

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

July 9, 2002 Board Meeting

8-7

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**Subject**

Authorize payments of \$1,263,290 to State Water Contractors and renew Municipal Water Quality Investigation agreement

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**Description**

**Payments to State Water Contractors**

Metropolitan is a member of the State Water Contractors (SWC), an association that safeguards the rights and promotes the interests of Metropolitan and 26 other State Water Project (SWP) contractors. Metropolitan received an invoice totaling \$1,263,290 due September 1, 2002 from the SWC. The statement requests payments of (1) \$951,440 for fiscal year (FY) 2003 members dues, (2) \$150,000 for Bay-Delta Fund, (3) \$24,000 for Bay-Delta Urban Fund, and (4) \$137,850 for FY 2003 Municipal Water Quality Investigation (MWQI) Fund.

**(1) State Water Contractors FY 2003 Members Dues** **\$951,440**

The SWC promote the interests of its members; assure proper and effective operation of the SWP; protect and acquire necessary water rights for the SWP; present the view of the SWC's membership to the Legislature, administrative agencies, and the public; conduct related studies on the SWP; and address contract issues.

The SWC budget supports staff and engineering, biological, and legal consultants to address contractor issues. Last year's dues included a separate assessment for Monterey litigation support. This year, there is a single assessment covering all budgeted costs, including Monterey litigation support. Objectives for the next fiscal year include:

- Reach agreement with Northern California water interests regarding meeting Bay-Delta water quality standards related to State Water Rights Control Board Phase 8 hearings;
- Participate in workgroups to renew the Federal Energy Regulatory Commission license for Oroville power facilities;
- Improve Department of Water Resources (DWR) SWP cash balances;
- Improve planning and construction activities at Edmonston pumping plant, East Branch Enlargement, and Tehachapi Afterbay facilities;
- Participate in CALFED process; and
- Defend contract in the Monterey Amendment litigation.

The SWC board established dues on March 21, 2002, at a rate of \$0.473 for each acre-foot (AF) of SWP entitlement. Metropolitan holds entitlement rights to 2,011,500 AF and contributes about 50 percent of the dues.

**(2) Bay-Delta Fund FY 2003 Assessment** **\$150,000**

The SWC board approved a separate budget of \$600,000 for ongoing legal, biological, and engineering assistance associated with the State Water Resources Control Board's water rights hearings, review of Endangered Species Act activities and associated technical studies and negotiations. By prior agreement, Metropolitan contributes only 25 percent of the annual budget in recognition of the in-kind services provided by Metropolitan.

**(3) Bay-Delta Urban Fund FY 2003 Assessment** **\$24,000**

The SWC board approved a separate budget of \$42,000 from six Bay-Delta Urban Coalition (BDUC) contractors for specific BDUC activities related to issues of primary interest to urban water users: increased water supply

reliability and drinking water quality protection. Metropolitan’s contribution to this fund is based on a pro-rata share of apportionment of the entitlement amount of SWC BDOC participants.

**(4) Municipal Water Quality Investigations Fund FY 2003 Assessment \$137,850**

The SWC board approved a separate budget of \$200,000 from 16 participating contractors for monitoring and studying conditions affecting drinking water quality of Delta exports. Metropolitan’s contribution to this fund is based on a pro-rata share apportionment of the entitlement amount of SWC MWQI participants. As described below these costs are currently being collected through Metropolitan’s SWP invoices.

The following table compares Metropolitan’s contributions for FY 2002 with proposed contributions for FY 2003.

<u>Component</u>	<u>FY 2002</u>	<u>FY 2003</u>
SWC Member Dues including Monterey Amendment Litigation	\$ 1,005,750	\$ 951,440
Bay-Delta Fund	\$ 150,000	\$ 150,000
Bay-Delta Urban Fund	\$ 24,000	\$ 24,000
Municipal Water Quality Investigation Program Fund	<u>\$ 0*</u>	<u>\$ 137,850</u>
<b>TOTAL</b>	<b>\$ 1,179,750</b>	<b>\$ 1,263,290</b>

\*\$137,850 previously included in the State Water Project Statement of Charges

The monies for these payments would be made from Metropolitan’s FY 2002/03 Operations and Maintenance Fund under the General District Requirement and the Water Resource Management budgets.

**Renew Municipal Water Quality Investigations Agreement**

Since 1993, Metropolitan has participated in DWR’s program. Metropolitan’s current MWQI agreement with DWR expires in December 2002. The MWQI program develops information used to guide compliance with future drinking water standards and source water quality protection. MWQI accomplishments to date include the establishment of an extensive source water monitoring program, the development of the principal Delta drinking water quality database, the publication of the SWP Sanitary Survey, and the completion of special studies associated with source water contamination and source protection. Additional future efforts will include expanding real-time data collection, developing source water quality forecasting capabilities to support operational decisions, and gathering information to meet regulatory requirements. Sixteen urban SWP contractors have funded this program, through their SWP payment.

DWR has had difficulty completing a number of assignments. In response, participating contractors seeking increased effectiveness and greater oversight, developed the new three-year arrangement. Under the agreement, a portion of DWR’s work will be shifted to the SWC. As funds are expended by the SWC, the DWR will reduce SWP contract charges to the participating agencies an equivalent amount, such that the overall program will not exceed the existing \$1.8 million budget. By using the SWC MWQI Account, SWC staff and consultants will be utilized when DWR staff are unable to perform needed work.

Metropolitan’s annual share of MWQI will remain unchanged at approximately \$1.3 million (70 percent). However, Metropolitan will pay about \$1.16 million directly to DWR through the Statement of Charges and \$0.14 million to the SWC’s MWQI Fund.

**Policy**

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Metropolitan Water District Administrative Code § 11202-3 Payment of Dues and Participation in Projects or Programs Serving District Purposes

By Minute Item No. 41073, the Board, at its October 11, 1994 meeting, authorized entering into the MWQI agreement.

By Minute Item No. 42752, the Board, at its December 9, 1997 meeting, authorized entering into a renewed MWQI agreement.

**California Environmental Quality Act (CEQA)**

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CEQA determination for Options #1 and #2:

The proposed action on the funding component for the membership dues, assessments, and agreement renewal (for Option #1 only) is not subject to CEQA because it involves government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). For the monitoring aspects of these activities, the proposed action will consist of basic data collection and resource evaluation activities, which do not result in a serious or major disturbance to an environmental resource. This may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. As such, the proposed action qualifies as a Class 6 Categorical Exemption (Section 15306 of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is exempt to CEQA pursuant to Sections 15306 and 15378(b)(4) of the State CEQA Guidelines.

**Board Options/Fiscal Impacts**

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**Option #1**

Adopt the CEQA determination and authorize the Chief Executive Officer (CEO) to make payments of \$951,440 for SWC member dues; \$150,000 for Bay-Delta Fund; \$24,000 for Bay-Delta Urban Fund; and \$137,850 for MWQI Fund. Authorize the Chief Executive Officer to renew the MWQI agreement. Sufficient funds are included in Metropolitan’s FY 2002/03 Operation and Maintenance Fund for these four payments.

**Fiscal Impact:** \$1,263,290. The \$1,162,150 charge for the DWR MWQI agreement would be incorporated in the Statement of Charges authorization for calendar year 2003.

**Option #2**

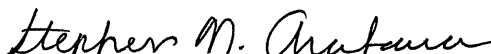
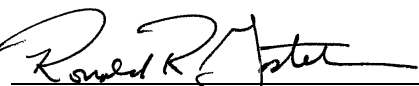
Adopt the CEQA determination, do not authorize the CEO to renew the agreement, and make payments to one or more of the four funds.

**Fiscal Impact:** Reduce use of budgeted funds.

**Staff Recommendation**

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Option #1

	6/10/2002
Stephen N. Arakawa Manager, Water Resource Management	Date
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	6/14/2002
Ronald R. Gastelum Chief Executive Officer	Date