



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Action

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

2/11/2025 Board Meeting

7-4

Subject

Authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Under the existing Forbearance and Fallowing Program (PVID Program), Metropolitan pays Palo Verde Irrigation District (PVID) landowners to fallow their fields, and in turn, Metropolitan has access to the conserved water.

In 2022, Metropolitan applied to the United States Bureau of Reclamation (USBR)'s Lower Colorado Conservation and Efficiency Program (LC Efficiency Program) for funding to provide approximately 351,000 acre-feet (AF) of system conservation water. Metropolitan will create the system conservation water through the PVID Program between Metropolitan and PVID (Parties).

A portion of the funding that Metropolitan receives from USBR is designated for community improvements in PVID's service area. However, a separate agreement between PVID and Metropolitan is required before any funds can be released for community investment purposes. This agreement provides the terms and conditions for how the community funding is distributed and managed. Until this agreement is executed, Metropolitan will retain the community funds.

The Parties coordinated drafting the agreement, which describes the role of the newly formed Community Enhancement Collaborative (CEC). The CEC will be equally comprised of members from both Parties to manage all aspects of the community funding with recommendations from the community. Under the agreement, community funds will be held equally by the Parties and both Parties will share in payment obligations.

This letter seeks authorization for the new agreement between the Parties documenting the roles, responsibilities, and operations of the CEC and other aspects related to the community funding.

Proposed Action /Recommendation and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area.

Fiscal Impact: None. Funds provided to the community are provided from USBR and earmarked for community use.

Business Analysis: The agreement will allow Metropolitan to distribute USBR's LC Conservation Program funds towards community development.

Option #2

Do not authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area.

Fiscal Impact: None

Business Analysis: Metropolitan and PVID will need to develop alternative methods for providing USBR's LC Conservation Program funds towards community development, as obligated under Metropolitan's System Conservation Implementation Sub-Agreement with PVID.

Alternatives Considered

Due to the benefit of Metropolitan's access to relatively high interest rates, Metropolitan initially proposed retaining all the community funds until projects were selected for funding. However, PVID also wished to retain funds, so a compromise was reached to split the funds between the two Parties.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 53051 in December 2022, Metropolitan's Board adopted legislative priorities and principles to support the funding of conservation projects to enhance the resiliency of the Colorado River System to reduce the risk of Lake Mead and Lake Powell falling below critical elevations.

Related Board Action(s)/Future Action(s)

By Minute Item 53469 in December 2023, Metropolitan's Board authorized the General Manager to enter into agreements for Reclamation to fund the generation of up to 408,000 AF of conserved Colorado River system water through 2026 and to enter into agreements with other Colorado River contractors to forbear rights to water generated in California under Reclamation's LC Conservation Program.

By Minute Item 53752 in August 2024, Metropolitan's Board authorized the General Manager to enter into: (1) a forbearance agreement with Coachella Valley Water District, Imperial Irrigation District, Palo Verde Irrigation District, and the City of Needles to allow water conserved under the U.S. Bureau of Reclamation's conservation program to be added to Lake Mead; and (2) agreements with Imperial Irrigation District and San Diego County Water Authority under Reclamation's conservation program to add water conserved by Imperial Irrigation District to Lake Mead that would otherwise accrue to San Diego County Water Authority.

By Minute Item 53911 in January 2024, Metropolitan's Board authorized the General Manager to enter into an agreement for Reclamation to fund the generation of up to 36,066 AF of conserved Colorado River system water between August 1, 2026, and December 31, 2026.

Summary of Outreach Completed

Metropolitan staff has conducted community outreach to identify potential projects throughout the Palo Verde Valley and has presented findings at the Property Utilization Committee, which is comprised of PVID Trustees and Metropolitan Directors. Additionally, the CEC is actively forming and soliciting participation in the Community Advisory Committee (CAC), which will evaluate projects and provide recommendations to the CEC by sending letters of interest to local service-based organizations, small businesses, and educational institutions. Metropolitan staff has provided public comment at the Blythe City Council meetings, partnered with the Riverside County Office of Economic and Workforce Development, and given presentations at the Blythe Chamber of Commerce's monthly Economic Alliance meetings to spread the word on the upcoming community funding opportunities and invite participation in the CAC. To date, two letters of acceptance to the CAC were submitted by individuals from Palo Verde Community College and the Palo Verde Unified School District.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

The 2021 Bipartisan Infrastructure Law and the 2022 Inflation Reduction Act funded water management and conservation efforts to relieve drought conditions in the western United States, with a focus on the Colorado River. The Department of the Interior, through USBR, created the LC Conservation Program to increase system conservation and efficiency opportunities to address drought impacts in the Lower Colorado River Basin. Similar conservation programs are being developed in the Upper Colorado River Basin. The LC Conservation Program provides funding opportunities for voluntary participation to increase system conservation.

PVID Program Participation in the LC Conservation Program

On December 20, 2023, Metropolitan entered into a System Conservation Implementation Agreement (SCIA) with USBR to fund Metropolitan's PVID Program. Under this agreement, USBR is fully reimbursing Metropolitan for creating Colorado River system water from water conserved from the PVID Program. The system water is being created by participating farmers fallowing acres at the fallowing level of 100 percent of their maximum fallowing commitment, which started August 1, 2023, and includes fallowing of Metropolitan-owned lands based on the terms included in the lease agreements. The conserved water remains in Lake Mead as system water. Participation is continuing at 100 percent fallowing through July 31, 2026.

On January 14, 2024, Metropolitan received board authorization to extend the existing SCIA by five months through December 31, 2026. Metropolitan will make a fallowing call for the 2026-27 PVID Program year based on its own needs. Under the extension, PVID landowners can voluntarily fallow additional land above Metropolitan's fallowing call during the five-month extension. Metropolitan can also voluntarily fallow its own land in PVID. Landowners who do not voluntarily fallow are required to fallow at the level of Metropolitan's fallowing call for the 2026-27 Program year. All water conserved from voluntarily fallowing will be system conservation water. Metropolitan can also provide water conserved from its fallowing call during the five-month extension as system conservation water. All system conservation water under this extension will receive USBR's payment of \$400 per AF, with \$30 per AF going towards community funding for any water conserved through voluntary fallowing.

Community Funding Implementation

On May 31, 2024, the Parties entered into an additional separate written agreement (SCIA Sub-Agreement) for USBR to release funding to Metropolitan, as required by the SCIA. The SCIA Sub-Agreement outlines the distribution of funding between community investment, landowner payments, and Metropolitan payments. The purpose of the community investment component is to address any community needs that may develop as a result of implementing the SCIA. Each year, \$2,632,972 will be allocated towards community investment for a total of \$7,898,916 over the three years of the SCIA, plus any additional community funding that results from the extension. The SCIA Sub-Agreement requires the Parties to enter into a separate agreement with terms and conditions that stipulate which entity will retain the community funding, how funding will be retained, and how it will be distributed, including any accrued interest. Until this agreement is signed, Metropolitan retains all funds received from USBR. To date, USBR has provided two years of SCIA funding, including \$5,265,944 for community investment.

In 2024, the Parties formed the CEC, which is composed of three Metropolitan directors and three PVID trustees. The CEC and supporting staff from the Parties drafted the agreement required by the SCIA Sub-Agreement (CEC Agreement) that outlines the responsibilities of the CEC in distributing funding to community investments through a funding proposal process. PVID's board granted approval for the CEC Agreement on January 21, 2025.

Key terms of the CEC Agreement include:

- The CEC will be composed of three individuals from Metropolitan and three individuals from PVID.
- The CEC will solicit, evaluate, and select funding proposals from the community.
- A CAC will be formed to evaluate potential projects and make recommendations to the CEC.
- Projects selected for funding must be within PVID's service area.
- The Parties will each retain 50 percent of the community funds and will issue equal payments as projects are awarded.
- The Parties will be equally responsible for covering any administrative costs.
- Community funds are to be kept in interest-bearing accounts.
- Any money retained after all projects have been funded will be split equally between the Parties to spend on community enhancement projects as determined by each Party at its own discretion.

Program Milestones

If authorized by Metropolitan, the CEC Agreement will be executed, and Metropolitan will provide PVID with 50 percent of the community funds received to date, including accrued interest. The CEC will solicit project proposals from the community. The CEC and the CAC will evaluate the proposals and the CEC will determine who receives funding. The major milestone of the program will be distributing the community funding until it is exhausted.

Summary

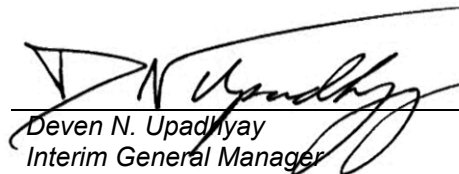
Metropolitan committed to providing funding, in partnership with PVID, to the Palo Verde community to address any community needs that may develop because of implementing the SCIA. Entering into the CEC Agreement will define which entity will retain the community funding, how funding will be retained, and how it will be distributed, including any accrued interest. Once executed, the CEC Agreement will allow Metropolitan to distribute the community funding to PVID and begin the project solicitation process. Once projects are selected for funding, the Parties will make equal payments to cover the project costs. Metropolitan and PVID staff will assist with the administration of this agreement.



Brandon J. Goshi
Interim Manager,
Water Resources Management

2/3/2025

Date



Deven N. Upadhyay
Interim General Manager

2/3/2025

Date

Attachment 1 – Draft Agreement Between The Metropolitan Water District of Southern California and Palo Verde Irrigation District to Jointly Fund Community Investment in the Palo Verde Valley

AGREEMENT BETWEEN
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AND
PALO VERDE IRRIGATION DISTRICT
TO JOINTLY FUND COMMUNITY INVESTMENT IN THE PALO VERDE IRRIGATION
DISTRICT'S SERVICE AREA

This Agreement Between The Metropolitan Water District of Southern California (MWD) and Palo Verde Irrigation District (PVID) (each individually referred to as a Party and collectively as the Parties) To Fund Community Investment in the Palo Verde Irrigation District's Service Area (Agreement), is entered into as of [_____].

RECITALS

A. On August 18, 2004, the Parties entered into the "Forbearance and Fallowing Program Agreement," which established a 35-year program (Fallowing Program) for the fallowing of lands in PVID irrigated with Priority 1 Colorado River water. Under the Fallowing Program, MWD pays landowners for a specified number of acres to be fallowed in accordance with contracts executed by MWD with each landowner. The reduced irrigation results in conserved water that is available to MWD as junior priority holder to Colorado River water in California.

B. On December 20, 2023, MWD and the United States Bureau of Reclamation (Reclamation) entered into an agreement known as the "System Conservation Implementation Agreement (SCIA) Between the United States Bureau of Reclamation and The Metropolitan Water District of Southern California, to Implement the Lower Colorado Conservation and Efficiency Program (LC Conservation Program)" (SCIA), SCIA No. 23-XX-30-W0772. On or about December 20, 2023, PVID provided its written concurrence with the SCIA.

C. On May 31, 2024, MWD and PVID entered into the "Agreement Between MWD and PVID Regarding 2023-2026 System Conservation Implementation" which the Parties subsequently amended by letter agreement dated July 19, 2024 (MWD-PVID SCIA Implementation Agreement). The MWD-PVID SCIA Implementation Agreement provides for distribution of the SCIA funding among landowners, MWD, and the community to help mitigate any potential impacts from the SCIA. That agreement also provides that the Parties will enter into a separate agreement to provide how the community portion of the SCIA funding would be retained and distributed.

D. The Parties desire to enter into this Agreement to provide how the community portion of the SCIA funding will be retained and distributed.

NOW, THEREFORE, the Parties hereby agree as follows:

AGREEMENT

1. Purpose: The purpose of this Agreement is to establish a procedure for the Parties to jointly identify the community needs that may be affected by the SCIA in PVID's service

area, and to provide grants to businesses, non-profits, and individuals to mitigate those needs.

2. Community Enhancement Collaborative (CEC)

- A. The Parties hereby establish a Community Enhancement Collaborative (CEC) which will make decisions regarding funding investment in PVID's service area pursuant to this Agreement. The CEC will consist of six individuals. Each Party will designate three individuals who will serve on the CEC at the pleasure of the appointing Party.
- B. The CEC will: solicit funding proposals; establish funding criteria; oversee the Community Advisory Committee (CAC); review CAC funding recommendations; make funding decisions; establish procedures to help ensure funding is used in accordance with CEC funding decisions; and establish appropriate record-keeping procedures to document the actions of the CEC.
- C. Additional details of the CEC
 - i. Projects selected for funding must be located within the service area of PVID.
 - ii. The CEC will decide which projects to fund. The CEC is not obligated to follow the recommendations of the CAC.
 - iii. CEC members will recuse themselves from voting on a particular project if they have a conflict of interest.
 - iv. Quorum: A majority of CEC members must be present to hold a meeting of the CEC.
 - v. Voting: Decisions of the CEC must be approved by a majority of CEC members present during a meeting of the CEC.

3. Community Advisory Committee (CAC)

- A. The Parties hereby establish a Community Advisory Committee which will evaluate potential projects based on criteria established by the CEC and will make funding recommendations to the CEC.
- B. A majority of CAC members must be present to hold a meeting of the CAC. Recommendations of the CAC must be approved by a majority of CAC members present during a meeting of the CAC.
- C. CAC members will recuse themselves from voting on a particular project if they have a conflict of interest.
- D. Individuals will serve on the CAC without compensation.

4. Financial Provisions

- A. In the MWD-PVID SCIA Implementation Agreement, the Parties agreed that a certain amount of funding that Reclamation provided to MWD would be allocated to the community. Once this Agreement is executed and upon receipt of such community funding from Reclamation, MWD will retain half and will provide half to PVID.
 - B. The Parties will each retain their half of the community funds in an interest-bearing account (Funding Account). All interest earned will be maintained in the Funding Account for use pursuant to this Agreement. All interest earned on Metropolitan's Funding Account will be accrued and allocated quarterly.
 - C. Half of the funds for each project will be paid from MWD's Funding Account, and half will be paid from PVID's Funding Account.
 - D. The CEC may use funds for administrative costs related to implementing this Agreement. However, funds may not be used to pay for time spent implementing this Agreement by members of the CEC or staff members of the Parties. Half of any administrative costs will be paid from MWD's Funding Account, and half will be paid from PVID's Funding Account.
 - E. The Parties will each maintain audit and accounting procedures and written accounts with respect to the funds that are in accordance with generally accepted accounting principles and practices, consistently applied. The Parties will each maintain complete and accurate records of each project expenditure, disbursement, and interest earnings. Each Party will provide such records to the other Party upon reasonable notice.
 - F. Any money remaining in each Party's Funding Account after all projects have been funded pursuant to this Agreement will be added together and then split equally between the Parties to spend on any community enhancement projects as determined by each Party in its own discretion.
5. Dispute Resolution: The Parties may mutually decide to resolve any dispute by way of mediation. If mediation is elected, the Parties will jointly select a mediator and will share equally in the cost of mediation.
6. Use of Agency's name/logo: Any use of a Party's name or logo pursuant to this Agreement requires the prior approval of the CEC.
7. General Terms
- A. This Agreement becomes effective on the date first written above provided that both Parties have executed this Agreement. This Agreement will remain in effect

until terminated by mutual agreement of the Parties or the funds are substantially exhausted, whichever occurs first.

- B. The Parties do not intend to create any third-party beneficiary rights to enforce the terms of this Agreement in any person that is not a Party.
- C. This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any Party.
- D. This Agreement may be supplemented, amended, or modified only by written, executed agreement of the Parties.
- E. This Agreement may be executed in two or more counterparts, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document.
- F. This Agreement is made and entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the laws of the State of California.
- G. Each person executing this Agreement on behalf of a Party warrants and represents to the other Parties that he or she is duly authorized to execute this Agreement on behalf of such Party and has the authority to bind their Party to the performance of its obligations hereunder.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first written above.

Approved as to form:

PALO VERDE IRRIGATION DISTRICT

By: _____
David R. Saunders
District Counsel

By: _____
J.R. Echard
General Manager

Approved as to form:

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

By: _____
Marcia L. Scully
General Counsel

By: _____
Deven N. Upadhyay
General Manager