

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

February 12, 2008 Board Meeting

8-7

Subject

Authorize initial payment of \$5/AF for 2008 Sacramento Valley water transfers

Description

In November 2007, the Board authorized the General Manager to enter into an agreement with the State Water Project Contractors Authority (Authority) to pursue up to 200,000 acre-feet of 2008 Central Valley water transfer option agreements with sellers located in the Sacramento and San Joaquin Valleys. That authorization included depositing with the Authority \$5 per acre-foot toward the sellers' development and environmental documentation costs and the Authority's administrative costs, and \$10 per acre-foot towards anticipated option payments ([Attachment 1](#)).

During these negotiations, the structure of the proposed water transfer agreements has changed. Rather than option agreements, these agreements will be structured as direct purchases that will be executed and effective approximately April 15, 2008 when Metropolitan's water supply situation is more certain. In lieu of option payments, the Authority has agreed to assist the sellers with developing environmental documentation and securing approvals by either providing assistance to prepare draft environmental documentation or advancing the sellers a nonrefundable \$5 per acre-foot payment for those costs. Of the approximately 110,000 acre-feet currently under negotiation, approximately 60,000 acre-feet of these purchases would be subject to the \$5 per acre-foot initial payment to sellers.

In order to reflect this new structure, staff requests authority to use the \$5 per acre-foot administrative/environmental funding, previously approved by the Board in November 2007 and on deposit with the Authority, to make the advance payments described above. These payments will not be refundable, but if agreements are reached will be applied to the total price for the water purchased. If agreements are not reached, any unspent advance payments will be used to cover the sellers' transfer development costs for a future transfer to Metropolitan and other Authority members. These development costs are not anticipated to exceed \$5 per acre-foot ultimately acquired, and in no case will the total costs exceed the maximum \$1 million authorized by the Board in November 2007. Staff anticipates bringing the final agreements to the Board for approval in April 2008.

Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Funding for initial administrative fees and option payments to the State Water Project Contractors Authority was determined to be not subject to CEQA at the time it was approved by the Board in November 2007 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). Therefore, the action was not defined as a project under CEQA and, furthermore, could be seen with certainty that there is no possibility the action may have a significant effect on the environment (Section 15061(b)(3) of the State CEQA Guidelines).

The current proposed action, which involves carrying out a variety of studies in conjunction with using a portion of the administrative fees already approved by the Board to assist the sellers in developing environmental documentation and securing approvals, is exempt under the provisions of CEQA and the State CEQA Guidelines since it involves basic data collection and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These activities may be strictly for information gathering purposes, or as part of a study leading to actions that a public agency has not yet approved, adopted, or funded.

The CEQA determination is: Determine that the proposed action is exempt from CEQA pursuant to Section 15306 of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize initial payment of \$5 per acre-foot for 2008 Sacramento Valley water transfers as described above.

Fiscal Impact: Approximately \$300,000 will be expended on initial payments to sellers to secure 60,000 acre-feet of water transfer supplies.

Business Analysis: Approval will improve 2008 water supply reliability, help mitigate or avoid water supply allocations and contribute to the implementation of the Integrated Resources Plan.

Option #2

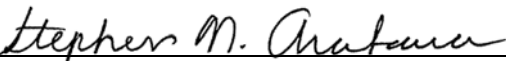
Do not authorize initial payment of \$5 per acre-foot for 2008 Sacramento Valley water transfers.

Fiscal Impact: None

Business Analysis: Not authorizing paying development costs for 2008 Sacramento Valley water transfers could result in a lost opportunity to secure water transfer supplies in 2008, potentially resulting in lower water supply reliability.

Staff Recommendation

Option #1



Stephen N. Arakawa
Manager, Water Resource Management

2/5/2008
Date



Jeffrey Kightlinger
General Manager

2/5/2008
Date

Attachment 1 – November 20, 2007 Metropolitan Board Letter 8-10