

- **Board of Directors**  
**Water Planning and Resources Committee**

April 11, 2000 Board Meeting

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**11-1**

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**Subject**

Clarification of General Manager's Authority to Execute Water Quality Exchange Agreements

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**Description**

Approval is requested to amend Administrative Code Section 4207 by authorizing the General Manager to enter into water quality exchange agreements for amounts up to 50,000 acre-feet. The existing Administrative Code explicitly recognizes District policy for exchanges between Metropolitan, state water service contractors and its member public agencies. Under the proposed Administrative Code amendment, conditions for exchanges would allow the General Manager authority, within limits, to execute those that benefit established operational practices and programs. Exchanges involving significant facility improvements or other net costs exceeding \$250,000 are excluded.

Short-notice opportunities periodically arise for Metropolitan to more effectively meet its water quality objectives by participating in water exchanges. For example, water exchanges can provide water quality benefits if very high quality water is available to substitute for other supplies. Potential exchange partners include both public and private entities. Prime candidates for exchanges include other State Water Project contractors, and parties sharing or located in the proximity of storage facilities presently used by Metropolitan.

Water quality exchange opportunities occur intermittently and may only be available for short-time periods. As a result, there is a need to be able to execute beneficial exchange agreements rapidly. In these cases, there may not be sufficient time to obtain prior Board approval. Specifying the General Manager's authority to enter into water exchange agreements will assist Metropolitan in conducting sound water management operations. It is anticipated that establishing a 50,000 acre-foot limit would provide significant flexibility to take advantage of many exchange opportunities. The costs, which are estimated not to exceed \$750,000 in FY 2000-2001, would come from the Water Transfer Fund (Fund). As experience is gained with this activity, staff will evaluate the adequacy of the 50,000 acre-foot limit and annual budget and report back to the Board. The Fund sunsets by 2004. For continued use of the Fund beyond the sunset date, the Board would need to take action at a future date to extend the life of the Fund.

The net costs incurred by Metropolitan to facilitate an exchange, including new facilities, transportation costs, and all other costs, would be limited to the General Manager's authorized contract limit of \$250,000 specified in the Administrative Code. An example of an exchange where costs could be incurred is Metropolitan providing State Project water for higher quality Sierra water and paying transportation costs to move that water through local canals.

The Board would be apprised of water exchange activity through oral water supply updates which are now provided to the Engineering and Operations Committee on a regular basis. The proposed Administrative Code language in underscore/strikeout is shown on [Attachment 1](#).

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**Policy**

Existing Metropolitan policy regarding water exchanges in Section 4207 is limited to minimizing the cost to Metropolitan for exchange of Colorado River water for State Project water and cooperating in exchanges between member public agencies. The proposed amendment to the Administrative Code will specify the General Manager's authority to enter into a limited range of water quality exchange agreements.

**Board Options/Fiscal Impacts**

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**Option #1**

Approve the proposed amendment to Administrative Code Section 4207 set forth in **Attachment 1** to specify the General Manager's authority to enter into water exchange agreements.

**Fiscal Impact:** Net costs to facilitate an exchange would be within the General Manager's authority of \$250,000, and a total expenditure of \$750,000.

**Option #2**

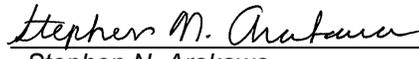
Do not amend the Administrative Code regarding the General Manager's authority to enter into water exchange agreements.

**Fiscal Impact:** No net costs.

**Staff Recommendation**

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Option #1.

	3/20/2000
Stephen N. Arakawa	Date
Acting Manager, Water Resource Management	

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General Manager	Date
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**Attachment 1**

## Attachment 1

### § 4207. Exchange of Water.

(a) The District's policy is that any exchange of Colorado River water for State Project water between the District and any state water service contractors shall be based upon such contractor paying all of the costs associated with delivery of State water at such contractor's delivery point, or at such other point as may be mutually agreed upon, which would result in the lowest cost to the District under such exchange.

(b) If two or more member public agencies of the District desire to enter into a water exchange arrangement, the District will cooperate in such an arrangement, subject to available capacity in the District's facilities and subject to availability of water for such exchange purposes, as determined by the District.

(c) The General Manager is authorized to enter into any water exchange agreement for an amount of 50,000 acre-feet per year or less without prior Board approval upon a determination that the exchange provides water quality benefits. The net cost incurred by Metropolitan to facilitate the exchange is subject to the contract limit specified in Administrative Code Section 8115 (a). Water exchanges authorized under this section are exempt from competitive bidding requirements under the terms of Administrative Code Section 8103.

Section 322.13.4 - paragraph (b) [formerly Section 322.13.4.2] based on M.I. 23612 - February 11, 1964 and paragraph (a) [formerly Section 322.13.4.1] based on M.I. 25756 - December 13, 1966; amended by M.I. 33642 - March 10, 1981.  
Section 322.13.4 repealed and Section 4205 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; Section 4205 renumbered Section 4207 by M.I. 39412 - January 14, 1992.