

● **Board of Directors**
Budget and Finance Committee

June 13, 2000 Board Meeting

8-6

Subject

Creation of Appropriation No. 15354 and Agreement with the Bureau of Reclamation, California Department of Water Resources, and Coachella Valley Water District to Advance Funds to Initiate Preliminary Work Necessary for the Coachella Canal Lining Project in Amounts Not to Exceed \$413,744

Description

The Coachella Canal Lining Project (Project) would conserve 26,000 acre-feet per year, 21,500 acre-feet of which would be available to Metropolitan annually with implementation of the October 15, 1999, *Key Terms for Quantification Settlement Among the State of California, IID, CVWD, and MWD* (Key Terms). The May 11, 2000 draft document, *California's Colorado River Water Use Plan* (Water Use Plan) issued by the Colorado River Board of California indicates that the Project's full conservation benefits would be available in 2005, should a decision to construct the Project be made following completion of environmental review. The primary purpose of the proposed advance funding agreement with the Bureau of Reclamation (Reclamation), California Department of Water Resources and Coachella Valley Water District (Coachella) is to provide for the completion of the environmental documentation for the Project pursuant to the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA). Reclamation and Coachella are the lead agencies for complying with NEPA and CEQA, respectively. Other activities which would be covered by the proposed agreement include establishment of a proposed Project schedule, and preliminary planning for:

- the organizational structure to carry out the mitigation commitments and design construction management activities;
- the manner in which contractors will be evaluated and selected to construct the Project; and
- the procedures for review and approval of the actions necessary to construct the Project should a decision to construct the Project be made following completion of environmental review.

The total estimated cost of the work to be performed under the agreement is \$459,716. Funding would be advanced by Metropolitan and Coachella in the amounts of \$413,744 (90 percent) and \$45,972 (10 percent), respectively. The funding percentages are the same as those contained in the June 12, 1992, advance funding agreement for Coachella Canal Lining Project environmental work among Reclamation, Coachella and Metropolitan. The proposed agreement would require Metropolitan to establish an internal work order to account for Metropolitan's payments made under the agreement. This would be accomplished with the creation of Appropriation No. 15354.

The proposed agreement states that, following a decision to proceed with the Project, the necessary construction and funding agreements would provide that the funds advanced by Metropolitan and Coachella would be reimbursed from state funds in accordance with Sections 12560 through 12565 of the California Water Code. These sections of the Water Code provide for the appropriation of \$200 million from the General Fund for use by the director of the Department of Water Resources to arrange for lining portions of the All American Canal and the Coachella Canal. The Water Code specifies that the canal lining projects are to be completed not later than December 31, 2006, or such later date as may be required by extraordinary circumstances.

On July 12, 1994, your Board approved Appropriation No. 647 in the amount of \$201,000 for completion of the environmental documentation for the Coachella Canal Lining Project. To date, only \$126,000 of that appropriated amount has been expended. The Coachella Canal Lining Project's Draft Environmental Impact

Statement/Environmental Impact Report (EIS/EIR) was released for public review in January 1994. Following public hearings and receipt of comments on the Draft EIS/EIR, work was suspended pending resolution of a number of Colorado River related issues. As a result of the suspension, Appropriation No. 647 was cancelled on July 21, 1999. With creation of Appropriation No. 15354 and execution of the proposed agreement, work will immediately resume on the environmental documentation, which is scheduled to be completed in December 2000.

Policy

Water conserved from the proposed Coachella Canal Lining Project is an integral water budget component contained in the Key Terms and discussed in the Water Use Plan. At its October 18, 1999 meeting, your Board approved the use of the Key Terms as the basis for completing a new Quantification Agreement among the parties to the Key Terms.

Board Options/Fiscal Impacts

Option #1

Approve the creation of Appropriation No. 15354 in the amount of \$413,744 and authorize the General Manager to execute the "Advance Funding Agreement Among the Bureau of Reclamation, California Department of Water Resources, the Coachella Valley Water District, and the Metropolitan Water District of Southern California to Provide Funds to Initiate Preliminary Work Necessary for the Coachella Canal Lining Project" in a form approved by the General Counsel.

Fiscal Impact: \$0; with reimbursement of funds expended by Metropolitan from the state General Fund.

Option #2

Direct the General Manager to renegotiate the advance funding provisions of the agreement with the objective of having the Coachella Valley Water District contribute more than 10 percent of the costs.

Fiscal Impact: A modest amount of additional staff time to renegotiate agreement.

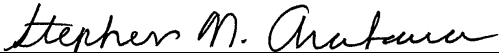
Option #3

Do not authorize the General Manager to execute the agreement.

Fiscal Impact: Unknown. Completion of the environmental documentation would be further delayed resulting in an indefinite postponement of implementation of the Coachella Canal Lining Project, possibly compromising timely completion of an integral water budget component of the Key Terms and Water Use Plan.


Staff Recommendation

Option #1.


 Stephen N. Arakawa
 Acting Manager, Water Resource Management

5/25/2000

Date


 Ronald R. Jester
 General Manager

5/26/2000

Date