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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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EXECUTIVE SECRETARY

December 20, 1994

To: Board of Directors (Water Problems Committee--Action)  
(Committee on Legislation--Action)  
(Special Committee on Water Quality and Environmental Compliance--Action)

From: General Manager

Subject: Legislative Policy Principles

## REPORT

At its September 13, 1994 meeting, the Committee on Legislation prioritized various issues of concern to Metropolitan for the upcoming legislative sessions and requested staff to evaluate current and potential future policy concerns. The nine priority issues reviewed by the Committee during the last three months are: state/local government financing, MBE/WBE contracting, water availability and land use, State Water Project financing, water transfer, watershed management, Southern California groundwater management, Colorado River Basin management, and source water quality protection. The following is a summary of eight of the nine issues previously brought to the Committee on Legislation including staff's recommendation for action as amended by the Committee. The ninth issue, watershed management, is being presented in a separate letter to your Board.

### Water Transfer

California's system of laws and institutions governing water transfers currently impedes California's ability to shift valuable water resources to higher value economic and environmental uses. As indicated by Metropolitan's Integrated Resources Planning process, meeting the region's reliability goals in a cost-effective and environmentally sensitive manner will require reliance on voluntary water transfers. In recent years, the California Legislature has enacted several statutes to facilitate voluntary water transfers. The first general water transfer legislation, combined with passage of the federal Central Valley Improvement Act (CVPIA), markedly improved the ability to transfer water. However, experience to date has highlighted limitations in California's developing water market. Additional water transfer legislation is needed to further facilitate a water market in California.

Metropolitan's Board of Directors adopted a water transfer policy in 1991 (Attachment 1). Metropolitan's current water transfer policy is based on principles intended to promote a full range of voluntary transfers that protect, and where feasible, enhance environmental resources. These principles prohibit creating or contributing to long-term groundwater overdraft, seek to avoid unreasonable operational and financial impacts on the

agricultural community, and encourage developing strategies to address the community impacts of water transfers.

Recommendation: Staff recommends maintaining Metropolitan's current water transfer policy and participating in efforts to build consensus on water transfer issues among agricultural, environmental and urban interests. The principles of Metropolitan's current water transfer policy provide adequate direction to allow staff to address water transfer issues.

### State Water Project Financing

Certain agricultural interests were soliciting relief from financial obligations imposed in their contracts for State Water Project (SWP) water. The supply shortages of recent years have had adverse financial effects on both urban SWP contractors, who hold contracts for two-thirds of total SWP entitlement, and agricultural contractors. This contributed to the introduction of legislation during the 1993/94 session that would have affected SWP financing. Concurrently, intense negotiations were underway among the urban contractors, the agricultural contractors, and the Department of Water Resources (DWR). On December 1, 1994, these parties reached agreement on a Statement of Principles for a SWP contract amendment which would provide both a degree of financial relief, and opportunities for contractors to improve their water management through more flexible use of existing SWP facilities. This negotiated agreement removes the primary impetus for SWP financing legislation.

At its October 11, 1994 meeting, the Committee on Legislation considered an issue paper on SWP Financing, and at that time approved policy principles based on the assumption that the Article 18 negotiations would not be successful. In light of recent developments concerning SWP financing, the recommended policy principles presented in the earlier issue paper have been revised in this Board letter to focus on policies necessary for implementation of the negotiated Statement of Principles.

Recommendation: While agreement on the negotiated Statement of Principles is a significant step forward, much work remains to draft the detailed contract amendment and other documents necessary to implement the Principles. Staff recommends significant commitment, in both support and resources, to the timely completion and enactment of this contract amendment.

SWP contract amendments of substantial scope, such as this amendment, are likely to require notification of the Legislature and potentially a Senate committee briefing. If Legislative notification and/or a briefing is required, the following policy principles regarding SWP financing issues should be stressed:

- The underlying cause of current SWP financial problems is limited water supplies. The financial situation can be further alleviated by an aggressive program to enhance SWP supplies in a manner that is cost effective and protective of environmental resources.
- While the SWP currently faces significant challenges, these challenges are solvable, as evidenced by the recent State/federal Bay-Delta agreement and the successful SWP contract negotiation.
- The State can help meet its contractual obligations to SWP contractors by recognizing that conditions have changed since the contracts were signed three decades ago, and allowing more flexible operation and use of existing SWP facilities to meet the needs of the contractors.
- The Legislature should support the negotiated Statement of Principles and the implementing contract amendment.

#### Water Availability and Land Use

There is growing concern among State legislators that development is being approved without the necessary infrastructure projects in place, e.g. schools, roads, sewer and water. The past chairmen of both water policy committees in the Senate and Assembly believe there must be a stronger link between approval of new development and water availability. Through their efforts on AB 2673 (Cortese - San Jose) this past year, both chairmen have demonstrated their commitment to protecting existing customers during water shortages. Late in the legislative session, a veteran member of the Senate Education Committee amended SB 854, although it failed to pass committee, which would have mandated that no development occur until essential infrastructure projects were funded.

At their June meeting, Metropolitan's Board adopted policy principles relating to the linkage of water availability and land use, a copy of which are attached as Attachment 2.

Recommendation: Staff recommends that Metropolitan convene a Member Agency land use and water availability work group to review the Board-adopted principles and the amendments crafted in July by Metropolitan and Member Agency representatives. Staff further recommends that the work group meet with the supporters and opponents to determine the acceptability of a proposal crafted by the work group which conforms with the Board-adopted principles.

### State/Local Government Financing

There are fewer issues more complex or for which the debate is more polarized than state and local government financing. Many experts believe that over the last four budget cycles, the Legislature and Administration have approached the state's ailing fiscal situation with temporary "fixes" failing to implement fundamental structural budget reforms necessary to revitalize investments in education, transportation, infrastructure and other areas to promote economic growth.

California's economic downturn coupled with spiraling costs associated with rapid population growth, steady increases in welfare and Medi-Cal caseloads, soaring prison populations, and a relatively high unemployment rate has resulted in persistent budget shortages. To make matters worse, the state's spending for K-12 education is well below the national average.

Complicating the issue even further is the general public's lack of understanding of the complexities of the state budget process and mechanisms available to finance government services.

Recommendation: There are few details currently available for any legislative or initiative proposal being developed, therefore staff recommends that Metropolitan continue to monitor activities associated with the reform of state/local fiscal policies to ensure financial stability for Metropolitan and its member agencies. Staff will submit proposals as they mature to the Committee on Legislation for consideration. Staff will participate in the consensus effort coordinated by the California Council of Environmental and Economic Balance (CCEEB) to develop proposals for fiscal reform. Periodic progress reports will be made by staff on this effort to the Committee on Legislation.

### Minority and Women-Owned Business Enterprise Legislation

Metropolitan has established a Business Outreach Program (Program) to encourage the participation of Minority and Women-Owned Business Enterprises (MBE/WBE) in Metropolitan's contracting opportunities. Currently Metropolitan's Business Outreach Program is governed by policies adopted by your Board as memorialized in Administrative Code Sections 8300 and 8301. In the last legislative session, legislative proposals were introduced to regulate Metropolitan's Program. Metropolitan's current policy is to encourage the utilization of MBEs and WBEs where feasible and legally permissible.

To that end, Metropolitan staff works with Divisions, program managers and A-agreement administrators to identify contracting opportunities, establish MBE/WBE contractors' lists and send information to organizations that assist MBEs and WBEs in obtaining contracts and support services. The policies and procedures that have been

developed to implement the MBE/WBE program provide the framework to meet the program goals.

Recommendation: Staff recommends maintaining the current MBE and WBE policy (see Attachment 3) and continuing its effort to outreach to the MBE and WBE contracting community. It is further recommended that staff continue to monitor the state's progress on a state-wide disparity study.

The existing principles provide Metropolitan flexibility in the contract award process and, therefore, staff recommends that Metropolitan maintain its policy in its current form.

### Colorado River Basin Management

S. 2319 and H.R. 4976 were introduced this year to amend the Colorado River Basin Salinity Control Act (Salinity Control Act). The legislation would authorize a Colorado River Basin-wide salinity control effort that would be implemented by the Bureau of Reclamation. Based on action taken by the Board on August 19, 1994, Metropolitan has supported the enactment of S. 2319 and H.R. 4976. S. 2319 which was marked up and passed out of the Senate Energy and Natural Resources Committee prior to adjournment. It is likely that the bills to amend the Salinity Control Act will be reintroduced during the 104th Congress.

There is also a potential for federal legislation being introduced regarding Colorado River issues generally. In his May 25, 1994 letter to Metropolitan, Senator Bill Bradley, then Chairman of the Senate Committee on Energy and Natural Resources' Subcommittee on Water and Power stated that there are increasing concerns that the management of the Colorado River is not meeting the water users' needs. At the June 8-9, 1994 Subcommittee oversight hearing on Water Quality and Quantity Problems and Opportunities Facing the Lower Colorado River Area, issues were raised by a number of individuals testifying with respect to meeting municipal and industrial and environmental needs. Upon completion of the Metropolitan-Imperial Water Conservation Program, Metropolitan could require an additional 674,000 acre-feet of water annually to be able to operate the Colorado River Aqueduct at capacity reliably. Of that amount a total of 186,000 acre-feet is in storage in Lake Mead with the completion of the Metropolitan Palo Verde Test Land Fallowing Program. It is projected that this stored water will be diverted in 1999. In addition, the Southern Nevada Water Authority projects that its present sources of water will meet demands only through the year 2013. It wishes to secure additional supplies to meet needs well into the next century. These needs may lead to proposals for legislation.

Other events that could lead to legislative action include conclusion of the ongoing Colorado River Basin States/Indian Tribes discussions which encompass water supply issues. Also, introduction of legislation is being considered by Upper Basin power

interests which would address funding of the Recovery Implementation Program for Endangered Fish Species in the Upper Colorado River Basin. This could prompt Lower Basin environmental groups to propose legislation.

Recommendation: Staff recommends that:

- (1) Metropolitan continue to protect the rights and interests in its contracts with the United States for delivery of Colorado River water.
- (2) Metropolitan continue to seek ways to increase the reliability of its Colorado River supplies in order to operate the Colorado River Aqueduct at capacity as much of the time as is feasible. Technical committee discussions are ongoing on a regional water supply solution involving innovative strategies requiring interstate cooperation. As such, it would be premature to recommend specific methods for increasing water supply reliability through new interstate mechanisms at this time or whether federal legislation should be pursued.
- (3) Metropolitan continue to support development of a Lower Colorado River multi-species management plan to address Endangered Species Act compliance. A feasibility assessment of alternative management actions will be completed by mid-December by consultant for Arizona, California, and Nevada.
- (4) Metropolitan continue to participate with the CRB and the other Basin states in cooperative interstate efforts to control the salinity of Colorado River water.

Southern California Groundwater Management

California's management of its groundwater resources is not currently coordinated at a state or regional level, unlike in some other states. Management of groundwater is predominantly a local prerogative, and that is not likely to change in the foreseeable future. However, as attention is increasingly focused, through Metropolitan's IRP and other programs, on conjunctive use opportunities in Southern California, discussion may begin to occur on more regional approaches to coordinating and managing our groundwater resources.

In recognition of the critical importance of groundwater to the water supply in Southern California, a number of state and federal regulatory agencies as well as water supply agencies (including Metropolitan and East Bay MUD) will be co-sponsoring a three-day California Assembly Process in February 1995. This forum will likely crystallize the groundwater issues needing further policy and legislative direction and provide a foundation toward a consensus-based process to accommodate the various environmental quality and water supply perspectives.

Metropolitan has previously adopted a policy of supporting groundwater management legislation which provides for management on a local level and which conforms to nine policy principles:

- (1) coordination with existing groundwater management programs, especially judicially-imposed programs;
- (2) flexible extraction and production limits that protect local rights and needs;
- (3) replenishment and storage to increase yield;
- (4) overdraft protection;
- (5) transfers and exchanges of groundwater supplies with appropriate safeguards;
- (6) regional conjunctive use;
- (7) appropriate funding mechanisms;
- (8) groundwater quality protection and/or contamination cleanup;
- (9) operating strategies which mitigate contamination and prevent its spread.

Recommendation: Staff recommends that the current policy principles be retained, but that principles (4) and (6) be amended as follows, to support:

- (4) long-term overdraft protection;
- (6) regional conjunctive use of groundwater storage with imported water;

and that principle (8) be divided into two separate, distinct principles as follows, to support:

- (8) groundwater quality protection;
- (10) groundwater cleanup and recovery for beneficial uses.

#### Source Water Quality Protection

The concept of source water quality protection for surface water bodies and groundwater basins is receiving increased attention and support in the legislative and regulatory arenas. Source water quality protection consists of monitoring contaminants and actively pursuing pollution prevention activities, in addition to or as part of existing regulatory programs in order to prevent or minimize the discharge of contaminants to surface waters or groundwater basins used as sources of drinking water. The source water quality protection policy issue involves optimizing the balance between source protection programs and drinking water treatment options, in order to achieve good quality drinking water at a reasonable cost. As the treatment costs associated with providing good quality drinking water increase, water suppliers are becoming increasingly aware of the potential benefits of source water quality protection programs. Source water quality protection is widely perceived as an essential element in water resources management, in order for drinking water suppliers to comply with the increasingly more numerous and more stringent primary drinking water

standards, and meet the demands of the public for drinking water that is both safe and aesthetically acceptable to drink.

Source water quality protection programs or activities could be implemented, as necessary, in the watersheds serving as Metropolitan's major sources of supply (Colorado River and Bay/Delta watersheds), in the Colorado River and State Water Project aqueducts to address activities which impact transported water supplies, in local sources of water supply, and in locally stored water supplies (surface water and groundwater reservoirs).

The source water quality protection policy issue is closely related to watershed management and groundwater issues. Efforts to achieve improvements in water quality, including development of source water quality protection programs, would likely be a primary focus of watershed management plans, and groundwater protection activities, such as wellhead protection plans and other proactive strategies would be an important part of groundwater management programs.

Metropolitan's Board of Directors previously adopted two policy principles which are related to source water quality protection.

- Protection of public drinking water supplies. Support Clean Water Act amendments to explicitly include protection of public drinking water supplies as a goal of the Clean Water Act.
- Source water protection. Support legislation establishing partnership-based and/or regulatory-based source water protection programs, that are implemented in addition to existing water quality control requirements for point source and nonpoint source discharges, in order to facilitate resolution of source water quality problems. Support of cooperative source protection programs does not preclude support for regulatory-based programs in cases where cooperative programs are unsuccessful.

Recommendation: Staff recommends that:

- (1) Metropolitan continue to support the existing policy principles as detailed above.
- (2) Metropolitan support federal and state legislative and regulatory proposals to establish source water quality protection programs that are consistent with the following principles:
  - Provide water quality protection for surface water bodies and groundwater basins designated as public drinking water supplies; most importantly protection from sources of drinking water pollutants;

- Protect potential future uses of water bodies as drinking water supplies;
- Allow innovative approaches to source water quality protection, including incentive-based partnerships and other cooperative approaches to source protection; and
- Allow flexibility in the implementation of source water quality protection programs which allow achievement of both water quality and water management objectives, and recognize that such programs will vary from site-to-site.

Metropolitan staff have provided comments and suggested amendments on previously introduced SDWA and CWA legislation and engaged in lobbying efforts in a manner completely consistent with these existing policy principles.

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## WATER TRANSFER POLICY STATEMENT

of the

## METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Metropolitan Water District of Southern California (Metropolitan) is responsible for the imported water supply that serves the \$400 billion regional economy of Southern California and helps assure the quality of life for more than 15 million people. During recent decades, the policy environment in which Metropolitan seeks to achieve its objectives has changed markedly, and the strategies employed to secure reliable water service for the region must adjust accordingly.

Over the past quarter century, the urban economy of California, north and south, has grown at about twice the average rate of growth of the national economy, and the underlying economic factors supporting this growth are expected to continue in the future. Despite the implementation of aggressive conservation, additional supplemental water supplies will be essential for the continued health of the Southern California regional economy. At the same time, the availability of water from traditional supply sources has diminished, significantly. As a result, additional sources of supplemental water supply for Metropolitan's service area must be sought in part from other existing water uses, primarily agriculture, which uses more than 80 percent of the developed water supplies in California.

Along with water conservation, reclamation and reuse, and infrastructure improvements especially in the Sacramento-San Joaquin Delta, water transfers from agricultural uses to urban uses will be a critical element of comprehensive plans by Metropolitan to restore and maintain water supply reliability. As defined here, water transfers are interpreted broadly to include the acquisition of short- and long-term supplies, agreements with water districts and individuals, and initiatives involving water management actions and market transactions to purchase water, water rights, or land to increase Metropolitan's water supplies.

To meet its public water supply objectives in the future, Metropolitan will vigorously pursue the development of water transfers with regard to the following considerations:

- 1) Water transfers, including water marketing, will be developed only on a voluntary basis with willing partners;
- 2) A full-range of water transfer options will be pursued, including arrangements with appropriate state and federal agencies, public and private water districts, and individual water users;
- 3) Water transfers will be designed to protect and, where feasible, enhance environmental resources;
- 4) Water transfers will be designed to avoid contributing to or creating a condition of long-term groundwater overdraft;
- 5) Efforts will continue to develop water transfers in cooperation with the agricultural community, which seek to avoid unreasonable operational and financial impacts; and
- 6) Strategies will be developed to appropriately address community impacts of water transfers.

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General Principles

- a) Water agencies exist to provide water service and shall plan and execute all reasonable means to provide water service at a specified level of reliability to existing customers and such future customers as may be expected based upon local general plans or regionally adopted population forecasts.
- b) Water agencies must adopt a minimum level of service objective for their customers as a whole or by class of service.
- c) Approval for general plans and general plan amendments should not be provided unless reasonable assurance, in the form of water resource and capital improvement programs, can be given that all expected customers of the subject water agency can be served within the adopted reliability goal of the water agency.
- d) Where a water agency finds it cannot reasonably meet its reliability objective and provide service to potential future customers, it shall continue to have the discretion to deny future service.

The Land Use Planning Process - General Plans

Obligations of the Land Use Planning Agencies:

- e) Prior to the adoption of a general plan or amendment to a general plan which allows for development in an area not currently served by a public water agency, local land use agencies shall identify the water agency which will likely provide service and request that agency assess whether the proposed adoption or amendment can be reasonably accommodated within the scope of its water resource and capital program.
- f) Land use planning agencies shall consider the response of the water agency in considering the general plan adoption or amendment.
- g) If the water agency's water resource plans and capital improvement programs cannot reasonably accommodate the level of development posed in the proposed general plan or general plan amendment, these limitations shall be made a part of the general plan decision record of the land use planning agency.

Obligations of the Water Agency:

- h) Water agencies shall maintain a water resource plan and capital improvement program which identify and provide for water management and infrastructure needs which will provide reasonable assurance that the agency's adopted reliability objective can be met for all current and expected future customers. These plans may rely on actions beyond the direct control of the agencies. Retail water agencies whose reliability is dependent upon the water supply plans of a wholesaling water agency may rely on the plans of that agency to provide assurance of future reliability. Water agencies shall provide a current copy of these plans to local land use jurisdictions which they serve.
- i) Upon request of a land use planning jurisdiction to review a general plan adoption or amendment, water agencies shall assess whether the adoption or amendment can be reasonably accommodated based upon their adopted water resource plan and capital program. If the adoption or amendment cannot be reasonably accommodated, the agency shall indicate what reasonable modifications to the water resource plan or capital program would be necessary to accommodate the adoption or amendment.

## Chapter 3

## MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES

## Section 8300 Policy Statement

It is the declared policy of the Metropolitan Water District of Southern California to implement a program that will aid, counsel and assist, insofar as legally permissible, the participation of minority and women-owned business enterprises in contracts for Metropolitan properties, facilities and services.

**Section 8301 General Manager's Responsibility to Implement Minority and Women-Owned Business Enterprise Policy**

The General Manager shall establish, direct and monitor a detailed program implementing the Minority and Women-owned Business Enterprise Policy herein expressed and shall take appropriate steps to cause all personnel within the organization to abide by and affirmatively support said policy.