

- **Board of Directors**  
**Engineering and Operations Committee**

March 11, 2003 Board Meeting

---

8-7

---

**Subject**

---

Authorize amending agreement with the California Department of Water Resources for reimbursable services

---

**Description**

---

Since 1983, Metropolitan has entered into agreements to provide certain services to the Department of Water Resources for operations and maintenance activities that support the State Water Project. These services are pre-approved by the Department of Water Resources and Metropolitan is reimbursed in full. The services can be provided directly by Metropolitan staff or through the use of outside (non-Metropolitan) entities. Generally, these services have been equipment related, such as the repair of Department of Water Resources' turbines that took place at Metropolitan's La Verne machine shops. In 2001, Metropolitan executed a new, five-year agreement, Department of Water Resources Contract Number 4600001945 (Services Agreement).

Authorization is requested to expand the size and scope of the Services Agreement to provide additional benefits to both parties. The proposed changes provide flexibility for the Department of Water Resources and will allow Metropolitan to perform additional administrative and planning services for the State Water Project, including the following:

- Investigating the feasibility and design of new or modified facilities to improve reliability and efficiency;
- Providing assistance in the planning and upgrade of business systems;
- Developing an energy risk management program;
- Analyzing security needs and reducing risks;
- Other services as may be requested.

Given the demands on the Department of Water Resources to reduce staff and budget due to the state's current fiscal problems and the resulting impacts to the operations and management of the State Water Project, this change in the existing Services Agreement will help provide the necessary resources to the Department of Water Resources to increase Metropolitan's water supply reliability and cost-effectiveness. Due to the expansion of the services Metropolitan can provide, it is recommended that the annual and total dollar amount for services be increased. The present Services Agreement limits the annual dollar amount to \$3 million, with a \$15 million maximum. Authorization is requested to increase this amount to \$6 million annually, and to increase the maximum payable under the Services Agreement to \$22 million.

---

**Policy**

---

Metropolitan Water District Administrative Code Section 8113: Award

---

**California Environmental Quality Act (CEQA)**

---

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing maintenance activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other 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).

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

**Board Options/Fiscal Impacts**

---

**Option #1**

Adopt the CEQA determination and authorize the Chief Executive Officer to negotiate and execute revisions to the existing Services Agreement as described above, in form approved by the General Counsel, relating to the scope and the annual and total dollar amount of services that can be provided.

**Fiscal Impact:** No direct fiscal impact as Metropolitan is reimbursed for all expenses related to providing services under the Services Agreement.

**Option #2**

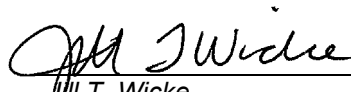
Do not authorize negotiations and revisions to the Services Agreement.

**Fiscal Impact:** No direct fiscal impact, although the inability to provide the Department of Water Resources with services to support the State Water Project that they themselves are unable to provide may lead to increased State Water Project costs to Metropolitan.


**Staff Recommendation**

---

Option #1

  
\_\_\_\_\_  
Jill T. Wicke  
Manager, Water System Operations

2/27/2003  
Date

  
\_\_\_\_\_  
Ronald R. Gastelum  
Chief Executive Officer

2/27/2003  
Date