



- Board of Directors
Water Planning and Stewardship Committee

2/9/2021 Board Meeting

7-5

Subject

Authorize: (1) agreement with the State Water Contractors, Inc. to pursue 2021 Sacramento Valley water transfer supplies; and (2) \$5 per acre-foot initial administrative deposit not-to-exceed \$500,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Authorization is requested to enter into an agreement with the State Water Contractors, Inc. (SWC) to pursue potential 2021 Sacramento Valley water transfer supplies and to pay an initial administrative deposit not-to-exceed \$500,000. This action preserves the option for Metropolitan to purchase Sacramento Valley transfer supplies through the SWC buyers pool, but it does not commit Metropolitan to these purchases. Staff would seek board approval for any transfer purchases and to execute any agreements with sellers and the associated storage and conveyance agreements with the Department of Water Resources in the spring of 2021.

Timing and Urgency

Metropolitan wants to be prepared for possible transfer negotiations in the spring of 2021. The SWC is seeking an initial commitment from participants in February 2021 in preparation for a potential transfer agreement in the spring of 2021.

Details

Background

Authorization is requested to enter into an agreement with SWC to pursue water transfer supplies for 2021. In recognition of the current 10 percent State Water Project (SWP) allocation, many SWC members would like to coordinate discussions with potential sellers to identify additional supplies that may be available in 2021. Metropolitan entered into similar agreements with SWC to pursue transfers in 2005, 2008, 2010, 2014, 2015, 2016, and 2018. Current dry conditions are restricting SWP allocation increases so far this year. However, it is possible that a very wet spring could make transfer purchases unnecessary. Further, Metropolitan's robust storage conditions mean that Metropolitan would likely only pursue transfers at reasonable prices. Nevertheless, staff recommends preserving an option to purchase transfer supplies to maximize flexibility as the water year develops.

Staff proposes that Metropolitan enter into an agreement similar to previous years among the potential buyers and SWC for 2021 water transfers. SWC staff would handle the administrative activity associated with coordinating these purchases, including collecting and disbursing money between the buyers and sellers. Under the proposed agreement, Metropolitan and the other buyers must provide SWC a \$5 per acre-foot initial administrative deposit by February 20, 2021, 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 help determine which members are interested in pursuing transfer supplies through the SWC in 2021. 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 would seek additional board authority to purchase transfer supplies, if needed. Metropolitan could receive a partial refund of

administrative fees based on the actual administrative costs and Metropolitan's share of transfer supplies purchased through this agreement. In all prior years, Metropolitan received a partial refund.

The proposed transfers would provide additional resource options to mitigate potential dry-year conditions in 2021, consistent with Metropolitan's Water Surplus and Drought Management Plan. Staff will return to the Board later this spring with a recommendation on the purchase of transfer supplies negotiated through the SWC Buyers group and any related agreements necessary to complete the transfers.

Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, 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).

CEQA determination for Option #2:

None required

Board Options

Option #1

- a. Authorize the General Manager to enter into an agreement with the State Water Contractors, Inc. to pursue 2021 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.

Fiscal Impact: The fiscal impact associated with this action is up to \$500,000 to pay actual costs incurred and would be subject to a partial refund. Funds for this action will come from the existing Water Supply Program FY 2020/21 budget. If Metropolitan does not participate in the dry-year program, a large portion of the administrative deposit would be returned.

Business Analysis: Approval will improve dry-year reliability consistent with the implementation of the Water Surplus and Drought Management 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 water transfer supplies or require Metropolitan to secure transfer supplies independent of the State Water Contractors, Inc.

Staff Recommendation

Option #1



Brad Coffey
Manager, Water Resource Management

1/26/2021
Date



Jeffrey Kichtlinger
General Manager

1/28/2021
Date

Ref# wrm126798897