



- Board of Directors
Water Planning and Stewardship Committee

1/13/2015 Board Meeting

8-1

Subject

Authorize: (1) agreement with the State Water Contractors, Inc. to pursue 2015 Sacramento Valley water transfer supplies; and (2) \$5 per acre-foot initial administrative deposit not to exceed \$500,000 from the Water Management Fund

Executive Summary

Authorization is requested to enter into an agreement with the State Water Contractors, Inc. (SWC) to pursue 2015 Sacramento Valley water transfer supplies. This request is limited to providing an initial administrative deposit not to exceed \$500,000 from the Water Management Fund. Staff will seek board approval to execute agreements with sellers and the associated storage and conveyance agreements with Department of Water Resources (DWR) (including any DWR administrative costs) in early 2015.

Details

Authorization is requested to enter into an agreement with SWC to pursue water transfer supplies for 2015. In recognition of the initial 10 percent State Water Project allocation, many members of the SWC would like to coordinate discussions with potential transfer sellers to identify additional supplies that may be available in 2015. The SWC would handle the administrative activity associated with coordinating these negotiations, including the collection and disbursement of money between the buyers and sellers. Metropolitan entered into similar agreements with SWC to pursue transfers in 2005, 2008, 2010, and 2014. The agreement allows the SWC to be reimbursed for staff time and incidental expenses in coordinating the transfer program through a \$5 per acre-foot administrative deposit. In previous years, SWC staff incurred costs slightly less than \$5 per acre-foot and Metropolitan received a partial refund.

Staff proposes that Metropolitan enter into a similar agreement among the potential buyers and the SWC for 2015 water transfers. SWC staff again would administer the agreement on behalf of the buyers. Under the proposed agreement, Metropolitan and the other buyers must provide SWC a \$5 per acre-foot initial administrative deposit. The administrative deposit would be used to cover SWC's and sellers' administrative costs, including potential litigation costs. Depending on whether litigation is filed regarding the transfers and the extent and complexity of potential litigation, payments in addition to the administrative deposit could be necessary. The initial deposit will also determine those members interested in pursuing transfer supplies through the SWC in 2015. If administrative costs are less than \$5 per acre-foot, Metropolitan would receive a partial refund. Metropolitan's administrative deposit would be \$500,000 based on a potential purchase of 100,000 acre-feet of transfer supplies. However, the actual volume of transfer purchases may be higher or lower based on factors including water supply conditions, participation levels, and prices. Staff will return to the Board with a recommendation on the purchase of transfer supplies through the SWC in 2015.

The proposed transfers would provide additional resource options to mitigate potential dry-year conditions in 2015, consistent with Metropolitan's Integrated Resources Plan. Staff will seek board approval to execute agreements with sellers and the associated storage and conveyance agreements with DWR (including any DWR administrative costs) in early 2015.

Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or 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 payment of initial administrative fees does not commit Metropolitan to any definite course of action. It does not dictate how funds would be spent, or in any way narrow the field of options and alternatives available to Metropolitan to seek supplemental water sources. In essence, there is no binding commitment to spend in a particular manner before requiring environmental review. In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines). Prior to formal approval of the agreements by the Board, CEQA documentation would be prepared by the Lead Agency and processed in accordance with CEQA and 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)(4) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not defined as a project and there is no possibility that it may have a significant effect on the environment, and

- a. Authorize the General Manager to enter into an agreement with the State Water Contractors, Inc. to pursue 2015 Sacramento Valley water transfer supplies, in a form approved by the General Counsel; and
- b. Authorize making a \$5-per acre-foot initial administrative deposit and disbursements from that deposit consistent with the agreement not to exceed \$500,000 from the Water Management Fund.

Fiscal Impact: The fiscal impact associated with this action is up to \$500,000 to pay actual costs incurred and would be subject to partial refund.

Business Analysis: Approval will improve dry-year reliability and contribute to the implementation of the Integrated Resources Plan.

Option #2

Do not authorize entering into an agreement with the State Water Contractors, Inc.

Fiscal Impact: None

Business Analysis: No action could result in a lost opportunity to secure dry-year water transfer supplies or require Metropolitan to secure transfers supplies independently of the State Water Contractors, Inc.

Staff Recommendation

Option #1



Deven N. Upadhyay
Manager, Water Resource Management

12/16/2014
Date



Jeffrey Kightlinger
General Manager

12/23/2014
Date

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