<b>Emerging Market Debt</b>								
EEIIX	277923447	Eaton Vance Emerging Markets Local Income Fund I	1,738.17	10,182.73	5.67	9,855.40	4.91%	0.72% T
<b>TOTAL FIXED INCOME</b>				<b>\$207,903.74</b>		<b>\$200,887.80</b>		<b>14.71% T</b>
<b>EQUITY</b>								
<b>Large Cap Blend Funds</b>								
SMGIX	19765P406	Columbia Contrarian Core Inst	4,709.72	98,559.27	25.67	120,898.54	12.50%	8.85%
VGIAX	921913208	Vanguard Growth & Income Adm	1,537.12	107,514.20	78.79	121,109.61	12.53%	8.87%
				<u>\$206,073.47</u>		<u>\$242,008.15</u>		<u>17.72% T</u>
<b>Large Cap Value Funds</b>								
DODGX	256219106	Dodge & Cox Stock	280.68	51,655.84	201.86	56,657.46	5.86%	4.15%
PKAIX	72202L462	PIMCO RAE Fundamental US Institutional	4,897.08	52,544.74	11.3	55,336.97	5.72%	4.05%
				<u>\$104,200.58</u>		<u>\$111,994.43</u>		<u>8.20% T</u>

## HOLDINGS REPORT

### El Toro Water District 401(k) - Growth

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL	
<b>Large Cap Growth Funds</b>									
HNACX	411512528	Harbor Capital Appreciation Retirement	567.93	36,163.24	77.04	43,753.64	4.52%	3.20%	
LSITX	52469H255	ClearBridge Large Cap Growth IS	888.03	<u>39,620.91</u>	48.23	<u>42,829.83</u>	4.43%	<u>3.14%</u>	
				\$75,784.15		\$86,583.47		6.34% T	
<b>Mid Cap Value Funds</b>									
VEVIX	92646A831	Victory Sycamore Established Value I	1,004.48	36,681.81	40.93	41,113.20	4.25%	3.01% T	
<b>Mid Cap Growth Funds</b>									
APDMX	04314H659	Artisan Mid Cap Advisor	885.51	33,907.07	41.25	36,527.33	3.78%	2.68% T	
<b>Small Cap Value Funds</b>									
UBVLX	904504842	Undiscovered Managers Behavioral Val L	766.87	50,886.95	72.45	55,560.02	5.75%	4.07% T	
<b>Small Cap Blend Funds</b>									
DCZRZ	24610B826	Delaware Small Cap Core R6	1,050.97	26,126.25	26.06	27,388.38	2.83%	2.01%	
FSCRX	315912600	Fidelity® Small Cap Discovery	1,023.87	<u>29,558.68</u>	26.35	<u>26,979.05</u>	2.79%	<u>1.98%</u>	
				\$55,684.93		\$54,367.43		3.98% T	
<b>Small Cap Growth Funds</b>									
PRJIX	779562206	T. Rowe Price New Horizons I	818.46	41,038.56	60.56	49,566.06	5.13%	3.63% T	
<b>Foreign Large Value Funds</b>									
DODFX	256206103	Dodge & Cox International Stock	1,623.51	67,656.41	43.01	69,827.04	7.22%	5.11% T	
<b>Foreign Large Blend Funds</b>									
NWHMX	63868B815	Nationwide Bailard Intl Eqs R6	10,514.11	83,782.66	8.37	88,003.13	9.10%	6.45%	
HEFA	46434V803	iShares Currency Hedged MSCI EAFE ETF	1,075.00	<u>27,050.36</u>	29.605	<u>31,825.38</u>	3.29%	<u>2.33%</u>	
				110,833.02		119,828.51		8.78% T	
<b>Foreign Large Growth Funds</b>									
MGRDX	552746356	MFS® International Growth R6	944.18	25,231.34	34.16	32,253.12	3.34%	2.36% T	
<b>Diversified Emerging Markets</b>									
HHHYX	41665H797	Hartford Schroders Emerging Mkts Eq Y	4,303.47	58,272.46	15.64	67,306.21	6.96%	4.93% T	
<b>TOTAL EQUITY</b>					<b>\$866,250.75</b>		<b>\$966,934.97</b>		<b>70.81% T</b>

# HOLDINGS REPORT

## El Toro Water District 401(k) - Growth

As of Second Quarter 2018

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>ALTERNATIVES</b>								
<b>Market Neutral</b>								
QMNIX	00191K799	AQR Equity Market Neutral I	637.60	7,530.77	11.2	7,141.16	0.74%	0.52%
BSIKX	09257E787	BlackRock Strategic Income Opps K	816.07	8,075.79	9.76	7,964.88	0.82%	0.58%
				<u>\$15,606.56</u>		<u>\$15,106.04</u>		<u>1.11% T</u>
<b>Managed Futures</b>								
AQMIX	00203H859	AQR Managed Futures Strategy I	1,786.10	17,636.17	8.71	15,556.96	1.61%	1.14%
ASFYX	63872T729	Natixis ASG Managed Futures Strategy Y	1,614.54	17,214.12	9.67	15,612.62	1.61%	1.14%
				<u>34,850.29</u>		<u>31,169.58</u>		<u>2.28% T</u>
<b>Merger Arbitrage</b>								
ARBNX	03875R205	Arbitrage I	1,237.70	16,216.40	13.08	16,189.10	1.67%	1.19% T
<b>Global Macro</b>								
EGRIX	277923264	Eaton Vance Glbl Macro Abs Ret Advtg I	1,858.19	18,416.36	10	18,581.86	1.92%	1.36%
LAOSX	95768D509	Western Asset Macro Opportunities IS	1,723.10	18,123.16	10.77	18,557.74	1.92%	1.36%
				<u>36,539.52</u>		<u>37,139.60</u>		<u>2.72% T</u>
<b>Commodities</b>								
EIPCX	277923223	Parametric Commodity Strategy Instl	2,866.22	15,803.00	5.42	15,534.89	1.61%	1.14% T
<b>Precious Metals</b>								
IAU	464285105	iShares Gold Trust	650.00	7,785.21	12.02	7,813.00	0.81%	0.57% T
<b>Fund of Hedge Funds</b>								
BXMIX	09257V201	Blackstone Alternative Multi-Strategy I	1,651.32	17,261.82	10.59	17,487.52	1.81%	1.28%
QSPIX	00203H420	AQR Style Premia Alternative I	1,753.04	17,955.03	9.62	16,864.21	1.74%	1.24%
				<u>35,216.85</u>		<u>34,351.73</u>		<u>2.52% T</u>
<b>TOTAL ALTERNATIVES</b>				<b>\$162,017.83</b>		<b>\$157,303.94</b>		<b>11.52% T</b>
<b>TOTAL - ALL ASSETS</b>				<b>\$1,276,492.52</b>		<b>\$1,365,446.91</b>		<b>100.00%</b>

## DISCLOSURES

---

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment trusts. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

Some information provided herein was obtained from third party sources deemed to be reliable; HighMark and its affiliates make no representations or warranties with respect to the timeliness, accuracy, or completeness of the information provided. Any information provided is subject to change without notice.

Benchmark returns do not reflect the deduction of advisory fees, custody fees, transaction costs, or other expenses of investing. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is generally representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The unmanaged Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The unmanaged BC 1-3 Year U.S. Government/Credit Index is a subset of the BC U.S. Government/Credit Index with maturities ranging from 1-3 years. The unmanaged Citigroup 3-month T-bill Index tracks the yield of the 3-month U.S. Treasury bill. Total returns assume the reinvestment of dividends and other earnings. Results for periods greater than one year are annualized.

© HighMark Capital Management, Inc. 2017. All rights reserved.

# Advanced Metering Infrastructure (AMI) Feasibility Study and Alternatives Analysis

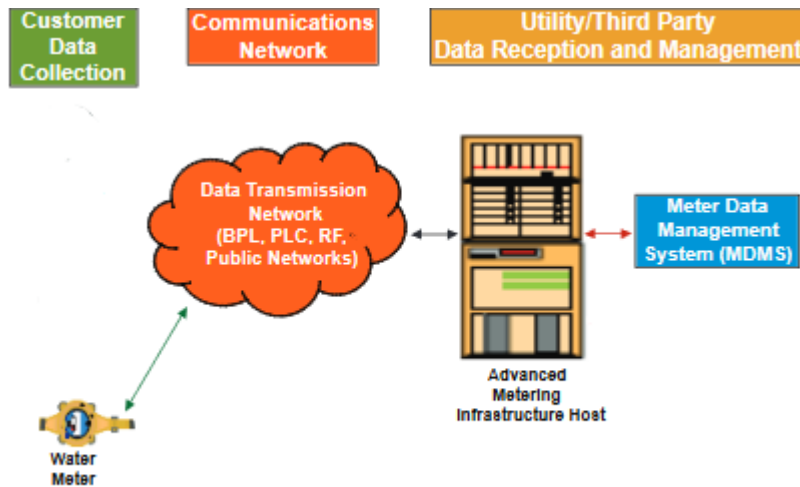


Figure 1: AMI Building Blocks<sup>1</sup>

## Introduction

Advanced Metering Infrastructure (AMI) systems consist of small, low-power radio transmitters connected to individual water meters that send readings to a network of receivers throughout the system several times each day. AMI systems allow remote monitoring of billing meters and have multiple potential benefits including reduction of operating costs for meter reading and billing, improved customer service and improved customer communication through a web-based customer meter data portal. Additional benefits to be considered include the application of AMI data to water audit and leak detection efforts as well as the consideration of the use of an AMI communications network to improve the District's SCADA communication.

Staff proposes to conduct a thorough evaluation of the costs, benefits and potential implementation requirements of AMI through a feasibility study and alternatives analysis.

## Request for Proposals

Staff prepared and released a Request for Proposals (RFP) outlining the scope of work for an AMI feasibility study and alternatives analysis. The RFP outlined a scope of work including the following components:

- Evaluate and Identify the Benefits of AMI to Individual Departments
  - The Consultant will conduct data gathering meetings/interviews with District staff in order to obtain information and understand the District's desired outcome and constraints of the Project

- AMI Technology Research
  - The Consultant will evaluate available AMI technologies including meters and communications systems to identify the most appropriate and cost effective AMI technology to meet the specific needs of the District. The evaluation of communications system will include a consideration of the potential use of the AMI system to replace the District’s aging SCADA telemetry system.

The RFP was very specific in its requirement that any firm wishing to submit a proposal be unaffiliated with any particular meter hardware vendor. The RFP clearly indicates that meter manufacturers and communication systems be evaluated without bias or preference.

- Financial Analysis
  - The Consultant will prepare a detailed cost estimate and economic analysis including capital costs as well as ongoing O&M costs to serve as a foundation for the District’s determination of whether or not an investment in AMI is appropriate for ETWD. The Consultant will include an analysis of any grant, rebate of other funding sources that might offset the cost of an AMI implementation project.
- Identify Customer Utility Portal Options
  - One of the specific benefits of AMI is the ability provide detailed usage data to the District’s customers. The Consultant will evaluate customer utility portals to facilitate the communication with the District’s customers.
- Implementation Options
  - The Consultant will identify options for implementation of an AMI system including planning, budgeting and phasing options. This effort will include and evaluation of current AMI systems at neighboring agencies and any potential partnership opportunities.

## Proposal Evaluation

The District sent the RFP to seven firms that have experience in AMI feasibility and implementation studies. The following three firms attended the mandatory pre-proposal meeting and ultimately submitted proposals.

<b>Firm</b>	<b>Headquarters Location</b>
Excergy Corporation	Denver, CO
MC Engineering, Inc.	Sacramento, CA
MeterSYS	Raleigh, NC

Staff performed a detailed evaluation of each proposal to assess the qualifications of each firm including the level of experience of the personnel proposed to be dedicated to the project, the firm's overall experience producing this type of analysis, and the firm's references from previous similar projects.

Staff further reviewed each proposal based on the included scope of services, the estimated timeline for the project completion, resources available from each firm to commit to the project, and the thoroughness of each proposal to include all of the RFP requirements.

Based on the detailed review Staff is recommending award of a consulting contract to MC Engineering, Inc. (MCE). MCE appeared to be most particularly positioned to meet the District's specific needs. While each of the three firms is capable of performing the project, MCE stood out in their ability to demonstrate experience from several projects very similar to that contemplated by ETWD. Several of the factors that led to staff's recommendation of MCE include:

- MCE's core focus is serving the municipal water industry
- MCE's experience performing AMI Feasibility Studies for other water agencies including Western Municipal Water District
- MCE's experience in creating and managing AMI implementation plans for other water agencies
- MCE's experience with water audits, meter testing and leak detection surveys
- MCE's experience assisting in water grant and loan applications
- MCE is located in California providing a greater level of familiarity with local project issues and financing options

Staff reached out to contacts and references at Western Municipal Water District and received a positive recommendation regarding MC Engineering, Inc. and their efforts on a very similar project at WMWD.

## Project Cost / Budget

Following staff's selection of MC Engineering for recommendation of a contract award, Staff reviewed the proposed project costs, submitted in separate envelopes. The results are described in the following table:

<b>Firm</b>	<b>Project Hours</b>	<b>Overall Project Cost</b>
MC Engineering, Inc.	317	\$ 64,550
MeterSYS	402	\$ 66,561
Excergy Corporation	446	\$ 109,638

The 2018/19 fiscal year Capital Budget includes \$200,000 for AMI. The current budget is adequate to fund the proposed feasibility study.



## Schedule

MCE is prepared to begin work upon the award of a contract and estimates a 6-month timeline to complete the project. MCE took no exception to the District's standard consulting contract language, which will allow Staff to expedite the issuance of the contract documents.

## Recommendation

### **Recommended Action at the August 23, 2018 Board Meeting:**

Staff recommends that the Board of Directors authorize the General Manager to enter into a Consultant Contract with MC Engineering, Inc. in the amount of \$64, 550 to prepare an AMI Feasibility Study and Alternatives Analysis. Staff further recommends that the Board authorize the General Manager to fund the project cost from the designated Capital Reserves in accordance with the District's adopted Capital Reserve Policy.

**By:** Michael Miazga

**Date:** August 16, 2018

# **CAPITAL PROJECT / EQUIPMENT STATUS REPORT**

**August, 2018**

## **I Oso Lift Station Improvement Project**

**The project design is nearly complete. A contract has been issued to Dudek to prepare a Mitigated Negative Declaration to comply with applicable CEQA requirements. Staff is awaiting comments from Moulton Niguel on the draft plan and Agreement regarding an emergency overflow connection from the Oso Lift Station to the MNWD sewer collection system near the station. Staff is working on the applicable documents to facilitate a property transfer for a ten-foot strip on the east side of the site from the City of Laguna Woods.**

## **II Phase II Recycled Water Distribution System Expansion Project**

### **Construction**

- **West Side System**

**Construction is in progress. Pipeline construction and final paving are complete. The contractor is working on final punch list items.**

- **East Side System**

**Construction of the East Side System Distribution System is complete.**

### **On-Site Retrofits**

**Staff is preparing to bid a retrofit project including the East Side system and certain sites in the West Side System. Staff anticipates bringing a contract award recommendation to the Board in September. The remaining sites in the West Side System will be handled separately due to unique characteristics that could result in the designation of the sites as “dual-plumbed” as defined in Title 22. Staff is inspecting each of these sites as well as performing coverage tests to determine the appropriate approach to the on-site retrofits.**

### **State Revolving Fund Agreement / Project Funding**

**The District received confirmation from the State of the approval of the first disbursement request in an amount totaling nearly \$5,000,000. The Division of Financial Assistance informed staff that the approved disbursement request has been forwarded to the State Controllers office for payment.**

The extended period required to negotiate the final amendment to the SRF agreement coupled with the accumulating project costs has resulted in a significant drawdown of District reserves. Each month the Financial Package provided to the Finance/Insurance Committee provides the Board a comparison of current reserves to a benchmark equivalent to six months of operating expenses. As reported in the monthly Finance Package, the reserves level dropped below the operating expense benchmark in March of 2018. The August Finance Package will note that the current reserve level has now also temporarily dropped slightly below the Board Mandated minimum reserve level.

<b>Six Months Operating Expense Requirement</b>	<b>\$ 11,119,197</b>
<b>Board Mandated Reserves</b>	<b>\$ 8,500,000</b>
<b>Cash less Restricted Reserves On Hand</b>	<b>\$ 8,298,711</b>

The SRF disbursement will resolve this short-term anomaly. The August reserve comparison, inclusive of the upcoming disbursement amount, would be:

<b>Six Months Operating Expense Requirement</b>	<b>\$ 11,119,197</b>
<b>Board Mandated Reserves</b>	<b>\$ 8,500,000</b>
<b>Cash less Restricted Reserves On Hand</b>	<b>\$ 13,276,259</b>

Despite the short-term depletion of reserves, the District has adequate liquid capital to meet on-going expenses until the disbursement check arrives.

The following project information items are attached:

- **Cost Tracking & Estimate**
- **Construction Summary**
- **Change Order Log**
- **Construction Photos**

### **III Phase III Recycled Water Distribution System Expansion Project**

Staff is working on a high level project summary that will evaluate and compare the costs and benefits of various recycled water project options. Staff is preparing to make a report to the Board, at a conceptual level, in the near future regarding potential future recycled water projects.

**IV South Orange County Supply and System Reliability Projects**

**A. Baker Water Treatment Product Water Conveyance Options**

**Moulton Niguel Water District is evaluating their capital projects schedule regarding a potential new turnout on the South County Pipeline that would include a turnout connection dedicated to the ETWD Baker supply. MNWD has informed staff that they are currently performing property research to identify the best option for the location of the proposed turnout facility. MNWD has verbally indicated they are prepared to continue the temporary conveyance of water through the Los Alisos interconnection until such time that the permanent conveyance facilities are complete.**

**B. Poseidon HB Ocean Desalination Project**

**As discussed at the ETWD July Engineering Committee meeting, OCWD has entered into a revised non-binding Term Sheet with Poseidon. As also discussed at the July meeting, OCWD will be reaching out to South County Agencies to confirm interest in receiving a specific based loaded supply from the project. Poseidon indicates they expect to be before the Santa Ana Regional Water Quality Board for consideration of their NPDES Permit renewal in the Fall and before the Coastal Commission sometime in 2019. The feasibility of the project remains contingent upon obtaining all regulatory and environmental approvals/permits along with approval of Met LRP funding based on \$475/AF over 15 years.**

**PHASE II RECYCLED WATER  
DISTRIBUTION SYSTEM EXPANSION PROJECT  
TOTAL PROJECT COST ESTIMATE**

	Estimate		To Date
	July	August	
<b>Construction</b>			
<b>West Side System</b>			
E.J. Meyer Construcion Contract	\$3,708,888	\$3,708,888	2,950,038
Allowance for Utility Conflicts	\$125,000	\$125,000	\$107,649
Contingency	\$25,000	\$20,425	\$20,425
<b>Total</b>	<b>\$3,858,888</b>	<b>\$3,854,313</b>	<b>\$3,078,112</b>
<b>East Side System</b>			
T.E. Roberts Construction Contract	\$1,182,348	\$1,182,348	\$1,187,652
Allowance for Utility Conflicts	\$0	\$0	
Contingency	\$0	\$0	
<b>Total</b>	<b>\$1,182,348</b>	<b>\$1,182,348</b>	<b>\$1,187,652</b>
<b>Construction Material (Meter Boxes)</b>	<b>\$20,000</b>	<b>\$17,259</b>	<b>\$17,259</b>
<b>Total Construction</b>			
Construction Contracts	\$4,891,236	\$4,891,236	
Allowance for Utility Conflicts (Contingency)	\$125,000	\$125,000	
Contingency	\$25,000	\$20,425	
Construction Material (Meter Boxes)	\$20,000	\$17,259	
<b>Total Construction</b>	<b>\$5,061,236</b>	<b>\$5,053,920</b>	<b>\$4,283,023</b>
<b>Engineering Design</b>			
Engineering Design (Tetra Tech)	\$235,827	\$235,827	\$235,827
Retrofit Site Plans	\$66,500	\$66,500	61,247
Easement Exhibits (Tetra Tech)	\$37,662	\$37,662	\$37,662
System Supply Analysis	\$14,960	\$14,960	\$14,960
<b>Subtotal Design</b>	<b>\$354,949</b>	<b>\$354,949</b>	<b>\$349,696</b>
<b>Planning</b>			
CEQA (Dudek)	\$67,805	\$67,805	\$67,805
Funding Research	\$9,701	\$9,701	\$9,701
SRF Application Support	\$13,536	\$13,536	\$13,536
<b>Subtotal Planning</b>	<b>\$91,042</b>	<b>\$91,042</b>	<b>\$91,042</b>
<b>Construction Support</b>			
CEQA Construction Support	\$15,000	\$20,000	\$15,776
Engineering Construction Support - Tetra Tech	\$100,000	\$80,000	\$58,495
Construction Management & Inspection - MWH	\$435,991	\$475,000	\$425,654
Construction Management & Inspection - Geotech	\$105,995	\$105,995	\$97,940
Labor Compliance Consultant - GSLC	\$42,840	\$42,840	\$42,870
Public Relations	\$25,000	\$20,000	\$14,125
Miscellaneous Construction Support	\$50,000	\$30,000	\$21,502
<b>Subtotal Construction Support</b>	<b>\$774,826</b>	<b>\$773,835</b>	<b>\$676,361</b>
<b>Administration</b>			
Legal	\$10,000	\$10,000	
Funding Research			
SRF Application Support			
Public Relations			
Miscellaneous	\$15,000	\$15,000	
Easements Compensation	\$34,600	\$34,600	
Title Insurance	\$16,500	\$16,500	\$16,500
<b>Subtotal Administration</b>	<b>\$76,100</b>	<b>\$76,100</b>	<b>\$16,500</b>
<b>On Site Conversions/Retrofits Construction</b>	<b>\$700,000</b>	<b>\$700,000</b>	<b>\$0</b>
<b>Total Project</b>	<b>\$7,058,152</b>	<b>\$7,049,845</b>	<b>\$5,416,622</b>

**PHASE II RECYCLED WATER  
DISTRIBUTION SYSTEM EXPANSION PROJECT**

**CONSTRUCTION SUMMARY**

**EAST SIDE SYSTEM  
PIPELINE INSTALLATION PROGRESS**

DIAMETER	CONTRACT (LF)	INSTALLED (LF)	COMPLETION PERCENTAGE
6"	3,671	3,671	100%
4"	4,002	4,002	100%
<b>TOTAL</b>	<b>7,673</b>	<b>7,673</b>	<b>100%</b>

**Construction Completion**

Progress Billings	\$1,187,652	89%
Allowance Utilization	\$0	0%
Change Orders	(\$149,759.02)	-11.2%

**WEST SIDE SYSTEM  
PIPELINE INSTALLATION PROGRESS**

DIAMETER	CONTRACT (LF)	INSTALLED (LF)	COMPLETION PERCENTAGE
10"	1,349	1,229	91%
6"	949	949	100%
4"	18,343	18,363	100%
<b>TOTAL</b>	<b>20,641</b>	<b>20,541</b>	<b>100%</b>

**Construction Completion**

Progress Billings	\$3,078,112	79%
Allowance Utilization	\$107,648.96	72%
Change Orders	\$20,424.86	0.5%

**TOTAL DISTRIBUTION SYSTEM  
PIPELINE INSTALLATION PROGRESS**

DIAMETER	CONTRACT (LF)	INSTALLED (LF)	COMPLETION PERCENTAGE
10"	1,349	1,229	91%
6"	4,620	4,620	100%
4"	22,345	22,365	100%
<b>TOTAL</b>	<b>28,314</b>	<b>28,214</b>	<b>100%</b>

**Construction Completion**

Progress Billings	\$4,265,764	84%
Allowance Utilization	\$107,648.96	48%
Change Orders	(\$129,334.16)	-2.5%

**PHASE II RECYCLED WATER  
DISTRIBUTION SYSTEM EXPANSION PROJECT  
CONSTRUCTION CHANGE ORDER SUMMARY**

PROJECT	ORIGINAL CONTRACT VALUE	TOTAL CHANGE ORDERS	CHANGE ORDER PERCENTAGE
EAST SIDE SYSTEM PROJECT	1,337,411	-149,759	-11.2%
WEST SIDE SYSTEM PROJECT	3,858,888	20,425	0.5%
<b>TOTAL</b>	<b>5,196,299</b>	<b>-129,334</b>	<b>-2.5%</b>

**West Side System**

Change Order No. 1	\$6,817.99	Additional pipeline cost due to Hurricane Harvey related supply issues.
Change Order No. 2	\$0.00	Davis Bacon Wages
Change Order No. 3	\$13,606.87	Work delays due to unknown concrete in trench
<b>Total Change Orders</b>	<b>\$20,424.86</b>	
<b>Revised Contract Amount</b>	<b>\$3,879,312.86</b>	
Change Order No. 1	\$0.00	Davis Bacon Wages
Change Order No. 2	\$5,304.43	Meter Boxes
Change Order No. 3	(\$155,063.45)	Final Quantities Reconciliation
<b>Total Change Orders</b>	<b>(\$149,759.02)</b>	
<b>Revised Contract Amount</b>	<b>\$1,187,651.98</b>	

**PHASE II**  
**RECYCLED WATER DISTRIBUTION SYSTEM**  
**EXPANSION PROJECT**

**WEST SIDE SYSTEM**

**CONSTRUCTION PHOTOS**

**AUGUST, 2018**







**F.Y. 2018/19 CAPITAL REPLACEMENT AND REFURBISHMENT PROGRAM BUDGET ITEMS > \$50,000  
BOARD APPROVAL SCHEDULE**

Project Description		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Budget Estimate	Board Approved Cost
<i>2018/19 Capital Projects</i>															
1	Recycled Water Phase II - Retrofits	E	B	A	C	C	C	C	C	C				\$700,000	
2	Replace R-6 Sodium Hypochlorite Tanks (CO)		B	A	C	C	C	C	C					\$210,000	
3	Oso Lift Station Improvement Project (CO)	E/CQ	E/CQ	B/CQ	A	C	C	C	C	C	C	C	C	\$1,000,000	
4	Aliso Creek Lift Station Skid Pump and Piping			E	E	B	A							\$200,000	
5	Reconstruct (West Side) Drainage Swale at the Holding Pond						E	E	B	A	C	C	C	\$68,250	
6	AMR / AMI Implementation	RFP	A	E	E	E								\$200,000	
7	Master Plan Update (CO)		RFP	RFP	A	E	E	E	E	E	E			\$350,000	
8	Old Treatment Plant / Clear Well Demo		ET	ET	ET									\$400,000	
<i>2018/19 Capital Equipment</i>															
1	8-inch Trailer Mounted Emergency Pump		E	E	B	A		R						\$85,000	
2	300-375KW Emergency Generator Trailer		E	E	B	A		R						\$175,000	
<b>Total</b>														<b>\$3,388,250</b>	<b>\$0</b>

E = Engineering/Study  
C = Construction  
O = Order

R = Receive  
P = Permit  
CQ = CEQA

RFP = Request for Proposal  
B = Bid  
A = Approve by Board

ET = Evaluate  
M = Monitoring  
BP = Board Presentation

N = Negotiate

CO = Carry Over

8/16/2018

MINUTES OF THE REGULAR MEETING  
OF THE  
FINANCE/INSURANCE COMMITTEE MEETING

July 24, 2018

President Goldman called the Meeting of the Finance/Insurance Committee to order at 8:14 a.m. on July 24, 2018.

Present at today's meeting were Committee Members JOSE F. VERGARA, MARK MONIN, KATHRYN FRESHLEY, and FRED ADJARIAN.

Committee Member M. SCOTT GOLDMAN and DENNIS P. CAFFERTY, Assistant General Manager/District Engineer were absent.

Also present were ROBERT R. HILL, General Manager/Secretary, JUDY CIMORELL, Human Resources Manager, RICK OLSON, Operations Superintendent, NEELY SHAHBAKHTI, Finance Manager/Controller, NANCY LAURSEN, Accountant/Insurance Administrator, BOBBY YOUNG, Project Engineer, GILBERT J. GRANITO, General Counsel, RICHARD BABBE, CAMP Representative, and POLLY WELSCH, Recording Secretary.

Consent Calendar

1. Finance Report
2. Quarterly Insurance Report

Director Freshley asked for item #5, Finance report, to be pulled from the Consent Calendar for further discussion.

Mr. Hill stated that there were no workers compensation claims for the quarter.

Director Monin asked for a Motion to approve the Consent Calendar.

Motion: Vice President Vergara made a Motion, seconded by Director Adjarian,

and unanimously carried across the Board to approve the Consent Calendar with item #5, Finance report, pulled for further discussion.

Roll Call Vote:

Vice President Vergara	aye
Director Monin	aye
Director Adjarian	aye
Director Freshley	aye

Director Freshley asked why MNWD is receiving \$67,700. Mr. Hill replied that the amount is for taking our 5 cfs of Baker water wheeled through MNWD's pipelines.

Director Freshley asked on the Income Statement, what are account number 5605 Directors Fees, and 5610 Dues and Memberships. Ms. Shahbakhti replied that the Directors Fees are their monthly expenses, and the dues and memberships are listed separately and are for attending conferences and District memberships.

Director Freshley asked why the amounts were over budget. Ms. Shahbakhti replied that we added the CASA conference and membership after the budget was adopted last year.

Director Freshley asked what the Software Maintenance and Licenses were. Ms. Shahbakhti replied that the IT Manager was out last year and we had a temporary IT company assisting with our needs. She further stated that we updated the computer system software.

Director Freshley asked if we capitalize the software. Ms. Shahbakhti replied yes, we capitalize the software, and the maintenance portion accrue some expenses.

Director Freshley asked on Insurance why it is considerably higher than the budget. Ms. Shahbakhti replied that she will check and report back.

Approval of Items Removed from Today's FIC Consent Calendar

Director Monin asked for a Motion to approve item #5, Finance report, of the Consent Calendar.

Motion: Vice President Vergara made a Motion, seconded by Director Adjarian, and unanimously approved across the Board to approve item #5, Finance report, of the Consent Calendar.

Roll Call Vote:

Vice President Vergara	aye
Director Monin	aye
Director Adjarian	aye
Director Freshley	aye

Finance Action Items

There are no Finance action items.

Finance Information Items

Modifications to ETWD's Retirement Plans

Mr. Hill stated that staff has previously discussed this item with the Board, and had an employee meeting to explain the changes to the participants. He further stated that fees were reviewed, and staff understood the presentation well.

Vice President Vergara asked if he could make changes to the investments in the 401(k) Plan. Mr. Hill replied no, the 457 is participant driven but the 401(k) is professionally managed by Prudential. He further stated that the District match goes into the 401(k).

Director Monin asked if we monitor HighMark. Mr. Hill replied that Sageview has

reviewed HighMark and the 401(k) Plan and the 457 Plan.

#### Tiered Water Usage and Revenue Tracking

Ms. Shahbakhti stated that included in the package is the June and year to date water usage by class and by tiers.

Vice President Vergara stated that we are in a low point in conservation, and asked if we know how much has increased. Mr. Hill replied that we budgeted 7,000 acre feet in the budget, and are currently around 7,400 acre feet, which is weather driven.

#### Comments Regarding Non-Agenda FIC Items

#### Close Finance and Insurance Committee Meeting

At approximately 8:39 o'clock a.m. the Finance and Insurance Committee meeting was closed.

#### Attorney Report

Mr. Granito reported that there is no need for a Closed Session at today's meeting.

#### Adjournment

There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Adjarian made a Motion, seconded by Vice President Vergara and unanimously carried that today's meeting be adjourned at 8:40 o'clock a.m. to Tuesday, August 21, 2018 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

#### Roll Call:

Director Freshley            aye  
Director Adjarian            aye  
Vice President Vergara      aye  
Director Monin                aye

Respectfully submitted,

---

POLLY WELSCH  
Recording Secretary

APPROVED:

---

M. SCOTT GOLDMAN, President  
of the El Toro Water District and the  
Board of Directors thereof

---

ROBERT R. HILL, Secretary  
of the El Toro Water District and the  
Board of Directors thereof



EL TORO WATER DISTRICT  
FINANCIAL REPORT  
August 21, 2018

I.	Balance Sheet	2 - 3
	A. Cash & Investments	
	1) Mix and Liquidity	4
	2) Reserve Analysis	5
	3) Change in Reserves	6
	4) Bills for consideration	7
	5) 401K Plan	8
	B. Other balance sheet items	
	1) A/R aging	9
	2) A/P aging	9
II	Revenue & Expense	10
	A. Analysis of Revenue & Expenses	11
	B. Revenues	
	1) Where the money comes from	12
	2) Who the money comes from	12
	3) Revenue budget comparison	13
	4) Miscellaneous Revenue	14
	C. Expenses	
	1) Where the money goes	15
	2) Expense budget comparison	16 - 17
	3) Capital expenditures – equipment	18
	4) Capital expenditures – projects	18

**EL TORO WATER DISTRICT  
BALANCE SHEET**

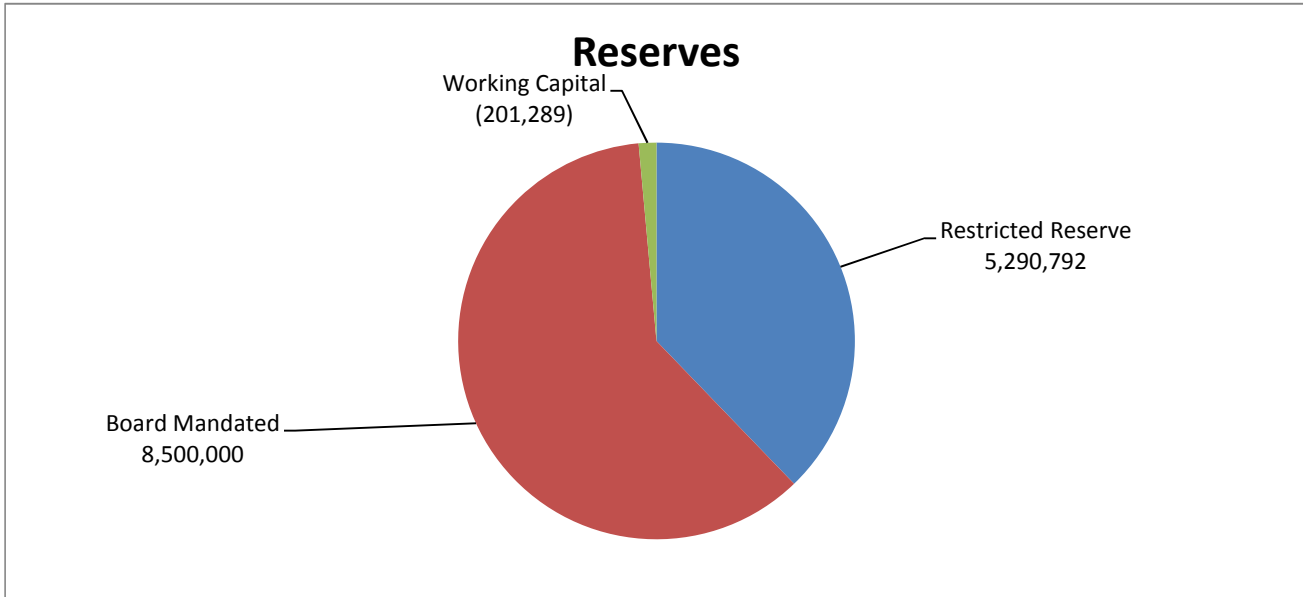
	<b>7/31/18 (Unaudited)</b>	<b>June 30, 2018 (Unaudited)</b>
<b>ASSETS</b>		
Current Assets		
Cash & Investments	\$1,814,624	\$2,354,807
Receivables:		
Accounts Receivable	4,339,283	3,228,292
Notes Receivable	-	-
Inventories	646,069	636,252
Prepaid Expenses	452,506	172,006
Total Current Assets	7,252,482	6,391,357
Restricted Assets		
Cash & Investments	11,790,792	11,689,909
Total Restricted Assets	11,790,792	11,689,909
Non-Current Assets		
Utility Plant:		
Land & Easements	7,451,585	7,451,585
Long Term Leases	342,382	342,382
Equipment	112,144,366	111,983,751
Collection & Impound Reservoirs	6,243,706	6,243,706
Structure & Improvements	34,734,945	34,734,945
Total Utility Plant	160,916,986	160,756,370
Less Accumulated Depreciation & Amortization	(71,260,097)	(70,907,050)
Net Utility Plant	89,656,889	89,849,320
Construction Work in Progress		
Notes Receivable	7,119,719	6,815,236
Total Non-current Assets	96,776,607	96,664,556
<b>TOTAL ASSETS</b>	<b>\$115,819,881</b>	<b>\$114,745,822</b>

**EL TORO WATER DISTRICT  
BALANCE SHEET**

	<b>7/31/18 (Unaudited)</b>	<b>June 30, 2018 (Unaudited)</b>
<b>LIABILITIES and EQUITY</b>		
Liabilities		
Current Liabilities Payable		
Accounts Payable	\$2,219,095	\$2,087,350
Current Portion of Long-Term Debt	1,782,485	6,180
Other Current Liabilities	8,640,456	7,516,538
Total Current Liabilities Payable		
From Current Assets	12,642,036	9,610,067
Long Term Debt		
Long Term Debt	34,026,500	35,802,806
Total Long Term Debt	34,026,500	35,802,806
Total Liabilities	46,668,537	45,412,873
Fund Equity		
Retained Earnings - Reserved	22,174,300	22,174,300
Contributed Capital	8,744,767	8,744,767
Retained Earnings - Unreserved	37,990,577	38,051,994
Net Income	241,701	361,888
Total Fund Equity	69,151,344	69,332,949
Total Liabilities & Fund Equity	\$115,819,881	\$114,745,822



**EL TORO WATER DISTRICT  
RESERVE ANALYSIS  
31-Jul-18**



Restricted Reserve	\$	5,290,792
Board Mandated	\$	8,500,000
Capital Cash Flow / Compliance	\$	(201,289)
<b>Total</b>	<b>\$</b>	<b>13,589,503</b>

**Restricted Reserve**

SRFL-Recycled	\$	1,602,958
Capital Facilities Reserve	\$	55,806
Tiered Cons Fund	\$	2,163,672
Baker Funding	\$	1,468,356
<b>Total</b>	<b>\$</b>	<b>5,290,792</b>

**Board Mandated Minimum Reserve Levels**

Capital Construction	\$	3,000,000
Rate Stabilization	\$	2,200,000
Operations	\$	1,300,000
Working Capital	\$	2,000,000
<b>Total</b>	<b>\$</b>	<b>8,500,000</b>

Six months operating expense requirement:	\$11,119,197
Cash less restricted reserve on hand:	\$8,298,711

## EL TORO WATER DISTRICT CHANGE IN RESERVES

	<u>July 31, 2018</u>	<u>Year to Date</u>	<u>June 30, 2018</u>
Operating Revenue	2,327,784	2,327,784	25,184,176
Non-operating Revenue	142,940	142,940	1,581,002
Total Revenue	<u>2,470,725</u>	<u>2,470,725</u>	<u>26,765,179</u>
Operating Expenses	1,812,459	1,812,459	21,367,838
Depreciation	352,477	352,477	4,229,724
Non-operating Expenses	64,088	64,088	805,729
Total Expenses	<u>2,229,024</u>	<u>2,229,024</u>	<u>26,403,291</u>
NET INCOME	241,701	241,701	361,888
Non-Cash Items:			
Add: Depreciation	352,477	352,477	4,229,724
Change in Notes Receivable/Grant Fund	-	-	-
Loan Proceeds	-	-	-
Less: Debt Service	-	-	(1,739,637)
Capital Improvements	(392,853)	(392,853)	(6,021,629)
Total Non-Cash Items	<u>(40,376)</u>	<u>(40,376)</u>	<u>(3,531,542)</u>
CHANGE IN RESERVES	<u>201,325</u>	<u>201,325</u>	<u>(3,169,655)</u>

**EL TORO WATER DISTRICT**  
**Cash Sheet**  
**For the month ending July 31, 2018**

CHECK NUMBER	PAYMENT DATE	VENDOR NAME	PAYMENT AMOUNT
85381	07/05/2018	MUNICIPAL WATER DISTRICT OF ORANGE CO.	529,542.60
85477	07/19/2018	SOUTH ORANGE COUNTY WASTEWATER AUTHORITY	363,732.89
85392	07/09/2018	E.J. MEYER COMPANY, INC.	312,009.26
85436	07/19/2018	ACWA HEALTH BENEFITS AUTHORITY	120,422.15
85466	07/19/2018	MUNICIPAL WATER DISTRICT OF ORANGE CO.	117,208.00
85503	07/26/2018	SO. CALIFORNIA EDISON CO.	117,146.87
85380	07/05/2018	MOULTON NIGUEL WATER DISTRICT	57,043.00
<b>TOTAL CHECKS OVER \$50,000</b>			<b>\$ 1,617,104.77</b>
<b>TOTAL CHECKS IN REGISTER</b>			<b>\$ 2,097,378.32</b>

**INTERBANK WIRES / DEBIT TRANSFERS**

07/06/2018	PAYROLL DIRECT DEPOSIT	137,109.59
07/06/2018	FEDERAL DEPOSIT LIABILITY	28,179.62
07/06/2018	SDI & STATE TAX	10,904.98
07/06/2018	WAGE GARNISHMENTS	585.00
06/08/2018	PRUDENTIAL (401K)	49,260.18
06/08/2018	PRUDENTIAL (457)	16,051.26
07/15/2018	PAYROLL BOARD OF DIRECTOR	4,272.19
07/15/2018	SS, MEDICARE, SDI & STATE TAX	1,469.31
07/15/2018	PRUDENTIAL (457)	3,066.00
07/20/2018	PAYROLL DIRECT DEPOSIT	140,943.26
07/20/2018	FEDERAL DEPOSIT LIABILITY	29,452.89
07/20/2018	SDI & STATE TAX	11,441.98
07/20/2018	WAGE GARNISHMENTS	585.00
07/20/2018	PRUDENTIAL (401K)	50,079.56
07/20/2018	PRUDENTIAL (457)	16,453.97
07/31/2018	ADP AND BANK FEES	4,351.73
<b>TOTAL INTERBANK WIRES / DEBIT TRANSFERS</b>		<b>\$ 504,206.52</b>

**TOTAL DISBURSEMENTS \$ 2,601,584.84**

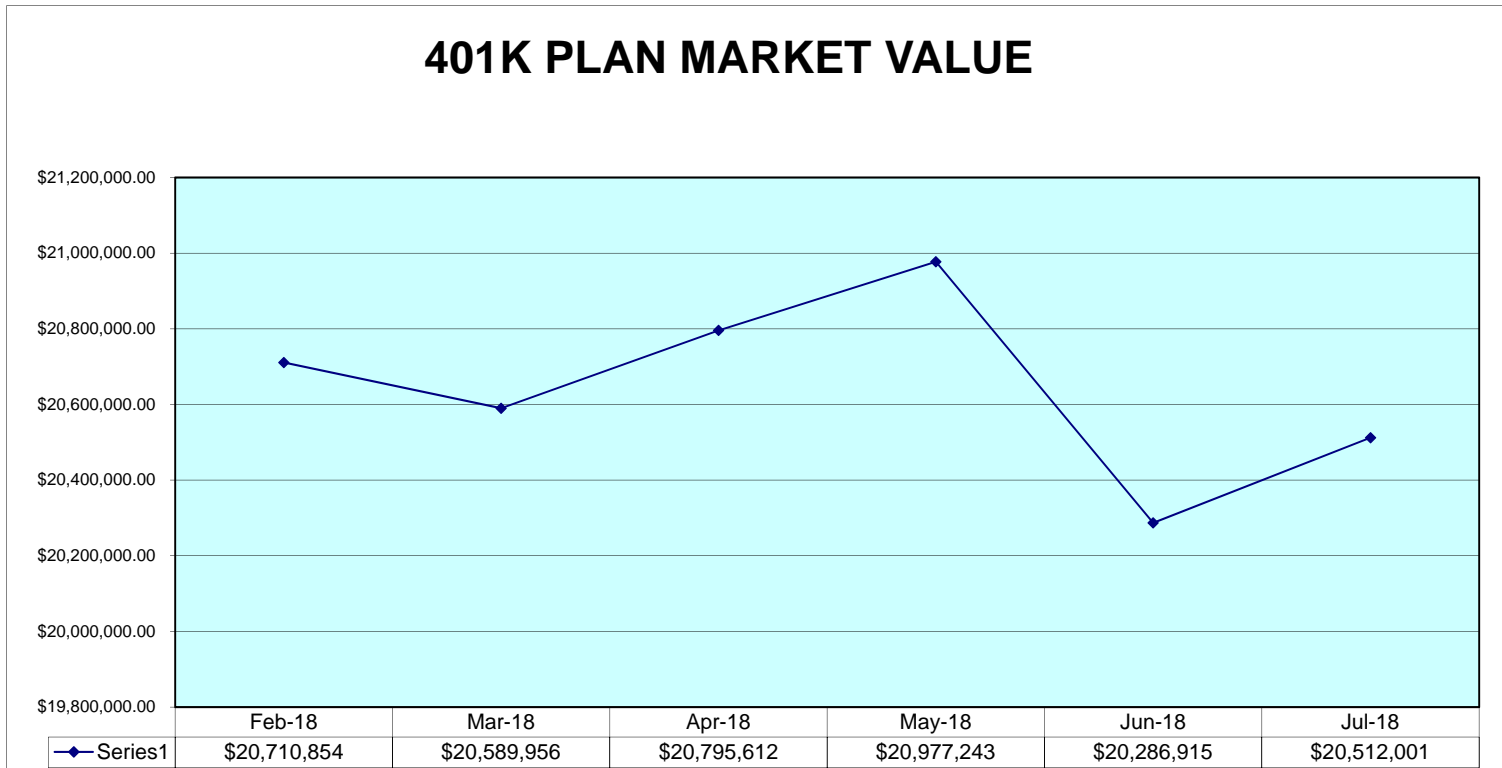
**ETWD EMPLOYEES**

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
85403	07/12/2018	CESAR CASSANI (Expense Reimbursement)	300.00
85404	07/12/2018	CHRIS GOODCHILD (Expense Reimbursement)	300.00
85395	07/12/2018	ALEX HRADECKY (Expense Reimbursement)	258.59
85373	07/05/2018	DANIEL OROZCO (Expense Reimbursement)	169.00
85490	07/26/2018	DANIEL OROZCO (Expense Reimbursement)	161.61
85422	07/12/2018	ROBERT MCKERN (Expense Reimbursement)	161.20
<b>TOTAL CHECKS TO EMPLOYEES</b>			<b>\$ 1,350.40</b>

**ETWD DIRECTORS**

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
85412	07/12/2018	JOSE VERGARA (Expense Reimbursement)	180.29
85409	07/12/2018	FREDERICK ADJARIAN (Expense Reimbursement)	128.14
85414	07/12/2018	MARK MONIN (Expense Reimbursement)	110.09
<b>TOTAL CHECKS TO DIRECTORS</b>			<b>\$ 418.52</b>

## EL TORO WATER DISTRICT 401K PLAN SUMMARY

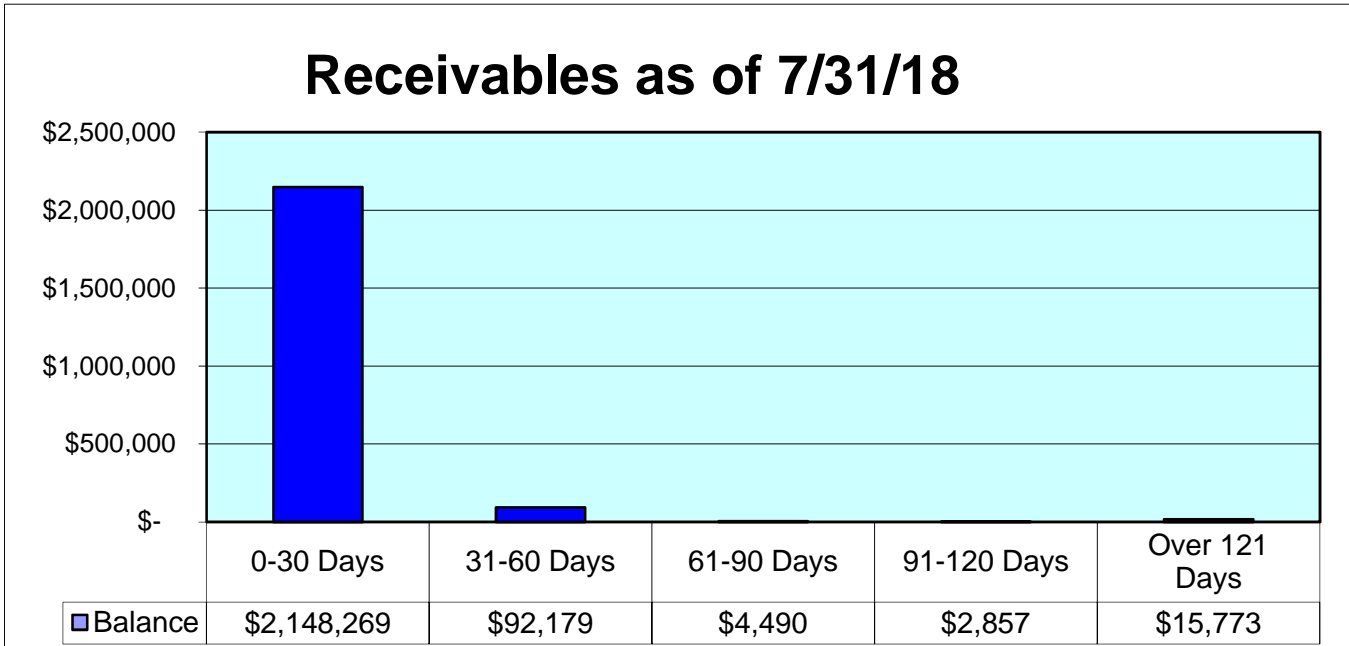


	MARKET VALUE SUMMARY			
	Growth Port. Under 40 yrs. Old	Balanced Port. 40 to 50 yrs. Old	Income & Growth 50 to 60 yrs. Old	Capital Pres. Port Over 60 yrs. Old
Balance at July 1, 2018	\$ 1,361,579.56	\$2,590,730.79	\$11,389,155.42	\$4,945,449.62
Contributions	21,085.99	16,362.46	40,833.32	21,057.97
Withdrawals	(82,829.35)	0.00	0.00	0.00
Transfers	0.00	0.00	0.00	0.00
Interest, dividends and appreciation net of fees and charges	29,672.83	(3,174.91)	146,048.96	36,027.93
Balance at July 31, 2018	\$ 1,329,509.03	\$2,603,918.34	\$11,576,037.70	\$5,002,535.52
Average return YTD July 31, 2018	2.23%	-0.12%	1.26%	0.72%

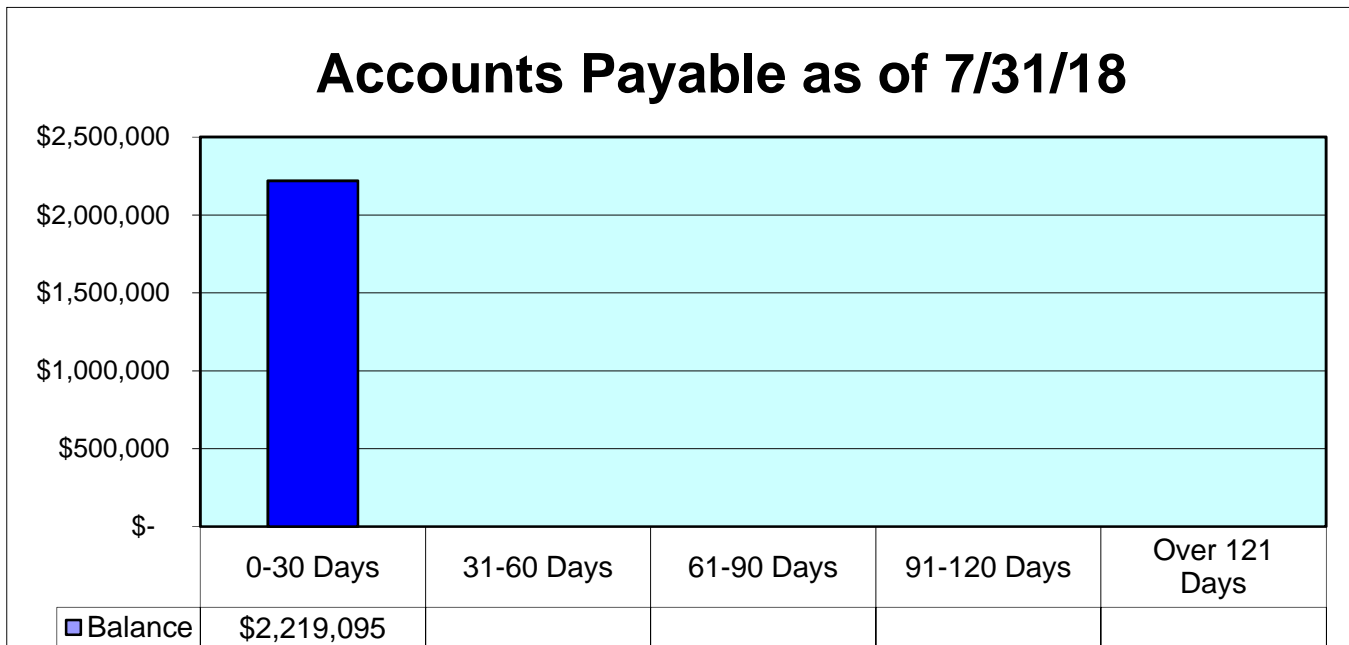
Average return is calculated by dividing the interest, dividends and appreciation, net of fees by ending fund balance and then annualize.



**RECEIVABLES & PAYABLES AGEING**



Bad Debts Year to Date:                     (\$114)                    



Year to Date Discounts Taken:                     \$0

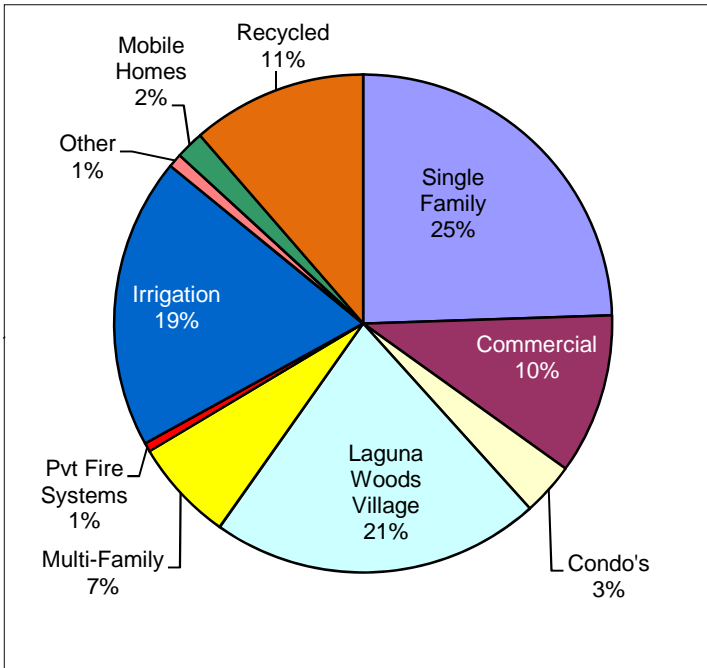
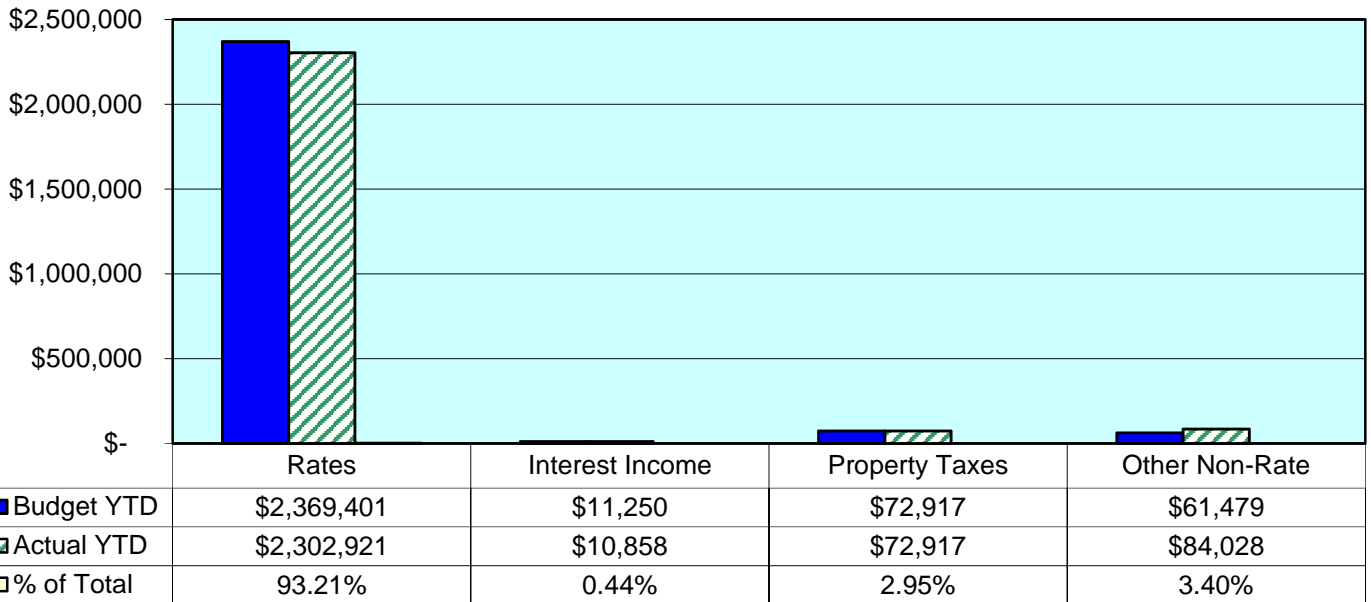
**Page 10**  
**El Toro Water District**  
**Income Statement**  
**July 2018**

	<u>Jul 18</u>	<u>Budget</u>	<u>% of Budget</u>	<u>Jul 18</u>	<u>YTD Budget</u>	<u>% of Budget</u>	<u>Annual Budget</u>
<b>Income</b>							
4600 · Water Service Charge	254,706.83	280,341.25	90.86%	254,706.83	280,341.25	90.86%	3,364,095.00
4700 · Sanitary Service	641,947.30	650,000.00	98.76%	641,947.30	650,000.00	98.76%	7,800,000.00
4722 · Recycled Water Tertiary Sales	225,702.59	178,337.43	126.56%	225,702.59	178,337.43	126.56%	1,695,000.00
4724 · Service Charge - Recycled Water	17,253.20	18,750.00	92.02%	17,253.20	18,750.00	92.02%	225,000.00
4750 · Capital Facilities Charge	250,552.85	251,250.00	99.72%	250,552.85	251,250.00	99.72%	3,015,000.00
4800 · Commodity Charge	912,758.59	990,722.64	92.13%	912,758.59	990,722.64	92.13%	9,416,278.00
4950 · Other Operating Income	13,862.89	4,583.37	302.46%	13,862.89	4,583.37	302.46%	55,000.00
4960 · Other Income	62,216.02	45,812.39	135.81%	62,216.02	45,812.39	135.81%	549,750.00
4967 · SMWD	0.00	9,166.63	0.0%	0.00	9,166.63	0.0%	110,000.00
4970 · MNWD	11,000.00	1,916.63	573.92%	11,000.00	1,916.63	573.92%	23,000.00
4980 · Interest Income	10,858.18	11,250.00	96.52%	10,858.18	11,250.00	96.52%	135,000.00
4985 · Changes FMV CAMP	-3,050.55			-3,050.55			
4986 · Changes FMV LAIF							
4990 · Property Taxes	72,916.67	72,916.63	100.0%	72,916.67	72,916.63	100.0%	875,000.00
<b>Total Income</b>	<b>2,470,724.57</b>	<b>2,515,046.97</b>	<b>98.24%</b>	<b>2,470,724.57</b>	<b>2,515,046.97</b>	<b>98.24%</b>	<b>27,263,123.00</b>
<b>Gross Profit</b>	<b>2,470,724.57</b>	<b>2,515,046.97</b>	<b>98.24%</b>	<b>2,470,724.57</b>	<b>2,515,046.97</b>	<b>98.24%</b>	<b>27,263,123.00</b>
<b>Expense</b>							
5100 · Personnel Cost	652,529.52	690,653.15	94.48%	652,529.52	690,653.15	94.48%	8,287,837.25
5405 · Water Purchases	746,172.77	844,281.24	88.38%	746,172.77	844,281.24	88.38%	8,027,968.00
5410 · Electrical Power	131,376.94	89,787.72	146.32%	131,376.94	89,787.72	146.32%	1,077,450.00
5415 · Repair Parts & Materials	9,716.89	32,133.75	30.24%	9,716.89	32,133.75	30.24%	385,605.00
5420 · Equipment Maintenance & Repair	3,242.90	8,172.28	39.68%	3,242.90	8,172.28	39.68%	98,070.00
5425 · Pump Maintenance & Repair	12,256.93	10,524.89	116.46%	12,256.93	10,524.89	116.46%	126,300.00
5430 · Motor Maintenance & Repair	0.00	2,149.89	0.0%	0.00	2,149.89	0.0%	25,800.00
5440 · Electrical/Contl Maint & Repair	0.00	5,791.63	0.0%	0.00	5,791.63	0.0%	69,500.00
5445 · Meter Maintenance & Repair	0.00	291.74	0.0%	0.00	291.74	0.0%	3,500.00
5455 · Chemicals	11,881.77	18,008.37	65.98%	11,881.77	18,008.37	65.98%	216,100.00
5460 · Structure Maint & Repair	3,665.81	1,780.00	205.94%	3,665.81	1,780.00	205.94%	21,360.00
5465 · Asphalt Maintenance & Repair	2,030.00	8,141.74	24.93%	2,030.00	8,141.74	24.93%	97,700.00
5470 · Consultants	1,570.45	9,516.63	16.5%	1,570.45	9,516.63	16.5%	114,200.00
5475 · Contractors	85,540.20	102,599.35	83.37%	85,540.20	102,599.35	83.37%	1,231,190.00
5480 · Engineers	0.00	6,333.37	0.0%	0.00	6,333.37	0.0%	76,000.00
5482 · Dump Fees	0.00	1,333.26	0.0%	0.00	1,333.26	0.0%	16,000.00
5485 · Laboratory	191.68	2,950.00	6.5%	191.68	2,950.00	6.5%	35,400.00
5490 · License & Permits	2,865.96	10,735.70	26.7%	2,865.96	10,735.70	26.7%	128,835.00
5495 · Gas & Oil	8,005.31	7,500.00	106.74%	8,005.31	7,500.00	106.74%	90,000.00
5500 · Equipment Rental	115.56	1,366.63	8.46%	115.56	1,366.63	8.46%	16,400.00
5505 · Landscaping	0.00	8,671.63	0.0%	0.00	8,671.63	0.0%	104,060.00
5510 · Small Tools & Equipment	3,098.94	5,129.13	60.42%	3,098.94	5,129.13	60.42%	61,550.00
5515 · Security	197.00	1,587.66	12.41%	197.00	1,587.66	12.41%	19,055.00
5520 · Operating Supplies	4,561.55	4,333.37	105.27%	4,561.55	4,333.37	105.27%	52,000.00
5525 · Safety Equipment	2,206.26	3,216.63	68.59%	2,206.26	3,216.63	68.59%	38,600.00
5530 · Temporary Help	0.00	2,833.26	0.0%	0.00	2,833.26	0.0%	34,000.00
5535 · Other Employee Cost	13,853.56	7,500.00	184.71%	13,853.56	7,500.00	184.71%	90,000.00
5540 · Depreciation	352,477.00	358,333.37	98.37%	352,477.00	358,333.37	98.37%	4,300,000.00
5545 · Insurance	41,112.00	40,712.61	100.98%	41,112.00	40,712.61	100.98%	488,550.00
5555 · Advertising & Publicity	0.00	208.37	0.0%	0.00	208.37	0.0%	2,500.00
5560 · Amortization	570.49	570.87	99.93%	570.49	570.87	99.93%	6,850.00
5570 · Annual Event	0.00	445.87	0.0%	0.00	445.87	0.0%	5,350.00
5575 · Audit	0.00	2,500.00	0.0%	0.00	2,500.00	0.0%	30,000.00
5580 · Bad Debts	-114.43	1,666.63	-6.87%	-114.43	1,666.63	-6.87%	20,000.00
5585 · Bank Charges	4,351.73	4,708.37	92.43%	4,351.73	4,708.37	92.43%	56,500.00
5590 · Data Processing Supply & Access	7,537.02	3,041.74	247.79%	7,537.02	3,041.74	247.79%	36,500.00
5595 · Data Processing Equipment	0.00	3,333.26	0.0%	0.00	3,333.26	0.0%	40,000.00
5600 · Data Processing Consultants	6,700.00	2,083.37	321.59%	6,700.00	2,083.37	321.59%	25,000.00
5605 · Directors Fees	8,560.00	8,750.00	97.83%	8,560.00	8,750.00	97.83%	105,000.00
5610 · Dues & Memberships	5,697.27	6,833.37	83.37%	5,697.27	6,833.37	83.37%	82,000.00
5615 · Education & Training	422.10	2,437.50	17.32%	422.10	2,437.50	17.32%	29,250.00
5620 · Election Expense	0.00	2,500.00	0.0%	0.00	2,500.00	0.0%	30,000.00
5625 · Employee Service Awards	1,127.61	483.37	233.28%	1,127.61	483.37	233.28%	5,800.00
5630 · Software Maintenance & Licenses	7,858.76	13,416.63	58.58%	7,858.76	13,416.63	58.58%	161,000.00
5640 · Interest Expense	64,088.38	64,088.38	100.0%	64,088.38	64,088.38	100.0%	769,061.00
5645 · Janitorial	2,812.00	2,816.63	99.84%	2,812.00	2,816.63	99.84%	33,800.00
5650 · Legal	8,250.00	12,500.00	66.0%	8,250.00	12,500.00	66.0%	150,000.00
5655 · Meets, Conventions & Travel	4,223.48	3,250.00	129.95%	4,223.48	3,250.00	129.95%	39,000.00
5657 · Meets, Con & Travel - Directors	2,434.70	2,333.37	104.34%	2,434.70	2,333.37	104.34%	28,000.00
5660 · Office Supplies	849.64	1,916.63	44.33%	849.64	1,916.63	44.33%	23,000.00
5670 · Postage	0.00	1,708.37	0.0%	0.00	1,708.37	0.0%	20,500.00
5675 · Printing & Reproduction	0.00	1,750.00	0.0%	0.00	1,750.00	0.0%	21,000.00
5680 · Property Tax	0.00	458.37	0.0%	0.00	458.37	0.0%	5,500.00
5685 · Public Education & Outreach	4,499.05	18,600.00	24.19%	4,499.05	18,600.00	24.19%	223,200.00
5690 · Publications & Subscriptions	0.00	250.00	0.0%	0.00	250.00	0.0%	3,000.00
5695 · Communications	9,872.37	8,500.00	116.15%	9,872.37	8,500.00	116.15%	102,000.00
5700 · Utilities	614.81	1,775.00	34.64%	614.81	1,775.00	34.64%	21,300.00
<b>Total Expense</b>	<b>2,229,023.98</b>	<b>2,459,295.10</b>	<b>90.64%</b>	<b>2,229,023.98</b>	<b>2,459,295.10</b>	<b>90.64%</b>	<b>27,408,141.25</b>
<b>Net Income</b>							
	<b>241,700.59</b>	<b>55,751.87</b>	<b>433.53%</b>	<b>241,700.59</b>	<b>55,751.87</b>	<b>433.53%</b>	<b>-145,018.25</b>

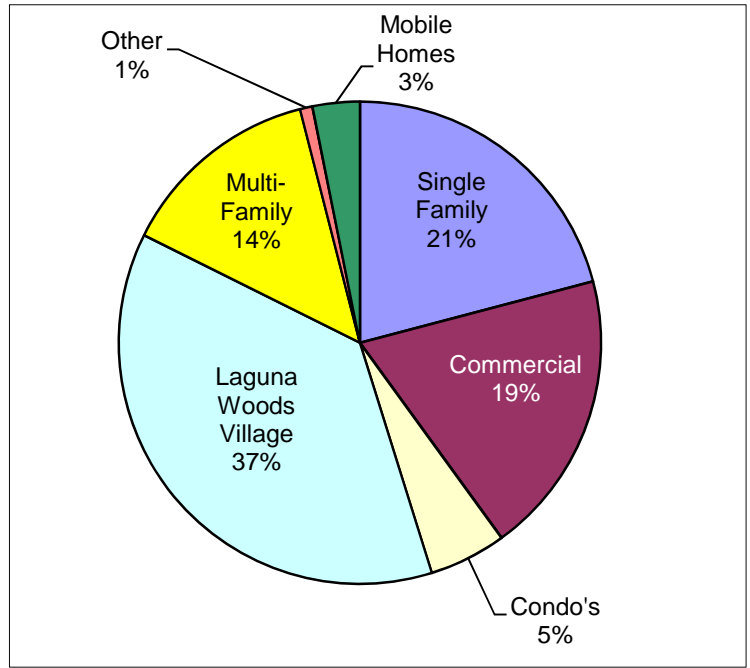


## EL TORO WATER DISTRICT REVENUES FROM WATER & WASTE WATER SALES AS OF 7/31/18

### Where the Money Comes From



**WATER REVENUE YTD 2018/2019**



**WASTE WATER REVENUE YTD 2018/2019**

**EL TORO WATER DISTRICT  
REVENUE COMPARISON  
For the Month Ended July 31, 2018**

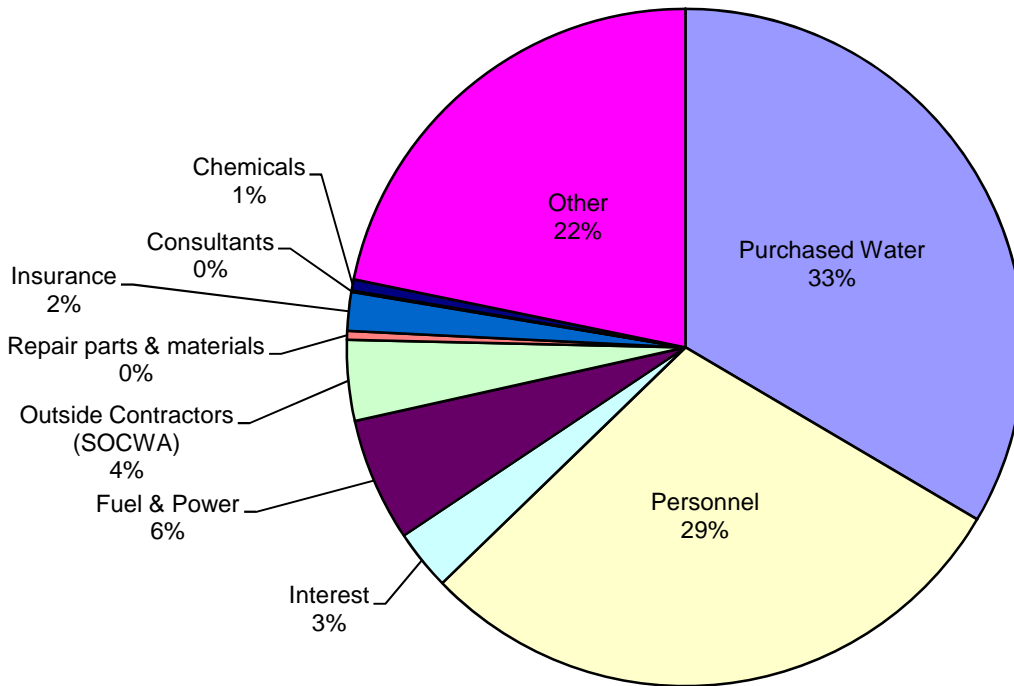
	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	BUDGET	REMAINING BUDGET
<u>From Rates</u>										
Capital Facilities Charge	\$ 250,553	\$ 251,250	\$ (697)	0%	\$ 250,553	\$ 251,250	\$ (697)	0%	\$ 3,015,000	\$ 2,764,447
Water sales - Commodity	912,759	990,723	(77,964)	-8%	912,759	990,723	(77,964)	-8%	9,416,278	8,503,519
Water sales - Fixed Meter	254,707	280,341	(25,634)	-9%	254,707	280,341	(25,634)	-9%	3,364,095	3,109,388
Waste water sales	641,947	650,000	(8,053)	-1%	641,947	650,000	(8,053)	-1%	7,800,000	7,158,053
Recycled water tertiary sales	225,703	178,337	47,365	27%	225,703	178,337	47,365	27%	1,695,000	1,469,297
Service charge - Recycled water	17,253	18,750	(1,497)	-8%	17,253	18,750	(1,497)	-8%	225,000	207,747
<b>TOTAL FROM RATES</b>	<b>2,302,921</b>	<b>2,369,401</b>	<b>(66,480)</b>	<b>-3%</b>	<b>2,302,921</b>	<b>2,369,401</b>	<b>(66,480)</b>	<b>-3%</b>	<b>25,515,373</b>	<b>23,212,452</b>
<u>Non-rate Revenue</u>										
Admin fee	11,648	1,600	10,048	628%	11,648	1,600	10,048	628%	19,200	7,552
48 Hour notice fee	2,100	2,451	(351)	-14%	2,100	2,451	(351)	-14%	29,416.44	27,316
Restoration fee	100	370	(270)	-73%	100	370	(270)	-73%	4,440	4,340
Unpaid check fee	15	150	(135)	-90%	15	150	(135)	-90%	1,800	1,785
Cut lock fee	-	12	(12)	-100%	-	12	(12)	-100%	144	144
<b>TOTAL NON-RATE</b>	<b>13,863</b>	<b>4,583</b>	<b>9,280</b>	<b>202%</b>	<b>13,863</b>	<b>4,583</b>	<b>9,280</b>	<b>202%</b>	<b>55,000</b>	<b>41,138</b>
<u>Other Revenue</u>										
Interest	10,858	11,250	(392)	-3%	10,858	11,250	(392)	-3%	135,000	124,142
Change FMV Investment	(3,051)	-	(3,051)	0%	(3,051)	-	(3,051)	0%	-	3,051
Property taxes	72,917	72,917	0	0%	72,917	72,917	0	0%	875,000	802,083
Other	62,216	45,812	16,403	36%	62,216	45,812	16,404	36%	549,750	487,534
<b>TOTAL OTHER REVENUE</b>	<b>142,940</b>	<b>129,979</b>	<b>12,961</b>	<b>10%</b>	<b>142,940</b>	<b>129,979</b>	<b>12,961</b>	<b>10%</b>	<b>1,559,750</b>	<b>1,416,810</b>
<u>Contract Service</u>										
Santa Margarita W. D.	-	9,167	(9,167)	-100%	-	9,167	(9,167)	-100%	110,000	110,000
Moulton Niguel W. D.	11,000	1,917	9,083	474%	11,000	1,917	9,083	474%	23,000	12,000
<b>TOTAL CONTRACT SERVICES</b>	<b>11,000</b>	<b>11,083</b>	<b>(83)</b>	<b>-1%</b>	<b>11,000</b>	<b>11,083</b>	<b>(83)</b>	<b>-1%</b>	<b>133,000</b>	<b>122,000</b>
<b>TOTAL REVENUE</b>	<b>\$ 2,470,725</b>	<b>\$ 2,515,047</b>	<b>\$ (44,322)</b>	<b>-2%</b>	<b>\$ 2,470,725</b>	<b>\$ 2,515,047</b>	<b>\$ (44,322)</b>	<b>-2%</b>	<b>\$ 27,263,123</b>	<b>\$ 24,792,399</b>

**EL TORO WATER DISTRICT  
NON-RATE REVENUE ANALYSIS  
FOR THE MONTH ENDING July 31, 2018**

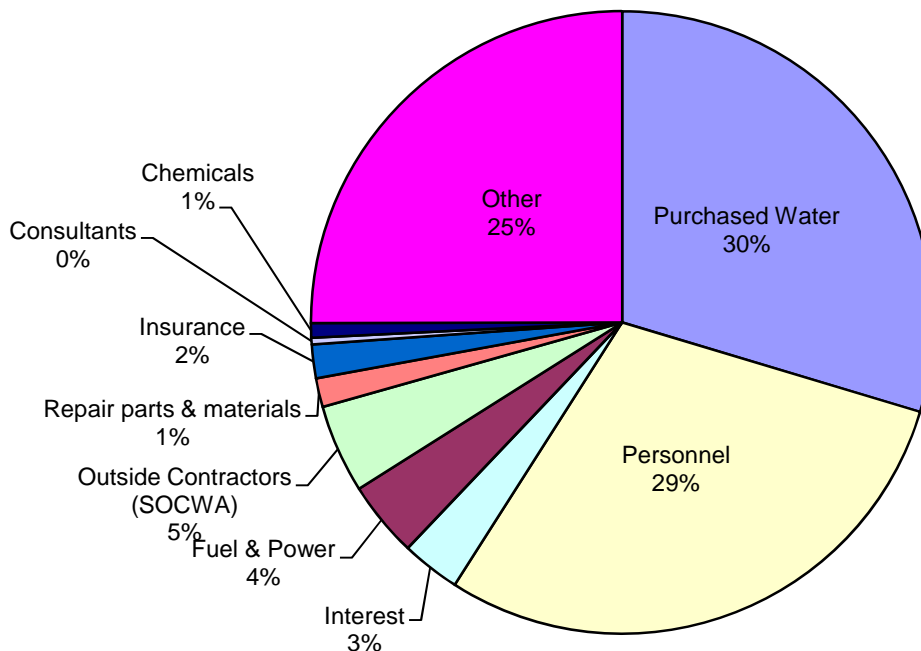
	Jul-18 Actual	Jul-18 Budget	Jul 18- Jul 18 YTD Actual	Jul 18- Jul 18 YTD Budget
Site Leases	23,506	26,229	23,506	26,229
MWD Recycled Water LRP Rebate	36,150	17,917	36,150	17,917
JPIA Refund	-	-	-	-
MWDOC Budget Based Tier & 2015 Urban Water Refund		-	-	-
Recycled Metal	21	-	21	-
Diesel Fuel Tax Refund	-	-	-	-
Sale of District Vehicle	-		-	-
Misc Work for Customers	2,539	1,667	2,539	-
	<u>\$ 62,216</u>	<u>\$ 45,813</u>	<u>\$ 62,216</u>	<u>\$ 44,146</u>
<b>Other Operating Income</b>				
Sales to Santa Margarita	-		-	
Sales to Moulton Niguel	-		-	
	<u>-</u>		<u>-</u>	
<b>Total</b>	<u>62,216</u>		<u>62,216</u>	

# WHERE THE MONEY GOES

## YTD EXPENSES AT 7/31/18



## EXPENSES YEAR ENDING 6/30/18



**EL TORO WATER DISTRICT**  
**Expense Comparison**  
**For the Month Ended July 31, 2018**

	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	Annual BUDGET	REMAINING BUDGET
<b><u>Operating Expenses</u></b>										
Personnel cost	\$652,530	\$690,653	\$38,124	6%	\$652,530	\$690,653	\$38,124	6%	\$8,287,837	7,635,308
Purchased water	746,173	844,281	98,108	12%	746,173	844,281	98,108	12%	8,027,968	7,281,795
Electrical power	131,377	89,788	(41,589)	-46%	131,377	89,788	(41,589)	-46%	1,077,450	946,073
Repair parts & materials	9,717	32,134	22,417	70%	9,717	32,134	22,417	70%	385,605	375,888
Equipment repairs & maintenance	3,243	8,172	4,929	60%	3,243	8,172	4,929	60%	98,070	94,827
Pump repairs & maintenance	12,257	10,525	(1,732)	-16%	12,257	10,525	(1,732)	-16%	126,300	114,043
Motor repairs & maintenance	-	2,150	2,150	100%	0	2,150	2,150	100%	25,800	25,800
Electrical repairs & maintenance	-	5,792	5,792	100%	0	5,792	5,792	100%	69,500	69,500
Meter repairs & maintenance	-	292	292	100%	0	292	292	100%	3,500	3,500
Chemicals	11,882	18,008	6,127	34%	11,882	18,008	6,127	34%	216,100	204,218
Structure repairs & maintenance	3,666	1,780	(1,886)	-106%	3,666	1,780	(1,886)	-106%	21,360	17,694
Asphalt repairs & maintenance	2,030	8,142	6,112	75%	2,030	8,142	6,112	75%	97,700	95,670
Consultants - outside	1,570	9,517	7,946	83%	1,570	9,517	7,946	83%	114,200	112,630
Contractors - outside	85,540	102,599	17,059	17%	85,540	102,599	17,059	17%	1,231,190	1,145,650
Engineers - outside	-	6,333	6,333	100%	0	6,333	6,333	100%	76,000	76,000
Dump fees	-	1,333	1,333	100%	0	1,333	1,333	100%	16,000	16,000
Laboratories	192	2,950	2,758	94%	192	2,950	2,758	94%	35,400	35,208
License & permits	2,866	10,736	7,870	73%	2,866	10,736	7,870	73%	128,835	125,969
Automotive fuel & oil	8,005	7,500	(505)	-7%	8,005	7,500	(505)	-7%	90,000	81,995
Equipment rental	116	1,367	1,251	92%	116	1,367	1,251	92%	16,400	16,284
Landscaping	-	8,672	8,672	100%	0	8,672	8,672	100%	104,060	104,060
Small tools & equipment	3,099	5,129	2,030	40%	3,099	5,129	2,030	40%	61,550	58,451
Security	197	1,588	1,391	88%	197	1,588	1,391	88%	19,055	18,858
Operating supplies	4,562	4,333	(228)	-5%	4,562	4,333	(228)	-5%	52,000	47,438
Safety equipment	2,206	3,217	1,010	31%	2,206	3,217	1,010	31%	38,600	36,394
Temporary help	-	2,833	2,833	100%	0	2,833	2,833	100%	34,000	34,000
Other employee cost	13,854	7,500	(6,354)	-85%	13,854	7,500	(6,354)	-85%	90,000	76,146
Employee service awards	1,128	483	(644)	-133%	1,128	483	(644)	-133%	5,800	4,672
Education & training	422	2,438	2,015	83%	422	2,438	2,015	83%	29,250	28,828
<b>Total Operating Expenses</b>	<b>1,696,630</b>	<b>1,890,244</b>	<b>193,614</b>	<b>10%</b>	<b>1,696,630</b>	<b>1,890,244</b>	<b>193,614</b>	<b>10%</b>	<b>20,579,530</b>	<b>18,882,901</b>



**EL TORO WATER DISTRICT**  
**Expense Comparison**  
**For the Month Ended July 31, 2018**

	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	Annual BUDGET	REMAINING BUDGET
<b><u>Indirect Cost</u></b>										
Depreciation	352,477	358,333	5,856	2%	352,477	358,333	5,856	2%	4,300,000	3,947,523
Amortization	570	571	0	0%	570	571	0	0%	6,850	6,280
Insurance	41,112	40,713	(399)	-1%	41,112	40,713	(399)	-1%	488,550	447,438
Data processing supplies & assoc.	7,537	3,042	(4,495)	-148%	7,537	3,042	(4,495)	-148%	36,500	28,963
Data processing equipment	0	3,333	3,333	100%	0	3,333	3,333	100%	40,000	40,000
Data processing consultants	6,700	2,083	(4,617)	-222%	6,700	2,083	(4,617)	-222%	25,000	18,300
Software maintenance & licenses	7,859	13,417	5,558	41%	7,859	13,417	5,558	41%	161,000	153,141
Janitorial	2,812	2,817	5	0%	2,812	2,817	5	0%	33,800	30,988
Printing & reproduction	0	1,750	1,750	100%	0	1,750	1,750	100%	21,000	21,000
Publications & subscriptions	0	250	250	100%	0	250	250	100%	3,000	3,000
Communications - voice	3,556	3,333	(223)	-7%	3,556	3,333	(223)	-7%	40,000	36,444
Communications - data	3,202	2,667	(536)	-20%	3,202	2,667	(536)	-20%	32,000	28,798
Communications - mobile	3,114	2,500	(614)	-25%	3,114	2,500	(614)	-25%	30,000	26,886
Utilities	615	1,775	1,160	65%	615	1,775	1,160	65%	21,300	20,685
<b>Total Indirect Cost</b>	<b>429,554</b>	<b>436,583</b>	<b>7,029</b>	<b>2%</b>	<b>429,554</b>	<b>436,583</b>	<b>7,029</b>	<b>2%</b>	<b>5,239,000</b>	<b>4,809,446</b>
<b><u>Overhead Cost</u></b>										
Annual events	-	446	446	100%	-	446	446	100%	5,350	5,350
Audit	-	2,500	2,500	100%	-	2,500	2,500	100%	30,000	30,000
Bad debts	(114)	1,667	1,781	107%	(114)	1,667	1,781	107%	20,000	20,114
Bank charges	4,352	4,708	357	8%	4,352	4,708	357	8%	56,500	52,148
Directors fees	8,560	8,750	190	2%	8,560	8,750	190	2%	105,000	96,440
Dues & memberships	5,697	6,833	1,136	17%	5,697	6,833	1,136	17%	82,000	76,303
Election Expense	-	2,500	2,500	100%	0	2,500	2,500	100%	30,000	30,000
Interest	64,088	64,088	0	0%	64,088	64,088	0	0%	769,061	704,973
Legal	8,250	12,500	4,250	34%	8,250	12,500	4,250	34%	150,000	141,750
Meetings, conventions & travel	4,223	3,250	(973)	-30%	4,223	3,250	(973)	-30%	39,000	34,777
Meets, con & travel - Directors	2,435	2,333	(101)	-4%	2,435	2,333	(101)	-4%	28,000	25,565
Office supplies	850	1,917	1,067	56%	850	1,917	1,067	56%	23,000	22,150
Postage	-	1,708	1,708	100%	0	1,708	1,708	100%	20,500	20,500
Property taxes	-	458	458	100%	-	458	458	100%	5,500	5,500
Advertising & Publicity	-	208	208	100%	-	208	208	100%	2,500	2,500
Public education & outreach	4,499	18,600	14,101	76%	4,499	18,600	14,101	76%	223,200	218,701
<b>Total Overhead Cost</b>	<b>102,840</b>	<b>132,468</b>	<b>29,628</b>	<b>22%</b>	<b>102,840</b>	<b>132,468</b>	<b>29,628</b>	<b>22%</b>	<b>1,589,611</b>	<b>1,486,771</b>
<b>TOTAL EXPENSES</b>	<b>\$2,229,024</b>	<b>\$2,459,295</b>	<b>\$230,271</b>	<b>9%</b>	<b>\$2,229,024</b>	<b>\$2,459,295</b>	<b>\$230,271</b>	<b>9%</b>	<b>\$27,408,141</b>	<b>\$25,179,117</b>



Prepared by: Staff	<b>EL TORO WATER DISTRICT POLICY STATEMENT 1993-10 (IV) DIRECTORS' COMPENSATION</b>	Page 1 of 3 Item 7 Section IV
Approved by: Board of Directors		Date: 3-22-18 Revision 7

**I. PURPOSE**

- A. Directors in their role of providing governance for the El Toro Water District ("District") are required to: (1) Attend regular, special and committee meetings of the Board of Directors ("Board"); (2) perform assigned duties and responsibilities, as officers; (3) represent the District at industry and community events; and (4) attend industry specific conferences and educational events.
- B. The El Toro Water District ("District") shall adhere to Government Code Sections 53232 through 53232.4 when dealing with issues of director remuneration and reimbursement.

**II. QUALIFIED EVENTS**

Subject to the District's enabling statutes, attendance at the following qualifies a Director to be eligible to receive compensation.

- (a) A meeting of the District's Board of Directors;
- (b) A meeting of a Committee of the District's Board of Directors;
- (c) A conference or organized educational activity conducted in compliance with Government Code Section 54952.2(c), including but not limited to ethics training required by Government Code Section 53234.

Approved by Resolution: 93-9-2	Date: 09/16/93
Superseded by Resolution: 94-5-2	Date: 05/19/94
Superseded by Resolution: 99-7-2	Date: 07/15/99
Superseded by Resolution: 03-4-2	Date: 04/24/03
Superseded by Resolution 06-02-01	Date: 02/23/06
Superseded by Resolution 06-9-1	Date: 09/28/06
Superseded by Resolution 07-9-2	Date: 09/27/07
Superseded by Resolution 18-3-3	Date: 3/22/18

Prepared by: Staff	<b>EL TORO WATER DISTRICT POLICY STATEMENT 1993 10 (IV) DIRECTORS COMPENSATION</b>	Page 2 of 3 Item 7 Section IV
Approved by: Board of Directors		Date: 3-22-18 Revision: 7

**QUALIFIED EVENTS** (Continued)

- (d) Official Business Representing the District (subject to the prior approval of the President or Board) at the following non-exclusive functions and activities:
1. South Orange County Wastewater Authority (SOCWA)
  2. Santiago Aqueduct Commission (SAC)
  3. MWDOC Meetings
  4. Local Agency Formation Commission (LAFCO)
  5. Water Advisory Committee of Orange County (WACO)
  6. WACO Planning Committee
  7. Independent Special Districts of Orange County (ISDOC)
  8. Local TV-Appearances
  9. Orange County Water Association (OCWA)
  10. Local Chamber of Commerce Functions
  11. Meetings between Board President and Vice President.
  12. Meetings between Board President or Executive Committee and District General Manager or Attorney
  13. Fulfilling the duties of Treasurer
  14. Other functions and activities determined on an Ad Hoc basis as being beneficial to the District's operations.

III. **COMPENSATION**

- A. When serving in the above capacity a Director shall receive a per diem compensation as established by Ordinance of the District for “each day” so served, at the request of the Board. Only one per diem compensation will be paid for each calendar day (regardless of the number of meetings or events attended on a calendar day) up to the maximum number of days permitted by the District’s Ordinance (which presently is set at 10 in any calendar month – Ordinance No. 2018-1). Attendance at meetings and conferences shall be deemed to have been rendered “at the request of the Board” if (1) the Director’s attendance is requested through posting of a notice of a District meeting; (2) the Director’s attendance is requested by the President of the Board; or (3) the Director’s attendance is approved by Board action at a regular or special meeting of the Board of Directors.

Prepared by: Staff	<b>EL TORO WATER DISTRICT POLICY STATEMENT 1993 10 (IV) DIRECTORS COMPENSATION</b>	Page 3 of 3 Item 7 Section IV
Approved by: Board of Directors		Date: 3-22-18 Revision: 7

B. Directors shall submit their compensation report form to the District office within the first week of each month for the prior month. The Board President, or designated representative will approve and sign director compensation forms before payment can be processed. The Board President's compensation Form shall be approved by the General Manager or Assistant General Manager.

C. It is against the law to falsify compensation reports. Penalties for misuse of public resources or violating this policy may include, but are not limited to, the following:

- (a) Restitution to the District;
- (b) Civil penalties for misuse of public resources pursuant to Government Code Section 8314; and
- (c) Prosecution for misuse of public resources, pursuant to Section 424 of the Penal Code, penalties for which include 2, 3 or 4 years in prison.

D. In the event of a dispute or misunderstanding regarding compensation, the matter shall be reviewed by two members of the Board appointed by the Board (other than the Board member whose account is being questioned) and their findings and recommendations will be transmitted to the Board for a determination and shall be final.

E. Changes in the compensation of Board members will require the approval of the Board during an open meeting of the Board held at least 60 days prior to the effective date of the change, no more than once in any twelve-month period.

Prepared by: Staff	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b>  <b>1985-5 (IV)</b> <b>TRAVEL AND EXPENSE</b> <b>REIMBURSEMENT POLICY</b>	Page 1 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Revision: 13

<b>TABLE OF CONTENTS</b>	
<b><u>Section</u></b>	<b><u>Page #</u></b>
<b>I. <u>Employees:</u></b>	
i. Purpose .....	2
ii. Authorization for Travel.....	2
iii. Travel Arrangements .....	3
iv. Policy .....	3-8
<b>II. <u>Directors:</u></b>	
i. Purpose .....	9
ii. Governance .....	9
iii. Authorized Events.....	10
iv. Authorized Expenses.....	10-12
v. Reimbursement .....	12
vi. Travel Arrangements .....	13
vii. General Provisions .....	13-14

Superseded by Resolution: 94-05-2 .....	Date: 05/19/94
Superseded by Resolution: 95-11-2 .....	Date: 11/16/95
Superseded by Resolution: 96-09-2 .....	Date: 09/19/96
Superseded by Resolution: 97-07-2 .....	Date: 07/31/97
Superseded by Resolution: 99-07-1 .....	Date: 07/15/99
Superseded by Resolution: 03-04-2 .....	Date: 04/24/03
Superseded by Resolution: 06-02-1 .....	Date: 02/23/06
Superseded by Resolution: 11-3-1 .....	Date: 3/24/11
Superseded by Resolution: 15-4-2 .....	Date: 4/23/15
Superseded by Resolution: 16-3-1 .....	Date: 3/24/16
Superseded by Resolution: 17-3-1 .....	Date: 3/28/17

Prepared by: Board	<b>EL TORO WATER DISTRICT</b>	Page 2 of 14 Item 4 Section IV
Approved by: Board of Directors	<b>POLICY STATEMENT</b>  <b>1985-5 (IV)</b>	Date: 3/28/17 Revision: 13

**TRAVEL AND EXPENSE REIMBURSEMENT POLICY**  
**FOR EMPLOYEES**

**I. PURPOSE**

To advance training and professionalism, the El Toro Water District (District) encourages and authorizes attendance at various schools, seminars and conferences by its employees. Employees may also be required to travel both in and outside the state to conduct official District business. The purpose of this travel and expense policy is to furnish rules, guidelines, and procedures for governing reimbursement for travel expenses, and to establish certain procedures concerning travel authorization, documentation, and accounting. The District's objectives are to allow travel arrangements, and activities for its employees that conserve District funds and that have a significant and meaningful link to the purposes, policies, and interests of the District.

"Travel" shall mean attendance at meetings, conferences, or other functions on District business at other than the employee's headquarters. Employees shall not be in travel status to the extent that they travel to perform job assignments related to District facilities within designated service or maintenance areas unless it is overnight.

**II. AUTHORIZATION FOR TRAVEL**

Employees, if authorized by their supervisors, may travel anywhere within Orange County to carry out their assignments.

Other travel on District business by employees shall be undertaken only with the prior approval of the General Manager, or the Assistant General Manager.

Prepared by: Board	<b>EL TORO WATER DISTRICT</b>	Page 3 of 14 Item 4 Section IV
Approved by: Board of Directors	<b>POLICY STATEMENT</b>	
	<b>1985-5 (IV)</b>	Date: 3/28/17 Revision: 13

TRAVEL AND EXPENSE REIMBURSEMENT POLICY  
FOR EMPLOYEES  
(Continued)

**III TRAVEL ARRANGEMENTS**

To ensure the accuracy of travel arrangements and compliance with District policy, all employees will be required to complete all the appropriate travel forms. The forms will then be submitted to the Board Secretary or designee for processing.

Employees traveling on District business may make all travel arrangements and registrations through the Board Secretary or designee. All such payment and registration requests must be submitted in a timely manner to allow sufficient time for normal processing.

**IV. POLICY**

1. Employees are expected to exercise good judgment and a proper regard for economy in incurring expenses.
2. When required, the District will prepay airfares, lodging costs and conference registration fees. All such payment requests must allow sufficient time for normal processing and approval prior to payment.
3. When traveling on official District business, employees are encouraged to utilize their personal credit cards and/or cash for all expenses, and then to request reimbursement for such expense. However, in circumstances where the use of such credit cards and/or cash is deemed impractical, and where the total expense is expected to exceed fifty (\$50.00), the District may provide an advance of funds. Such advance shall not exceed one hundred percent (100%) for the total estimated expense.
4. Within ten (10) working days after completion of a trip, a travel expense report should be submitted to the Board Secretary or designee.



Prepared by: Board	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b>  <b>1985-5 (IV)</b>	Page 4 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Revision: 13

TRAVEL AND EXPENSE REIMBURSEMENT POLICY  
FOR EMPLOYEES  
(Continued)

5. Paid receipts for lodging, rail or airfares and conference registration fees are required if such expenses have been incurred. All other receipts received in the normal course of business shall also be attached.
  
6. There is no objection to an employee's spouse and/or other family member accompanying them on an official trip, provided that their presence does not detract from the employee's performance of duty. However, the District will not reimburse any expenses attributable to any companion.
  
7. In any situation where extraordinary travel expenses are expected to be incurred, or where this Policy does not adequately cover the situation or would result in an undue hardship, exceptions may be made with prior approval.
  
8. An employee may use any mode of transportation, designated or approved, including airline, railroad, bus or automobile. Reimbursement will be based on the following paragraphs.
  - A. Travel shall be by the most direct route. If an indirect route is used, the additional costs shall be at the employee's personal expense. Whenever air travel is used, an advance travel request shall be submitted to the Board Secretary or designee in order to obtain the lowest possible fare.
  
  - B. Air travel reimbursement shall be limited to economy fares including all applicable fee charges and taxes where such service is available. Travel to and from airports shall be by the most cost effective method.

Prepared by: Board	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b>  <b>1985-5 (IV)</b>	Page 5 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Revision: 13

TRAVEL AND EXPENSE REIMBURSEMENT POLICY  
FOR EMPLOYEES

- C. Reimbursement for the use of private cars, except those receiving a car allowance, shall be at the rate as established by the Internal Revenue Services (IRS). Mileage reimbursement shall be limited to the economy fare for air travel. Parking charges at the destination will be reimbursed in accordance with the provisions of this policy.
  
- D. Reimbursement for the use of rental cars will be allowed only when such use has been approved in advance. Maximum reimbursement for car rental will be for a full-size car.
  
- E. Travel in District vehicles may be approved when circumstances warrant it. When traveling in a District vehicle, receipts shall be secured for the purchase of gas, oil, and other supplies necessary en-route. These amounts shall be shown on the expense report with a notation that a District vehicle was used, indicating the District unit number, the license plate number and make of the vehicle. The amount of the charge shall be typed opposite the transportation category.  
  
If emergency repairs are necessary, they shall be paid for by the person to whom the car is assigned. All receipts for such payments must be furnished in order to obtain reimbursement.
  
- F. It is expected that hotel and motel reservations will be made in advance whenever possible, and that lodging will be secured at rates considered reasonable for the particular destination. "Government rates" or "commercial rates" shall be requested at hotels and motels offering these discounts.

Prepared by: Board	<b>EL TORO WATER DISTRICT</b>	Page 6 of 14 Item 4 Section IV
Approved by: Board	<b>POLICY STATEMENT</b>	
	<b>1985-5 (IV)</b>	Date: 3/28/17 Revision: 13

TRAVEL AND EXPENSE REIMBURSEMENT POLICY  
FOR EMPLOYEES  
(Continued)

- G. Reimbursement for lodging shall be limited to the minimum number of nights required to conduct the assigned District business. If an employee chooses to arrive earlier or stay later, the additional lodging and other expenses related to this decision will be the employee's personal expense.
  
- H. Generally, an employee shall not use lodging unless the destination is a 75-mile or more drive from the District's Administration Office or unless there is a very early or late official meeting that could justify the employee staying overnight at the destination.
  
- I. Any room service charges appearing on the hotel bill shall be deducted from the bill and reimbursed in accordance with the provisions of this policy.
  
- J. Local and long distance telephone and computer access charges will be reimbursed when such charges are incurred in conducting official District business or making essential personal calls such as a "safe arrival call." Charges will be shown on a separate line of the travel expense report and shall, therefore, be deducted from the hotel bill.
  
- K. When meals are associated with employee travel the following policies and procedures will apply:
  - i. Maximum allowance to cover meals, including meal tips, will be provided as follows:

Breakfast	\$15.00
Lunch	\$20.00
Dinner	\$30.00

Prepared by: Board	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b>  <b>1985-5 (IV)</b>	Page 7 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Revision: 13

TRAVEL AND EXPENSE REIMBURSEMENT POLICY  
FOR EMPLOYEES  
(Continued)

Under certain meeting or conference circumstances the maximum meal allowance may not be sufficient. In such cases, the General Manager has the authority to review and, if deemed appropriate, may approve the expenditure. Under similar instances involving the General Manager, the President of the Board of Directors shall review and, if deemed appropriate, may approve the expenditure.

- ii. No reimbursement shall be made for meals, other than during travel, without prior approval.
  - iii. No reimbursement shall be made for alcohol at any time.
  - iv. For travel that requires less than a full day, and for the day of departure and day of return on longer trips, the above amounts will be allowed for the meals actually required. All meal allowances shall be entered on the appropriate lines of the Travel Expense Report, with receipt(s) attached.
  - v. When conference, seminar or school registration fees include one or more meals, or where individual meals are otherwise provided, no amount shall be entered for this meal on the travel expense form.
- L. At times when other expenses associated with travel are required, employees will be reimbursed for all business expenses necessary to conduct the assigned District business. Examples include, but are not limited to the following:
- i. Airport parking charges when air travel is used.
  - ii. Parking charges at the destination hotel or garage when transportation is by private or rental car.

Prepared by: Board	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b>  <b>1985-5 (IV)</b>	Page 8 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Revision: 13

TRAVEL AND EXPENSE REIMBURSEMENT POLICY  
FOR EMPLOYEES  
(Continued)

- iii. Airport bus/shuttle, or taxi fares where free airport bus/shuttle service is not available.
- iv. Conference, seminar or school registration fees.
- v. Local transportation (only as required for official District business).
- vi. A reasonable amount will be allowed for baggage handling, laundry and dry cleaning for employees attending a conference or school of more than one week in length. All receipts for such expense must be submitted with the travel expense report.
- vii. No reimbursement will be made for personal expenses such as newspapers, magazines, haircuts, shoeshines, excessive personal telephone calls, taxi fares to and from restaurants, and other personal expenses.

Prepared by: Staff/General Counsel	<b>EL TORO WATER DISTRICT POLICY STATEMENT DIRECTOR TRAVEL AND EXPENSE REIMBURSEMENT 1985-5 (IV)</b>	Page 9 of 14 Item 4 Section IV
Approved by: Board		Date: 3/28/17 Rev. 13

**I. PURPOSE**

To advance training and professionalism, El Toro Water District (District) encourages and, with prior approval by the Board, authorizes attendance at conferences (i.e. ACWA, CSDA, WaterReuse, CASA) by its Board members (Directors). Directors may be required to travel both in and outside the state to conduct official District business. This policy is to furnish guidelines for reimbursement for travel expenses and to establish certain procedures concerning travel authorization and documentation.

Members of the Board of Directors are encouraged to attend, with prior approval by the Board President, educational conferences and professional meetings when the purposes of such activities are to benefit the El Toro Water District. In addition, subject to prior approval of the Board President, the District encourages Directors development and excellence of performance by reimbursing expenses incurred for tuition, travel, lodging and meals as a result of training, educational courses and participation with professional organizations, associated with the interests of the District.

This Policy will be reviewed annually by the entire Board of Directors at a regular monthly meeting of the Board.

**II. GOVERNANCE**

The District shall adhere to Government Code Sections 53232 through 53232.4 when dealing with issues of Director remuneration and reimbursement.

Prepared by: Staff/General Counsel	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b> <b>DIRECTOR TRAVEL AND EXPENSE</b> <b>REIMBURSEMENT</b> <b>1985-5 (IV)</b>	Page 10 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Rev. 13

III. **AUTHORIZED EVENTS**

Subject to the District's enabling statutes, attendance at the following qualifies a Director to be eligible to receive compensation.

- A. A conference or organized educational activity conducted in compliance with Government Code Section 54952.2(c), including but not limited to ethics training required by Government Code Section 53234.
- B. Official business representing the District.

IV **AUTHORIZED EXPENSES**

- A. Reimbursement rates shall coincide with rates set by Internal Revenue Service Publication 463 or its successor publication(s).
- B. If lodging is in connection with the above or other prior approved event, such lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor. If the published group rate is unavailable, Directors shall be reimbursed for comparable lodging at government or IRS rates.
- C. Reimbursement for lodging shall be limited to the minimum number of nights required for the Director's attendance at the event. Charges for local and long distance telephone calls and computer access will be reimbursed when such calls are made in conducting official District business or essential personal calls such as a "safe arrival call". There will be no reimbursement for personal telephone calls or other hotel charges not related to District business needs.
- D. A Director's spouse or other family member(s) may accompany the Director on trips authorized under this policy provided that their presence does not detract from the Director's performance of duty. However, no expenses attributable to any companion will be reimbursed by the District.

Prepared by: Staff/General Counsel	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b> <b>DIRECTOR TRAVEL AND EXPENSE</b> <b>REIMBURSEMENT</b> <b>1985-5 (IV)</b>	Page 11 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Rev. 13
<p>E. If travel and lodging is in connection with the above or other prior approved event, Directors shall use government or group rates offered by the provider of transportation when available.</p> <p>F. If transportation is by commercial airline, reimbursement shall generally not exceed the standard round-trip airline economy airfare in effect at the time.</p> <p>G. Travel shall be by the most direct route. If an indirect route is used, the additional costs shall be at the Director's personal expense. Whenever air travel is used, an advance travel request shall be submitted to the Board Recording Secretary in order to obtain the lowest possible fare.</p> <p>H. If the use of the Director's personal automobile is required, the owner will be compensated for the mileage driven at the rate established by the Internal Revenue Service (IRS). Parking charges at the destination will be reimbursed with a receipt.</p> <p>I. Maximum reimbursement for car rental will be for a full-size car.</p> <p>J. Reimbursement for meals (including tips) during travel to, from and during the event, not included in the registration fee shall be limited to the minimum number of days required for attending the event.</p> <p>K. Any and all expenses that do not fall within the adopted travel reimbursement policy or the IRS reimbursable rates are required to be approved by the District's Board of Directors in a public meeting prior to the expenses being incurred.</p> <p>L. Expenses that do not adhere to the adopted travel reimbursement policy or the IRS reimbursable rates, and that do not receive prior approval from the District's Board of Directors in a public meeting prior to the expense being incurred, shall not be eligible for reimbursement.</p>		



Prepared by: Staff/General Counsel	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b> <b>DIRECTOR TRAVEL AND EXPENSE</b> <b>REIMBURSEMENT</b> <b>1985-5 (IV)</b>	Page 12 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Rev. 13

**AUTHORIZED EXPENSES** (Continued)

M. *Expenses in General and Registration* - Authorized expenses may include registration, lodging, communication (telephone, computers, fax), business meals, common carrier fares, automobile rentals, parking fees, and use of personal automobiles at the standard mileage rate permitted at the time by the Internal Revenue Service.

V. **REIMBURSEMENT**

A. The District shall provide expense reimbursement report forms to Directors who attend the above functions on behalf of the District, which shall document that expenses adhere to this policy.

B. Except when customarily no receipts are provided or available (i.e. baggage handling), receipts are required to be submitted in conjunction with the expense report form. Failure to submit necessary receipts will result in denial of the reimbursement claim.

C. Directors attending functions consistent with the above or other prior approved events shall submit written or oral reports to the District on the meeting(s) that were attended.

D. It is against the law to falsify expense reports. Penalties for misuse of public resources or violating this policy may include, but are not limited to, the following:

- (A) The loss of reimbursement privileges;
- (B) Restitution to the District;
- (C) Civil penalties for misuse of public resources pursuant to Government Code Section 8314; and
- (D) Prosecution for misuse of public resources, pursuant to Section 424 of the Penal Code, penalties for which include 2, 3 or 4 years in prison.

Prepared by: Staff/General Counsel	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b> <b>DIRECTOR TRAVEL AND EXPENSE</b> <b>REIMBURSEMENT</b> <b>1985-5 (IV)</b>	Page 13 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Rev. 13

**VI. TRAVEL ARRANGEMENTS**

- A. To ensure the accuracy of travel arrangements, Directors are to complete and sign the appropriate travel forms and submit them to the Board Recording Secretary or designee for processing per attachment ("A").
- B. Travel arrangements and registrations are to be made through the Board Recording Secretary. All payment and registration requests must be submitted in a timely manner to allow sufficient time for normal processing.
- C. Once the appropriate travel requests have been submitted and processed, a Travel Order (Attachment "B") authorizing the travel and attendance will be sent to the Director.

**VII. GENERAL PROVISIONS**

- A. All costs, including those pre-paid by the District prior to the Director's attendance at an approved meeting, will be listed on the Director's expense report at the end of the month in which the expenses were incurred, and wherever possible, must be substantiated with a receipt attached to the expense report.
- B. Travel related expenses for each Director are limited to \$5,000 per fiscal year. Unused portions of the Director's annual budget for this purpose cannot be carried over to a subsequent budget period.
- C. In any situation where extraordinary travel expenses is expected to be incurred, or where this Policy does not adequately cover the situation, or would work an undue hardship, exceptions may be made with prior approval of the Board President and General Manager.

Prepared by: Staff/General Counsel	<b>EL TORO WATER DISTRICT</b>  <b>POLICY STATEMENT</b> <b>DIRECTOR TRAVEL AND EXPENSE</b> <b>REIMBURSEMENT</b> <b>1985-5 (IV)</b>	Page 14 of 14 Item 4 Section IV
Approved by: Board of Directors		Date: 3/28/17 Rev. 13

**GENERAL PROVISIONS** (Continued)

- D. Directors will submit their Travel Expense Claim Form for reimbursement to the District office within the first week, if possible of each month for the prior month's expenses. The Board President or designated representative will approve and sign the Claim Form before request for payment can be processed. The Board Presidents Claim Form shall be approved by the General Manager or Assistant General Manager.
  
- E. When a Director is obtaining authorization for travel and is aware that the circumstances are such that the charges should not be made against their annual budget, they may request authorization from the Board of Directors or President of the Board that the charges for this activity not be charged against their annual budget.

**2018-2019**  
**CONFERENCE COSTS**  
**(ESTIMATED)**

**ACWA Spring Conf (May 2018) - Sacramento**

Registration: \$699

Flights: \$348

Meals: \$65/day (max per travel policy)

Hotel: \$415 - \$615 (205/nite)

Mileage: \$.545 per mile round trip

**ACWA Fall Conference (Nov 2018) – San Diego**

Registration: \$699

Mileage: \$.545 per mile round trip

Hotel: \$TBD

Meals: \$65/day

**CASA Conf (Aug 2018) – Monterey**

Registration: \$575

Hotel: \$518

Meals: \$65/day

Flight: \$TBD

Rental Car: TBD

**CASA Conf (January 2018) – Palm Springs**

Registration: \$550

Hotel: \$375

Parking: \$18-\$25 per day

Mileage: \$.545/mile round trip

Meals: \$65/day

**CSDA Conf (September 2018) – Indian Wells**

Registration: \$

Mileage: \$.545/mile round trip

Hotel: \$

Meals: \$65/day

**Urban Water (Aug 2018) – San Diego**

Registration \$425

Hotel: \$231/nite

Mileage: \$.545/mile round trip

Meals: \$65/day

**CASA & Watereuse (April 2018) – Sacramento**

Registration: 275

Hotel: \$415

Airfare: \$205

Meals: \$65/day

**Watereuse – San Diego**

Registration: 450

Hotel: 245/nite

Meals: 65/day

Miles: 160

**Watereuse – Phoenix**

Registration: 400

Hotel: 225/nite

Airfare: 203-312

Meals: 65/day

Conference Costs – 2018 - 2019

RESOLUTION NO. 18-8-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
EL TORO WATER DISTRICT  
MODIFYING THE APPOINTMENT OF DIRECTORS  
TO VARIOUS ORGANIZATIONS AND STANDING  
COMMITTEES OF THE BOARD FOR  
CALENDAR YEARS 2018-2020

WHEREAS, the Board of Directors of the EL TORO WATER DISTRICT deems it to be in the best interest of the District to modify the President's appointment of Directors to various Organizations and Standing Committees of the Board; and

WHEREAS, said list of appointments is attached hereto marked Exhibit "A," and made part of this Resolution.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board of Directors of the EL TORO WATER DISTRICT hereby confirms the appointment of Directors to various Organizations and Standing Committees of the Board as listed in Exhibit "A".

ADOPTED, SIGNED AND APPROVED this 23rd day of August 2018.

\_\_\_\_\_  
M. SCOTT GOLDMAN, President  
El Toro Water District and the  
Board of Directors thereof

(SEAL)

ATTEST:

\_\_\_\_\_  
ROBERT R. HILL, Secretary  
El Toro Water District and the  
Board of Directors thereof

STATE OF CALIFORNIA)  
COUNTY OF ORANGE )

I, ROBERT R. HILL, Secretary of the Board of Directors of the El Toro Water District, do hereby certify that the above and foregoing is a full, true and correct copy of Resolution No. 18-8-1 of said Board, and that the same has not been amended or repealed.

DATED: August 23, 2018

---

ROBERT R. HILL, Secretary  
El Toro Water District and of  
the Board of Directors thereof

(SEAL)



# BOARD MEMBER ORGANIZATIONAL AND STANDING COMMITTEE ASSIGNMENTS – 2018-2020

<u>ORGANIZATION</u>	<u>REPRESENTATIVE</u>	<u>ALTERNATE</u>	<u>FREQUENCY</u>
WACO Planning	Vergara	Adjarian	Monthly
WaterReuse	Vergara	Goldman	Bi-Monthly
SOCWA Board	Goldman	Adjarian	Monthly
SOCWA Finance	Adjarian	Goldman	Monthly
ISDOC	Monin	Vergara	Monthly
LAFCO	Adjarian	<b>Freshley</b>	As Required
JPIA	Adjarian	Goldman	Semi-Annual
MWDOC Board	Vergara	Monin	Monthly
MWDOC Finance	Monin	Vergara	Monthly
MWDOC Plan & Ops	<b>Monin</b>	Vergara	Monthly
SAC	Adjarian	<b>Freshley</b>	Semi-Annual
South Co. Watershed Exec	Monin	Vergara	As Required
South OC Economic Coalition	Vergara	Monin	Monthly
South OC Water Agencies Grp	Goldman	Monin	Bi-Monthly

<u>ETWD COMMITTEE</u>	<u>CHAIRMAN</u>	<u>ALTERNATE</u>	<u>FREQUENCY</u>
Agenda Review	Goldman	Vergara	Monthly
Engineering	Vergara	Goldman	Monthly (Full Board)
Finance/Insurance Committee (FIC)	Monin	Goldman	Monthly (Full Board)
Community Advisory Group (CAG)	Monin	Goldman	Quarterly
Regional Reclamation Committee (RRC)	Goldman	Adjarian	Monthly
Computer Technology	<b>Freshley</b>	Adjarian	Annual/As Required
Audit Committee	Monin	<b>Freshley</b>	Annual/As Required
Budget Committee	Goldman	Monin	Annual/As Required

**DIRECTORS WILL NOT BE COMPENSATED FOR ATTENDING MEETINGS NOT LISTED UNLESS AUTHORIZED BY THE BOARD PRESIDENT, WITH THE EXCEPTION OF OCWA, WACO, CAG, ISDOC quarterly luncheon, MWDOC Quarterly Policy Forum events, MWDOC/Met Directors, MWDOC Elected Officials forum and So Cal Water Committee.**

# ETWD MEMORANDUM

**TO:** BOARD OF DIRECTORS

**FROM:** GENERAL MANAGER

**SUBJECT:** RESOLUTION NO. 18-8-5 – ETWD ENDORSEMENT OF PROPOSITION 3

**DATE:** AUGUST 21, 2018

## **Background**

Proposition 3, the Water Supply and Water Quality Act of 2018 has qualified for the November California Statewide ballot as an \$8.877 billion General Obligation Bond to fund water related projects across the State.

Reference material includes a Summary of Major Programs contained in the Bill, the actual Proposition and a still evolving list of entities formally endorsing same.

Staff will review and comment on Proposition 3.

## **Recommendation**

Staff recommends that the Board of Directors consider adopting Resolution No. 18-8-5 endorsing Proposition 3 the Water Supply and Water Quality Act of 2018.

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE EL TORO WATER DISTRICT  
IN SUPPORT OF PROPOSITION 3  
THE “WATER SUPPLY AND WATER QUALITY ACT OF 2018”**

WHEREAS, Proposition 3, the Water Supply and Water Quality Act of 2018 has qualified for the November California Statewide ballot; and

WHEREAS, the El Toro Water District, like many other districts across the state seeks to improve the reliability and sustainability of its water supply; and

WHEREAS, in many instances the water challenges faced by the El Toro Water District are of regional and statewide interest; and

WHEREAS, Proposition 3 includes \$500 million for Safe Drinking Water, \$640 million for SGMA compliance, \$650 million for wastewater recycling, \$550 for storm water management and treatment, \$350 million for water conservation, \$400 million for inland water desalting and such other grant funds of interest to the El Toro Water District; and

WHEREAS, Proposition 3 includes funding for agricultural water conservation, fish habitat, and delta restoration, and AB32 cost savings to promote water conservation, all of which will increase flows into the State Water Project and increase the reliability of those allocations; and

WHEREAS, these grant funds would result in significant cost savings for both water agencies and their ratepayers, allowing us to pursue new projects to diversify and improve our water treatment and delivery; and

Now, Therefore, It be resolved that the Board of Directors of the El Toro Water District endorses Proposition 3, the Water Supply and Water Quality Act of 2018 Initiative.

Ayes:

Noes:

Abstain:

Absent:

---

M. SCOTT GOLDMAN, President  
El Toro Water District and the  
Board of Directors thereof

(SEAL)

ATTEST:

---

ROBERT. R. HILL, Secretary  
El Toro Water District and the  
Board of Directors thereof

**SHORT SUMMARY  
OF MAJOR PROGRAMS  
IN WATER SUPPLY  
AND WATER QUALITY BOND ACT  
OF 2018**

## **Short Summary of major programs in Water Supply and Water Quality Bond Act of 2018**

**Safe drinking water and wastewater treatment for disadvantaged communities.** \$750 million. Provides safe drinking water and wastewater treatment for disadvantaged communities

**Wastewater recycling.** \$400 million. Recycles wastewater mainly for landscaping and industrial uses

**Groundwater desalination.** \$400 million. Converts salty groundwater to usable water supply.

**Urban water conservation.** \$300 million. Leak detection, toilet replacement, landscape conversion.

**Agricultural water conservation.** \$50 million. Improves inefficient irrigation systems, increasing river flows to Delta

**Groundwater.** \$675 million. Implements the Sustainable Groundwater Management Act., stabilizing groundwater levels in overdraft groundwater basins.

**Central valley flood management,** including flood plain restoration. \$100 million. Makes farms and communities more flood safe, and makes flood plains for habitat friendly. Additional \$50 million for retrofit of a reservoir (probably Bullard's Bar) for better flood management.

**San Francisco Bay Wetlands and flood improvements.** \$200 million. Improves wetlands in San Francisco Bay to provide flood protection and mitigate sea level rise.

**Flood Control.** 100 million

**Data management.** \$60 million. Better data collection and management: streamflow, etc.

**Stormwater management** \$600 million for a variety of state agencies. Capture and treatment of stormwater flows improved river and ocean water quality and increasing water supplies

**Watershed Restoration** \$2.355 billion to a wide variety of state agencies. Pays for better management of watersheds throughout the state to improve water quality and water supply.

**Land Management for Water Yield.** \$100 million. Removal of invasive weeds which use excessive amounts of surface and groundwater such as tamarisk, yellow starthistle, and Arundo. Estimates of water savings are in excess of one million acre feet per year.

**Central Valley Fisheries restoration.** \$400 million. Restoring fish habitat. Supplements necessary streamflows.

**Water and specific habitat improvements for fisheries.** \$350 million. Purchase of water for fish and waterfowl.

**Salmon/steelhead restoration.** \$300 million

**Waterfowl habitat.** \$280 million. Helps acquire and restore waterfowl habitat.

**Bay Area Regional Reliability.** \$250 million. Improves interconnections between Bay Area water agencies, making it easier to survive droughts.

**Improvement to Friant Kern Canal and other Friant water interconnections.** \$750 million. Restores lost capacity to Friant Kern Canal, pays for groundwater recharge programs, water conservation and possibly new water conveyance in the Friant area.

**Oroville Dam Spillway Repair.** \$200 million. Makes Oroville Dam more flood safe.

The initiative also allows state and federal water contractors to recover the funds they pay in climate change charges due to implementation of AB 32, and use those funds in their own systems for water and energy conservation to reduce greenhouse gas emissions. These water/energy conservation projects must meet AB32 standards for emissions mitigation.

# Potential Major Benefits of the Water Supply and Water Quality Bond Act Initiative for State Water Contractors

The Bond act will appear on the November, 2018 California statewide ballot. It is not in conflict with the legislative park and environmental bond, which will appear on the June California statewide ballot. The two measures are complementary.

The following provisions are of particular interest to the agencies who are State Water Project contractors.

## Oroville Dam Spillway Repairs

The initiative includes \$200,000,000 for this purpose. These funds are justified, because the flood control facilities at Oroville were paid for by the federal government. If the State Water Project contractors have to pay this amount, it will probably be in proportion to the Table A amounts for each contractor.

## AB 32: Greenhouse Gas Reduction

The State Water Project must make payments due to emission of greenhouse gases as a result of energy used to pump water throughout the state. At present the payments are allocated by the Legislature for a variety of programs and projects. A provision of the initiative requires use of these payments for water and energy conservation in SWP system, and by the contractors. At present these payments are about \$20,000,000 per year. They could go as high as \$50,000,000 per year in future years.

## Water Supply Categories

The initiative includes a variety of traditional water supply categories, which will be available to many SWP contractors. These include the following:

- Wastewater recycling: \$400,000,000
- Desalting inland supplies: \$400,000,000
- Urban Water Conservation: \$300,000,000

## Increased Delta inflow from agricultural water conservation



Agricultural water conservation which leaves water in streams tributary to the Delta will improve Delta water quality, help restore fisheries, and will allow for increased exports. The initiative includes \$50,000,000 for agricultural water conservation in watersheds tributary to the Delta, if the conserved water is allowed to remain instream.

## **Fish Habitat**

Reduced diversion of water from the Delta to the California Aqueduct is caused in part by regulations protecting endangered fish species.

Recent science demonstrates that improved fish habitat can result in more and healthier fish production. If successful, this should lead to increased fish numbers, and reduced pressure on exports. The initiative makes a major investment in fish restoration, focused mainly on listed species

**Delta Conservancy: \$100,000,000**

**Fish Screens, Delta Tributaries: \$100,000,000**

**Fish habitat restoration: \$383,000,000**

## **Watershed Restoration**

Increasing scientific evidence from the Sierra Nevada demonstrates that healthier forests mean improved water quantity and water quality downstream. This is vital to the State Water Project, which derives export water from the entire watershed, not just the Feather River. The initiative funds restoration of forest watersheds, including post fire recovery.

**Sierra Nevada Conservancy Watershed Restoration: \$250,000,000**

## **Oroville: response to local concerns.**

During the Oroville spillway event, Butte County officials found it hard to communicate. The initiative includes funding for **Butte County Emergency Communications Equipment: \$1,000,000**

**Sediment in Feather River causing wildlife and flow problems.** Massive amounts of material below Oroville Dam were washed into the Feather River channel and wildlife areas. The initiative includes funds to remove these sediments. This is done through grants to the

**Sutter Butte Flood Management Agency**

\$15 million for sediment removal Feather River

\$6 million Oroville Wildlife Area Improvement

and the Wildlife Conservation Board. Feather River improvements: \$7 million

## **Changing diversion point for North Bay Aqueduct**

Water quality in Barker Slough must be maintained through storage releases from Shasta, Oroville, and Folsom Reservoirs, because of the North Bay Aqueduct diversions to State Water Project Solano and Napa County water users from this dead end slough, which is in the middle of delta Smelt habitat. A grant to the **Solano County Water Agency of \$5,000,000** will allow for the study of the relocation of this diversion to the Sacramento River. Relocation would relieve pressure on Delta Smelt, and on maintaining drinking water quality in Barker slough.

**THE PEOPLE OF THE  
STATE OF CALIFORNIA  
DO ENACT AS FOLLOWS:**

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.**

Division 38 (commencing with Section 86000) is added to the Water Code, to read:

**DIVISION 38.** State water supply infrastructure, water conveyance, ecosystem and watershed protection and restoration, and drinking water protection act of 2018.

**CHAPTER 1. Short Title.**

**86000.** This division shall be known and may be cited as the Water Supply and Water Quality Act of 2018.

**CHAPTER 2. Findings and Declarations.**

**86001.** The people find and declare the following:

(a) In our frequently very dry state, our high-tech, agricultural and urbanized economy relies on an uninterrupted and high-quality water supply. By making water use more efficient, reducing the demand for water, providing new and diverse water supplies, improving the quality of our source watersheds, and protecting key environmental uses of water, this measure will assure that the economic and environmental engines of California are not derailed by a shortage of water.

(b) California's recent historic drought raises serious questions about the long-term reliability of our current water supplies. The drought underscores the need to use our existing water supplies more efficiently, increase investments in our water infrastructure, and more effectively integrate our water system from the headwaters to the end user.

(c) California's water situation requires implementation of the Governor's Water Action Plan to provide for the water needs of people, agriculture and the environment. This division will help provide a more reliable water supply by reducing waste, increasing the amount of water available to meet our needs, and improving water quality. This division also provides additional protection for our communities from floods.

(d) This division will implement cost effective methods of water development and conservation to meet California's present and future water needs in a changing climate, including capture of urban drainage and stormwater runoff, groundwater and brackish water desalting, groundwater storage, water recycling, water conservation, and watershed management, restoration, enhancement and protection.

(e) Many of the water supply and water quality investments provided by this division will be matched by agencies and grant recipients, more than doubling the effectiveness of the funding provided.

(f) Agencies implementing this division will give high priority to cost-effective projects, and to the most durable and most environmentally beneficial projects. Funding will go to projects that contribute to implementation of the Governor's Water Action Plan, the goal of which is to increase the resiliency of the California water system and the ability of California communities to cope with drought conditions.

(g) Every Californian has a right to safe, clean, affordable, and accessible drinking water. By complying with Section 106.3, agencies providing funds for safe drinking water pursuant to this division will help achieve the intent of that Section.

(h) This division provides a fair and reasonable distribution of funds directly and indirectly benefitting every region of the state.

(i) This division provides short and long-term cost-effective actions to address the water shortages caused by the recent drought, and will help prepare local communities for future droughts. Droughts reduce water supplies for people, agriculture and the environment. This division will help meet the water needs of people, agriculture, and the environment and make California more resilient in the face of a changing climate.

(j) By improving the health and water productivity of watersheds, communities will become more self-reliant with respect to water supply, and local environmental quality will be increased.

(k) By removing invasive plants such as yellow starthistle, giant reed (*Arundo donax*) and tamarisk, water supply will be increased and habitat for fish and wildlife will be improved.

(l) Flooding can devastate communities and infrastructure. We can make better use of floodwaters by capturing waters and putting them to use in our communities, on our farms, and by recharging groundwater basins. By providing funds to intelligently manage our watersheds and floodplains, this division will also help avoid flood damage, improve fish and wildlife habitat, remove pollutants from our water supply, enhance groundwater, remediate aquifers and improve the environment. Better floodplain management may allow improved operation of upstream reservoirs for water supply purposes.

(m) Severe fire conditions can lead to significant erosion, reduced water quality and impacts on water infrastructure. This division provides funding to manage forests and watersheds to reduce fire danger, mitigate the effects of wildfires on water supply and quality, and enhance water supplies.

(n) This division funds the following programs, which respond to human and environmental water needs in California:

(1) Improvement of water supply and water quality utilizing cost effective methods, including water conservation, desalting of groundwater and other inland saline water, stormwater management, wastewater recycling, and similar water management measures.

(2) Better management of forest and rangeland watersheds, such as through the Sierra Nevada Watershed Improvement Program to improve the pattern, quantity and quality of water runoff and groundwater recharge. Improving soil health improves the ability of the ground to better contain groundwater and moderate the rate of water runoff.

(3) Better groundwater management, including faster implementation of the Sustainable Groundwater Management Act, and better recognition of the connection between surface and groundwater.

(4) Provision of water for fish and wildlife, including restoration of the Pacific Flyway and management of habitat in a dynamic way to respond to changing environmental conditions.

(5) Increased capacity to convey water resulting in greater groundwater recharge and improved conveyance and utilization of floodwaters for use in drought years.

(o) The State Water Resources Control Board, the Department of Fish and Wildlife, and many other agencies have recognized that providing funding for fish habitat enhancement is vital to restoring native California fish populations, and that relying solely on flow to restore those populations will not be sufficient. Providing funding for fish habitat enhancement is a vital complement to reasonable flows to protect fish.

(p) California has lost ninety-five percent (95%) of its historical wetlands. These wetlands provide food, water and cover for migratory and other birds, fish, mammals, reptiles, amphibians and a vast number of plant species. Many species may become endangered or threatened without wetlands and many more survive only due to wetlands available today. This division combines work to sustain and protect current wetlands with the potential to increase wetlands in California to support a thriving flora and fauna.

(q) The implementation of this division will result in cost savings to local governments immediately by substantially more than one billion dollars, and reduce local government operating costs by hundreds of millions of dollars per year. This division will provide funding that displaces local government funding, resulting in the implementation of projects in the following areas. These projects would have eventually been implemented by local government.

(1) Safe Drinking Water. State direct and matching funds will reduce the cost to local government of implementing drinking water and wastewater treatment systems, and to some extent the operation of those systems.

(2) Wastewater recycling. State funds will reduce the cost of these plants, reducing the capital cost of the projects for local governments. By reducing local government capital costs, the cost of water from these plants will also be reduced. Implementation of wastewater recycling plants will defer the need for more expensive alternative sources of water supply, thus further reducing local capital and operating costs.

(3) Groundwater desalting. State funds will reduce the cost of these plants, reducing the capital cost of the projects for local governments. By reducing local government capital costs, the cost of water from these plants will also be reduced. Implementation of groundwater desalting plants will defer the need for more expensive alternative sources of water supply, thus further reducing local capital and operating costs.

(4) Water Conservation. State funds will reduce the cost of these projects, reducing costs to local government. More importantly, reduced water demand resulting from these projects will reduce operating costs, and will temporarily or permanently defer the construction and operating costs of more expensive capital outlay projects needed to provide new water.

(5) Repairing flood control reservoirs. State funds will reduce the costs of these projects for local government.

(6) San Francisco Bay Restoration Authority funds. State investment in wetlands projects providing flood protection around San Francisco Bay will reduce flood risk associated with climate change. This will reduce the cost of other flood control measures, and more importantly will reduce flood damage which often results in tremendous costs to local government for facility repair.

(7) Stormwater funding. Regulations imposed by the State Water Resources Control Board and various regional water quality control boards will result in the construction of various capital outlay projects costing billions of dollars. Providing funds through this measure will reduce the cost of these projects to local government.

(8) Fisheries restoration. This division provides hundreds of millions of dollars for fisheries restoration. Local and regional water agencies are voluntarily undertaking many of these projects. By providing state funds, this division will reduce local costs. In addition, the resulting increase in fish populations will make it possible to improve local water supplies, avoiding local government costs to provide replacement water supplies costing hundreds of millions or even billions of dollars.

(9) Bay Area Regional Reliability. Bay Area water districts are undertaking extensive improvements in their water distribution systems to interconnect their water supplies for greater drought water supply reliability and other benefits. By providing funds for this program, this division will reduce their costs by two hundred and fifty million dollars (\$250,000,000).

(10) Friant Kern Canal Repair. Groundwater overdraft has caused subsidence of the Friant Kern Canal. State funds to repair the canal will reduce the cost of repairing the canal to local water districts. Avoiding the cost to finance this project will also save tens of millions of dollars per year in interest costs which would have to be paid by these districts.

(11) Oroville Dam Repair. Although the costs of repairing Oroville Dam should be covered by the federal government either through the Federal Emergency Management Agency or the Corps of Engineers, the federal government may not fulfill this obligation. If the State Water Resources Development System contractors, all local agencies, are forced to cover all or part of these costs, this division will reduce their costs by two hundred million dollars (\$200,000,000). Interest costs would also be reduced.

(r) Substantial funds remain to be allocated to storage projects pursuant to Division 26.7. For this reason, and so as not to interfere with the work of the California Water Commission in awarding these funds, this measure does not include funding for the construction of specific storage projects.

### **CHAPTER 3. Definitions.**

**86002.** Unless the context otherwise requires, the definitions set forth in this section govern the construction of this division, as follows:

(a) "Conservation" means rehabilitation, stabilization, restoration, reduced water use, development, and reconstruction, or any combination of those activities.

(b) "Conservation actions on private lands" means projects implemented with willing landowners that involve the adaptive and flexible management of natural resources in response to changing conditions and threats to habitat and wildlife. These investments and actions are specifically designed to create habitat conditions on private lands which, when managed dynamically over time, contribute to the long-term health and resiliency of vital ecosystems and enhance wildlife populations.

(c) "Delta" means the Sacramento-San Joaquin Delta as defined in Section 12220.

(d) "Department" means the Department of Water Resources.

- (e) "Desalination" means removing salt and other contaminants from polluted groundwater or other inland sources of water containing salts, including brackish water.
- (f) "Disadvantaged community" has the meaning set forth in subdivision (a) of Section 79505.5, as it may be amended.
- (g) "Economically distressed area" has the meaning set forth in subdivision (k) of Section 79702, as it may be amended.
- (h) "Finance committee" means the Water Supply Reliability and Drought Protection Finance Committee created by Section 86182.
- (i) "Fund" means the Water Supply Reliability and Drought Protection Fund of 2018 created by Section 86169.
- (j) "Groundwater sustainability agency" means an agency defined in subdivision (j) of Section 10721.
- (k) "Integrated Regional Water Management Plan" means a comprehensive plan for a defined geographic area that meets the requirements of Part 2.2 (commencing with Section 10530) of Division 6, as that part may be amended.
- (l) "Invasive plant" means a terrestrial or aquatic plant not native to California of no or negligible agricultural value which does any of the following: displaces native plants, threatens native plant biodiversity, harms agricultural or rangeland productivity, degrades wildlife habitat, contributes to fire hazard, or uses more water than the plants it displaces.
- (m) "Multi-benefit project" means a project that serves more than one purpose, including but not limited to flood management, water supply, water quality improvement, environmental enhancement, recreation, energy conservation, reduction of emission of climate-changing gases, and fish and wildlife improvement.
- (n) "Nonprofit organization" means an organization qualified to do business in California and exempt under Section 501(c)(3) or Section 501(c)(6) of Title 26 of the United States Code, to the extent permitted by state and federal law.
- (o) "Protection" means those actions necessary to prevent harm or damage to persons, property or natural resources or those actions necessary to allow the continued use and enjoyment of property or natural resources and includes acquisition, development, restoration, conservation, preservation and interpretation as interpretation is defined in subdivision (i) of Section 75005 of the PublicResources Code.
- (p) "Public agency" means a state agency or department, special district, joint powers authority, city, county, city and county, or other political subdivision of the state.
- (q) "Public water systems" are defined in subdivision (h) of section 116275 of the Health and Safety Code and means regional, municipal, and district urban water suppliers, including privately owned water suppliers as defined in Part 2.6, Section 10617 of the Water Code Division 6.
- (r) "Restoration" means the improvement of physical structures or facilities and, in the case of natural systems and landscape features, includes but is not limited to projects that improve physical and



ecological processes, including but not limited to erosion control; sediment management; the control and elimination of invasive species; prescribed burning; fuel hazard reduction; fencing out threats to existing or restored natural resources; meadow, wetland, riparian, and stream restoration; and other plant and wildlife habitat improvement to increase the natural system value of the property. Restoration projects shall include the planning, monitoring and reporting necessary to ensure successful implementation of the project objectives.

(s) "Severely disadvantaged community" means a community with a median household income of less than 60 percent (60%) of the statewide median household income.

(t) "Sierra Nevada Watershed Improvement Program" is a coordinated, integrated, collaborative program to restore the health of California's primary watershed by increasing the pace and scale of forest restoration in order to maintain the important benefits that the Sierra Nevada region provides.

(u) "State board" means the State Water Resources Control Board.

(v) "State General Obligation Bond Law" means the State General Obligation Bond Law, Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code.

(w) "Stormwater" and "dry weather runoff" are defined as in Section 10561.5.

(x) "Stormwater Resource Plans" are defined as in Part 2.3 (commencing with Section 10560) of Division 6.

#### **CHAPTER 4. Accountability.**

**86003.** (a) (1) The California Natural Resources Agency shall provide for an independent audit of expenditures pursuant to this division no less than every three years.

(2) On or before January 10, 2020, and every six months thereafter, the Natural Resources Agency shall publish on its website a report that contains all of the following information relating to this division for the previous six months with the information summarized by section of this division:

(A) Funding encumbrances.

(B) Summary of new projects funded.

(C) Summary of projects completed.

(D) Discussion of progress towards meeting the metrics of success established pursuant to Section 86157.

(E) Discussion of common challenges experienced by state agencies and recipients of funding in executing projects.

(F) Discussion of major accomplishments and successes experienced by state agencies and recipients of funding in executing projects.

(3) This subsection shall remain in effect only until January 1, 2028, and as of that date is repealed.

(b) The Department of Finance or the Controller, or the California State Auditor at the direction of the Legislature, may conduct an audit of the expenditures of any state agency receiving funding pursuant to

this act.

(c) The state agency issuing any grant with funding authorized by this division shall require adequate reporting of the expenditures of the funding from the grant.

## **CHAPTER 5. Improvement of Water Supply and Water Quality.**

### **CHAPTER 5.1. Safe Drinking Water.**

**86004.** The sum of seven hundred fifty million dollars (\$750,000,000) is appropriated from the Fund to the State board for expenditures, grants, and loans to improve water quality or help provide clean, safe, and reliable drinking water to all Californians.

**86005.** The projects eligible for funding pursuant to this chapter shall help improve water quality for a beneficial use. The purposes of this chapter are to:

- (a) Reduce contaminants in drinking water supplies regardless of the source of the water or the contamination.
- (b) Assess and prioritize the risk of contamination to drinking water supplies.
- (c) Address the critical and immediate needs of disadvantaged, rural, or small communities that suffer from contaminated or inadequate drinking water supplies, including, but not limited to, projects that address a public health emergency.
- (d) Leverage other private, federal, state, and local drinking water quality and wastewater treatment funds.
- (e) Provide disadvantaged communities with public drinking water infrastructure that provides clean, safe, and reliable drinking water supplies that the community can sustain over the long term.
- (f) Ensure access to clean, safe, reliable, and affordable drinking water for California's communities.
- (g) Meet primary and secondary drinking water standards or remove contaminants identified by the state or federal government to meet primary or secondary drinking water standards.

**86006.** The contaminants that may be addressed with funding pursuant to this chapter may include, but shall not be limited to, lead, nitrates, perchlorate, MTBE (methyl tertiary butyl ether), arsenic, selenium, hexavalent chromium, mercury, PCE (perchloroethylene), TCE (trichloroethylene), DCE (dichloroethene), DCA (dichloroethane), 1,2,3-TCP (trichloropropane), carbon tetrachloride, 1,4-dioxane, 1,4-dioxacyclohexane, nitrosodimethylamine, bromide, iron, manganese, total dissolved solids, electrical conductivity, and uranium.

**86007.** (a) (1) Of the funds authorized by Section 86004, five hundred million dollars (\$500,000,000) shall be available for grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards, ensure affordable drinking water, or both. Priority shall be given to projects that provide treatment for contamination or access to an alternate drinking water source or sources for small community water systems or state small water systems in disadvantaged communities whose drinking water source is impaired by chemical and nitrate contaminants and other health hazards

identified by the State board. Eligible recipients serve disadvantaged communities and are public water systems or public agencies.

(2) Eligible expenses may include initial operation and maintenance costs for systems serving disadvantaged communities. Priority shall be given to projects that provide shared solutions for multiple communities, at least one of which is a disadvantaged community that lacks safe, affordable drinking water and is served by a small community water system, state small water system, or a private well. Construction grants shall be limited to five million dollars (\$5,000,000) per project, except that the State board may set a limit of not more than twenty million dollars (\$20,000,000) for projects that provide regional benefits or are shared among multiple entities, including consolidation of two or more drinking water systems, at least one of which shall be a small disadvantaged community. Not more than 50 percent (50%) of a grant may be awarded in advance of actual expenditures.

(3) For the purposes of this subdivision, "initial operation and maintenance costs" means those initial, eligible, and reimbursable costs under a construction funding agreement that are incurred up to, and including, but not limited to, initial startup testing of the constructed project in order to deem the project complete. Initial operation and maintenance costs are eligible to receive funding pursuant to this section for a period not to exceed three years.

(b) Of the funds authorized by this section, up to ten million dollars (\$10,000,000) shall be available for grants to provide school children with safe drinking water under the Drinking Water for Schools Grant Program pursuant to Section 116276 of the Health and Safety Code.

**86008.** Of the funds authorized by Section 86004, two hundred fifty million dollars (\$250,000,000) shall be available for deposit in the State Water Pollution Control Revolving Fund Small Community Grant Fund created pursuant to Section 13477.6 for grants and loans for wastewater treatment projects. Priority shall be given to projects that serve disadvantaged communities and severely disadvantaged communities, and to projects that address public health hazards. Projects may include, but not be limited to, projects that identify, plan, design, and implement regional mechanisms to consolidate wastewater systems or provide affordable treatment technologies.

**86009.** Of the funds authorized by Section 86004, up to sixty million dollars (\$60,000,000) shall be made available for drinking water infrastructure and/or wastewater improvements on private property, or for interim replacement drinking water supplies.

(a) Funds may be used for the following purposes:

(1) To conduct water quality testing of drinking water wells.

(2) To install and replace laterals, repair or replace private wells or onsite wastewater systems, properly close abandoned wells and septic system infrastructure, and provide infrastructure necessary to connect residences to a public water or wastewater system.

(3) To replace interior drinking water plumbing and fixtures that contain lead.

(4) To provide interim replacement drinking water supplies.

(b) The State board may establish a revolving loan fund to facilitate financing for activities allowable under this section.

(c) Priority shall be given to projects that assist low-income homeowners, including mobile home owners, and vulnerable populations.

**86010.** (a) For the purposes of awarding funding pursuant to this chapter, a local cost share of not less than 50 percent (50%) of the total costs of the project shall be required. The cost-sharing requirement may be waived or reduced for projects that directly benefit a disadvantaged community or an economically distressed area.

(b) At least 10 percent (10%) of the funds available pursuant to this chapter shall be allocated for projects serving severely disadvantaged communities.

(c) Up to 15 percent (15%) of the funds available pursuant to this chapter may be allocated for technical assistance to disadvantaged communities. The State board shall operate a multidisciplinary technical assistance program for small and disadvantaged communities which may include, but is not limited to, outreach and education, needs assessments, review of alternative approaches to provide communities with safe drinking water or wastewater services, project selection and design, board and operator training, and other technical, managerial, and financial capacity building assistance for utilities serving disadvantaged communities related to providing communities with safe drinking water or wastewater services. The agency may also contract with a nonprofit organization, resource conservation district, or other local agency to provide these services.

#### **CHAPTER 5.2. Water Recycling and Desalination.**

**86020.** The sum of four hundred million dollars (\$400,000,000) is appropriated from the Fund to the State board to award grants and loans to eligible entities as defined in subdivision (a) of Section 86166 on a competitive basis for wastewater recycling projects. Grants pursuant to this section may be made for all of the following:

(a) Water recycling projects, including, but not limited to, treatment, storage, conveyance, brine disposal, and distribution facilities for potable and nonpotable recycling projects.

(b) Dedicated distribution infrastructure to serve residential, commercial, agricultural, fish and wildlife habitat, and industrial end-user retrofit projects to allow use of recycled water.

(c) Pilot projects for new potable reuse and contaminant removal technology.

(d) Multi-benefit recycled water projects that improve water quality.

(e) Multi-benefit recycled water projects that protect, conserve and restore wetland and other wildlife habitat.

(f) Technical assistance and grant writing assistance related to specific projects for disadvantaged communities and economically distressed areas.

**86021.** The sum of four hundred million dollars (\$400,000,000) is appropriated from the Fund to the State board to award grants to eligible entities as defined in subdivision (a) of Section 86166 on a competitive basis for desalination of brackish groundwater, and other brackish water desalination projects which do

not directly negatively affect riparian habitat, estuaries, coastal bays, coastal lagoons, or ocean waters of California as defined by the State board. Grants pursuant to this section must comply with the requirements of this section, and may be made for all of the following:

- (a) Treatment, storage, conveyance, and distribution facilities. Projects may remove contaminants in addition to salts, but shall be primarily constructed and operated to remove salt.
- (b) Distribution infrastructure to serve residential, commercial, agricultural, fish and wildlife habitat, and industrial end-user retrofit projects to allow use of desalted water.
- (c) Multi-benefit salt removal projects that improve water quality.
- (d) Technical assistance and grant writing assistance related to specific projects for disadvantaged communities and economically distressed areas.
- (e) Multi-benefit salt removal projects that provide water supply for wetland and other wildlife habitat.
- (f) Technical assistance and grant writing assistance related to specific projects for disadvantaged communities and economically distressed areas.

**86022.** No grant made pursuant to this chapter shall exceed fifty percent (50%) of the cost of the project, but this requirement may be eliminated or reduced for that portion of projects that primarily serve disadvantaged communities, economically distressed areas, or wildlife habitat.

**86023.** Projects funded pursuant to this chapter shall be selected on a competitive basis with priority given to the following criteria:

- (a) Water supply reliability improvement.
- (b) Water quality and ecosystem benefits related to decreased reliance on diversions from the Delta or from local rivers and streams, and benefits related to attainment of beneficial uses and water quality objectives in local receiving waters.
- (c) Public health benefits from improved drinking water quality or supply.
- (d) Cost-effectiveness, based on the amount of water produced per dollar invested, and other cost-effectiveness criteria adopted by the State board.
- (e) Energy efficiency and greenhouse gas emission reductions.
- (f) Water supply or water quality improvements benefitting disadvantaged communities.
- (g) Protection and restoration of fish and wildlife habitat, as well as provision of a reliable water supply for fish and wildlife.

### **CHAPTER 5.3. Water Conservation.**

**86030.** The sum of three hundred million dollars (\$300,000,000) is appropriated from the Fund to the

department for the following purposes:

(a) Statewide turf removal program.

(1) The program shall provide financial incentives to public and private property owners to convert their irrigated or watered landscaping to drought tolerant plantings, including appropriate low water using plants. The department shall set a maximum amount each applicant can receive, and shall allow greater incentives to low-income homeowners who could not otherwise afford to participate in the landscape water conversion program. No less than seventy-five percent (75%) of the funds allocated to this program shall be spent on programs benefitting residential property owners. The department shall make awards to nonresidential applicants on the basis of cost-effectiveness with respect to water supply. Each grant must reduce water consumption by at least fifty percent (50%) compared to current water use.

(2) The most cost-effective projects and those projects that provide the greatest environmental benefits based on the state investment shall receive highest priority for funding. Environmental benefits shall include, but not be limited to, planting appropriate drought resistant native and other plants, reduction in consumptive water use, and increased availability of water for environmental benefits.

(3) The department shall not reject or reduce eligibility to residents residing in service areas which have previously offered turf removal rebate programs as long as the resident was not a participant in the program.

(4) The department shall cooperate with eligible entities as defined in subdivision (a) of Section 86166 and the California Public Utilities Commission to develop an on-bill repayment mechanism to pay for the consumer's share of the landscape conversion project.

(b) Leak detection.

(1) Competitive grants on a matching basis to public water systems to reduce leaks in their water distribution systems, eliminate leaks in the water systems of their customers if the water system operator determines that customer leak detection and elimination is a cost-effective way to improve the water system operator's water supply and provides a public benefit, and install instrumentation to detect leaks at residential, institutional, and commercial properties. The department shall make awards on the basis of cost-effectiveness with respect to water supply. Water system operators receiving grants pursuant to this subdivision shall give highest priority to leak detection and water waste elimination programs in disadvantaged communities and economically distressed areas.

(2) No grant award shall exceed fifty percent (50%) of the cost of the project. Cost sharing may be reduced or eliminated for a grant award that primarily benefits residential property owners in a disadvantaged community or an economically distressed area.

(c) Toilet replacement. Competitive grants on a matching basis to public water systems or eligible entities as defined in subdivision (a) of Section 86166 to replace toilets using more than three gallons per flush with new toilets that conserve water and flush 1.28 gallons per flush or less. The department shall make awards on the basis of cost-effectiveness with respect to water supply. Entities receiving grants pursuant to this subdivision shall give highest priority to toilet replacement programs in disadvantaged communities and economically distressed areas.

(d) Water meters. Installation of water meters in disadvantaged communities that are not metered.

(e) Energy saving water conservation. Competitive grants on a matching basis to public water systems to undertake water conservation projects that promote saving energy. These projects shall document the greenhouse gas emission reductions coming from water conservation programs. The department shall make awards on the basis of cost-effectiveness with respect to water supply as well as energy savings. Highest priority shall be given to programs in disadvantaged communities and economically distressed areas.

(f) In determining how to allocate the funds appropriated pursuant to this section, the department shall determine which technologies are most cost-effective, produce the greatest environmental benefits, and provide the most benefit to disadvantaged communities and economically distressed areas.

(g) Any entity receiving a grant pursuant to this section may use grant funds to establish a revolving fund from which the entity may make loans to implement water conservation programs. The interest rate shall be established by the entity, and the entity may charge a reasonable administration fee to be paid along with the interest on the loan over the lifetime of the loan. Payments made on loans made pursuant to this program shall be returned to the revolving fund to be used for additional loans to implement water conservation programs. Loans made pursuant to this section may be for up to 15 years, or for the useful life of the water conservation project, whichever is shorter.

**86031.** The sum of fifteen million dollars (\$15,000,000) is appropriated from the Fund to the California Energy Commission for the Water Energy Technology Program to accelerate the deployment of innovative water and energy saving technologies and help continue to make water conservation a California way of life.

**86032.** (a) The purpose of this section is to help make it possible to improve flows in tributaries to the Delta, and to expedite the transfer of conserved agricultural water while minimizing impacts on water rights holders.

(b) The sum of fifty million dollars (\$50,000,000) is appropriated from the Fund to the department for matching grants to local agencies to aid in the construction and implementation of agricultural water conservation projects, and for grants in accordance with Section 79158.

(c) For the purposes of approving a grant under this section, the department shall determine if there will be a net savings of water as a result of each proposed project and if the project is cost-effective and technically sound.

(d) A project under this section shall not receive more than five million dollars (\$5,000,000) in grant proceeds from the department.

(e) The department shall give preference to the most cost-effective and technically sound projects.

(f) Priority shall be given to grants that result in water savings which are used to improve the quality of fish and wildlife through increased flows in tributaries to the Delta. Grants improving internal water district efficiency for other uses and transfers are also eligible for funding.

(g) No project may cause adverse impacts to fish or wildlife without mitigating those impacts below a level of significance. The cost of mitigation may be included in grant funds.

**CHAPTER 5.4. Flood Management for Improved Water Supply.**

**86040.** (a) The sum of two hundred million dollars (\$200,000,000) is appropriated from the Fund to the Central Valley Flood Protection Board for:

(1) Enlargement and environmental enhancement of existing floodways and bypasses within the jurisdiction of the Central Valley Flood Protection Board, including providing recreation opportunities.

(2) Improvement of flood control facilities and environmental enhancement within the jurisdiction of the Central Valley Flood Protection Board.

(b) To be eligible for funding under this section, a project shall provide reduced flood risk, reduced liability, or reduced maintenance responsibility for state agencies or local flood control districts or both.

(c) The Central Valley Flood Protection Board shall give preference to:

(1) Those projects that primarily benefit disadvantaged communities or economically distressed areas.

(2) Multi-benefit projects designed to reduce flood risk and enhance fish and wildlife habitat by allowing rivers and floodplains to function more naturally. These projects create additional public benefits such as protecting farms and ranches, improving water quality, increasing groundwater recharge, and providing public recreation opportunities.

(3) Those projects that include matching funds, including but not limited to matching funds from other state agencies. Matching fund requirements may be reduced or eliminated to the extent the project directly benefits disadvantaged communities or economically distressed areas.

(d) The Central Valley Flood Protection Board may make grants to eligible entities as defined in subdivision (a) of Section 86166 to implement this section.

(e) The Central Valley Flood Protection Board may use up to one million (\$1,000,000) of these funds to develop a programmatic permit for authorization of habitat restoration and related multi-benefit floodplain restoration projects whose primary purpose is restoration and that meet the criteria described in paragraphs (a) and (b) of this section.

(f) Of the amount appropriated in paragraph (a), fifty million dollars (\$50,000,000) shall be awarded for matching grants to public agencies to construct flood control improvements to existing dams on rivers in the Sacramento Valley that provide flood protection to urbanized areas. If these funds are not awarded for this purpose by January 1, 2032, they may be used for the other purposes of this section.

**86041.** (a) The sum of one hundred million dollars (\$100,000,000) is appropriated from the Fund to the department for grants to local agencies on a fifty percent (50%) matching basis to repair or reoperate reservoirs that provide flood control either as a principal purpose or as an indirect effect of their operation. Grantees must demonstrate that the proposed repair or reoperation will increase the amount of water stored in those reservoirs that could be put to beneficial use. No funds appropriated under this section shall be used to raise the height of any dam. Spillway modification projects that do not raise the



crest height of the dam are eligible for grant funds.

(b) (1) To be eligible for funding under this section, a project must provide substantial increases in recreational opportunities, such as trails along river channels, and significant net improvements to fish and wildlife habitat in and adjacent to the river channel downstream of the reservoir, and to the extent compatible with safe reservoir operation, within the reservoir. At least ten percent (10%) of project costs shall be allocated to these recreational and habitat purposes. The funds to carry out these purposes shall be allocated by the department directly to a state conservancy if there is a conservancy with jurisdiction over the area of the project. If there is no conservancy, the Natural Resources Agency's California River Parkways Program shall contract with an eligible entity as defined in subdivision (a) of Section 86166 to carry out these purposes. The agency operating the reservoir being repaired or reoperated shall approve the recreational and habitat elements of the project and shall not charge any fees for review, plan check, permits, inspections, or any other related costs associated with the project, and shall provide permanent operation and maintenance of the entire project, including the habitat and recreational elements. Projects may include grants to eligible entities as defined in subdivision (a) of Section 86166 to implement this paragraph.

(2) All costs associated with the requirements of this subdivision may be paid for with funds provided to local agencies by this section, and do not have to be matched by the agency.

(c) Grants made pursuant to this section may be for the purpose of seismic retrofit.

(d) No grants made pursuant to this section shall be for reservoir maintenance or sediment removal from the reservoir or upstream of the reservoir, except as necessary to complete projects authorized under paragraphs (a), (b), and (c).

(e) Applicants shall certify that projects paid for by funds provided by this section will be permanently operated and maintained.

(f) First priority shall be given to projects that benefit disadvantaged communities.

(g) Projects to assist in the reoperation of eligible reservoirs shall increase water supply for beneficial uses through the purchase and installation of water measuring equipment, acquisition of information systems, and the use of technologies and data to improve reservoir management.

(h) (1) A local public agency, Indian tribe or nonprofit organization that receives funding under this chapter to create recreational facilities or wildlife habitat may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance and monitoring of those recreational facilities or wildlife habitat.

(2) A local public agency, Indian tribe or nonprofit organization that acquires an interest in land, recreation facilities or wildlife habitat with money from this chapter and transfers the interest in land, recreation facilities or wildlife habitat to another public agency, Indian tribe or nonprofit organization shall also transfer the ownership of the trust fund that was established to maintain that interest in the land, recreation facilities or wildlife habitat.

(3) This subdivision does not apply to state agencies.

(4) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund

pursuant to this subdivision, the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the land, recreational facilities or wildlife habitat to be acquired or developed from funds otherwise available to the agency, tribe or organization.

(5) If the interest in land, recreational facilities or wildlife habitat is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in land, recreational facilities or wildlife habitat is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated to the agency that provided the money. The funds returned to the agency may be utilized only for projects pursuant to this section.

(i) The department shall give preference to those projects that coordinate reservoir reoperation with the provision of water for groundwater recharge through conjunctive use or other integrated surface/groundwater projects.

**86042.** The sum of two hundred million dollars (\$200,000,000) is appropriated from the Fund to the San Francisco Bay Restoration Authority to provide matching grants for flood management, wetlands restoration, and other projects consistent with Article 2 (commencing with Section 66704.5) of Chapter 5 of Title 7.25 of the Government Code. For purposes of this section, matching funds may include funds provided by local governments, regional governments, the federal government, private parties, or other funds raised by the San Francisco Bay Restoration Authority. No grant shall exceed fifty percent (50%) of the cost of the project.

**86043.** (a)(1) A local public agency, Indian tribe or nonprofit organization that receives funding under this chapter to acquire an interest in land may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance and monitoring of that interest in land.

(2) A local public agency, Indian tribe or nonprofit organization that acquires an interest in land with money from this chapter and transfers the interest in land to another public agency, Indian tribe or nonprofit organization shall also transfer the ownership of the trust fund that was established to maintain that interest in land.

(3) This subdivision does not apply to state agencies.

(b) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to subdivision (a), the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the land to be acquired from funds otherwise available to the agency, tribe or organization.

(c) If the interest in land is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in land is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated to the agency that provided the money. The funds returned to the agency may be utilized only for projects pursuant to this chapter.

#### **CHAPTER 5.5. Funding for Water Measurement and Information.**

**86048.** The sum of sixty million dollars (\$60,000,000) is appropriated from the Fund for water measurement and information systems, as follows:

(a) The sum of twenty million dollars (\$20,000,000) is appropriated to the department for development of

methods and installation of water measuring equipment to improve estimates of water balance, water budgets, diversions and water use to support water allocations, drought management, groundwater management, water quality management and water rights.

(b) The sum of ten million dollars (\$10,000,000) is appropriated to the State board for development of information systems, technologies, and data that improve the State board's ability to manage water rights. These systems will include, but not be limited to, digitizing and making available the 10 million pages of paper records on water rights within the State board and in other repositories and the creation of a digital repository for water diversion and use data.

(c) The sum of ten million dollars (\$10,000,000) is appropriated to the Water Data Administration Fund established pursuant to Section 12420, to be used by the department in consultation with the State board for the purpose of making California water information interoperable, consistent with Part 4.9 of Division 6 of the Water Code.

(d) The sum of twenty million dollars (\$20,000,000) is appropriated as follows:

(1) Five million dollars (\$5,000,000) is appropriated to the University of California for its multi-campus Water Security and Sustainability Research Initiative to develop core elements of a water resources information system, in cooperation with the department and the State board.

(2) Five million dollars (\$5,000,000) is appropriated to the California Water Institute at California State University, Fresno to undertake research leading to improvement and conservation of water supplies and improved water quality in California.

(3) Five million dollars (\$5,000,000) is appropriated to the Irrigation Training and Research Center at California Polytechnic State University San Luis Obispo to undertake research leading to improvement and conservation of water supplies and improved water quality in California.

(4) Five million dollars (\$5,000,000) is appropriated to the Office of Water Programs at California State University, Sacramento to undertake research leading to improvement and conservation of water supplies and improved water quality in California.

(5) The institutions of higher education receiving funds pursuant to this paragraph shall work together to assure that their efforts do not conflict or overlap, but are complementary to each other.

#### **CHAPTER 5.6. Capture and Use of Urban Runoff and Stormwater.**

**86050.** (a) The sum of four hundred million dollars (\$400,000,000) is appropriated from the Fund to the State board for projects to capture and use urban dry weather runoff and stormwater runoff. All grants made pursuant to this section by the State board for construction projects must be to counties or cities, a city and county, or a joint powers authority containing a city, county, or city and county with responsibility for flood control or management. The State board may spend up to fifty million dollars (\$50,000,000) for grants to eligible entities as defined in subdivision (a) of Section 86166 to develop Stormwater Resource Plans. Funds available pursuant to this section shall be allocated to projects serving and providing a direct benefit to disadvantaged and severely disadvantaged communities. The State board may use these funds to make grants for technical assistance and outreach to disadvantaged communities.

(b) The sum of thirty million dollars (\$30,000,000) is appropriated from the Fund to the California Tahoe Conservancy for projects to capture and use dry weather runoff and stormwater runoff in the Lake Tahoe Basin pursuant to Title 7.42 (commencing with Section 66905) of the Government Code.

(c) The sum of forty million dollars (\$40,000,000) is appropriated from the Fund to the Santa Monica Mountains Conservancy for projects to capture and use dry weather runoff and stormwater runoff pursuant to Division 23 (commencing with Section 33000) of the Public Resources Code in the area defined in paragraph (2) of subdivision (d) of Section 86080.

(d) The sum of forty million dollars (\$40,000,000) is appropriated from the Fund to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for projects to capture and use dry weather runoff and stormwater runoff pursuant to Division 22.8 (commencing with Section 32600) of the Public Resources Code.

(e) The sum of forty million dollars (\$40,000,000) is appropriated from the Fund to the State Coastal Conservancy for projects to capture and use dry weather runoff and stormwater runoff pursuant to Division 21 (commencing with Section 31000) of the Public Resources.

(f) Funds spent pursuant to this section shall be used for competitive grants for projects that develop, implement, or improve multi-benefit projects identified and prioritized in Stormwater Resource Plans consistent with Part 2.3 (commencing with Section 10560) of Division 6, as that part may be amended, and shall include as many as possible of the following benefits: capture and treatment of stormwater or dry weather runoff for beneficial uses; removal of pollutants from the captured and treated runoff; creation or restoration of habitat or parkland to capture and treat stormwater or dry weather runoff for beneficial uses by using best management practices that improve environmental quality; removal of pollutants from the captured and treated runoff; creation or restoration of habitat or parkland; storage, infiltration or use of the captured and treated runoff to augment local water supplies; creation or restoration of native habitat, trails, park land or other natural open space; reduction of urban heat islands; and provision of other public recreational opportunities. Projects that include wetlands and native habitat or project elements designed to mimic or restore natural watershed functions shall be given the highest priority.

(g) Of the amount appropriated pursuant to subdivision (a), at least forty million dollars (\$40,000,000) shall be available for projects that reduce the flow of trash and other pollutants: (1) into a National Estuarine Research Reserve, onto beaches, or into near-shore coastal waters in San Diego County, or (2) into San Diego Bay. Priority shall be given to projects that reduce the flow of trash or other pollutants into one or more units of the State Parks System.

**86051.** (a) Each state agency receiving funds pursuant to this chapter shall require at least a fifty percent (50%) cost share by recipients of grant funds, but may eliminate or reduce the matching requirements for that portion of projects primarily benefiting disadvantaged communities or economically distressed areas.

(b) Projects funded by this section must comply with water quality policies or regulations adopted by the State board or the regional water quality control board with jurisdiction over the project.

(c) Project costs may include development of decision support tools, data acquisition, and geographic information system data analysis to identify and evaluate the benefits and costs of potential stormwater capture and reuse projects.

(d) Preference shall be granted to projects that divert stormwater or dry weather runoff from storm drains or channels and put it to beneficial use.

(e) Agencies receiving funds pursuant to this section shall give high priority to projects benefitting disadvantaged communities. Each agency receiving funds pursuant to this chapter shall allocate at least thirty-five percent (35%) of the funds they receive for projects that benefit disadvantaged communities.

(f) In implementing this chapter, each agency receiving funds pursuant to this chapter shall consult with the Natural Resources Agency regarding the integration and prioritization of the habitat, park land, open space, recreational and public use components of stormwater and dry weather runoff capture and reuse projects, and shall seek assistance from the Natural Resources Agency in the review and scoring of proposed projects.

(g) Projects may prevent stormwater and dry weather runoff from entering storm drains or channels.

**86052.** Entities defined in subdivision (a) of Section 86166 are eligible to receive funds under subdivisions (b), (c), (d) and (e) of Section 86050.

**86053.** Funds allocated pursuant to this chapter may be granted to an eligible applicant for single or multiple small-scale projects that are consistent with Chapter 6.5 of Division 2 of the Fish and Game Code, regardless of whether that Chapter is still in effect.

#### **Chapter 5.7. Integrated Regional Water Management.**

**86054.** The sum of five million dollars (\$5,000,000) is allocated to the department to provide direct funding support to approved Integrated Regional Water Management (IRWM) regional water management groups for the purpose of maintaining ongoing IRWM planning and implementation efforts, thereby sustaining the significant investment made through IRWM for regional collaboration on water management.

### **CHAPTER 6. Watershed, Land, and Fisheries Improvements.**

#### **CHAPTER 6.1. Watershed Improvement for Water Supply and Water Quality Enhancement.**

**86080.** The sum of two billion three hundred fifty-five million dollars (\$2,355,000,000) is appropriated from the Fund to protect, restore and improve the health of watershed lands, including forest lands (including oaks, redwoods and sequoias), meadows, wetlands, chaparral, riparian habitat and other watershed lands, including lands owned by the United States, in order to protect and improve water supply and water quality, improve forest health, reduce fire danger consistent with the best available science, mitigate the effects of wildfires on water quality and supply, increase flood protection, remediate aquifers, or to protect or restore riparian or aquatic resources. No grants made pursuant to this section shall be for reservoir maintenance or sediment removal from a reservoir or upstream of a reservoir, except as necessary for field research required pursuant to subdivision (a). Funds shall be allocated as follows:

(a) Two hundred million dollars (\$200,000,000) to the Sierra Nevada Conservancy for the protection, restoration and improvement of Sierra Nevada watersheds, pursuant to Division 23.3 (commencing with Section 33300) of the Public Resources Code and including the purposes outlined in Section 33320 of the Public Resources Code. Funds shall also be spent for the implementation and to further the goals and

purposes of the Sierra Nevada Watershed Improvement Program. Projects eligible for funding under the Sierra Nevada Watershed Improvement Program may include research and monitoring to measure the impact of forest restoration work on water supply, climate and other benefits, including long-term air quality, water quality and quantity, greenhouse gas emissions, carbon storage, habitat, recreational uses, and community vitality. Projects funded under the Sierra Nevada watershed Improvement Program shall be based on the best available science regarding forest restoration and must be undertaken to improve water supply and quality, protect and restore ecological values and to promote forest conditions that are more resilient to wildfire, climate change, and other disturbances. The Sierra Nevada Conservancy may make grants to federal agencies if it determines such grants are the most efficient way to implement the intent of this division on federally managed lands.

(b) Sixty million dollars (\$60,000,000) to the California Tahoe Conservancy for the protection and restoration of watersheds of the Lake Tahoe Basin, pursuant to Title 7.42 (commencing with Section 66905) of the Government Code. Funds shall be spent for implementation and to further the goals and purposes of the Lake Tahoe Environmental Improvement Program, pursuant to Article 6 of Chapter 1.692 of Division 5 (commencing with Section 5096.351) of the Public Resources Code.

(c) One hundred million dollars (\$100,000,000) to the San Francisco Bay Area Conservancy Program of the Coastal Conservancy for the protection and restoration of watersheds of the San Francisco Bay Area, pursuant to Chapter 4.5 of Division 21 of the Public Resources Code (commencing with Section 31160).

(d) One hundred eighty million dollars (\$180,000,000) for the protection and restoration of watersheds of Los Angeles, Ventura, and Orange Counties as follows:

(1) Sixty million dollars (\$60,000,000) to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for the protection and restoration of the watersheds of the San Gabriel and Lower Los Angeles Rivers pursuant to Division 22.8 (commencing with Section 32600) of the Public Resources Code.

(2) Sixty million dollars (\$60,000,000) to the Santa Monica Mountains Conservancy, for the protection and restoration of the watersheds of Santa Monica Bay, the Upper Los Angeles River and the Upper Santa Clara River pursuant to Division 23 (commencing with Section 33000) of the Public Resources Code, and the watersheds defined in subdivision (c) of Section 79570.

(3) Thirty million dollars (\$30,000,000) to the Santa Ana River Conservancy Program of the Coastal Conservancy for the protection and restoration of watersheds of the Santa Ana River pursuant to Chapter 4.6 of Division 21 of the Public Resources Code (commencing with Section 31170).

(4) Thirty million dollars (\$30,000,000) to the Baldwin Hills Conservancy for the protection and restoration of the Baldwin Hills and Ballona Creek watersheds, and for projects to capture dry weather runoff and stormwater runoff pursuant to Division 22.7 (commencing with Section 32550) of the Public Resources Code.

(e) Forty million dollars (\$40,000,000) to the San Diego River Conservancy for the protection and restoration of watersheds in San Diego County pursuant to Division of 22.9 (commencing with Section 32630) of the Public Resources Code.

(f) One hundred thirty-five million dollars (\$135,000,000) to the State Coastal Conservancy for the protection and restoration of coastal watersheds pursuant to Division 21 (commencing with Section

31000) of the Public Resources Code.

(g) One hundred fifty million dollars (\$150,000,000) for the protection and restoration of the watersheds of the Sacramento and San Joaquin Rivers as follows:

(1) One hundred million dollars (\$100,000,000) to the Sacramento-San Joaquin Delta Conservancy for protection and restoration of the Delta pursuant to Division 22.3 (commencing with Section 32300) of the Public Resources Code. Highest priority shall be given to projects that benefit the restoration of native species and that reduce the negative impacts of excessive salinity intrusion. Highest priority shall also be given to projects that restore habitat important to species listed pursuant to the federal Endangered Species Act (16 U.S.C. Chapter 35) and the California State Endangered Species Act (Fish and Game Code Sections 2050-2100). The funds may also be used for improvement of public recreational facilities in the Delta, and for grants to local agencies and nonprofit organizations to increase community access to parks and recreational opportunities for underserved urban communities in the Delta. The Conservancy may implement programs designed to reduce greenhouse gas emissions from the Delta.

(2) Twenty million dollars (\$20,000,000) to the San Joaquin River Conservancy for the implementation of the San Joaquin River Parkway pursuant to Division 22.5 (commencing with Section 32500) of the Public Resources Code.

(3) Thirty million dollars (\$30,000,000) to the Lower American River Conservancy Fund created by Section 5845.9 of the Public Resources Code. The Wildlife Conservation Board shall use these funds to implement Chapter 10.5 of Division 5 of the Public Resources Code (commencing with Section 5845).

(h) One hundred and seventy million dollars (\$170,000,000) for river parkways, as follows:

(1) Seventy million dollars (\$70,000,000) to the California Natural Resources Agency for projects pursuant the California River Parkways Act of 2004, Chapter 3.8 (commencing with Section 5750) of Division 5 of the Public Resources Code. The Secretary of the Natural Resources Agency shall allocate at least sixty-five percent (65%) of these funds for projects that benefit disadvantaged communities. With the remaining funds, the Secretary shall seek to benefit poorer communities that do not qualify as disadvantaged communities.

(2) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Guadalupe River corridor.

(3) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Russian River corridor.

(4) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Santa Clara River corridor.

(5) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Tijuana River corridor.

(6) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Carmel River corridor.

(7) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Napa River corridor.

(8) Fifteen million dollars (\$15,000,000) to the State Coastal Conservancy for river parkway projects within the San Diego Bay watershed.

(9) Fifteen million dollars (\$15,000,000) to the State Coastal Conservancy for river parkway projects along the Santa Margarita River in San Diego County.

(10) Ten million dollars (\$10,000,000) to the California Tahoe Conservancy to implement habitat restoration, public recreation, and water quality improvements along the Upper Truckee River corridor.

(i) One hundred fifty million dollars (\$150,000,000) shall be available for projects that restore, protect and preserve the Los Angeles River and its tributaries, as follows:

(1) Seventy-five million dollars (\$75,000,000) to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy pursuant to Division 22.8 (commencing with Section 32600) of the Public Resources Code, and Section 79508 of the Water Code.

(2) Seventy-five million dollars (\$75,000,000) to the Santa Monica Mountains Conservancy pursuant to Division 23 (commencing with Section 33000) of the Public Resources Code, and Section 79508 of the Water Code.

(j) Three hundred million dollars (\$300,000,000) to the Wildlife Conservation Board for the following:

(1) For the protection and restoration of the watersheds of the Sacramento, Smith, Eel, and Klamath Rivers and other rivers of Marin, Sonoma, Mendocino, Humboldt and Del Norte Counties, and the Carrizo Plain pursuant to Chapter 4 of Division 2 (commencing with Section 1300) of the Fish and Game Code.

(2) For protection and restoration of oak woodlands and rangelands pursuant to Division 10.4 (commencing with Section 10330) of the Public Resources Code and Article 3.5 (commencing with Section 1360) of Chapter 4 of Division 2 of the Fish and Game Code.

(3) For acquisition and restoration of riparian habitat, migratory bird habitat, anadromous fisheries, wetland habitat and other watershed lands pursuant to Chapter 4 of Division 2 (commencing with Section 1300) of the Fish and Game Code.

(4) Grants may include funding to help fulfill state commitments to implement Natural Community Conservation Plans adopted pursuant to Chapter 10 of Division 3 (commencing with Section 2800) of the Fish and Game Code, and to large scale regional Habitat Conservation Plans adopted pursuant to the federal Endangered Species Act (16 U.S.C. Chapter 35).



(5) Of the amount made available pursuant to this subdivision, the sum of ten million dollars (\$10,000,000) shall be available to assist farmers in integrating agricultural activities with watershed restoration and wildlife protection. Priority shall be given to projects that include partnerships with resource conservation districts.

(6) Of the amount made available pursuant to this subdivision, the sum of fifty million dollars (\$50,000,000) is appropriated to the Oak Woodlands Conservation Fund established by Section 1363 of the Fish and Game Code, and may be expended pursuant to Article 3.5 of Chapter 4 of Division 2 of the Fish and Game Code.

(7) Of the amount made available pursuant to this subdivision, the sum of thirty million dollars (\$30,000,000) shall be available for grazing land protection pursuant to the California Rangeland, Grazing Land and Grassland Protection Act, commencing with Section 10330 of Division 10.4 of the Public Resources Code.

(8) Of the amount made available pursuant to this subdivision, not less than sixty million dollars (\$60,000,000) shall be available for projects that advance the conservation objectives of natural community conservation plans adopted pursuant to the Natural Community Conservation Planning Act, Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code. First priority shall be given to plans that include protection of aquatic ecosystems. Funding pursuant to this paragraph shall not be used to offset mitigation obligations otherwise required.

(k) Twenty-five million dollars (\$25,000,000) to the Coachella Valley Mountains Conservancy for the protection and restoration of the Coachella Valley watershed pursuant to Division 23.5 (commencing with Section 33500) of the Public Resources Code.

(l) One hundred fifty million dollars (\$150,000,000) to the Department of Parks and Recreation for protection and restoration of watershed lands within and affecting units of the State Parks System, with high priority to redwood and other forest land important to protecting river and stream flows and quality. In addition to other purposes authorized pursuant to this section, the Department of Parks and Recreation may allocate funds to improve and increase the efficiency and effectiveness of State Park water supply and wastewater treatment systems.

(m) Sixty million dollars (\$60,000,000) to the Department of Conservation for watershed restoration and conservation projects on agricultural lands, rangelands, managed wetlands, and forested lands.

(1) No less than thirteen million dollars (\$13,000,000) shall be used for grants pursuant to Section 9084 of the Public Resources Code.

(2) No less than thirty-one million dollars (\$31,000,000) shall be used for the purposes of Division 10.2 (commencing with Section 10200) of the Public Resources Code.

(3) Ten million dollars (\$10,000,000) shall be used for the Watershed Coordinator Grant Program.

(n) One hundred million dollars (\$100,000,000) to the California Ocean Protection Council for projects that: (1) reduce the amount of pollutants that flow to beaches, bays, coastal estuaries, and near-shore ecosystems; and (2) protect coastal and near-shore ocean resources from the impacts of rising sea levels, storm surges, ocean acidification and related hazards, including, but not limited to, increasing the resiliency of near-shore ocean habitats. Projects may include, but are not limited to, projects that protect

or restore beaches, coastal estuaries and watersheds, bays, and near-shore ecosystems including marine protected areas. Of this amount, the Council shall use at least five million dollars (\$5,000,000) for the Local Coastal Program sea level rise grant program that supports Local Coastal Program updates to address sea level rise, including sea-level rise modeling, vulnerability assessments, and adaptation planning and policy development.

(o) The sum of two hundred million dollars (\$200,000,000) is appropriated from the Fund to the Natural Resources Agency, for water-related projects that implement the Natural Resources Agency's Salton Sea Management Program consistent with provisions of Article 2 (commencing with Section 2940) of Chapter 13 of Division 3 of the Fish and Game Code, and in fulfillment of the obligations of the State of California to comply with the terms of Chapters 611, 612, 613, and 614 of the Statutes of 2003. These statutes were enacted to facilitate the execution and implementation of the Quantification Settlement Agreement, including restoration of the Salton Sea. The Natural Resources Agency may expend these funds on projects that provide multiple benefits of ecosystem restoration, air quality improvement, and economic recovery for severely disadvantaged communities.

(1) Of the amount appropriated pursuant to this paragraph, not less than twenty million dollars (\$20,000,000) shall be available for purposes consistent with the New River Water Quality, Public Health, and River Parkway Development Program, as described in Section 71103.6 of the Public Resources Code.

(2) Of the amount allocated pursuant to this section, the sum of one million dollars (\$1,000,000) shall be available for a Salton Sea Integrated Watershed Plan providing technical assistance for, outreach to, and engagement with severely disadvantaged communities.

(p) Five million dollars (\$5,000,000) to the Delta Stewardship Council for the Delta Science Program as described in Section 85280.

(q) Fifty million dollars (\$50,000,000) to the department for Urban Streams Restoration Program competitive grants pursuant to Section 7048. The department shall allocate at least sixty-five (65%) of these funds for projects that benefit disadvantaged communities. With the remaining funds, the department shall seek to benefit poorer communities that do not qualify as disadvantaged communities.

(r) Twenty million dollars (\$20,000,000) to the California Department of Forestry and Fire Protection for grants for urban forestry projects that manage, capture or conserve stormwater, recharge local groundwater supplies or improve water supplies or water quality through infiltration, sediment management and erosion control pursuant to the California Urban Forestry Act, Chapter 2 (commencing with Section 4799.06) of Part 2.5 of Division 4 of the Public Resources Code.

(s) Fifteen million dollars (\$15,000,000) to the Delta Protection Commission for expenditures, grants, or loans for projects that improve water quality by improving wastewater treatment in Delta legacy communities (as described in section 32301(f) of the Public Resources Code) and at recreational facilities in the Delta. Funds may be expended on wastewater improvement projects serving Delta legacy communities, or Delta legacy community households with failing septic systems which threaten the quality of groundwater or surface water supplies used for urban, agricultural or fisheries purposes. Funds may also be allocated to improve and increase the efficiency and effectiveness of Delta recreational facility wastewater treatment systems. Priority shall be given to projects that address public health hazards. Projects may identify, plan, design, and implement regional mechanisms to consolidate wastewater systems or provide affordable treatment technologies.

(t) Twenty million dollars (\$20,000,000) to the Department of Parks and Recreation for projects that provide access to rivers for non-motorized recreation, and for grants to eligible entities as defined in subdivision (a) of Section 86166 for this purpose. First priority shall be given to projects that include matching funds, and to projects that serve disadvantaged communities and economically distressed areas, whether or not they include cost sharing.

(u) (1) Twenty million dollars (\$20,000,000) to the Wildlife Conservation Board for the construction of a Pacific Flyway Center in the vicinity of the Suisun Marsh, to be operated by the California Department of Fish and Wildlife. The Department of Fish and Wildlife may contract with a nonprofit organization to operate the Center. The Center shall be used to educate the public about the importance of California's wetlands, agricultural lands (including rice) and riparian areas in benefitting waterfowl, shorebirds, native plants and animals, the value of wetlands in absorbing gases that cause climate change, and similar educational purposes. The operator of the Center shall make special efforts to bring people, and especially students, from disadvantaged communities to the Center for educational purposes. If the Wildlife Conservation Board determines that all or part of these funds is not needed to complete this project, it may allocate the unneeded part of the funds to the purposes of paragraph (j) of this section.

(2) (A) Of the amount appropriated by paragraph (1), the Wildlife Conservation Board may make a grant of up to four million dollars (\$4,000,000) to a nonprofit organization whose principal purpose is wildlife conservation to establish a trust fund, the interest from which shall be used exclusively to operate the Pacific Flyway Center and bring people from disadvantaged communities to the Center.

(B) With the approval of the Department of Fish and Wildlife, the nonprofit organization can transfer the operation of the Pacific Flyway Center to another nonprofit organization. If such a transfer takes place, the trust fund shall be transferred to the new nonprofit organization.

(3) If the funds allocated by this section are not all used to construct the Pacific Flyway Center by January 1, 2028, any remaining funds are appropriated to the Wildlife Conservation Board for the purposes of Section 86123.

(v) Eighty million dollars (\$80,000,000) to the Coastal Conservancy for the removal of Matilija Dam, and for associated levee and flood control improvements, water supply improvements, and related projects on Matilija Creek and the Ventura River, and for river parkway projects along the Ventura River. The Conservancy may grant all or part of these funds to Ventura County. Highest priority for the river parkway projects shall be those which benefit disadvantaged communities. If the Coastal Conservancy determines that all or part of these funds is not needed to complete this project, it may allocate the unneeded part of the funds to the purposes of paragraph (f) of this section.

(w) The sum of twenty-five million dollars (\$25,000,000) to the University of California for the Natural Reserve System for matching grants for land acquisition and for the construction and development of facilities that will be used for research and training to improve the management of aquatic ecosystems, natural lands and the preservation or conservation of California's wildlife resources. Priority shall be given to projects that advance research on the impacts of climate change, reduction of greenhouse gas emissions, and adaptation of natural systems to the impacts of climate change.

(x) (1) The sum of fifty million dollars (\$50,000,000) is appropriated from the Fund to the Sierra Nevada Conservancy for the purpose of awarding grants within the jurisdiction of the Conservancy to eligible entities as defined in subdivision (a) of Section 86166 for the purpose of reducing the threat of wildfires which would negatively impact watershed health. Projects may be for the purpose of hazardous fuel

reduction, postfire watershed rehabilitation, forest management practices that promote forest resilience to severe wildfire, climate change, and other disturbances, and development of local plans to reduce the risk of wildfires that could adversely affect watershed health. Preference shall be given to grants which include matching funds, but this preference may be reduced or eliminated for grants which benefit disadvantaged communities or economically distressed areas.

(2) The sum of fifty million dollars (\$50,000,000) is appropriated from the Fund to the Department of Forestry and Fire Protection for the purpose of awarding grants in areas outside the jurisdiction of the Sierra Nevada Conservancy to eligible entities as defined in subdivision (a) of Section 86166 for the purpose of reducing the threat of wildfires which would negatively impact watershed health. Projects may be for the purpose of hazardous fuel reduction, postfire watershed rehabilitation and restoration, forest management practices that promote forest resilience to severe wildfire, climate change, and other disturbances, and development of local plans to reduce the risk of wildfires that could adversely affect watershed health. Preference shall be given to grants which include matching funds, but this preference may be reduced or eliminated for grants which benefit disadvantaged communities or economically distressed areas.

**86083.** Consistent with the other requirements of this chapter, funds spent pursuant to this chapter may be used for grants to eligible entities as defined in subdivision (a) of Section 86166. Funds awarded to eligible entities may be used for projects on land owned by a state or federal agency. With the exception of funds allocated to grant programs, funds may also be used directly by the state agency receiving the funds to implement watershed improvement projects consistent with this chapter. In making grants pursuant to this chapter, agencies shall give high priority to applications that include cost sharing, and to grants that benefit disadvantaged communities and economically distressed areas whether or not they include cost sharing.

**86084.** (a) For a project to be eligible for funding pursuant to this chapter, the project shall have watershed protection and restoration, water supply or water quality benefits, or ecosystem benefits relating to rivers, streams, forests, meadows, wetlands or other water-related resources.

(b) (1) Funds appropriated pursuant to this chapter may be used for protection and restoration of forests, meadows, wetlands, riparian habitat, coastal resources, and near-shore ocean habitat; to acquire land and easements to protect these resources and avoid development that may reduce watershed health, and to take other measures that protect or improve the quality or quantity of water supplies downstream from projects funded in whole or in part by this chapter. Forest restoration projects, including but not limited to hazardous fuel reduction, post-fire watershed rehabilitation, and forest management and tree planting using appropriate native plants shall be based on the best available science regarding forest restoration and must be undertaken to protect and restore ecological values and to promote forest conditions that are more resilient to wildfire, climate change, and other disturbances.

(2) Fuel hazard reduction activities on United States Forest Service lands in the Sierra Nevada and similar forest types shall be generally consistent with objectives of the Sierra Nevada Watershed Improvement Program and the best available science, including United States Forest Service General Technical Report 220 as it may be updated.

**86085.** Any entity receiving funds pursuant to this chapter that expends funds on private lands shall secure an agreement or interest in the private lands to assure the purpose of the expenditure is maintained for such time as is commensurate with the best practices for the type of project.

**86086.** (a)(1) A local public agency, Indian tribe or nonprofit organization that receives funding for a project pursuant to this chapter may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance and monitoring of that project.

(2) A local public agency, Indian tribe or nonprofit organization that acquires an interest in a project with money from this chapter and transfers the interest in the project to another public agency, Indian tribe or nonprofit organization shall also transfer the ownership of the trust fund that was established to maintain that interest in the project.

(3) This subdivision does not apply to state agencies.

(b) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to subdivision (a), the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the project to be undertaken using funds otherwise available to the agency, tribe or organization.

(c) The interest from the trust fund shall be used only to monitor the implementation of a project, and maintain a project and its water supply and water quality benefits implemented pursuant to this chapter.

(d) If an interest in a project is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in the project is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated and shall be returned to the agency that provided the money. The funds returned to the agency may be utilized only for projects pursuant to this chapter.

**86087.** Funds allocated pursuant to this chapter may be granted to an eligible applicant for single or multiple small-scale projects that are consistent with Chapter 6.5 of Division 2 of the Fish and Game Code, regardless of whether that Chapter is still in effect.

**86088.** By April 30, 2019, the Natural Resources Agency shall recommend provisions for grant approval guidelines to each state agency that receives an appropriation pursuant to this chapter in order to ensure appropriate consistency of the guidelines. Each agency shall consider the recommendations of the Natural Resources Agency as they adopt their own guidelines.

**86089.** Agencies receiving funds pursuant to this chapter shall give high priority to projects that benefit the native wildlife, birds and fishes of California.

## **CHAPTER 6.2. Land and Water Management for Water Supply Improvement.**

**86090.** The sum of one hundred million dollars (\$100,000,000) is appropriated from the Fund to the Wildlife Conservation Board for the purpose of awarding competitive grants to eligible entities as defined in subdivision (a) of Section 86166 to improve the quality of public and private rangelands, wildlands, meadows, wetlands, riparian areas and aquatic areas for the purpose of increasing groundwater recharge and water supply from those lands, and for improving water quality consistent with protecting and restoring ecological values.

**86091.** Funds allocated pursuant to this chapter may be granted to an eligible applicant for single or multiple small-scale projects that are consistent with Chapter 6.5 of Division 2 of the Fish and Game Code,

regardless of whether that Chapter is still in effect.

**86094.** In making grants pursuant to this chapter, the Wildlife Conservation Board shall give highest priority to projects which:

(a) Are most cost-effective in producing improved water supply or water quality, and which provide the greatest fish and wildlife benefits.

(b) Include matching funds.

(c) Benefit disadvantaged communities and economically distressed areas.

(d) Are for the purpose of invasive plant control and eradication, restoration of riparian habitat, meadows and wetlands, and other projects that improve the flow of water from the lands, and reduce the use of water by invasive plant species.

**86096.** For a project to be eligible for funding pursuant to this chapter, the project shall have water supply or water quality benefits or both. A project that targets the removal of invasive plants to increase water supply shall only be funded if the applicant guarantees that the land from which plants will be removed will be maintained.

**86097.** (a)(1) A local public agency, Indian tribe or nonprofit organization that receives funding under this chapter may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance and monitoring of the funded project.

(2) A local public agency, Indian tribe or nonprofit organization that undertakes a project with money from this division and can no longer maintain the project shall transfer the ownership of the trust fund to another public agency, Indian tribe or nonprofit organization that is willing and able to maintain that project.

(3) This subdivision does not apply to state agencies.

(b) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to subdivision (a), the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the project in an appropriate condition.

(c) The interest from the trust fund established from the funds available pursuant to this section shall be used only to maintain a project and its water supply and water quality benefits implemented pursuant to this chapter.

(d) If the interest in a project is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in the project is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated and shall be returned to the Wildlife Conservation Board. The funds returned may be utilized only for projects authorized by this chapter.

**86098.** In implementing this chapter, the Wildlife Conservation Board may provide incentives to landowners for conservation actions on private lands or use of voluntary habitat credit exchange mechanisms.

**86099.** At least ten percent (10%) of the funds available pursuant to this section shall be allocated for projects that provide a direct benefit to disadvantaged communities. These benefits may include range improvement, among other benefits. These projects may include technical assistance for, outreach to, and engagement with disadvantaged communities.

### **CHAPTER 6.3. Conservation Corps.**

**86105.** The sum of forty million dollars (\$40,000,000) is appropriated from the Fund to the California Conservation Corps for projects to protect, restore, and improve the health of watershed lands, including forest lands, meadows, wetlands, chaparral, riparian habitat and other watershed lands. Projects may include, but are not limited to, regional and community fuel hazard reduction projects on public lands, invasive species removal, and stream, river, and riparian restoration projects. The California Conservation Corps shall allocate at least fifty percent (50%) of the funds pursuant to this section for grants to certified local conservation corps. Projects shall improve water quality, water supply reliability, or riparian or watershed health. Projects shall be undertaken in coordination with a nonprofit organization or public agency.

### **CHAPTER 6.4. Central Valley Fisheries Restoration.**

**86106.** (a) The people of California find and declare that the protection, restoration and enhancement of native fish populations (including anadromous salmonids) of the Central Valley is necessary for the ecological and economic health of the State of California.

(b) Fish need both suitable habitat and appropriately timed flows in rivers and their tributaries.

(c) The State Water Resources Control Board shall take note of the funding provided by this chapter and the resulting fish habitat restoration as the Board determines flows necessary to restore Central Valley native fish populations and fisheries.

(d) Many state and federal agencies, including the Department of Water Resources, Department of Fish and Wildlife, Delta Stewardship Council, Delta Conservancy, Wildlife Conservation Board, Central Valley Flood Protection Board, and federal Bureau of Reclamation, United States Fish and Wildlife Service, and National Marine Fisheries Service have prepared policies and plans to restore Central Valley native fish and fisheries habitat, but these policies and plans are not fully funded.

(e) Many state and federal laws require the restoration of Central Valley native fish populations and fisheries habitat, but funding has not been fully available to carry out the requirements of these laws.

(f) The sum of four hundred million dollars (\$400,000,000) is appropriated from the Fund to the California Natural Resources Agency for the restoration of Central Valley populations of native fish and fisheries habitat.

(1) (A) The Secretary of the Natural Resources Agency shall appoint a Central Valley Fisheries Advisory Committee made up of representatives from the Central Valley Salmon Habitat Partnership, appropriate local, state and federal fish and water management and other agencies, nonprofit organizations, commercial fishing organizations, universities, local agencies and Indian tribes with relevant scientific expertise including representation from the upper watersheds. The committee shall advise the Secretary on the annual expenditure of funds appropriated pursuant to this Chapter. The

committee may solicit projects, and direct the creation of projects pursuant to this chapter, subject to approval by the Secretary.

(B) The committee shall work closely with representatives from each river basin in the Central Valley, including local government and water agencies, Indian tribes, and nonprofit organizations, to develop projects that are most suitable for the conditions in the basin, and which meet the other requirements of this section.

(C) In proposing projects, the committee shall take into account the entire life cycle of the fish species to be benefitted, and shall consider the interaction of the effects of each project within a river basin with projects in other river basins. The committee shall also consider adverse impacts resulting from poor watershed health, including severe wildfire and extensive tree mortality.

(2) Projects funded pursuant to this section shall increase self-sustaining populations of native fish, or contribute to an existing fish population becoming self-sustaining in the future, with a minimal requirement of expenditures to continue to operate the project. No funds may be expended on fish hatcheries.

(3) The committee shall give high priority to projects that provide multiple benefits, such as improved flood management, improved water quality, improved water supply, enhanced groundwater sustainability, aquifer remediation and reduction of emission of greenhouse gases, while also improving conditions for native fish species and their habitats. The committee shall also give high priority to projects that can be integrated into an existing flow regime and provide multi-species benefits over a range of flow conditions. The committee shall also give high priority to projects that are consistent with recovery plan and resiliency strategies for native California fish species.

(4) Expenditures shall be for capital outlay projects, such as conservation easements, water measurement needed to measure the effects of the project, projects that restore or enhance fisheries habitat such as floodplain expansion, reintroductions of fish into their historical habitat, improved fish passage opportunities, creation or enhancement of spawning and rearing habitat and other projects. Acquisition of land or easements as part of a fisheries enhancement project must be from willing sellers. Project costs shall include the costs of planning, environmental review, mitigation of the impacts of the project, and permitting. High priority shall be given to projects that provide adult and juvenile fish access to or fish passage through agricultural fields or floodplain habitats that will provide enhanced juvenile rearing and food production opportunities.

(5) Of the funds authorized by this section, the Secretary of the Natural Resources Agency may allocate up to ten million dollars (\$10,000,000) for one or more grants for capital outlay and related programmatic purposes to institutions of higher education for facilities that can be used to improve scientific and technical coordination, communication and training among those institutions, the department, the Department of Fish and Wildlife, the State board and other state agencies to assure that developments in ecosystem and fisheries science and management are deployed and employed across higher education institutions and state government agencies.

(g) Based on the recommendations of the committee, the Secretary of the Natural Resources Agency may make grants to any state or local agency, Indian tribe, or nonprofit organization to carry out the purpose of this section. The Secretary shall give high priority to projects that include matching funds, projects with a local agency as the lead agency, and projects supporting proposed actions in the Sacramento Valley Salmon Resiliency Strategy (as published by the California Natural Resources Agency in June 2017, and as



it may be amended), the National Marine Fisheries Service California Central Valley Steelhead Recovery Plan and other similar strategies as they are adopted.

(h) Of the amount appropriated pursuant to this section, not less than thirty-five million dollars (\$35,000,000) shall be available for projects to restore rivers and streams in support of fisheries and wildlife, including, but not limited to, reconnection of rivers with their floodplains, riparian and side-channel habitat restoration pursuant to the California Riparian Habitat Conservation Program, Chapter 4.1 (commencing with Section 1385) of Division 2 of the Fish and Game Code, and restoration and protection of upper watershed forests and meadow systems that are important for fish and wildlife resources. Subdivision (f) of Section 79738 of the Water Code applies to this subdivision. Priority shall be given to projects supported by multi-stakeholder public or private partnerships, or both, using a science-based approach and measurable objectives to guide identification, design, and implementation of regional actions to benefit salmon and steelhead.

(i) Of the amount appropriated pursuant to this section, five million dollars (\$5,000,000) shall be available to assist in the development of the Central Valley Salmon Partnership Habitat Implementation Plan.

(j) The Secretary shall give high priority to the removal of Dennett Dam on the Tuolumne River, if additional funds are still needed to complete removal of the Dam.

(k) A local public agency, Indian tribe or nonprofit organization receiving funding under this chapter may use up to twenty percent (20%) of those funds to establish a trust fund, the proceeds of which shall be used exclusively to pay or help pay for the maintenance and monitoring of the project being funded.

(1) If the local public agency, Indian tribe or nonprofit organization is unable to continue to maintain and monitor the project, it may transfer ownership of the trust fund to another public agency, Indian tribe or nonprofit organization, with the approval of the Secretary of the Natural Resources Agency.

(2) This subdivision does not apply to state agencies.

(3) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to paragraph (1), the agency, tribe or organization shall certify to the Secretary of the Natural Resources Agency that it can maintain the project from funds otherwise available to the agency, tribe or organization.

(4) If all or part of the project cannot be maintained or is condemned, the trust fund and any unexpended interest are appropriated to the California Natural Resources Agency. The funds returned to the Agency may be utilized only for projects pursuant to this chapter.

(l) Of the amount appropriated to the California Natural Resources agency pursuant to this section, seven million dollars (\$7,000,000) is appropriated to the Department of Fish and Wildlife for native fish restoration projects on the upper Feather River below Oroville dam for gravel restoration, streambed restoration, and salmon habitat restoration projects.

#### **CHAPTER 7. Groundwater Sustainability and Storage.**

**86110.** (a) The sum of six hundred seventy-five million dollars (\$675,000,000) is appropriated from the Fund to the department for projects and programs that support sustainable groundwater management

consistent with Part 2.74 of Division 6 (commencing with Section 10720). The funds shall be used for competitive grants that advance sustainable groundwater management through implementation of groundwater sustainability plans and projects that protect, enhance, or improve groundwater supplies. At least ten percent (10%) of all grants made pursuant to this paragraph shall be made to groundwater sustainability agencies whose groundwater basins underlie disadvantaged communities.

(b) The sum of ten million dollars (\$10,000,000) is appropriated from the fund to the State board, for use by the Office of Sustainable Water Solutions to implement a multidisciplinary technical assistance program for small and disadvantaged communities, and support the involvement of disadvantaged communities and the public in groundwater sustainability agencies and in the development and implementation of groundwater sustainability plans.

**86111.** (a) Of the funds authorized by section 86110, six hundred forty million dollars (\$640,000,000) shall be available for grants to groundwater sustainability agencies implementing groundwater sustainability plans pursuant to subdivision (k) of Section 10721 for the following purposes:

(1) Groundwater recharge and storage projects including but not limited to acquisition of land and groundwater pumping allocations from willing sellers, planning of facilities such as feasibility studies and environmental compliance, distribution systems, and monitoring facilities. No grant made pursuant to this section shall exceed twenty million dollars (\$20,000,000).

(2) Projects that implement groundwater sustainability plans pursuant to Part 2.74 of Division 6 (commencing with Section 10720). Projects eligible for funding include but are not limited to feasibility studies, environmental compliance, engineering work used to develop groundwater use and sustainable yield for specific projects, well use measurement and innovative decision support tools.

(3) Projects that assess and address saltwater intrusion including future impacts related to climate change.

(4) Matching grants to groundwater sustainability agencies to develop groundwater sustainability plans pursuant to subdivision (k) of Section 10721. No grant shall exceed one million dollars (\$1,000,000), and no groundwater sustainability agency shall receive more than one grant.

(b) Of the funds authorized by this section, the sum of five million dollars (\$5,000,000) shall be available for research to guide investments made pursuant to this section. Research activities may include, but are not limited to, geophysical surveys, system-level modeling and analysis, development of novel methods and tools that can be applicable to local decision-making, cross-sector economic and policy analysis of novel recharge methods, and development of new approaches to significantly enhance groundwater recharge and fit-for-purpose water treatment and reuse.

(c) Of the funds authorized by this section, the department may allocate up to ten million dollars (\$10,000,000) for the development of publicly accessible decision support tools to assist groundwater sustainability agencies in conducting drinking water quality analysis, including the development and assessment of sustainable yield, undesirable results, measurable objectives and other required targets. The decision support tools should also support vulnerability assessments to help determine communities that may be at risk of facing water supply or contamination challenges. The tools should be available for other efforts such as drought vulnerability assessments and shall be linked to the Human Right to Water indicator housed at the State board.

(d) Of the funds authorized by this section, the department may allocate up to five million dollars (\$5,000,000) for one or more grants for capital outlay and related programmatic purposes to institutions of higher education for facilities that can be used to improve communication and coordination among these institutions, the department and the State board in order to assure that developments in groundwater science and management are efficiently deployed and employed across higher education institutions and state government agencies.

(e) A local public agency, Indian tribe or nonprofit organization receiving funding under this section may use up to twenty percent (20%) of those funds to establish a trust fund used exclusively to pay or help pay for the maintenance and monitoring of the agency's or organization's interest in land acquired pursuant to this section.

(1) If the local public agency, Indian tribe or nonprofit organization that acquired an interest in land with money from this section decides to transfer that interest to another public agency, Indian tribe or nonprofit organization, the ownership of the trust fund established to maintain that interest in land shall also be transferred.

(2) This subdivision does not apply to state agencies.

(3) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to this subdivision the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the land to be acquired from funds otherwise available to the agency, tribe or organization.

(4) If the interest in land is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in land is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated to the agency that provided the money. The funds returned to the agency may be utilized only for projects pursuant to this chapter.

**86112.** (a) The department shall give priority for funding pursuant to this chapter to the following in equal priority:

(1) Groundwater basins designated by the department as critically overdrafted basins, groundwater basins which are in danger of becoming critically overdrafted, and groundwater basins where surface and groundwater are interconnected.

(2) Groundwater basins with documented water quality problems, land subsidence, impacts on surface streams or groundwater dependent ecosystems, or other undesirable results as defined by subdivision (x) of Section 10721.

(3) Groundwater basins that protect important state-owned resources, such as state parks and wildlife areas.

(4) Projects that support the use of floodwaters of acceptable water quality to recharge groundwater basins. This innovative multi-benefit concept brings together four important California water management objectives, including flood hazard reduction, sustainable groundwater management, ecosystem restoration, and water supply reliability.

(A) Projects may include adaptive modification of flood and conservation storage operations at reservoirs, modifications to spillway facilities at existing reservoirs, inundation of new or expanded flood bypasses or temporary flood storage land areas, application of floodwaters to agricultural lands during fallow or dormant seasons, or increased use of existing groundwater recharge facilities.

(B) Projects may include using floodwaters for recharge of groundwater projects, with both flood hazard reduction and groundwater sustainability benefits.

(C) Projects that provide benefits in flood hazard reduction and groundwater sustainability. Project feasibility can also be supported by ecosystem restoration and water supply benefits.

(b) Of the amount appropriated in section 86110, the department may use up to ten million dollars (\$10,000,000) for the following purposes:

(1) Assess statewide potential for use of floodwaters for recharge and prioritize locations based upon proximity and conveyance connections in the State with flood hazard reduction and groundwater sustainability needs.

(2) Complete a pilot study of a priority location to demonstrate potential water resources management innovations to facilitate flood hazard reduction and groundwater recharge.

(3) Identify and demonstrate use of analytical tools and innovative water management techniques to support development of available floodwaters and recharge of groundwater basins.

(4) Develop economic monetization techniques of groundwater recharge benefits.

(5) Demonstrate application of the department's climate change methodology to both water supply and flood management applications.

(6) Provide technical assistance to groundwater sustainability and local flood management agencies, as well as coordination with state and federal flood agencies.

(c) The department shall consider the following criteria when awarding grants:

(1) The potential of the project to prevent or correct undesirable results due to groundwater use.

(2) The potential of the project to maximize groundwater storage, reliability, recharge or conjunctive use.

(3) The potential of the project to support sustainable groundwater management.

(4) The annualized cost-effectiveness of the project to achieve the goals of the Sustainable Groundwater Management Act, Chapter 2.74 of Division 6 (commencing with Section 10720).

(d) Eligible entities as defined in subdivision (a) of Section 86166, including groundwater sustainability agencies, shall be eligible for grants. Priority for funding shall be given to local agencies implementing the Sustainable Groundwater Management Act.

(e) For purposes of awarding funding under this chapter, a local cost share of not less than fifty percent (50%) of the total cost of the project shall be required. The cost-sharing requirement may be waived or reduced for that portion of a project that directly benefits a disadvantaged community or economically distressed area, or for projects the majority of whose benefits are to restore ecosystems dependent on groundwater.

(f) No grant may be made unless the Department of Fish and Wildlife certifies that harm done to fish or wildlife as a result of the project will be mitigated to ensure any potential impacts are less than significant.

(g) Eligible projects may include such infrastructure improvements such as improved canal and infiltration capacity.

**86113.** (a) For purposes of this section, "District" means the Borrego Water District.

(b) Of the amount appropriated in Section 86110, thirty-five million dollars (\$35,000,000) shall be awarded as a grant to the District for the following programs:

(1) Acquisition of land and acquisition of the right to pump groundwater from willing sellers to reduce groundwater pumping in order to bring groundwater pumping within the boundaries of the Borrego Springs Subbasin of the Borrego Valley Groundwater Basin to a level that is sustainable on a long-term basis pursuant to the Sustainable Groundwater Management Act, Chapter 2.74 of Division 6 (commencing with Section 10720). Lands acquired may be transferred to the Department of Parks and Recreation, a nonprofit organization or another public agency for future management.

(2) Water end-use efficiency, including urban and agricultural water conservation, and water conservation on recreational facilities such as golf courses.

(3) Restoration of lands acquired pursuant to this section.

(4) Stormwater capture for groundwater basin recharge and re-use.

(5) Other District projects implementing the Sustainable Groundwater Management Act.

(c) (1) No cost sharing by the District is required to implement this section. This is justified because the community of Borrego Springs is a severely disadvantaged community, and because excessive groundwater pumping can impact important resources in Anza-Borrego Desert State Park whose 500,000 annual visitors contribute an estimated forty million dollars (\$40,000,000) annually to the region, as well as support 600 jobs.

(2) The District may require cost sharing by beneficiaries when making grants pursuant paragraphs (2) and (4) of subdivision (b).

(d) As a condition of this grant, the District must agree to:

(1) Implement measures which assure that lands not presently being irrigated will not come into irrigation, and that presently irrigated lands will not become more intensively irrigated; and

(2) Require new development to pay all costs of water purchases the District incurs, and all costs of water projects the District undertakes in order to accommodate that development.

(e) (1) The District or a nonprofit organization that receives funding pursuant to this chapter to acquire an interest in land may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance, monitoring and restoration of that interest in land.

(2) The District or a nonprofit organization that acquires an interest in land with money from this chapter and transfers the interest in land to another public agency or nonprofit organization shall also transfer the ownership of the trust fund that was established to maintain that interest in land.

(3) This subdivision does not apply to state agencies.

(4) If the District or nonprofit organization does not establish a trust fund pursuant to this subdivision, the agency or organization shall certify to the department that it can maintain the land to be acquired from funds otherwise available to the agency or organization.

(5) If the interest in land is condemned or if the District or nonprofit organization determines that the interest in land is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated to the District. The funds returned to the District may be utilized only for projects pursuant to this chapter.

(f) Any funds not needed by the District to implement the program described in this section may be granted by the District to a nonprofit organization or the California Department of Parks and Recreation to acquire lands adjacent to or in the immediate proximity of Anza-Borrego Desert State Park to prevent development or irrigation of that land which might impact groundwater resources in the Park. These lands may be inside or outside the boundaries of the District, but must be within the boundaries of the Borrego Springs Subbasin of the Borrego Valley Groundwater Basin, which is the source of all potable water for the Borrego Springs community and visitors to the Park. The lands may be used for wildlife habitat.

(g) The District may award grants to nonprofit organizations in order to carry out all or part of the programs authorized by this section.

#### **CHAPTER 8. Water for Wildlife, Pacific Flyway Restoration, and Dynamic Habitat Management.**

**86120.** The sum of three hundred million dollars (\$300,000,000) is appropriated from the Fund to the Wildlife Conservation Board (hereinafter in this section "the Board") to acquire water from willing sellers and to acquire storage and delivery rights to improve conditions for fish and wildlife in streams, rivers, wildlife refuges, wetland habitat areas and estuaries. High priority shall be given to meeting the water delivery goals of the Central Valley Project Improvement Act (Title 34 of Public Law 102-575). The Board may arrange for acquisition, long-term lease agreements, or transfer of water rights if it determines such actions are beneficial to wildlife conservation. The Board may sell, transfer, or store water or storage rights purchased pursuant to this section, if the Board finds that the sale, transfer or storage will not cause harm to fish and wildlife. In years when the Board does not require the water for fish and wildlife purposes, the Board may temporarily sell or lease the water or delivery rights. Notwithstanding Section 13340 of the Government Code, the proceeds of any water sales pursuant to this section by the Board are appropriated directly to the Board without regard to fiscal year. The Board shall use the proceeds of the sale, lease or transfer of water or delivery rights to achieve conservation purposes authorized by this

section. The acquisition of water using funds expended pursuant to this chapter shall only be used for projects that will provide fisheries, wildlife or ecosystem benefits.

**86121.** The sum of fifty million dollars (\$50,000,000) is appropriated from the Fund to the California Department of Fish and Wildlife for the purpose of improving water supply and water quality conditions for fish and wildlife on private lands. The California Department of Fish and Wildlife may provide incentives to landowners for conservation actions on private lands or use of voluntary habitat credit exchange mechanisms. Such incentives shall be designed to be appropriately flexible and responsive to the highly variable amounts of water required by fish and wildlife.

The Department of Fish and Wildlife shall use a portion of the funds provided by this section to develop a programmatic authorization to expedite approval of habitat restoration and water quality improvement projects not covered under Chapter 6.5 of Division 2 of the Fish and Game Code, and for the implementation of that Chapter.

**86122.** The sum of three hundred million dollars (\$300,000,000) is appropriated from the Fund to the Wildlife Conservation Board for coastal and Central Valley salmon and steelhead fisheries restoration projects. The Wildlife Conservation Board shall give priority to projects that contribute to the recovery of salmon and steelhead species listed pursuant to the state or federal endangered species acts, to enhance commercial and recreational salmon fisheries and to achieve the goals of Chapter 8 of Part 1 of Division 6 (commencing with Section 6900) of the Fish and Game Code.

(a) Of the amount appropriated by this section, up to one hundred million dollars (\$100,000,000) shall be spent for matching grants to local agencies for capital outlay projects to implement programs to improve fish passage opportunities and to restore anadromous salmonid habitats, particularly juvenile rearing habitat for spring run salmon, on rivers in the Sacramento Valley that have dams blocking the main stem of the river.

(b) Of the amount appropriated by this section, at least one hundred million dollars (\$100,000,000) shall be spent to install fish screens on the Sacramento and San Joaquin Rivers and their tributaries and in the Delta to screen anadromous fish from water intakes. High priority shall go to projects identified as high priority in the Sacramento Valley Salmon Resiliency Strategy (as published by the California Natural Resources Agency in June 2017, and as it may be amended).

**86123.** (a) The sum of two hundred eighty million dollars (\$280,000,000) is appropriated from the Fund to the Wildlife Conservation Board for projects to protect migratory birds through habitat acquisition, easements, restoration, or other projects, and to provide water for wildlife refuges and wildlife habitat areas to fulfill the purposes identified in the Central Valley Joint Venture Implementation Plan, as it may be amended, including:

(1) Projects to implement this section which may include conservation actions on private lands.

(2) Protection and restoration of riparian and wetland habitat in the Sacramento River Basin.

(3) Protection and restoration of riparian and wetland habitat in the San Joaquin and Tulare Basins.

(b) Of the amount appropriated by this section, forty million dollars (\$40,000,000) shall be deposited in the California Waterfowl Habitat Preservation Account established pursuant to Section 3467 of the Fish

and Game Code, for the purposes of implementing the California Waterfowl Habitat Program pursuant to Article 7 (commencing with Section 3460) of Chapter 2 of Part 1 of Division 4 of the Fish and Game Code, the California Landowner Incentive Program of the Department of Fish and Wildlife, the Permanent Wetland Easement Program of the Wildlife Conservation Board, and the establishment or enhancement of waterfowl nesting and other wildlife habitat cover on fallowed lands including projects authorized pursuant to Section 1018.

(c) Of the amount appropriated by this section, ten million dollars (\$10,000,000) shall be deposited in the Shared Habitat Alliance for Recreational Enhancement (SHARE) Account established pursuant to Section 1572 of the Fish and Game Code and administered by the Department of Fish and Wildlife for the purposes of providing hunting and other wildlife-dependent recreational opportunities to the public through voluntary agreements with private landowners.

(d) Of the amount appropriated by this section, at least one hundred and ten million dollars (\$110,000,000) shall be expended for acquisition and delivery of water to wildlife refuges, and associated infrastructure projects, to achieve full compliance with the terms of subsection (d) of Section 3406 of the Central Valley Project Improvement Act (Title 34 of Public Law 102-575).

#### **CHAPTER 8.6. Sacramento Region Water Reliability and Habitat Protection.**

**86124.** (a) Ten million dollars (\$10,000,000) is appropriated from the Fund to the department for grants to the Regional Water Authority and to the City of Sacramento on behalf of the Sacramento Area Water Forum for projects that are consistent with the coequal objectives of the Water Forum Agreement. Eligible projects include facilities, studies and other actions to improve flow and temperature conditions and habitat in the lower American River, increase water use efficiency and conservation, or improve the integration of surface water and groundwater supplies to provide for dry year water supply reliability.

(b) The Regional Water Authority and the Water Forum shall jointly develop and approve studies, projects, or programs to be funded by the grants. Highest priority shall be given to improving water temperature conditions in the lower American River, and to projects or programs that contribute to both of the Water Forum's coequal objectives of improving water supply and protecting the environment. The Regional Water Authority will be the grantee for water supply and water efficiency projects. The City of Sacramento, on behalf of the Water Forum, will be the grantee for environmental protection, water temperature studies, and habitat restoration projects.

(c) The amount allocated in aggregate to the package of projects shall not exceed fifty percent (50%) of the projects' total cost.

(d) No funds appropriated pursuant to this section may be spent to build new surface storage or raise existing reservoirs.

#### **CHAPTER 9. Bay Area Regional Water Reliability.**

**86125.** Two hundred and fifty million dollars (\$250,000,000) is appropriated from the Fund to the department for a grant to the group of eight water agencies collectively known as the Bay Area Regional Reliability Partnership (BARR) for new facilities that extend the benefits of surface water storage for region-wide benefits in any of the following areas: drought supply reliability, drinking water quality, and emergency storage, as generally described in the Final Mitigation Project List contained in the San Francisco Bay Area Regional Reliability Drought Contingency Plan. The Contra Costa Water District may



receive the grant on behalf of the Partnership unless the BARR Partnership has a governance structure in place at the time of the grant award that makes its eligible to receive the funds directly. The participating water agencies in the San Francisco Bay Area Regional Reliability Drought Contingency Plan will determine and designate funds to one or any of the listed projects, however in no case will the amount determined for any single project be more than 50% of the project's total cost. No funds appropriated pursuant to this section may be spent to build new surface storage, or raise existing reservoirs.

#### **CHAPTER 10. Improved Water Conveyance and Water Conservation.**

**86126.** Even though the drought has eased, the effects of the drought are still being felt in many areas throughout the state, including the San Joaquin Valley. Further exacerbating the impact of drought conditions on water users were legal requirements restricting pumping from the Sacramento-San Joaquin Delta. One of the consequences of both the drought and pumping restrictions was a significant increase in groundwater pumping as a means to replace reduced surface supplies. Such increase in groundwater pumping lowers groundwater tables, which in turn causes wells to go dry and land to subside, which has particularly been the case on the east side of the San Joaquin Valley. The Friant-Kern Canal has lost 60% of its capacity to convey water for both consumptive uses and groundwater recharge. Unless conveyance capacity is restored and increased, the subsidence will continue to get worse and those local communities, including disadvantaged communities, who largely rely on groundwater to serve their citizens, will continue to suffer adverse effects. Significant public benefits will result from this state investment, including avoiding increased unemployment, stabilization of groundwater, and securing a more stable food supply for California.

**86127.** The sum of seven hundred fifty million dollars (\$750,000,000) is appropriated from the Fund to the department for a grant to the Friant Water Authority for water conveyance capital improvements, including restored and increased conveyance capacity to and in the Madera and Friant-Kern canals, resulting in greater groundwater recharge, improved conveyance and utilization of floodwaters, and for water conservation. Improvements with funds provided by this paragraph shall be completed consistent with applicable state and federal laws and contracts.

**86128.** The sum of one hundred million dollars (\$100,000,000) is appropriated from the Fund to the Natural Resources Agency for actions that support projects defined in paragraph 11 in the settlement agreement to restore the San Joaquin River referenced in Section 2080.2 of the Fish and Game Code. Before expenditure may occur, formal concurrence on specific projects to be undertaken is required by the settling parties to the agreement.

**86129.** The diversion of water from Barker Slough to the North Bay Aqueduct adversely impacts listed fish species, and also adversely impacts water quality served to a large urban area. There would be multiple public benefits to relocating the diversion to the North Bay Aqueduct to the Sacramento River.

**86130.** The sum of five million dollars (\$5,000,000) is appropriated from the fund to the department to plan for a diversion of water from the Sacramento River to the North Bay Aqueduct to reduce the adverse impact on listed fish species, and provide a higher quality of drinking water to those served by the Aqueduct.

#### **CHAPTER 11. Oroville Dam Flood Safety.**

**86131.** Oroville Dam provides flood control for the Sacramento Valley. The inclusion of flood control at Oroville Dam was not an obligation of the public water agencies that receive water from Oroville Dam. The flood control function of Oroville Dam was paid for by the federal government.

**86132.** The sum of two hundred million dollars (\$200,000,000) is appropriated from the Fund to the department for repair and reconstruction of the spillways at the Oroville Dam.

**86133.** The sum of twenty-one million dollars (\$21,000,000) is appropriated from the Fund to the department. Fifteen million dollars (\$15,000,000) shall be spent for Feather River sediment management and removal between Live Oak and Verona in coordination with the Sutter Butte Flood Control Agency. Six million dollars (\$6,000,000) of these funds shall be awarded as a grant to the Sutter Butte Flood Control Agency for floodwater attenuation projects at the Oroville Wildlife Area that provide downstream flood control relief and ecosystem restoration.

**86134.** The sum of one million dollars (\$1,000,000) is appropriated from the Fund to the department for a grant to Butte County for capital outlay projects and equipment for emergency preparedness coordination and communications consistent with the California Office of Emergency Services Standardized Emergency Management System (SEMS).

## **CHAPTER 12. General Provisions.**

**86151.** (a) In projects involving voluntary habitat restoration, water quality improvement and multi-benefit floodplain restoration each agency administering provisions of this division shall encourage interagency coordination and develop and utilize efficient project approval and permitting mechanisms, including but not limited to the provisions of Chapter 6.5 of Division 2 of the Fish and Game Code (regardless of whether that chapter is still in effect) and programmatic permits for voluntary habitat restoration, so as to avoid project delays and maximize the amount of money spent on project implementation.

(b) Projects designed to primarily protect migratory birds through acquisition, easements, restoration or other projects shall be consistent with the plans and recommendations established by the federal Migratory Bird Joint Venture partnerships that encompass parts of California.

(c) Any agency providing funds pursuant to this division to disadvantaged communities or economically distressed areas may provide funding to assist these communities in applying for that funding, including technical and grant writing assistance. These funds may be provided to nonprofit organizations and local public agencies assisting these communities.

(d) Any agency receiving funds pursuant to this division may contract for the services of resource conservation districts pursuant to Section 9003 of the Public Resources Code.

(e) Agencies may count in-kind contributions up to twenty-five percent (25%) of the total project cost as part of cost sharing. Agencies may count the value of the donated land in a bargain sale as part of cost sharing.

(f) Agencies considering proposals for acquisition of lands shall also consider the ability of the proposed final owner of the land to maintain it in a condition that will protect the values for which it is to be acquired, and to prevent any problems that might occur on neighboring lands if the land is not properly managed.

(g) Trust funds established pursuant to this act shall be managed pursuant to the requirements of the Uniform Prudent Management of Institutional Funds Act, Part 7 (commencing with Section 18501) of Division 9 of the Probate Code.

(h) Projects designed to primarily protect riparian habitat through acquisition, easements, restoration or other projects shall consider the plans and recommendations established by the California Riparian Habitat Conservation Program pursuant to Chapter 4.1 of Division 2 of the Fish and Game Code (commencing with Section 1385).

(i) The administering agency shall provide advance payment of 50% of grant awards for those projects that satisfy both of the following criteria:

(1) The project proponent is a disadvantaged community or eligible entity as defined in subdivision (a) of Section 86166, or the project benefits a disadvantaged community.

(2) The grant award for the project is less than one million dollars (\$1,000,000).

(j) Eligible grant costs shall include indirect costs as defined in federal Office of Management and Budget guidelines, as well as reasonable overhead costs.

(k) Agencies receiving funds designated for specific programs or grantees shall expedite the expenditure or transfer of those funds with the least amount of process necessary to comply with existing state laws and regulations, and the requirements of this division. It is the intent of this division that the expenditure or transfer of funds shall be efficient, cost-effective, and expeditious, and generally should occur no later than 90 days from demonstrated eligibility by the recipient for the funds requested.

**86152.** Agencies shall, to the extent practicable, quantify the amount of water generated for human and environmental use resulting from proposed expenditures they make pursuant to this division. Agencies shall, to the extent practicable, quantify the improvement in the quality of water generated for human and environmental use resulting from proposed expenditures they make pursuant to this division.

**86153.** To the extent consistent with the other provisions of this division, statewide agencies making grants pursuant to this division shall seek to allocate funds equitably to eligible projects throughout the state, including northern and southern California, coastal and inland regions, and Sierra and Cascade foothill and mountain regions.

**86154.** Applicants for grants pursuant to this division shall indicate whether the grant proposal is consistent with the local Integrated Regional Water Management Plan, if one exists. However, consistency with the Integrated Regional Water Management Plan shall not be required as a condition of any grant, and grant proposals shall not be given lower priority if they are not consistent with Integrated Regional Water Management Plans.

**86155.** (a) Notwithstanding any other provision of this division, a local public agency with a population of less than 100,000 and a median household income of less than one hundred percent (100%) of the state average household income shall be required to provide matching funds of no more than thirty-five percent (35%) for a grant for a project entirely within their jurisdiction. State agencies making grants to these local public agencies may provide funding in advance of construction of portions of the project, if the state agency determines that requiring the local public agency to wait for payment until the project is completed would make the project infeasible.

(b) Nothing in this section prohibits a state agency from making a grant to a disadvantaged community or economically distressed area that does not require cost sharing.

**86156.** Any repayment of loans made pursuant to this division, including interest payments, and interest earnings shall be deposited in the Fund and shall be available solely for the purposes of the chapter or section that authorized the loan.

**86157.** (a) Each state agency that receives an appropriation of funding made available by this division shall be responsible for establishing metrics of success and reporting the status of projects and all uses of the funding on the state's bond accountability Internet Web site.

(b) Each state agency that receives an appropriation of funding made available by this division shall do the following:

(1) Evaluate the outcomes of projects funded by this division.

(2) Include in the agency's reporting pursuant to Section 86003 the evaluation described in subdivision (a) of this section.

(3) Hold a grantee of funds accountable for completing projects funded by this division on time and within scope.

**86158.** (a) For projects carried out by state agencies pursuant to this division, up to ten percent (10%) of funds allocated for each program funded by this division may be expended for planning, monitoring and reporting necessary for the successful design, selection, and implementation of the projects and verification of benefits. An eligible entity receiving a grant for a project pursuant to this division may also receive sufficient funds for planning, monitoring and reporting necessary for the successful design, selection, and implementation of the projects. This section shall not otherwise restrict funds ordinarily used by an agency for "preliminary plans," "working drawings," and "construction" for a capital outlay project or grant project.

(b) Permit and plan check fees and reasonable administrative and indirect project fees and costs related to managing construction shall be deemed part of construction costs. Project costs allocated for project planning and design, and direct and indirect administrative costs shall be identified as separate line items in the project budget.

**86159.** Notwithstanding Section 16727 of the Government Code, funding provided pursuant to Chapters 6 and 8 may be used for grants and loans to nonprofit organizations to repay financing described in Section 22064 of the Financial Code related to projects that are consistent with the purposes of those chapters.

**86160.** Not more than a total of five percent (5%) of the funds allocated to any state agency under this division may be used to pay for its costs of administering programs and projects specified in this division.

**86161.** (a) Water quality monitoring data shall be collected and reported to the State board in a manner that is compatible and consistent with surface water monitoring data systems or groundwater monitoring data systems administered by the State board, consistent with Part 4.9 of Division 6. Watershed monitoring data shall be collected and reported to the Department of Conservation in a manner that is compatible and consistent with the statewide watershed program administered by the Department of Conservation.

(b) State agencies making grants or loans pursuant to this division may include specific expenditures for compliance with local, state and federal permitting and other requirements.

(c) Up to one percent (1%) of funds allocated for each program funded by this division may be expended for research into methods to improve water supply, water related habitat, and water quality relevant to that program, in addition to any other amounts provided for in this division.

**86162.** (a) Prior to disbursing grants or loans pursuant to this division, each state agency that receives an appropriation from the funding made available by this division to administer a grant or loan program under this division shall develop and adopt project solicitation and evaluation guidelines. The guidelines shall include monitoring and reporting requirements and may include a limitation on the dollar amount of each grant or loan to be awarded. The guidelines shall not include a prohibition on the recovery of reasonable overhead or indirect costs by local public agencies, Indian tribes or nonprofit organizations. If the state agency has previously developed and adopted project solicitation and evaluation guidelines that comply with the requirements of this division, it may use those guidelines. Overhead or indirect costs incurred by a local public agency, Indian tribe or nonprofit organization are eligible for reimbursement and shall not weigh negatively in the evaluation of funding proposals pursuant to this division.

(b) Prior to disbursing grants or loans, the state agency shall conduct three regional public meetings to consider public comments prior to finalizing the guidelines. The state agency shall publish the draft solicitation and evaluation guidelines on its website at least 30 days before the public meetings. One meeting shall be conducted at a location in northern California, one meeting shall be conducted at a location in the Central Valley of California, and one meeting shall be conducted at a location in southern California. Agencies without jurisdiction in one or more of these three regions may omit the meetings in the region or regions within which they do not have jurisdiction. Upon adoption, the state agency shall transmit copies of the guidelines to the fiscal committees and the appropriate policy committees of the Legislature.

(c) At least 45 days prior to soliciting projects pursuant to this division, a state agency administering funds pursuant to this division shall post an electronic form of the guidelines for grant applicants on its website. Project solicitation and evaluation guidelines shall only include criteria based on the applicable requirements of this division.

(d) Nothing in this division restricts agencies from enforcing and complying with existing laws.

**86163.** Each project funded from this division shall comply with the following requirements:

(a) The investment of public funds pursuant to this division will result in public benefits that address the most critical statewide needs and priorities for public funding, as determined by the agency distributing the funds.

(b) In the appropriation and expenditure of funding authorized by this division, priority will be given to projects that leverage private, federal, or local funding or produce the greatest public benefit. All state agencies receiving funds pursuant to this division shall seek to leverage the funds to the greatest extent possible, but agencies shall take into account the limited ability to cost share by small public agencies, and by agencies seeking to benefit disadvantaged communities and economically distressed areas.

(c) A funded project shall advance the purposes of the chapter from which the project received funding.

(d) In making decisions regarding water resources pursuant to this division, state and local agencies will use the best available science to inform those decisions.

(e) To the extent practicable, a project supported by funds made available by this division will include signage informing the public that the project received funds from the Water Supply and Water Quality Act of 2018.

(f) To the extent feasible, projects funded with proceeds from this division shall promote state planning priorities consistent with the provisions of Section 65041.1 of the Government Code and sustainable communities strategies consistent with the provisions of subparagraph (B) of paragraph (2) of subdivision (b) of Section 65080 of the Government Code.

(g) To the extent feasible, watershed objectives for private lands included in this division should be achieved through use of conservation easements and voluntary landowner participation, including, but not limited to, the use of perpetual conservation easements pursuant to Division 10.2 (commencing with Section 10200) and Division 10.4 (commencing with Section 10330) of the Public Resources Code, voluntary habitat credit exchange mechanisms, and conservation actions on private lands.

**86164.** Funds provided by this division shall not be expended to pay the costs of the design, construction, operation, mitigation, or maintenance of Delta water conveyance facilities. Those costs shall be the responsibility of the water agencies that benefit from the design, construction, operation, mitigation, or maintenance of those facilities.

**86165.** (a) This division does not diminish, impair, or otherwise affect in any manner whatsoever any area of origin, watershed of origin, county of origin, or any other water rights protections, including, but not limited to, rights to water appropriated prior to December 19, 1914, provided under the law. This division does not limit or affect the application of Article 1.7 (commencing with Section 1215) of Chapter 1 of Part 2 of Division 2, Sections 10505, 10505.5, 11128, 11460, 11461, 11462, and 11463, and Sections 12200 to 12220, inclusive.

(b) For the purposes of this division, an area that utilizes water that has been diverted and conveyed from the Sacramento River hydrologic region, for use outside the Sacramento River hydrologic region or the Delta, shall not be deemed to be immediately adjacent thereto or capable of being conveniently supplied with water therefrom by virtue or on account of the diversion and conveyance of that water through facilities that may be constructed for that purpose after January 1, 2018.

(c) Nothing in this division supersedes, limits, or otherwise modifies the applicability of Chapter 10 (commencing with Section 1700) of Part 2 of Division 2, including petitions related to any new conveyance constructed or operated in accordance with Chapter 2 (commencing with Section 85320) of Part 4 of Division 35.

(d) Unless otherwise expressly provided, nothing in this division supersedes, reduces, or otherwise affects existing legal protections, both procedural and substantive, relating to the State board's regulation of diversion and use of water, including, but not limited to, water right priorities, the protection provided to municipal interests by Sections 106 and 106.5, and changes in water rights. Nothing in this division expands or otherwise alters the State board's existing authority to regulate the diversion and use of water or the courts' existing concurrent jurisdiction over California water rights.

(e) Nothing in this division shall be construed to affect the California Wild and Scenic Rivers Act (Chapter

1.4 (commencing with Section 5093.50) of Division 5 of the Public Resources Code) or the federal Wild and Scenic Rivers Act (16 U.S.C. Section 1271 et seq.) and funds authorized pursuant to this division shall not be available for any project that could have an adverse effect on the values upon which a wild and scenic river or any other river is afforded protections pursuant to the California Wild and Scenic Rivers Act or the federal Wild and Scenic Rivers Act.

(f) Nothing in this division supersedes, limits, or otherwise modifies the Sacramento-San Joaquin Delta Reform Act of 2009 (Division 35 (commencing with Section 85000)) or any other applicable law, including, but not limited to, Division 22.3 (commencing with Section 32300) of the Public Resources Code.

(g) Notwithstanding any other provision of law, any agency or nonprofit organization acquiring land pursuant to this division may make use of the Natural Heritage Preservation Tax Credit Act of 2000 (Division 28 (commencing with Section 37000) of the Public Resources Code). Funds appropriate pursuant to this division that are not designated for competitive grant programs may also be used for the purposes of reimbursing the General Fund pursuant to the Natural Heritage Preservation Tax Credit Act of 2000.

(h) Funds provided pursuant to this division, and any appropriation or transfer of those funds, shall not be deemed to be a transfer of funds for the purposes of Chapter 9 (commencing with Section 2780) of Division 3 of the Fish and Game Code.

**86166.** (a) Applicants eligible to receive grants, loans and contracts pursuant to this division are public agencies, state universities (including university-managed national laboratories), resource conservation districts, nonprofit organizations, public utilities, mutual water companies, public water systems as defined in subdivision (h) of Section 116275 of the Health and Safety Code, urban water suppliers as defined in Section 10617 of the Water Code, federally recognized Indian tribes, federal agencies owning or managing land in California, and state Indian tribes listed on the Native American Heritage Commission's California Tribal Consultation List. State agencies granting funds pursuant to this division shall give priority to eligible applicants with experience in planning, designing, and developing the types of projects receiving funding from the agencies, or which have access to consulting help in these areas.

(b)(1) To be eligible for funding under this division, a project proposed by a public utility that is regulated by the Public Utilities Commission, or a mutual water company, shall have a clear and definite public purpose and the project shall benefit the customers of the watersystem and not the investors.

(2) To be eligible for funding under this division, an urban water supplier shall have adopted and submitted an urban water management plan in accordance with the Urban Water Management Planning Act, Part 2.6 (commencing with Section 10610) of Division 6.

(3) To be eligible for funding under this division, an agricultural water supplier shall have adopted and submitted an agricultural water management plan in accordance with the Agricultural Water Management Planning Act, Part 2.8 (commencing with Section 10800) of Division 6.

(4) In accordance with Section 10608.56, an agricultural water supplier or an urban water supplier is ineligible for grant funding under this division unless it complies with the requirements of Part 2.55 (commencing with Section 10608) of Division 6.

(5) Notwithstanding any other provision of this division, agencies receiving funds pursuant to this division may reduce or eliminate cost sharing requirements when making grants of one million dollars (\$1,000,000) or less to nonprofit organizations with budgets less than one million dollars (\$1,000,000) if

the agency determines that such grants would be the most effective way to achieve the purposes of this division.

**86167.** Where feasible, projects funded pursuant to this division may use the services of the California Conservation Corps or certified community conservation corps, as defined in Section 14507.5 of the Public Resources Code. Public agencies receiving funding under this division shall give additional priority to projects that involve the services of the California Conservation Corps or a certified community conservation corps, or other nonprofit entities that provide job training and education opportunities for veterans, foster care recipients, farmworkers or local youth in conservation or restoration projects.

**86168.** Each state agency that receives an appropriation of funding made available by this division shall be responsible for establishing and reporting on the state's bond accountability website each of the following: metrics of success, metrics for benefitting disadvantaged communities and economically distressed areas, progress in meeting those metrics, status of projects funded under this division, and all uses of the funding the state agency receives under this division. The Secretary of the Natural Resources Agency shall annually report to the Legislature expenditures made pursuant to this division, and the benefits derived from those expenditures.

**86169.** The proceeds of bonds issued and sold pursuant to this division (excluding the proceeds of any refunding bonds issued in accordance with Section 86192) shall be deposited in the Water Supply Reliability and Drought Protection Fund of 2018, which is hereby created in the State Treasury.

**86169.1** Notwithstanding Section 13340 of the Government Code, moneys in the Water Supply Reliability and Drought Protection Fund of 2018 are continuously appropriated without regard to fiscal year for the purposes of this division in the manner set forth in this division. Funds authorized by, and made available pursuant to this division shall be available and expended only as provided in this division, and shall not be subject to appropriation or transfer by the Legislature or the Governor for any other purpose.

**86170.** Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the development or implementation of programs or projects authorized or funded under this division.

**86171.** (a) Funds provided by this division shall not be used to support or pay for the costs of environmental mitigation, except for the costs of environmental mitigation for projects funded pursuant to this division.

(b) Funds provided by this division shall be used for environmental enhancements or other public benefits.

(c) Notwithstanding paragraphs (a) and (b) of this section, the costs of mitigation of the environmental impacts directly related and limited to expenditures under this division may be paid for by funds provided by this division.

(d) Funds available pursuant to this division shall not be expended to pay the costs of the design, construction, operation, mitigation, or maintenance of Delta conveyance facilities.

**86172.** Every entity implementing this division shall give highest priority to funding projects that combine relatively high cost-effectiveness, durability, and enhanced environmental quality.



**86174.** Acquisitions pursuant to Chapter 6 of this division shall be from willing sellers only.

**86177.** The requirement that a project be cost-effective does not require a full benefit/cost analysis.

**86178.** Agencies implementing this division shall give special consideration to projects that employ new or innovative technology or practices, including decision support tools that support the integration of multiple strategies and jurisdictions, including, but not limited to, water supply, wildfire reduction, habitat improvement, invasive weed control, flood control, land use, and sanitation.

**86179.** Any contract (including a contract to provide a grant) between a public agency, Indian tribe or nonprofit organization and the Department of Fish and Wildlife or the Wildlife Conservation Board for work funded pursuant to this division, or pursuant to Division 26.7 shall be considered a contract subject to the requirements of Section 1501.5 of the Fish and Game Code, and therefor shall not be considered a public work or a public improvement, and is not subject to Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

**86179.1.** Priority shall be given to the expenditure of funds on activities that affect the Delta and the species that rely on it that are generally consistent with the report "A Delta Renewed: A Guide to Science-Based Ecological Restoration in the Sacramento-San Joaquin Delta" prepared in 2016 by the San Francisco Estuary Institute-Aquatic Science Center.

**86179.2.** In the awarding of grants to be made by any agency pursuant to this act or Division 26.7 after the effective date of this act, overhead or indirect costs incurred by a local public agency, Indian tribe or nonprofit organization are eligible for reimbursement and shall not weigh negatively in the evaluation of funding proposals. Eligible grant costs shall include indirect costs as defined in federal Office of Management and Budget guidelines, as well as reasonable overhead costs. For nonprofit organizations, grants shall provide for reimbursement of indirect costs by applying the organization's federally negotiated indirect cost rate, if one exists. If a negotiated rate does not exist, the organization may elect to use the default indirect cost rate of 10 percent (10%) of its modified total direct costs as defined by the Office of Management and Budget.

**86179.3.** No grants made pursuant to this division shall result in an unmitigated increase in a community's exposure to flood hazards or in a net reduction in flood conveyance capacity of any publicly owned flood protection facility.

**86179.4.** In awarding grants for land acquisition, the Wildlife Conservation Board shall give preference to organizations that voluntarily pay property taxes.

### **CHAPTER 13. Fiscal Provisions.**

**86180.** (a) Bonds in the total amount of eight billion eight hundred seventy-seven million dollars (\$8,877,000,000), or so much thereof as is necessary, not including the amount of any refunding bonds issued in accordance with Section 86192 may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this division and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) The Treasurer shall from time to time sell the bonds authorized by the committee pursuant to Section 86182. Bonds shall be sold upon the terms and conditions specified in one or more resolutions to be adopted by the committee pursuant to Section 16731 of the Government Code.

**86181.** The bonds authorized by this division shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, and all of the provisions of that law, as that law may be amended, apply to the bonds and to this division and are hereby incorporated in this division as though set forth in full in this division, except subdivisions (a) and (b) of Section 16727 of the Government Code.

**86182.** (a) Solely for the purpose of authorizing the issuance and sale pursuant to the State General Obligation Bond Law of the bonds authorized by this division, the Water Supply Reliability and Drought Protection Finance Committee is hereby created. For purposes of this division, the Water Supply Reliability and Drought Protection Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law.

(b) The finance committee consists of the Director of Finance, the Treasurer, and the Controller. Notwithstanding any other provision of law, any member may designate a representative to act as that member in his or her place for all purposes, as though the member were personally present.

(c) The Treasurer shall serve as chairperson of the finance committee.

(d) A majority of the finance committee may act for the finance committee.

**86183.** The finance committee shall determine whether or not it is necessary or desirable to issue bonds authorized by this division in order to carry out the actions specified in this division and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

**86184.** For purposes of the State General Obligation Bond Law, "board," as defined in Section 16722 of the Government Code, means the Secretary of the Natural Resources Agency.

**86185.** There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

**86186.** Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this division, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this division, as the principal and interest become due and payable.

(b) The sum that is necessary to carry out the provisions of Section 86189, appropriated without regard to fiscal years.

**86187.** The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312 of the Government Code for the purpose of carrying out this division less any amount withdrawn pursuant to Section 86189. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold (excluding any refunding bond authorized pursuant to Section 86192) for the purpose of carrying out this division. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the Fund to be allocated in accordance with this division.

**86188.** Notwithstanding any other provision of this division, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions or is otherwise entitled to any federal tax advantage, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

**86189.** For the purposes of carrying out this division, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold (excluding any refunding bond authorized pursuant to Section 86192) for the purpose of carrying out this division less any amount borrowed pursuant to Section 86187. Any amounts withdrawn shall be deposited in the Fund. Any moneys made available under this section shall be returned to the General Fund, with interest at the rate earned by the moneys in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this division.

**86190.** All moneys deposited in the Fund that are derived from premium and accrued interest on bonds sold pursuant to this division shall be reserved in the Fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest, except that amounts derived from premium may be reserved and used to pay the cost of bond issuance prior to any transfer to the General Fund.

**86191.** Pursuant to the State General Obligation Bond Law, the cost of bond issuance shall be paid out of the bond proceeds, including premiums, if any. To the extent the cost of bond issuance is not paid from premiums received from the sale of bonds, these costs shall be shared proportionately by each program funded through this division by the applicable bond sale.

**86192.** The bonds issued and sold pursuant to this division may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds under this division shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this division or any previously issued refunding bonds. Any bond refunded with the proceeds of refunding bonds as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing such refunded bonds.

**86193.** The proceeds from the sale of bonds authorized by this division are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, and the disbursement of these proceeds is

not subject to the limitations imposed by that article.

**SECTION 2.** Section 1 of this act shall take effect immediately upon approval by the voters of the Water Supply and Water Quality Act of 2018, as set forth in that section at the November 6, 2018, statewide general election. In order to fund a water supply reliability and drought protection program at the earliest possible date, it is necessary that this act take effect immediately.

**SECTION 3. Conflicting Provisions.**

(a) The provisions and intent of the Water Supply and Water Quality Act of 2018 shall be given precedence over any state law, statute, regulation or policy that conflicts with this section, and the policy and intent of this act shall prevail over any such contrary law, statute, regulation or policy.

(b) If this division is approved by the voters, but superseded by any other conflicting ballot division approved by more voters at the same election, and the conflicting ballot division is later held invalid, it is the intent of the voters that this act shall be given the full force of law.

(c) If any rival or conflicting initiative regulating any matter addressed by this act receives the higher affirmative vote, then all non-conflicting parts of this act shall become operative.

**SECTION 4.** If any provision of this act or the application thereof is held invalid, that invalidity shall not affect other provisions or applications of this act that can be given effect without the invalid provisions or applications, and to this end the provisions of this act are severable.

**SECTION 5.**

Section 2799.7 is added to the Fish and Game Code to read:

**2799.7.** Subdivision (f) of Section 2787 does not apply to Section 2795. Notwithstanding other provisions of this article and Section 13340 of the Government Code, as of July 2, 2020 funds transferred pursuant to Section 2795 shall be continuously appropriated to the Wildlife Conservation Board for purposes of Chapter 8 (commencing with Section 86120) of Division 38 of the Water Code.

**SECTION 6.**

Part 12 is added to Division 6 of the Water Code to read:

**Section 11860.** (a) Notwithstanding any other provision of law (including Section 13340 of the Government Code and Sections 39710 through 39723 of the Health and Safety Code), the fees paid, the cost of compliance instruments acquired, and the increased cost of power purchased by the Department of Water Resources, hereafter "Department," as a result of the implementation of Division 25.5 of the Health and Safety Code are continuously appropriated to the Department from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code, and the fees paid, the cost of compliance instruments acquired and the increased cost of power purchased by the Metropolitan Water District of Southern California (Statutes 1969, chapter 209, as amended), hereafter "District," as a result of the implementation of Division 25.5 of the Health and Safety Code are continuously appropriated to the District from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code.

(b) The funds appropriated to the Department pursuant to this section shall be expended within the State Water Resources Development System, and on consumer water conservation programs within the jurisdiction of the State Water Resources Development System.

(c) The funds appropriated to the District pursuant to this section shall be expended within the water storage, treatment, conveyance, and distribution system of the District and on consumer water conservation programs within the jurisdiction of the District.

(d) Of the consumer water conservation programs authorized by subdivisions (b) and (c), highest priority shall be given to those benefitting disadvantaged communities (as defined subdivision (a) of Section 79505.5, as it may be amended) and economically distressed areas (as defined in subdivision (k) of Section 79702, as it may be amended).

(e) All expenditures pursuant to this section shall meet the requirements of Chapter 4.1 of Part 2 of Division 26 of the Health and Safety Code. The Department and District will provide an annual report to the Air Resources Board on the prior-year's project implementation along with a plan for current year implementation.

(f) No funds provided by this part shall be expended to pay the costs of the design, construction, operation, mitigation, or maintenance of new Delta water conveyance facilities. No funds provided by this section shall be expended to pay the costs of construction of new surface water storage facilities or to expand the capacity of the California Aqueduct or the Colorado River Aqueduct. Those costs shall be the responsibility of the water agencies that benefit from the design, construction, operation, mitigation, or maintenance of those facilities.

(g) All reasonable and feasible measures shall be taken to reduce, avoid, or mitigate significant negative environmental impacts from projects undertaken pursuant to this section.

**Section 11861.** (a) Notwithstanding any other provision of law (including Section 13340 of the Government Code and Sections 39710 through 39723 of the Health and Safety Code), the fees paid, the cost of compliance instruments acquired, and the increased cost of power purchased by the Contra Costa Water District, hereafter "District," as a result of the implementation of Division 25.5 of the Health and Safety Code are continuously appropriated to the District from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code, and the fees paid, the cost of compliance instruments acquired and the increased cost of power purchased by the San Luis and Delta Mendota Water Authority hereafter "San Luis Authority," as a result of the implementation of Division 25.5 of the Health and Safety Code are continuously appropriated to the San Luis Authority from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code.

(b) (1) The funds appropriated to the Contra Costa Water District pursuant to this section shall be expended within the boundaries of the District, and on consumer water conservation programs within the District.

(2) The funds appropriated to the San Luis Authority pursuant to this section shall be expended within the water storage, treatment, conveyance, and distribution system of the San Luis Authority and on water conservation, water quality improvement, water treatment, water supply and similar water programs within the jurisdiction of the Authority.

(c) Of the funds appropriated pursuant to subdivision (b), highest priority shall be given to those projects

benefitting disadvantaged communities (as defined subdivision (a) of Section 79505.5, as it may be amended) and economically distressed areas (as defined in subdivision (k) of Section 79702, as it may be amended).

(d) All expenditures pursuant to this section shall meet the requirements of Chapter 4.1 of Part 2 of Division 26 of the Health and Safety Code. The District and San Luis Authority will provide an annual report to the Air Resources Board on the prior-year's project implementation along with a plan for current year implementation.

(e) All reasonable and feasible measures shall be taken to reduce, avoid, or mitigate significant negative environmental impacts from projects undertaken pursuant to this section.

**OFFICIAL ENDORSEMENT LIST  
FOR THE WATER SUPPLY  
AND WATER QUALITY ACT  
OF 2018**

# Official Endorsement List for the Water Supply and Water Quality Act of 2018

Senator Dianne Feinstein

Fiona Ma, candidate for state Treasurer

## Conservation Groups

- American River Conservancy
- American River Parkway Foundation
- American Woodland Conservancy
- Amigos de Bolsa Chica
- Anza-Borrego Desert Natural History Association
- Anza Borrego Foundation
- Arroyo Seco Foundation
- Arroyos and Foothills Conservancy
- Bear-Yuba Land Trust
- California Invasive Plant Council
- California Native Plant Society
- California Urban Streams Partnership
- California Waterfowl Association
- California Watershed Network
- California Wildlife Foundation/California Oaks Fund
- Carmel River Watershed Conservancy
- Carrizo Plain Conservancy
- Catalina Islands Conservancy
- CLEAN South Bay
- Climate Resolve
- Community Conservation Solutions
- Conservation Corps of Long Beach
- Delta Waterfowl
- Dry Creek Conservancy
- Ducks Unlimited
- Eastern Sierra Land Trust
- Endangered Habitats League
- Freshwater Trust
- Friends of the Los Angeles River
- Friends of Orinda Creeks



- Friends of San Leandro Creek
- Friends of the Napa River
- Friends of the Santa Clara River
- Friends of Wild Cherry Canyon
- Glendora Community Conservancy
- Inland Empire Waterkeeper
- Lake Tahoe Bicycle Coalition
- Landpaths
- Land Conservancy of San Luis Obispo County
- Lower Putah Creek Coordinating Committee
- Marin Agricultural Land Trust
- Mattole Salmon Group
- Midpeninsula Regional Open Space District
- National Wildlife Federation
- National Wildlife Refuge Association
- National Wild Turkey Foundation
- Natural Heritage Institute
- Nor-Cal Guides & Sportsmens Association
- Northcoast Regional Land Trust
- Noyo Headlands Urban Design Group, Fort Bragg
- Orange County Coastkeeper
- Pheasants Forever
- Planning and Conservation League
- Putah Creek Council
- Quail Forever
- Sacramento River Watershed Program
- Sacramento Urban Creeks Council
- Salmonid Restoration Federation
- San Gabriel Mountains Regional Conservancy
- Sanctuary Forest
- Santa Barbara Urban Creeks Council
- Santa Clara River Conservancy
- Save our Shores
- Save the Bay (formerly Save San Francisco Bay Association)
- Save the Waves

- Sequoia Riverlands Trust
- Sierra Foothill Conservancy
- Sierra Fund
- Sierra Nevada Alliance
- Sonoma Ecology Center
- Sustainable Conservation
- Sutter-Buttes Regional Land Trust
- Tomales Bay Watershed Council Foundation
- Transition Habitat Conservancy
- TreePeople
- Truckee Donner Land Trust
- Tubb Canyon Desert Conservancy
- Tuolumne River Preservation Trust
- Valley Foothill Watershed Collaborative
- Wildcat San Pablo Creeks Watershed Council
- Wildcoast
- Worth a Dam

### **Agricultural organizations**

- Agricultural Council of California
- California Agricultural Aircraft Association
- California Association of Pest Control Advisers
- California Citrus Mutual
- California Cotton Ginners and Growers Association
- California Dairies, Inc.
- California Farm Bureau Federation
- California Fresh Fruit Association
- American Pistachio Growers
- California Rice Commission
- California Rice Industry Association
- Fresno County Farm Bureau
- National Latino Farmers & Ranchers Trade Association
- Tulare County Farm Bureau
- Western Growers

### **Resource Conservation Districts**

- California Association of Resource Conservation Districts
  - Fall River Resource Conservation District
  - Honey Lake Resource Conservation District
  - Marin Resources Conservation District
  - Mariposa County Resource Conservation District
  - Northwest Kern Resource Conservation District
  - Pit Resource Conservation District
  - San Mateo County Resource Conservation District
  - Sierra Resource Conservation District
  - Sonoma County Resource Conservation District
  - Suisun Resource Conservation District

### **Environmental Justice Organizations**

- California Greenworks
- Center for Sustainable Neighborhoods
- Community Water Center
- Grassroots Ecology
- Leadership Counsel for Justice and Accountability
- Urban Tilth
- The Watershed Project

### **Social Justice Organizations**

Community Housing Improvement Systems and Planning Association, Inc. (CHISPA)

### **Water agencies and organizations**

- Alameda County Water District
- Arvin Edison Water Storage District
- Association of California Water Agencies
- Bear Valley Basin Groundwater Sustainability Agency
- Beaumont-Cherry Valley Water District
- Big Bear City Community Services District
- Big Bear Municipal Water District
- Borrego Water District

- Calaveras County Water District
- CalDesal
- California Water Alliance
- Calleguas Municipal Water District
- Casitas Municipal Water District
- City of Big Bear Lake, Department of Power and Water
- Coachella Valley Water District
- Colusa Groundwater Authority
- Contra Costa Water District
- Delano-Earlimart Irrigation District
- Fresno Irrigation District
- Friant Water Authority
- Glenn Groundwater Authority
- Imperial Irrigation District
- Irvine Ranch Water District
- Kern-Tulare Water District
- Kings Basin Water Authority Integrated Regional Water Management Group.
- Las Virgenes Municipal Water District
- Lindmore Irrigation District
- Lindsay-Strathmore Irrigation District
- Madera Irrigation District
- Marina Coast Water District
- Monterey Peninsula Water Management District
- Mountain Counties Water Resources Association
- Northern California Water Association
- Orange Cove Irrigation District
- Pajaro Valley Water Management Agency
- Petaluma Valley Groundwater Sustainability Agency
- Porterville Irrigation District
- Port Hueneme Water Agency
- Salton Sea Authority
- San Joaquin River Exchange Contractors Water Authority
- Santa Rosa Plain Groundwater Sustainability Agency
- Saucelito Irrigation District
- Scotts Valley Water District

- Shandon-San Juan Water District
- Solano County Water Agency
- Solano Irrigation District
- Sonoma County Water Agency
- Sonoma Valley Groundwater Sustainability Agency
- Soquel Creek Water District
- South Valley Water Association
- Southern California Water Coalition
- Tulare Irrigation District
- Tuolumne Utilities District
- Upper Ventura River Groundwater Sustainability Agency
- Valley of the Moon Water District
- Water Association of Kern County
- Wheeler Ridge/Maricopa Water Storage District
- Yolo County Flood Control and Water Conservation District
- Yuba County Water Agency

#### **Labor**

- Contra Costa Building and Construction Trades Council

#### **Individuals**

- Bryce and Jill Lundberg
- Linda Adams, former Director, California Department of Water Resources
- Luis Alejo, Chair, Monterey County Board of Supervisors
- Phil Angelides, former State Treasurer
- Edwin Camp
- Michael Frantz, Director, Turlock Irrigation District
- Brigadier General Gerald Galloway, United States Army (Retired)
- Ron Gastelum, Former CEO and GM of the Metropolitan Water District of Southern California
- Brian Jordan, Vice President, Tetra Tech
- Fred Keeley, former Speaker Pro Tem, California State Assembly

- Yoriko Kishimoto, Former Mayor of Palo Alto and Board Member, Midpeninsula Regional Open Space District
- Richard Morrison, former Senior Vice President and head of Environmental Policies and Programs for Bank of America. (retired.)
- Peter B Moyle, Distinguished Professor Emeritus, University of California, Davis
- Mel Nutter, former chair, California Coastal Commission
- Tosha Punches, Watershed Educator, Central Coast Salmon Enhancement
- Ann L. Riley, Ph.D.
- Dyan Whyte, water quality scientist ( Past Assistant Executive Officer of the San Francisco Bay Regional Water Quality Control Board)

### **Local Government**

- **California Special Districts Association**

### **Cities**

- Dinuba
- Farmersville
- Firebaugh
- Huron
- Livingston
- Ojai
- Orange Cove
- Parlier
- San Francisco
- Truckee

### **Counties**

- Rural County Representatives of California (formerly Regional Council of Rural Counties)
- Contra Costa
- Fresno
- Imperial
- Plumas
- San Francisco
- Tulare

### **Local elected officials**

Vinnie Bacon, Vice Mayor, City of Fremont  
Bruce Gibson, San Luis Obispo County Supervisor, District 2  
John Gioia, Contra Costa County Board of Supervisors  
Susan Gorin, Sonoma County Board of Supervisors  
Dave Pine, President, San Mateo County Board of Supervisors  
Greg Scharff, Council Member, City of Palo Alto  
Kate Sears, Marin County Board of Supervisors

## **Business**

- American Council of Engineering Companies- California
- Bakersfield Chamber of Commerce
- Bay Area Council
- Bay Planning Coalition
- Biz Fed Los Angeles County
- California Building Industry Association
- California Business Properties Association
- California Chamber of Commerce
- DM Camp & Sons
- ESA (Environmental Science Associates)
- Fresno Chamber of Commerce
- Kern Machinery Inc
- Madera Chamber of Commerce
- Oxnard Chamber of Commerce
- Sierra Business Council
- Silicon Valley Leadership Group
- Tahoe Mountain Sports
- Valley Industry and Commerce Association
- Visalia Chamber of Commerce
- Western Power Products, Inc.
  
- Northern California Water Association Water Bond Support (November 2017),

and members:

Anderson-Cottonwood Irrigation District

B&B Ranch

Brophy Water District

Browns Valley Irrigation District

City of Colusa

City of Redding

Crain Orchards, Inc.

Danna & Danna Inc.

Edwards Ranch

Feather Water District

Fedora Farms

G&K Farms, LLC.

Garden Highway Mutual Water Co.

Garner, Garner & Stoy

Glenn Colusa Irrigation District

Hallwood Irrigation District

Henle Family Limited Partnership

Hershey Land Row Crop, LLC.

J.A. Driver

Joint Water Districts Board

Biggs-West Gridley Water District

Butte Water District

Richvale Irrigation District

Sutter Extension Water District

Knaggs Ranch

Larry Pires Farms

Lindauer River Ranch, Inc.

Llano Seco Rancho

M&T Ranch

Maxwell Irrigation District

Meridian Farms Water Co.

Natomas Mutual Water Co.

North Yuba County Water District

Oji Brothers Farms, Inc.

Pacific Farms & Orchards



Pacific Gold Agriculture  
Paul Bertagna  
Pelger Mutual Water Company  
Pleasant Grove-Verona Mutual Water Co.  
Plumas Mutual Water Co.  
Princeton-Codora-Glenn Irrigation Dist.  
Provident Irrigation District  
R. Gorrill Ranch Enterprises  
Ramirez Water District  
Reclamation District 1004  
Reclamation District 108  
Reclamation District 2035  
Richter Brothers, Inc.  
Rising Eagle Ranch  
River Garden Farms  
Riverview Land & Equipment, Inc.  
South Sutter Water District  
South Yuba Water District  
Sutter Bypass-Butte Slough WUA  
Sutter Mutual Water Company  
Sycamore Trust  
Taylor Brothers Farms  
Tehama Angus Ranch, Inc.  
Thermalito Irrigation District  
Tudor Mutual Water Co.  
Tuttle Ranches  
Western Canal Water District  
William P. Locket  
Yolo County Flood Control & WCD  
Yuba County Water Agency

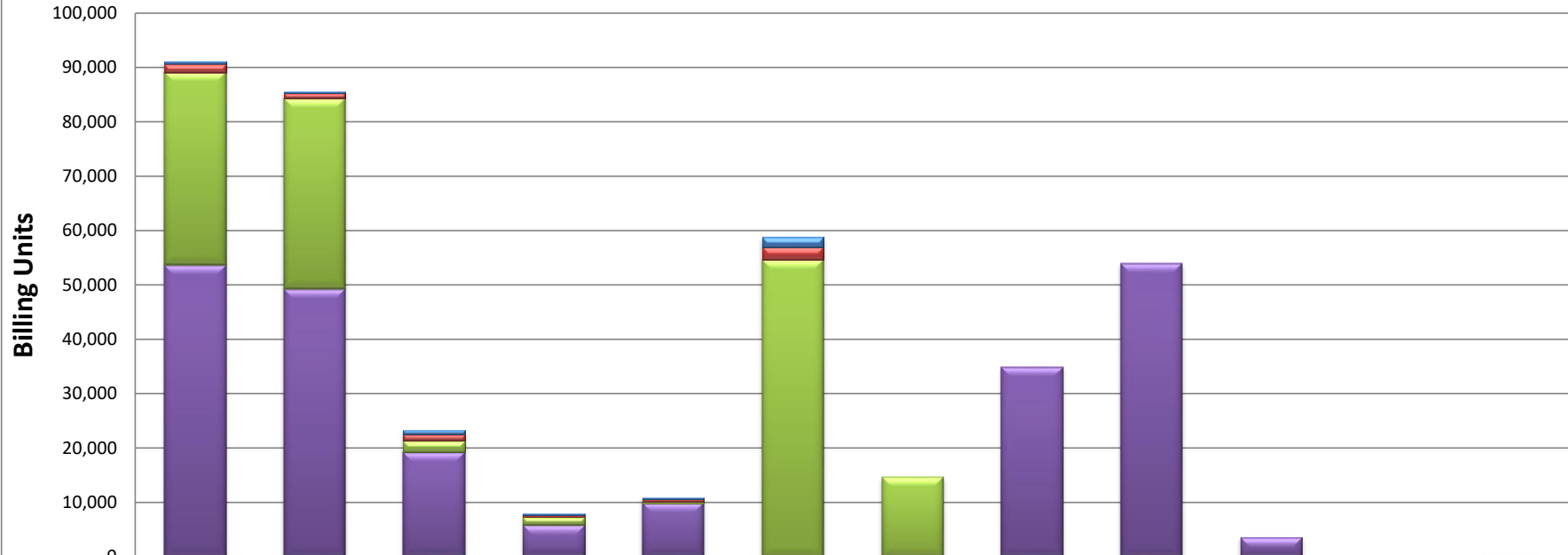
### **Members of Congress**

Jim Costa  
John Garamendi

### **Member of the State Legislature**

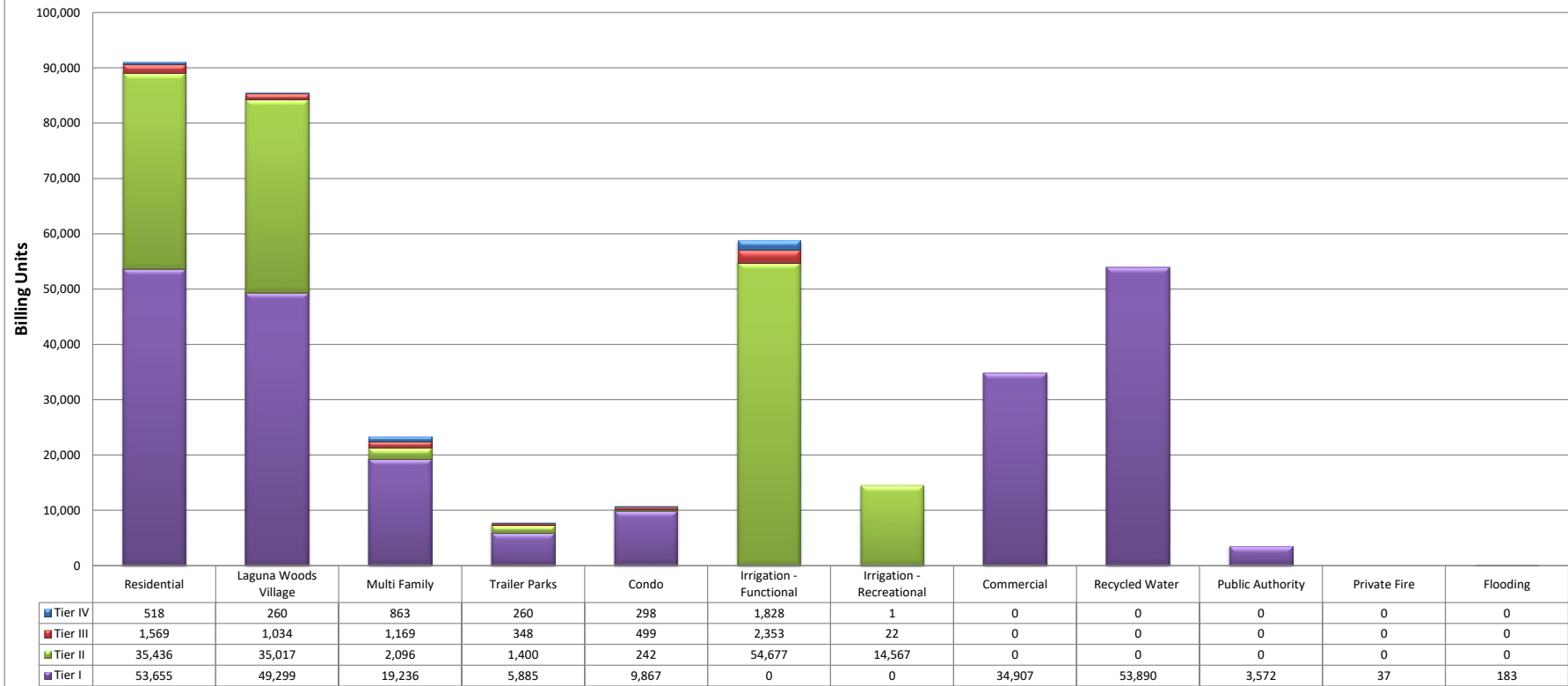
Assemblymember Phil Ting  
Senator Scott Wiener

## July 2018 Water Sales

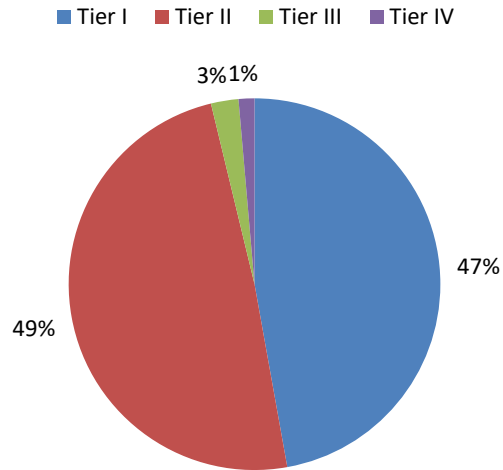


	Residential	Laguna Woods Village	Multi Family	Trailer Parks	Condo	Irrigation - Functional	Irrigation - Recreational	Commercial	Recycled Water	Public Authority	Private Fire	Flooding
■ Tier IV	518	260	863	260	298	1,828	1	0	0	0	0	0
■ Tier III	1,569	1,034	1,169	348	499	2,353	22	0	0	0	0	0
■ Tier II	35,436	35,017	2,096	1,400	242	54,677	14,567	0	0	0	0	0
■ Tier I	53,655	49,299	19,236	5,885	9,867	0	0	34,907	53,890	3,572	37	183

### Year-to-Date Water Sales as of July 2018

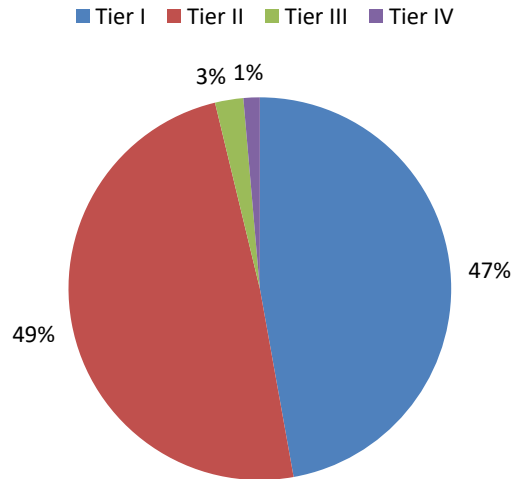


## Year to Date Tiered Sales As of July 2018



Year To Date Sales in ccf		
Tier I	137,942	47.18%
Tier II	143,435	49.05%
Tier III	6,994	2.39%
Tier IV	4,028	1.38%
	292,399	100.00%

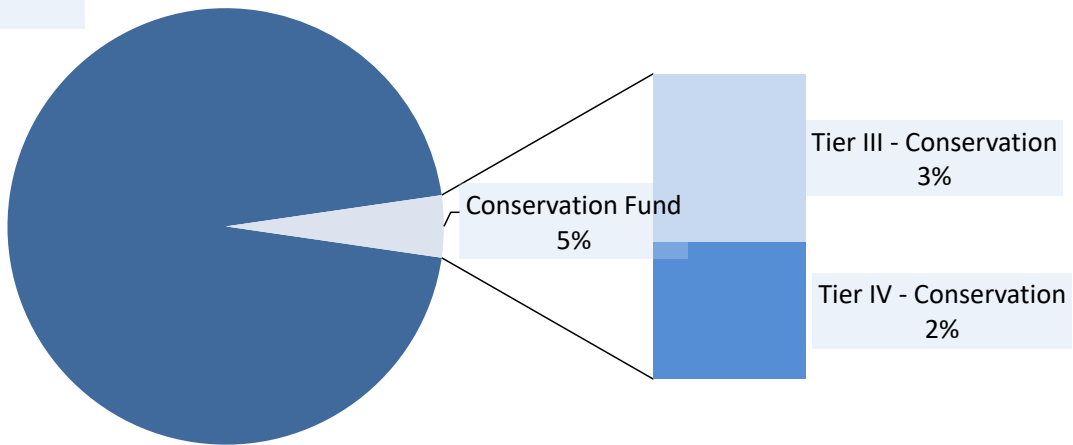
## July 2018 Tiered Sales



Current Month Sales in ccf		
Tier I	137,942	47.18%
Tier II	143,435	49.05%
Tier III	6,994	2.39%
Tier IV	4,028	1.38%
	292,399	100.00%

### Year to Date Water Sales as of July 2018

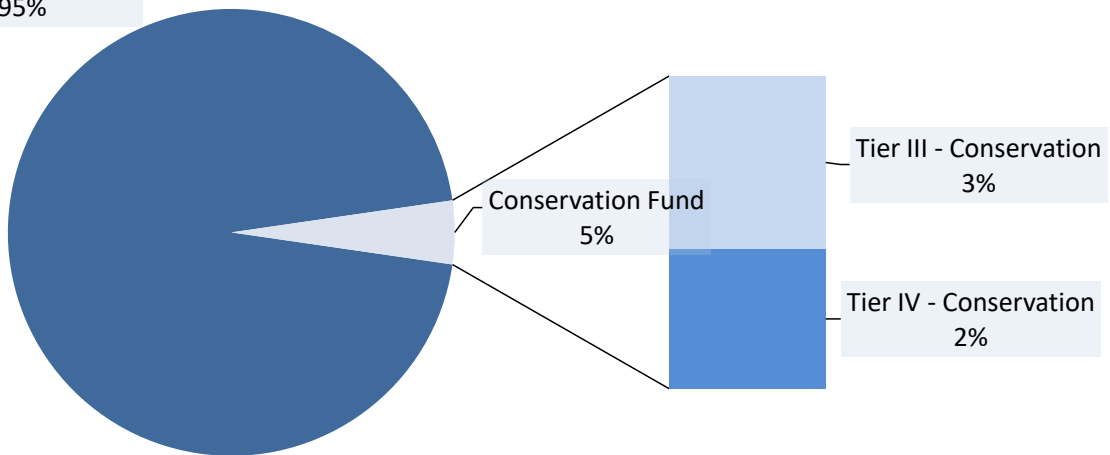
Water Delivery Cost  
95%



Category	Billings	Percentage
Water Delivery Cost	\$799,362.45	95.41%
Tier III - Conservation	\$21,261.76	2.54%
Tier IV - Conservation	\$17,180.56	2.05%
	<b>\$837,804.77</b>	<b>100.00%</b>

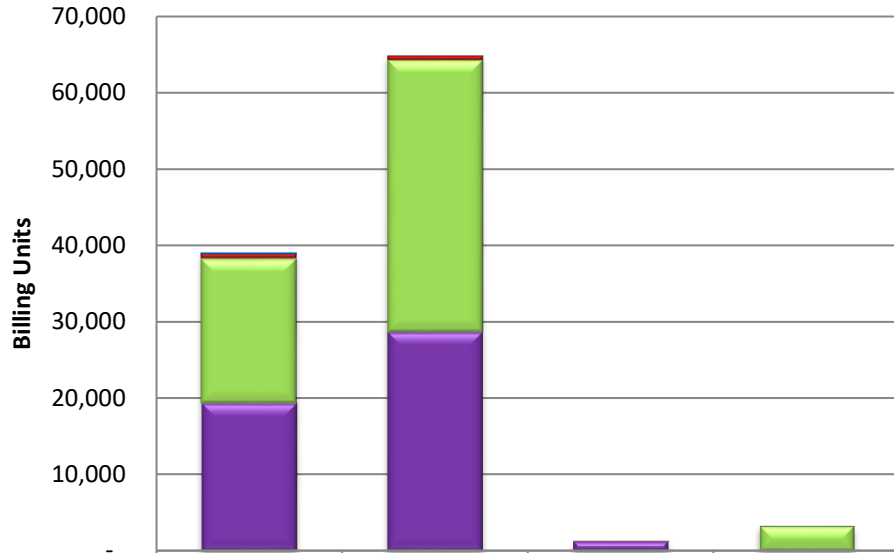
### July 2018 Water Sales

Water Delivery Cost  
95%



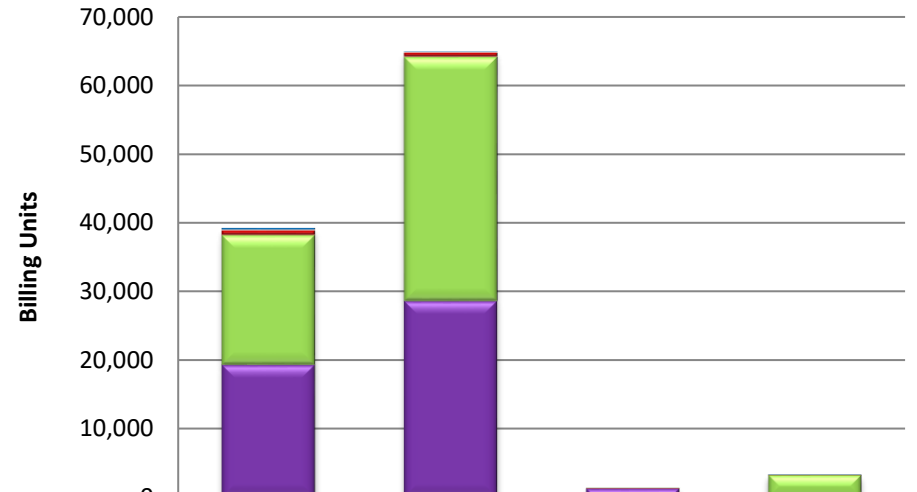
Category	Billings	Percentage
Water Delivery Cost	\$799,362.45	95.41%
Tier III - Conservation	\$21,261.76	2.54%
Tier IV - Conservation	\$17,180.56	2.05%
	<b>\$837,804.77</b>	<b>100.00%</b>

## Laguna Woods Village July 2018 Water Sales



	Third	United	Mutual 50	GRF
Tier 4	241	36	-	1
Tier 3	640	588	3	30
Tier 2	18,936	35,573	11	3,308
Tier 1	19,352	28,624	1,323	-

## Laguna Woods Village Year-to-Date Water Sales July 2018



	Third	United	Mutual 50	GRF
Tier 4	241	36	0	1
Tier 3	640	588	3	30
Tier 2	18,936	35,573	11	3,308
Tier 1	19,352	28,624	1,323	0





























# EL TORO WATER DISTRICT

## Glossary of Water Terms

**Accumulated overdraft:** The amount of water necessary to be replaced in the intake area of the groundwater basin to prevent the landward movement of ocean water into the fresh groundwater body.

**Acre-foot, AF:** A common water industry unit of measurement. An acre-foot is 325,851 gallons, or the amount of water needed to cover one acre with water one foot deep. An acre-foot serves annual needs of two typical California families.

**ACWA:** Association of California Water Agencies.  
A statewide group based in Sacramento that actively lobbies State and Federal Government on water issues.

**Advanced treatment:** Additional treatment processes used to clean wastewater even further following primary and secondary treatment. Also known as tertiary treatment.

**AFY:** Acre-foot per year.

**Alluvium:** A stratified bed of sand, gravel, silt, and clay deposited by flowing water.

**AMP:** Allen McCulloch pipeline.

Major pipeline transporting treated water to water districts between Yorba Linda, where it starts to El Toro Water District reservoir, where it terminates.

**Annexation:** The inclusion of land within a government agency's jurisdiction.

**Annual overdraft:** The quantity by which the production of water from the groundwater supplies during the water year exceeds the natural replenishment of such groundwater supplies during the same water year.

**Aqueduct:** A man-made canal or pipeline used to transport water.

**Aquifer:** An underground geologic formation of rock, soil or sediment that is naturally saturated with water; an aquifer stores groundwater.

**Arid:** Dry; deserts are arid places. Semi-arid places are almost as dry as a desert.

**Artesian:** An aquifer in which the water is under sufficient pressure to cause it to rise above the bottom of the overlying confining bed, if the opportunity is provided.

**Artificial recharge:** The addition of surface water to a groundwater reservoir by human activity, such as putting surface water into recharge basins. (See also: groundwater recharge and recharge basin.)

**AWWA** American Water Works Association  
Nationwide group of public and private water purveyors and related industrial suppliers.

**Base flow:** The portion of river surface flow which remains after deduction of storm flow and/or purchased imported water.

**Bay-Delta:** The Sacramento-San Joaquin Bay-Delta is a unique natural resource of local, state and national significance. The Delta is home to more than 500,000 people; contains 500,000 acres of agriculture; provides habitat for 700 native plant and animal species; provides water for more than 25 million Californians and 3 million acres of agriculture; is traversed by energy, communications and transportation facilities vital to the economic health of California; and supports a \$400 billion economy.

**BIA:** Building Industry Association.

**Biofouling:** The formation of bacterial film (biofilm) on fragile reverse osmosis membrane surfaces.

**Biosolids:** Solid organic matter recovered from a sewage treatment process and used especially as fertilizer.

**BMP:** Best Management Practice. An engineered structure or management activity, or combination of these, that eliminates or reduces adverse environmental effects.

**Brackish water:** A mixture of freshwater and saltwater.

**Brown Act:** Ralph M. Brown Act enacted by the State legislature governing all meetings of legislative bodies. Also known as the Open Meeting requirements.

**Canal:** A ditch used to move water from one location to another.

**CASA:** California Association of Sanitation Agencies The sanitation equivalent of ACWA concerned solely with issues affecting the treatment and disposal of solid waste and wastewater.

**CEQA:** California Environmental Quality Act.

**CERCLA:** Comprehensive Environmental Response, Compensation and Liability Act. This federal law establishes the Superfund program for hazardous waste sites. It provides the legal basis for the United States EPA to regulate and clean up hazardous waste sites, and if appropriate, to seek financial compensation from entities responsible for the site.

**CFS:** Cubic feet per second.

**Chloramines:** A mixture of ammonia and chlorine used to purify water.

**Clarify:** To make clear or pure by separation and elimination of suspended solid material.

**Coagulation:** The clumping together of solids so they can more easily be settled out or filtered out of water. A chemical called aluminum sulfate (alum) is generally used to aid coagulation in water treatment and reclamation.

**Coastkeepers:** A non-profit organization dedicated to the protection and preservation of the marine habitats and watersheds of Orange County through programs of education, restoration, enforcement and advocacy.

**Colored water:** Groundwater extracted from the basin that is unsuitable for domestic use without treatment due to high color and odor exceeding drinking water standards.

**Condensation:** The process of water vapor (gas) changing into liquid water. An example of condensation can be seen in the tiny water droplets that form on the outside of a glass of iced tea as warmer air touches the cooler glass.

**Confined aquifer:** An aquifer that is bound above and below by dense layers of rock and contains water under pressure.

**Conjunctive use:** Storing imported water in a local aquifer, in conjunction with groundwater, for later retrieval and use.

**Contaminate:** To make unclean or impure by the addition of harmful substances.

**CPCFA:** California Pollution Control Financing Authority. State agency providing funds for wastewater reclamation projects.

**Crisis:**

1. **a:** The turning point for better or worse **b:** a paroxysmal attack of pain, distress, or disordered function **c:** an emotionally significant event or radical change of status in a person's life <a midlife *crisis*>
2. The decisive moment (as in a literary plot)
3. **a:** An unstable or crucial time or state of affairs in which a decisive change is impending; *especially* : one with the distinct possibility of a highly undesirable outcome <a financial *crisis*> **b:** a situation that has reached a critical phase

**CTP** Coastal Treatment Plant

**CWPCA** California Water Pollution Control Association. A 7000 member non-profit educational organization dedicated to water pollution control.

**Dam:** A barrier built across a river or stream to hold water.

**Decompose:** To separate into simpler compounds, substances or elements.

**Deep percolation:** The percolation of surface water through the ground beyond the lower limit of the root zone of plants into a groundwater aquifer.

**Degraded water:** Water within the groundwater basin that, in one characteristic or another, does not meet primary drinking water standards.

**Delta:** Where the rivers empty; an outlet from land to ocean, also where the rivers deposit sediment they carry forming landforms.

**Delta Vision:** Delta Vision is intended to identify a strategy for managing the Sacramento-San Joaquin Delta as a sustainable ecosystem that would continue to support environmental and economic functions that are critical to the people of California.

**Demineralize:** To reduce the concentrations of minerals from water by ion exchange, distillation, electro-dialysis, or reverse osmosis.

**De-nitrification:** The physical process of removing nitrate from water through reverse osmosis, microfiltration, or other means.

**Desalting (or desalination):** Removing salts from salt water by evaporation or distillation. Specific treatment processes, such as reverse osmosis or multi-stage flash distillation, to demineralize seawater or brackish (saline) waters for reuse. Also sometimes used in wastewater treatment to remove salts other pollutants.

**Desilting:** The physical process of removing suspended particles from water.

**Dilute:** To lessen the amount of a substance in water by adding more water.

**Disinfection:** Water treatment which destroys potentially harmful bacteria.

**Drainage basin:** The area of land from which water drains into a river, for example, the Sacramento River Basin, in which all land area drains into the Sacramento River. Also called catchment area, watershed, or river basin.

**Drought:** A prolonged period of below-average precipitation.

**DPHS:** California Department of Public Health Services. Regulates public water systems; oversees water recycling projects; permits water treatment devices; certifies drinking water treatment and distribution operators; supports and promotes water system security; provides support for small water systems and for improving technical, managerial, and financial (TMF) capacity; provides funding opportunities for water system improvements.

**DVL:** Diamond Valley Lake. Metropolitan's major reservoir near Hemet, in southwestern Riverside County.

**DWR:** California Department of Water Resources. Guides development/management of California's water resources; owns/operates State Water Project and other water facilities.

**Endangered Species:** A species of animal or plant threatened with extinction.

**Endangered Species Act of 1973 (ESA):** The most wide-ranging of the dozens of United States environmental laws passed in the 1970s. As stated in section 2 of the act, it was designed to protect critically imperiled species from extinction as a "consequence of economic growth and development untended by adequate concern and conservation.

**Ecosystem:** Where living and non-living things interact (coexist) in order to survive.

**Effluent:** Wastewater or other liquid, partially or completely treated or in its natural state, flowing from a treatment plant.

---

**Evaporation:** The process that changes water (liquid) into water vapor (gas).

**Estuary:** Where fresh water meets salt water.

**Evapotranspiration:** The quantity of water transpired (given off), retained in plant tissues, and evaporated from plant tissues and surrounding soil surface. Quantitatively, it is expressed in terms of depth of water per unit area during a specified period of time.

**FCH** Federal Clearing House – Environmental Review/Processing

**FEMA** Federal Emergency Management Agency

**Filtration:** The process of allowing water to pass through layers of a porous material such as sand, gravel or charcoal to trap solid particles. Filtration occurs in nature when rain water soaks into the ground and it passes through hundreds of feet of sand and gravel. This same natural process of filtration is duplicated in water and wastewater treatment plants, generally using sand and coal as the filter media.

**Flocculation:** A chemical process involving addition of a coagulant to assist in the removal of turbidity in water.

**Forebay:** A reservoir or pond situated at the intake of a pumping plant or power plant to stabilize water level; also, a portion of a groundwater basin where large quantities of surface water can recharge the basin through infiltration.

**Gray water reuse:** Reuse, generally without treatment, of domestic type wastewater for toilet flushing, garden irrigation and other non-potable uses. Excludes water from toilets, kitchen sinks, dishwashers, or water used for washing diapers.

**Green Acres Project (GAP):** A 7.5 million gallons per day (MGD) water reclamation project that serves tertiary treated recycled water to irrigation and industrial users in Costa Mesa, Fountain Valley, Huntington Beach, Newport Beach, and Santa Ana.

**God Squad:** A seven-member committee that is officially called the "Endangered Species Committee". Members consist of Secretary of the Interior, the Secretary of Agriculture, the Secretary of the Army, the Chairman of the Council of Economic Advisers, the Administrator of the National Oceanic and Atmospheric Administration and one individual from the affected state. The squad was established in 1978 by an amendment to the 1973 Endangered Species Act (ESA). It has only been called into action three times to deal with proposed federal agency actions that have been determined to cause "jeopardy" to any listed species. Such actions may receive an exemption from the ESA if five members of the committee determine that the action is of regional or national significance, that the benefits of the action clearly outweigh the benefits of conserving the species and that there are no reasonable and prudent alternatives to the action.

**Groundwater:** Water that has percolated into natural, underground aquifers; water in the ground, not water puddled on the ground.

**Groundwater basin:** A groundwater reservoir defined by the overlying land surface and the underlying aquifers that contain water stored in the reservoir. Boundaries of success-ively deeper aquifers may differ and make it difficult to define the limits of the basin.



**Groundwater mining:** The withdrawal of water from an aquifer in excess of recharge over a period of time. If continued, the underground supply would eventually be exhausted or the water table could drop below economically feasible pumping lifts.

**Groundwater overdraft:** The condition of a groundwater basin in which the amount of water withdrawn by pumping exceeds the amount of water that recharges the basin over a period of years during which water supply conditions approximate average.

**Groundwater recharge:** The action of increasing groundwater storage by natural conditions or by human activity. See also: Artificial recharge.

**Ground Water Replenishment System (GWRS):** A joint project of the Orange County Water District and the Orange County Sanitation District that will provide up to 100,000 acre-feet of reclaimed water annually. The high-quality water will be used to expand an existing underground seawater intrusion barrier and to replenish the groundwater basin underlying north and central Orange County.

**Groundwater table:** The upper surface of the zone of saturation (all pores of subsoil filled with water), except where the surface is formed by an impermeable body.

**GPM:** Gallons per minute.

**Ground Water Replenishment System (GWRS):** Orange County Water District's state-of-the-art, highly advanced, waste-water treatment facility.

**Hydrologic balance:** An accounting of all water inflow to, water outflow from, and changes in water storage within a hydrologic unit over a specified period.

**Hydrologic cycle:** The process of water constantly circulating from the ocean, to the atmosphere, to the earth in a form of precipitation, and finally returning to the ocean.

**Imported water:** Water that has originated from one hydrologic region and is transferred to another hydrologic region.

**Inflatable rubber dams:** Designed to replace temporary sand levees that wash out during heavy storm flow, the dams hold back high-volume river flows and divert the water into the off-river system for percolation.

**Influent:** Water or wastewater entering a treatment plant, or a particular stage of the treatment process.

**Irrigation:** Applying water to crops, lawns or other plants using pumps, pipes, hoses, sprinklers, etc.

**JPIA** Joint Powers Insurance Authority. A group of water agencies providing self-insurance to members of the ACWA.

**LAIF** Local Agency Investment Fund. Statewide pool of surplus public agency money managed by State Treasurer.

**Leach:** To remove components from the soil by the action of water trickling through.

**MAF:** Million acre feet.

**MCL:** Maximum contaminant level set by EPA for a regulated substance in drinking water. According to health agencies, the maximum amount of a substance that can be present in water that's safe to drink and which looks, tastes and smells good.

**MET:** Metropolitan Water District of Southern California.

**MGD:** Million gallons per day.

**Microfiltration:** A physical separation process where tiny, hollow filaments members separate particles from water.

**Microorganism:** An animal or plant of microscopic size.

**MWD:** Metropolitan Water District of Southern California.

**MWDOC:** Municipal Water District of Orange County. Intermediate wholesaler between MWD and 27 member agencies including ETWD.

**Non-point source pollution:** Pollution that is so general or covers such a wide area that no single, localized source of the pollution can be identified.

**NPDES** National Pollution Discharge Elimination System

**OCBC:** Orange County Business Council.

**OCEMA** Orange County Environmental Management Agency

**OCWD:** Orange County Water District.

**Opportunity:**

1. A favorable juncture of circumstances.
2. A good chance for advancement or progress .

**Organism:** Any individual form of life, such as a plant, animal or bacterium.

**PCM** Professional Community Management, Inc. Property Management company providing services to Laguna Woods Village and other homeowner associations.

**Perched groundwater:** Groundwater supported by a zone of material of low permeability located above an underlying main body of groundwater with which it is not hydrostatically connected.

**Percolation:** The downward movement of water through the soil or alluvium to the groundwater table.

**Permeability:** The capability of soil or other geologic formations to transmit water.

**Point source:** A specific site from which waste or polluted water is discharged into a water body, the source of which is identified. See also: non-point source.

**Potable water:** Suitable and safe for drinking.

**PPB:** Parts per billion.

**Precipitation:** Water from the atmosphere that falls to the ground as a liquid (rain) or a solid (snow, sleet, hail).

**Primary treated water:** First major treatment in a wastewater treatment facility, usually sedimentation but not biological oxidation.

**Primary treatment:** Removing solids and floating matter from wastewater using screening, skimming and sedimentation (settling by gravity).

**Prior appropriation doctrine:** Allocates water rights to the first party who diverts water from its natural source and applies the water to beneficial use. If at some point the first appropriator fails to use the water beneficially, another person may appropriate the water and gain rights to the water. The central principle is beneficial use, not land ownership.

**Pumping Plant:** A facility that lifts water up and over hills.

**Recharge:** The physical process where water naturally percolates or sinks into a groundwater basin.

**Recharge basin:** A surface facility, often a large pond, used to increase the infiltration of surface water into a groundwater basin.

**Reclaimed wastewater:** Wastewater that becomes suitable for a specific beneficial use as a result of treatment. See also: wastewater reclamation.

**Reclamation project:** A project where water is obtained from a sanitary district or system and which undergoes additional treatment for a variety of uses, including landscape irrigation, industrial uses, and groundwater recharge.

**Recycling:** A type of reuse, usually involving running a supply of water through a closed system again and again. Legislation in 1991 legally equates the term "recycled water" to reclaimed water.

**Reservoir:** A place where water is stored until it is needed. A reservoir can be an open lake or an enclosed storage tank.

**Reverse osmosis:** (RO) A method of removing salts or other ions from water by forcing water through a semi-permeable membrane.

**RFP** Request for Proposal

**Riparian:** Of or on the banks of a stream, river, or other body of water.

**RO:** Reverse osmosis. See the listing under "reverse osmosis."

**R-O-W** Right-of-way

**Runoff:** Liquid water that travels over the surface of the Earth, moving downward due to gravity. Runoff is one way in which water that falls as precipitation returns to the ocean.

**RWQCB** Regional Water Quality Control Board. State agency regulating discharge and use of recycled water.

**Safe Drinking Water Act (SDWA):** The Safe Drinking Water Act (SDWA) was originally passed by Congress in 1974 to protect public health by regulating the nation's public drinking water supply. The law was amended in 1986 and 1996 and requires many actions to protect drinking water and its sources: rivers, lakes, reservoirs, springs, and ground water wells. (SDWA does not regulate private wells which serve fewer than 25 individuals.) SDWA authorizes the United States Environmental Protection Agency (US EPA) to set national health-based standards for drinking water to protect against both naturally-occurring and man-made contaminants that may be found in drinking water. US EPA, states, and water systems work together to make sure that these standards are met.

**Safe yield:** The maximum quantity of water that can be withdrawn from a groundwater basin over a long period of time without developing a condition of overdraft, sometimes referred to as sustained yield.

**SAFRA** Santa Ana River Flood Protection Agency

**Salinity:** Generally, the concentration of mineral salts dissolved in water. Salinity may be measured by weight (total dissolved solids - TDS), electrical conductivity, or osmotic pressure. Where seawater is known to be the major source of salt, salinity is often used to refer to the concentration of chlorides in the water.

**SAWPA:** Santa Ana Watershed Project Authority.

**SCADA** Supervisory Control and Data Acquisition

**SCAP** Southern California Alliance of Publicly. Newly formed group of public agencies seeking reasonable regulation of sewer industry.

**SCH** State Clearing House – Environmental Review/Processing

**Seasonal storage:** A three-part program offered by Metropolitan Water District of Southern California:

**STSS (Short Term Seasonal Storage)** financially encourages agencies with local groundwater production capabilities to produce a higher percentage of their demand in the summer from their local groundwater supplies, thus shifting a portion of their demand on the MWD system from the summer to winter;

**LTSS (Long Term Seasonal Storage)** financially encourages retail agencies to take and store additional amounts of MWD water above their normal annual demands for later use; Replenishment Water provides less expensive interruptible water that is generally available and used to increase the operating yield of groundwater basins.

**Seawater intrusion:** The movement of salt water into a body of fresh water. It can occur in either surface water or groundwater basins.

**Seawater barrier:** A physical facility or method of operation designed to prevent the intrusion of salt water into a body of freshwater.

**Secondary treatment:** The biological portion of wastewater treatment which uses the activated sludge process to further clean wastewater after primary treatment. Generally, a level of treatment that produces 85 percent removal efficiencies for biological oxygen demand and suspended solids. Usually carried out through the use of trickling filters or by the activated sludge process.

**Sedimentation:** The settling of solids in a body of water using gravity.

**Settle:** To clarify water by causing impurities/solid material to sink to a container's bottom.

**Sewer:** The system of pipes that carries wastewater from homes and businesses to a treatment plant or reclamation plant. Sewers are separate from storm drains, which is a system of drains and pipes that carry rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain water is not treated before it is discharged.

**SigAlert:** Any unplanned event that causes the closing of one lane of traffic for 30 minutes or more, as opposed to a planned event, like road construction, which is planned.

**SJBA** San Juan Basin Authority

**Sludge:** The solids that remain after wastewater treatment. This material is separated from the cleaned water, treated and composted into fertilizer. Also called biosolids.

**SOCWA** South Orange County Wastewater Authority. Regional Joint Powers Authority formed for collection and treatment of sewerage (previously known as AWMA/SERRA/SOCRA). SOCWA member agencies:

CSC – City of San Clemente

CSJC – City of San Juan Capistrano

CLB – City of Laguna Beach

ETWD – El Toro Water District

EBSD – Emerald Bay Service District

IRWD – Irvine Ranch Water District

MNWD – Moulton Niguel Water District

SCWD – South Coast Water District

SMWD – Santa Margarita Water District

TCWD – Trabuco Canyon Water District

**SRF** State Revolving Fund

**Storm Drain:** The system of pipes that carries rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain

water is not treated before it is discharged. Storm drains are separate from sewers, which is a separate system of pipes to carry wastewater from homes and businesses to a treatment plant or reclamation plant for cleaning.

**Storm flow:** Surface flow originating from precipitation and run-off which has not percolated to an underground basin.

**SWP:** State Water Project. An aqueduct system that delivers water from northern California to central and southern California.

**SWRCB** State Water Resources Control Board

**TDS:** Total dissolved solids. A quantitative measure of the residual minerals dissolved in water that remain after evaporation of a solution. Usually expressed in milligrams per liter.

**Tertiary treatment:** The treatment of wastewater beyond the secondary or biological stage. Normally implies the removal of nutrients, such as phosphorous and nitrogen, and a high percentage of suspended solids.

**THM:** Trihalomethanes. Any of several synthetic organic compounds formed when chlorine or bromine combine with organic materials in water.

**TMA:** Too many acronyms.

**TMDL:** Total maximum daily load; A quantitative assessment of water quality problems, contributing sources, and load reductions or control actions needed to restore and protect bodies of water.

**Transpiration:** The process in which plant tissues give off water vapor to the atmosphere as an essential physiological process.

**Turbidity:** Thick or opaque with matter in suspension; muddy water.

**Ultraviolet light disinfection:** A disinfection method for water that has received either secondary or tertiary treatment used as an alternative to chlorination.

**VE** Value Engineering

**VOC:** Volatile organic compound; a chemical compound that evaporates readily at room temperature and contains carbon.

**Wastewater:** Water that has been previously used by a municipality, industry or agriculture and has suffered a loss of quality as a result.

**Water Cycle:** The continuous process of surface water (puddles, lakes, oceans) evaporating from the sun's heat to become water vapor (gas) in the atmosphere. Water condenses into clouds and then falls back to earth as rain or snow (precipitation). Some precipitation soaks into the ground (percolation) to replenish groundwater supplies in underground aquifers.

**Water rights:** A legally protected right to take possession of water occurring in a natural waterway and to divert that water for beneficial use.

**Water-use Efficiency:** The water requirements of a particular device, fixture, appliance, process, piece of equipment, or activity.

**Water year (USGS):** The period between October 1st of one calendar year to September 30<sup>th</sup> of the following calendar year.

**Watermaster:** A court appointed person(s) that has specific responsibilities to carry out court decisions pertaining to a river system or watershed.

**Water Reclamation:** The treatment of wastewater to make it suitable for a beneficial reuse, such as landscape irrigation. Also called water recycling.

**Watershed:** The total land area that from which water drains or flows to a river, stream, lake or other body of water.

**Water table:** The top level of water stored underground.

**WEF** Water Environment Federation. Formerly – Water Pollution Control Federation (WPCF). International trade group advising members of sewage treatment techniques and their effect on the environment.

**Weir box:** A device to measure/control surface water flows in streams or between ponds.

**Wellhead treatment:** Water quality treatment of water being produced at the well site.

**Wetland:** Any area in which the water table stands near, at, or above the land surface for a portion of the year. Wetlands are characterized by plants adapted to wet soil conditions.

**Xeriscape:** Landscaping that requires minimal water.