

● **Board of Directors**
Water Planning, Quality and Resources Committee

September 10, 2002 Board Meeting

8-7

Subject

Approve agreement with the Bureau of Reclamation and Imperial Irrigation District to advance funds to initiate preliminary work necessary for the All American Canal Lining Project, not to exceed \$450,000

Description

The purpose of the proposed Advance Funding Agreement (Agreement) is to facilitate a timely start of the work on the All American Canal Lining Project (Project). The Project is expected to provide Metropolitan and the San Luis Rey Indian Water Rights Settlement Parties (Settlement Parties) water conserved by lining a 23-mile reach of the canal to reduce seepage. Metropolitan will advance up to \$450,000 to Imperial Irrigation District (Imperial) and the Bureau of Reclamation (Reclamation). Metropolitan will receive reimbursement of this full amount, plus interest, from the Department of Water Resources (DWR), which has indicated that it will fund up to \$126 million for the Project.

The Project is an integral part of the agricultural-to-urban water transfers envisioned in California's Colorado River Water Use Plan (Water Use Plan). The companion Coachella Canal Lining Project is under design. Water from both projects is intended to be available to Metropolitan and the Settlement Parties. The allocation of conserved water will be documented in an Allocation Agreement anticipated to be completed and executed by all parties prior to the end of the year. The parties intend that the Project will benefit Metropolitan with 56,200 acre-feet per year (AFY) and the Settlement Parties with the remaining 11,500 AFY conserved.

The Agreement would initiate the process of establishing the project management organization and undertake activities to advance construction of the Project by providing funds in advance of the effectiveness of the funding agreement between Imperial and DWR. These activities include:

- completing mitigation planning to support obtaining letters from state and federal agencies that indicate the Project will avoid or mitigate all significant effects of the Project on fisheries and other wildlife, which will allow reimbursement by DWR,
- initiating design and construction management, and
- completing the negotiations and executing a construction agreement among Metropolitan, Reclamation, Imperial, and Coachella Valley Water District and a water Allocation Agreement.

Environmental documentation for the Project is complete:

- Reclamation executed a Record of Decision in 1994 and validated it in 1999.
- Imperial certified the Final Environmental Impact Statement/Environmental Impact Report in 1994.

Under the proposed Agreement, funds advanced by Metropolitan would be reimbursed with interest foregone 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 California 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. In the unlikely event that the contingencies for the water transfer between Imperial and the San Diego County Water Authority have not been satisfied in full by December 31, 2006, the state could request a refund of its payments.

In summary, the following steps are needed to successfully implement the Project:

- execution of Advance Funding Agreement,
- acknowledgment by state and federal agencies that the Project will avoid or mitigate all significant effects on fisheries and other wildlife,
- execution of Allocation Agreement, and
- execution of Construction Agreement.

Policy

By Minute Item 43767, dated October 18, 1999, the Board approved the use of the *Key Terms for Quantification Settlement Among the State of California, IID, CVWD, and MWD* (Key Terms) as the basis for completing a new Quantification Settlement Agreement among the parties. Water conserved from the proposed Project is an integral water budget component contained in the Key Terms and discussed in the Water Use Plan.

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The original environmental effects associated with the Project were previously addressed within the context of CEQA. Imperial, acting as the CEQA Lead Agency, certified the Final Environmental Impact Statement/Environmental Impact Report (Final EIS/EIR) for the Project on August 16, 1994. During that same meeting, Imperial also approved the Findings of Fact, the Mitigation Monitoring and Reporting Program, and the Project. Imperial also issued a Notice of Determination on August 17, 1994. Included as components of the Project and discussed within the Final EIS/EIR were funding and future agreements with Imperial and Reclamation. To comply with the National Environmental Policy Act (NEPA), Reclamation acted as the NEPA Lead Agency and jointly prepared the EIS/EIR with Imperial. A Record of Decision prepared by Reclamation was subsequently signed on July 29, 1994. Metropolitan, as a Responsible Agency under CEQA, reviewed and considered the Final EIS/EIR relative to the environmental effects of the proposed Project and adopted the Lead Agencies' findings on December 13, 1994, thereby allowing Metropolitan to enter into agreements and a memorandum of understanding with the agencies for the Project's construction, operation, and maintenance. The presently proposed Board action is solely based on authorizing an advance funding agreement for a number of activities associated with the approved Project. This proposed action remains consistent with the impacts analyzed in the original 1994 certified Final EIS/EIR. This documentation and the previous action taken by the Board fully complies with CEQA and the State CEQA Guidelines and, as such, no further CEQA documentation is necessary for the Board to act on the proposed action.

The CEQA determination is: Determine that the proposed action has been previously addressed in the certified 1994 Final EIS/EIR for the Project and that no further environmental analysis is required.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and approve the Advance Funding Agreement among Metropolitan, the Bureau of Reclamation and the Imperial Irrigation District.

Fiscal Impact: None with expected reimbursement of funds expended by Metropolitan from the state General Fund.

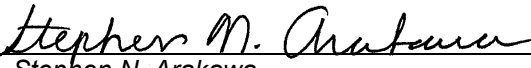
Option #2

Adopt the CEQA determination and direct the CEO to renegotiate terms of the Advance Funding Agreement.

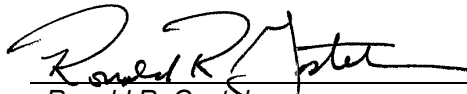
Fiscal Impact: None

Staff Recommendation

Option #1

 8/14/2002

Stephen N. Arakawa *Date*
Manager, Water Resource Management

 8/17/2002

Ronald R. Gastelum *Date*
Chief Executive Officer

BLA #1887