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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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EXECUTIVE SECRETARY

January 4, 1995

To: Board of Directors (Finance & Insurance Committee--Action)  
(Water Problems Committee--Action)  
(Executive Committee Committee--Action)

From: General Manager

Subject: Appropriation No. 702 for \$10 Million "Seed Money" to State  
Bay-Delta Environmental Restoration Fund to Address  
Category III Measures

Report

On December 15, 1994, representatives of State and federal resource agencies, and urban, agricultural, and environmental agencies agreed to a set of principles to implement a protection plan for the San Francisco Bay-Delta Estuary. Staff provided a description of the Principles for Agreement on Bay-Delta Standards Between the State of California and the Federal Government (Principles) in a letter to your Board and member agency managers on December 19, 1994. These Principles were signed by representatives of agencies involved in their negotiation, including: Metropolitan, Contra Costa Water District, California Urban Water Agencies, Association of California Water Agencies, San Luis-Delta Mendota Water Authority, Kern County Water Agency, Tulare Lake Basin Water Storage District, Environmental Defense Fund, The Bay Institute, and various State and federal agencies.

Among the Principles is a three year commitment by agricultural and urban water agencies to fund \$60 million annually to help initiate a comprehensive program to address non-outflow related impacts to the Bay-Delta environment (Category III measures). Category III measures include actions to restore habitat conditions related to the following:

1. Unscreened water diversions;
2. Water discharge control and pollution prevention;
3. Legal fishing (sport & commercial);
4. Illegal fishing (poaching);
5. Land-derived salts;
6. Exotic species;
7. Riparian, wetland, and estuarine habitat; and
8. Delta channel alterations/local land-use modifications.

It is anticipated that sources of funding will be secured through a combination of federal and State appropriations, user fees, reprioritization of existing federal and State restoration expenditures, and other sources as required. Legal representatives of interested agencies, including Metropolitan, are presently meeting to discuss the appropriate way to establish a multi-agency Category III account, such as through a joint powers authority or a non-profit organization. It is anticipated that financing provisions for the full restoration fund will be developed later this year.

In order to implement this process expeditiously, Metropolitan received a request from Secretary of the Interior Bruce Babbitt to guarantee that an initial amount of \$10 million annually would be made available for the restoration fund created by the Principles. Metropolitan's willingness to provide the \$10 million "seed money" will not result in Metropolitan contributing more than its fair share to Bay-Delta restoration activities. The Principles explicitly state that Metropolitan's early commitment of funds will be credited to Metropolitan's long-term obligation to fund Bay-Delta restoration measures.

Metropolitan's leadership in providing "seed money" to address Category III measures was a critical step in reaching consensus on the draft Bay-Delta standards and an essential step towards restoring the Bay/Delta. Addressing these measures will provide a solid foundation for a comprehensive environmental planning process that will develop solutions yielding both a stable Bay-Delta environment and a reliable water supply for Southern California.

CEQA will be complied with as appropriate in the implementation of Category III measures.

#### Recommendations

It is recommended that the Board: (1) approve the guarantee set forth in the Principles; (2) approve Appropriation No. 702 for \$10 million from the General Fund to provide "seed money" for funding Category III measures

January 4, 1995

consistent with this letter for the first year; and (3) authorize the General Manager to expend up to such amount upon creation of institutional arrangements, in form approved by the General Counsel, which accomplish the objectives described herein.

John R. Wodraska  
General Manager

Submitted by:

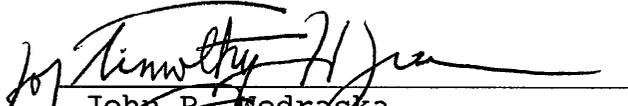


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Debra C. Man  
Chief of Planning  
and Resources

RDN:c1

Concur:



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John R. Wodraska  
General Manager