

- **Executive Committee**

June 25, 1999

8-7

Subject

Payment of State Water Contractors' membership dues and contributions to the State Water Contractors' Bay/Delta Fund and Bay/Delta Urban Fund for fiscal year 1999-2000

Description

The State Water Contractors (SWC) is an association which furthers the interests of Metropolitan and 26 of the other State Water Project (SWP) contractors. Generally, these interests include: assuring proper and effective operation of the SWP, protecting and acquiring necessary water rights for the SWP, presenting the views of the SWC's membership to the Legislature, administrative agencies and the public, and conducting related studies on the SWP. Consistent with furthering these interests, the SWC Board adopted the attached specific objectives at its June 17, 1999 meeting. These objectives address water rights and Bay/Delta related activities, energy restructuring contract issues, Department of Water Resources (Department) information system development and management coordination with the new Department administration.

The SWC budget provides funding for a staff, and retention of engineering, biological, and legal consultants to address matters such as legal challenges to the Monterey Agreement Environmental Impact Report, a public information program, and continued involvement with Bay/Delta issues. On March 18, 1999, the SWC Board of Directors (SWC Board) approved its 1999-2000 budget which set the SWC dues rate for 1999-2000 at \$.25 per acre-foot of SWP entitlement. While this is \$.07 more than the dues rate of FY 1998-99, it is only \$.02 more than the 1997-98 FY level of \$.23 per acre-foot. The increase will enable the SWC to hire a 5th staff member to address energy market restructuring and Oroville Dam power facility relicensing issues. Based on this rate, Metropolitan's dues are \$502,875. Secondly, the SWC Board approved a separate 1999-2000 Bay/Delta Fund budget and requested a collection of \$600,000 from all SWC member agencies' the same as the 1998-99 FY level. By agreement, Metropolitan contributes 25 percent of the annual budget for this fund, therefore its share of this Bay/Delta collection is \$150,000. Lastly, the SWC Board approved a 1999-2000 Bay/Delta Urban Fund contribution amount of \$56,000 to be collected from Bay/Delta Urban Coalition (BDUC) contractors for specific BDUC activities. Negotiation between the BDUC members resulted in Metropolitan being apportioned \$32,000.

Provision has been made in Metropolitan's 1999-2000 budget for the payment of SWC dues and the Bay/Delta Fund and Bay/Delta Urban Fund contributions.

Policy

Administrative Code, Section 8115-A

Board Options/Fiscal Impacts

Option #1

The Board approve the payment of the SWC membership dues and contributions to the SWC Bay/Delta Fund and Bay/Delta Urban Fund for FY 1999-2000 in the amounts of \$502,875, \$150,000, and \$32,000 respectively, from funds provided for in Metropolitan's 1999-2000 budget.

Option #2

The Board disapprove the payments and cease membership and participation in the SWC, thereby relinquishing its voice in SWC decision-making relating to topics including: Bay/Delta related activities, Energy Restructuring, Monterey Agreement litigation and Water Rights Settlement implementation, DWR Information System development and Management Coordination with current and new DWR administrations.

Staff Recommendation

Option #1

Stephen N. Arakawa, Acting Chief Planning and Resources Division	Date
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General Manager	Date
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Attachment 1

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STATE WATER CONTRACTORS DRAFT OBJECTIVES FY 1999 - 2000

The DRAFT 1999-2000 objectives are a mix of pro-active policy issues, monitoring and coordination functions, and existing and expanded management functions. Many of the issues (particularly with respect to Bay-Delta activities) overlap. These objectives do not include much of the ongoing, repetitive work regarding coordination and monitoring of various activities.

P R I O R I T Y I

1. BAY-DELTA ISSUES/PROCEEDINGS

- a. **State Water Resources Control Board** - Continue to participate in water rights proceedings to develop a sharing of responsibilities to meet the standards reflected in the May 1995 Bay-Delta Water Quality Control Plan. SWC participation is critical for Phase 8 which deals with the responsibilities for meeting Delta standards by upstream water users. Phase 8 is anticipated to begin in fall 1999.
- b. **CALFED Bay-Delta Program** - Continue to support development of long-term solutions to the problems of the Bay-Delta estuary through the Ag/Urban Policy Group (assuming Ag/Urban will continue in some form beyond June 1999). This shall include promotion of a comprehensive solution package in which costs are equitably apportioned and are affordable. SWC funding and staff support will depend on measures of success by Ag/Urban based on a June 1999 evaluation of progress. Continue to work with DWR and others to integrate elements of the Interim South Delta Program into the early implementation of the CALFED program, to provide early water supply and environmental benefits. Provide input to the CALFED Ecosystem Roundtable, which recommends funding of specific ecosystem restoration projects.
- c. **Funding** - Continue to work with other parties to assure that State and federal funding for Bay-Delta solutions is secured, appropriately allocated, and in a timely manner.
- d. **Endangered Species Act** - Continue to take an active role in endangered species issues, particularly with respect to proposed new ESA listings (fall, late fall and spring run Chinook salmon). Participate as an active party in the litigation challenging the March 1999 ESA listing of the Sacramento Splittail. Continue an active role regarding endangered species protections in the current Bay-Delta Accord, which expires at the end of 1999. Continued monitoring of SWP/CVP operations, participation in scientific review panels/committees, policy-level discussions with State and federal leadership, etc.
- e. **Water Transfer Proposals** - Actively work with DWR in SWRCB proceedings on water transfers by other entities to ensure that potential adverse impacts from possible transfer of paper water are avoided.

2. ENERGY

- a. Energy Marketing Activities** - Provide technical assistance to DWR on specific measures for optimizing the financial performance of power resources considering opportunities available through ancillary services and other power markets.
- b. Reid Gardner Unit 4** - Coordinate with DWR in evaluating approaches to revising the operating agreement for Reid Gardner Unit 4 as a preliminary effort towards evaluating a future sale of DWR's share of the plant or achieving maximum value from its continued use.
- c. Energy Restructuring** - Continue to monitor energy industry restructuring activities in the Federal Energy Regulatory Commission, the California Public Utilities Commission and other forums. Assist DWR in identifying and eliminating inappropriate potential cost shifts to the State Water Project.
- d. Oroville Reservoir FERC Re-licensing** - Work with DWR in developing a successful approach to re-licensing Oroville Reservoir that limits increased financial costs and achieves wide support among other stakeholders. Participate proactively in ORAC concerning development of recreation facilities at Oroville and possible transition of management of facilities to a local entity. Get more involved in the FERC re-licensing process for Oroville Dam power generation, including direct contacts with FERC members and staff.

- 3. CONTRACT ISSUES** - Continue defense of the Planning & Conservation League (PCL) et al. Lawsuit on Monterey Agreement implementation, including recovery of legal fees. Work on implementation of the contract amendment negotiated in fall, 1998. Continue negotiation on additional contract issues ("Phase 1A" and "Phase 2") identified as part of the 1998 negotiations.

4. MANAGEMENT COORDINATION

- a. Policy Discussions** -- Continue working with Director Tom Hannigan and his management team on: (1) improved cooperative SWC/DWR policy and financial decisions development; (2) strategic approaches to future SWP operations and maintenance; and (3) management impacts of new information systems, including future SWP staffing levels, reorganizations, business process changes, and policy changes.
- b. Two-day Workshop** - Work with DWR. management to arrange and hold two-day management workshop (Rainbow) - scheduled for September 8-10, 1999.

- 5. INFORMATION SYSTEMS** -- Continue to work closely with DWR in the development and efficient use of Department-wide, integrated information systems for the SWP, including "live" implementation of the SAP software.

- 6. OFFICE STAFFING** - Hire the new employee authorized at the March 1999 Board meeting. This is anticipated to require internal office changes including reallocation of assignments. Hiring details will be coordinated with the Board's Personnel Committee.

PRIORITY II

1. BAY-DELTA MONITORING

- a. **Interagency Ecological Program (IEP)** - Continue to provide direction to EEP through the Management Advisory Group and participation as appropriate in the EEP project work teams. Continue financial oversight of the program to assure balanced federal / State funding of this program. Continue to assist in the development of a successful real-time program as required by the 1995 Bay-Delta WQCP.

2. WATER PURCHASES -- develop and implement water purchase programs as needed to augment SWP supplies in deficient years.

4. AUDIT & FINANCE

- a. **Budget** - Review SWP budget and provide recommendations on program objectives, content and funding.
- b. **Recreation Costs** - Continue to work with DWR management on a strategy to recover outstanding obligations from the General Fund for allocated recreation capital and O&M costs which have been paid for by Project revenues.
- c. **Cost vs. Budget** - Review SWP costs in comparison with current updated (working) budget and provide input to appropriate SWC committees and the Board.

5. OPERATIONS & MAINTENANCE

- a. **SWP Daily Operations** - Monitor DWR operations and the CALFED Ops Group to respond to conditions which relate to Bay-Delta standards, ESA biological opinions, etc.
- b. **SWP Equipment Replacement Policy** - Work with DWR in reviewing maintenance policies and developing procedures to access approaches to identify the timing and need for major facility replacement.
- c. **Arroyo Pasajero** - Work to obtain State and Federal authorization for the Arroyo Pasajero Project by December 31, 1999. Concurrent with this effort the Arroyo Pasajero subcommittee will pursue having the Reclamation Board becoming the Local Sponsor of the project which will provide additional funding support from the General Fund. Continue to support work of the Stewards of the Arroyo Pasajero, Watershed.

Continue to monitor and support interim floodwater/sediment control efforts at Salt and Cantua Creeks.

- d. **SWP Control System** - Work with DWR on identifying potential operational efficiencies that can be achieved with implementation of the new SWP control system.
- e. **Operations Studies** - Review DWR long-term operations studies including development of water budget for operations of SWP supply facilities.

6. INFORMATION SYSTEMS

- a. Computer System Development** - Monitor and expedite completion of the Cost Allocation and Repayment Analysis (CARA), Business 2000 Phase 2, and other information system development activities
- b. Information System Policies** - Review DWR information systems policies and provide recommendations on revisions as appropriate.
- c. State Information Policies** - Assist DWR in response to State policies on information systems.

- 7. PUBLIC RELATIONS** - It is anticipated that the California Water Clearinghouse will move toward an ever increasing work load to support the preferred alternative put forward in the CALFED process. Extensive outreach to key audiences will continue as the Clearinghouse moves from support of a process to support of a product. In conjunction with Clearinghouse activities, the SWC Public Affairs Advisory Committee will work to more clearly define the SWP impacts of a successful CALFED process and develop support from key constituencies of SWC goals. Additional specific programs will likely include working with Oroville recreation interests to better promote Lake Oroville; development of the SVVP history program project, a better coordinated media response program to counter inaccurate information concerning SWP issues.