



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

7/9/2024 Board Meeting

8-2

Subject

By a two-thirds vote, authorize payments of up to \$4.18 million for participation in the State Water Contractors for fiscal year 2024/25 and up to \$4.30 million for fiscal year 2025/26; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action requests authorization to continue funding and participation in the State Water Contractors (SWC). Participation in this organization allows Metropolitan to advocate for effective operations and management of the State Water Project (SWP), with an emphasis on the reliability of the SWP infrastructure, managing electrical power resources, and the Sacramento-San Joaquin Bay/Delta (Delta). Metropolitan's participation enhances the effectiveness of relationships with the other SWP contractors. The SWC provides a unified voice among the contractors to provide input to the California Department of Water Resources (DWR) on the management of the SWP. The SWC's main focus areas include responding to climate change, meeting renewable energy goals, advancing science for decision-making in the Delta, and collaborating with stakeholders to reach mutually beneficial solutions such as the Agreements to Support Healthy Rivers and Landscapes.

Staff is requesting authorization for the General Manager to make payments to SWC for up to \$4.18 million for fiscal year (FY) 2024/25 and up to \$4.30 million for FY 2025/26. The requested authorization amounts are within Metropolitan's approved budget for FY 2024/25 and FY 2025/26.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

By a two-thirds vote, authorize payments of up to \$4.18 million for participation in the State Water Contractors for FY 2024/25 and up to \$4.30 million for FY 2025/26.

Fiscal Impact: Expenditures for participation in SWC in FY 2024/25 would be up to \$4.18 million, funded within the FY 2024/25 budget. Expenditures for participation in SWC in FY 2025/26 would be up to \$4.30 million, funded within the FY 2025/26 budget.

Business Analysis: Metropolitan benefits from the SWC representing positions with DWR, legislators, regulatory, and third-party groups that advance its SWP strategic initiatives.

Option #2

Do not authorize the General Manager to make payments to the State Water Contractors for FY 2024/25 and FY 2025/26.

Fiscal Impact: Savings up to \$4.18 million for FY 2024/25 and \$4.30 million and for FY 2025/26.

Business Analysis: Metropolitan would be less effective in advancing its SWP strategic initiatives if the membership is not approved. Metropolitan would need to develop alternative means to manage the risk of higher costs or greater operational restrictions on supply deliveries.

Alternatives Considered

Staff reviewed alternatives to continued participation in the SWC. If the SWC was not funded, most of the activities currently conducted by the SWC would need to be provided by one or more of the individual contractors. As a result, the coordination with the other contractors on policy, science, regulatory comments, and advocacy would grow more complex, with potential duplication happening across the various contractors, including Metropolitan. With participation in the SWC, Metropolitan's Delta science initiatives are magnified, and the SWC recognizes Metropolitan's contributions by providing discounted charges. Over the last five years, Metropolitan's annual contributions to the SWC averaged \$3.36 million, and leveraged \$5.1 million annually from the other SWC members. For these reasons, in part, staff strongly recommends continued participation in the SWC.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Sections 11102 and 11103: Payment of Dues and Participation in Projects or Programs Serving District Purposes.

Metropolitan Water District Act Section 126: Dissemination of Information (requires a two-thirds vote)

By Minute Item No. 45348, the Board, at its May 13, 2003, meeting, authorized entering into an agreement with the State Water Project Joint Powers Authority.

By Minute Item No. 47735, the Board, at its December 9, 2008, meeting, authorized the General Manager to execute the Delta Habitat Conservation and Conveyance Program Memorandum of Agreement and three related funding and management agreements.

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

Unanticipated increases in the SWC annual budget have occurred in the past and could happen in the future due to unforeseen circumstances or expenditures. If the SWC budget for FY 2025/26 increases above that which is authorized in this action, staff will return to the Board for additional authorization of the adjusted amount of funds for FY 2025/26.

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

State Water Contractors

The SWC is a nonprofit association of 27 public agencies from northern, central, and southern California with contracts providing participation rights in the SWP. Collectively, there are 27 million Californians (which is one in 12 Americans) and 750,000 acres of productive farmland in the SWC members' service areas. The SWC's role and activities provide input into DWR's policy and decision-making process. The SWC effectively represents the interests of Metropolitan and the other contractors in discussions with DWR and through interactions with other state, federal, and local entities.

The SWC is governed by a board of directors, which represents eight classes of SWP contractors. The board members are generally composed of managers from the agencies. The table below summarizes the board members and their respective class designation representatives:

Class	Representative	Contractors
1	Chris Lee	Solano County Water Agency (WA) , Yuba City, Napa County Flood Control & Water Conservation District (FCWCD)
2	Laura Hidas	Alameda County Water District , Alameda Zone 7 WA, Santa Clara Valley Water District (WD)
3	Jacob Westra	County of Kings, Dudley Ridge WD, Tulare Lake Basin Water Storage District , Empire West Side Irrigation District (ID), Oak Flat WD
4	Craig Wallace	Kern County Water Agency (KCWA)
5	Ray Stokes	Central Coast Water Authority , San Luis Obispo FCWCD
6	Nina Hawk	Metropolitan Water District of Southern California
7	Matthew Stone	Santa Clarita Valley Water District , Casitas Municipal Water District
8	Peter Thompson, Jr. Robert Cheng	Antelope Valley East Kern WA, Coachella Valley Water District , Crestline-Lake Arrowhead WA, Palmdale WD, Littlerock Creek ID, San Bernardino Valley MWD, San Gabriel Valley MWD, San Geronio Pass WA

The overall SWC dues are made up from five funds: Dues Fund, Bay-Delta Fund, Delta Conveyance Project Fund, Energy Fund and Municipal Water Quality Investigation. The table below illustrates the basis for allocating each share of the SWC dues:

Fund	Basis of Allocation
Dues Fund	Maximum Table A and Prior Year Water Delivery
Bay-Delta Fund	Maximum Table A with Adjustments for Metropolitan and KCWA Efforts
Delta Conveyance Project Fund	Presumed Participation in Project
Energy Fund	Power Use with Maximum Table A and Prior Year Energy Use
Municipal Water Quality Investigation	Table A of Participating Contractors

The SWC's staff of nine employees coordinates across the SWC to ensure consistent policy positions, effective messaging, and coordinated advocacy. This coordination first seeks unanimity whenever possible and then amplifies the individual agency voices before DWR, the Newsom administration, the State Legislature, and the many regulatory agencies who hold responsibilities in the Delta.

The SWC's work efforts and associated revenue collections include five areas:

1. **Dues Fund** – Funds SWC activities supporting DWR cost management, infrastructure repair and replacement, water supply reliability, and water quality. This fund also includes general operating expenses.
2. **Energy Fund** – Funds SWC activities to help DWR develop and implement energy strategies to meet state mandates while obtaining cost-effective energy for the SWP.
3. **Bay-Delta Fund** – Supports SWC participation in Delta fish monitoring, environmental reviews, coordination with the Central Valley Project, protection of existing operations, advancing science, and planning for a changed climate now and in the future. Because some Metropolitan staff efforts closely align with and support the SWC, over the last five years Metropolitan has received an average discount of 48 percent (approximately \$506,000 excluding SWC legal fees).
4. **Delta Conveyance Project Fund** – Supports SWC involvement in the Delta Conveyance Project planning activities, such as assisting with permits, environmental documentation, and policy and technical support to determine project benefits.
5. **Municipal Water Quality Investigations (MWQI)** – Provides SWP contractors with water quality information related to drinking water regulations through specialized scientific studies, research, and investigations.

The united voice of the SWC provides value in achieving favorable outcomes. Notable accomplishments of direct value to Metropolitan include:

- (1) Coordination with the SWP Chief Financial Manager to resolve outstanding financial disputes such as Water System Revenue Bond Surcharge, Rate Management Credits, East Branch Enlargement and Cost/Debt Analysis,
- (2) Efforts to explore with the legislature and the state administration ways to reduce the impacts of Senate Bill 1020, which affirmed the commitment of DWR to secure 100 percent renewable or zero-carbon resources on a modestly extended schedule to save the SWP billions of dollars in energy costs,
- (3) Engagement with DWR on the Safety of Dams and Sisk Dam cost share negotiations that led to approximately \$500 million in savings for all SWP contractors,
- (4) Completion of the 10th Amendment to the Tolling and Waiver Agreement.

Further accomplishments are provided in **Attachment 1**, and **Attachment 2** describes SWC objectives for FY 2024/25.

Summary of Payment Distribution

The table below summarizes the current and requested up to payments for participation in the SWC:

	FY 2023/24 Actual	FY 2024/25 MWD Budget	FY 2025/26 MWD Budget
Dues Fund	\$2,068,300	\$1,652,700	\$1,702,200
Energy Fund	\$ 289,200	\$ 280,000	\$ 288,400
Bay-Delta Fund	\$1,086,400	\$1,057,100	\$1,088,800
Delta Conveyance Project Fund	\$ 454,200	\$ 930,400	\$ 958,300
MWQI	\$ 258,300	\$ 260,000	\$ 260,000
Total:	\$4,156,400	\$4,180,200	\$4,297,700

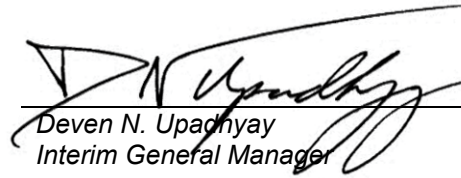
Metropolitan's requested payments to the SWC for FY 2024/25 and FY 2025/26 are consistent with the approved budget, which assumes an approximate 3 percent escalation from FY 2024/25 to FY 2025/26.

The MWQI Specific Project Committee is preparing its calendar year 2025 activities and budget for approval in December 2024. In December 2025, MWQI will approve its calendar year 2026 activities and budget. Once approved, Metropolitan will pay its share of costs. Staff requests authorization to pay up to \$260,000 for each FY 2024/25 and FY 2025/26 to fund the Committee. These amounts are consistent with the budget.



Blandon J. Goshi
Interim Manager
Water Resource Management

6/26/2024

Date

Deven N. Upadhyay
Interim General Manager

6/27/2024

Date

Attachment 1 – FY 2023/24 High Priority Accomplishments of the State Water Contractors

Attachment 2 – FY 2024/25 High Priority Objectives of the State Water Contractors

Ref# wrm12694795

FY 2023/24 High Priority Accomplishments of the State Water Project Contractors

Objective	Accomplishments
Water Supply	
Delta Conveyance Technical/Policy Support	<ul style="list-style-type: none"> • Participated in Delta Conveyance Project (DCP) technical and policy discussions with the Department of Water Resources (DWR) and conveyed contractors' perspectives. • Supported and facilitated State Water Contractors (SWC) discussions to advance the DCP Contract Amendment.
Delta Conveyance Permitting	<ul style="list-style-type: none"> • Coordinated with DWR daily on the environmental planning efforts for operations criteria, modeling, California Environmental Quality Act (CEQA), National Environmental Policy Act (NEPA), Endangered Species Act (ESA), California Endangered Species Act (CESA), U.S. Army Corps of Engineers Sections 404 and 408 permits, Delta Plan, and the Community Benefits Program and Cost - Benefit Analysis.
Water Operations Evaluation	<ul style="list-style-type: none"> • Provided water operations dashboard updates focused on State Water Project (SWP) water supply operations. • Worked with DWR on the Incidental Take Permit (ITP) amendments and long-term operations consultation.
Update to the Bay-Delta Water Quality Control Plan	<ul style="list-style-type: none"> • Collaborated with Agreements to Support Healthy Rivers and Landscapes (HRL), formerly known as Voluntary Agreements, parties to develop the program's components, including governance, science plan, and other agreements.
Water Supply and Operations Improvements	<ul style="list-style-type: none"> • Participated in real-time operations tracking workgroups, such as the Delta Monitoring Workgroup, that provides feedback on real-time operational decisions/recommendations. • Participated in various planning workgroups, such as Delta Coordination Group, that are responsible for implementing the summer-fall habitat action under the 2019 Biological Opinions (BiOps) /and 2020 Incidental Take Permit (ITP), which has water supply implications.
Infrastructure	
Infrastructure Reliability	<ul style="list-style-type: none"> • Reviewed SWP's Strategic Asset Management Plan and Transformer Asset Management Plan. Engaged with DWR management to share member agencies' perspectives regarding asset management plans. • Monitored and distributed information on the SWP's service factors/performance and participated in weekly updates on SWP operations, outages, and incidents that could affect the daily and/or long-term deliveries throughout the year. Tracked Devil's Den Pumping Plant fire and the Oroville River Valve Outlet System (RVOS) outages. • Tracked the implementation of the California Aqueduct Subsidence Program and Fire System Modernization Program to ensure infrastructure reliability.

Objective	Accomplishments
Capacity Retention	<ul style="list-style-type: none"> Engaged with DWR staff, management, and executives to emphasize the importance of maintaining capacity and various ways of achieving reliability economically as the SWP Adaptation Report is developed. Extensively coordinated with DWR and contractors on California Aqueduct subsidence. Represented contractors' interest in strategic plan formation in coordination meetings with DWR, United States Bureau of Reclamation (USBR), San Luis & Delta-Mendota Water Authority, and Friant Water Authority. Pursued non-SWP funding opportunities for evaluating and alleviating impacts resulting from subsidence. Led the SWP Storage Expansion Workgroup. Communicated with DWR management/executives to emphasize the contractors' interest in opportunities to increase SWP capacity.
Infrastructure Safety	<ul style="list-style-type: none"> Continued the elevated focus on dam safety with quarterly updates at the Operations, Maintenance, and Engineering (OME) Committee meetings, which serves as a forum for DWR, SWC staff, and member agencies to obtain more in-depth updates on DWR's expanding dam safety program and specific details on the recently elevated inspections/evaluation, engineering assessments, and modernizations of all SWP dams. Tracked development/execution of the SWP Fire Modernization/Life Safety Improvement Program physical/cyber security projects.
Infrastructure Affordability	<ul style="list-style-type: none"> Engaged with DWR regarding Sisk Dam Safety Project cost-share negotiations with the United States Bureau of Reclamation, which led to an agreement that follows Safety of Dams funding structure. Coordinated and participated in the review of the Castaic High Tower Valve Activation Feasibility Study, Hyatt Intake Gate Business Case Evaluation, and the South Bay Aqueduct Landslide Value Engineering workshops.
Business Processes	
Budgets	<ul style="list-style-type: none"> Continued in the SWC-DWR Affordability Workgroup to work on advancing the Process of Affordability concepts and enhancing budget information provided during DWR's annual Financial Management Conferences. DWR held the 2024 Financial Management Conference to review the B132-24 budget and cost projections for the 2025 Statement of Charges, including providing contractors with the annual calendar year 2024 and 2025 SWP Budget Report.
Financial Projections	<ul style="list-style-type: none"> Provided financial modeling to assist contractors in decision-making and planning. This included updating the SWC SWP Forecasting Model, the SWC 10-year Energy Forecasting Model, and the SWC Energy Pumping Plant Rate Forecasting Model.
Financial Resources, Revenue Requirements, and Investments	<ul style="list-style-type: none"> Engaged with member agencies to work on approaches for Determining Amounts Available ("revenues") for Rate Management Credits under Article 51(c) (e), including the reconstruction of the sources and uses of SWP surplus revenues. Continued with member agencies to work on the analysis and potential impacts of the excess revenues generated under Article 50 of the Water System Revenue Bond (WSRB) Surcharge Amendment.

Objective	Accomplishments
Business Process Control Activities and Environment	<ul style="list-style-type: none"> Continued to work with DWR's Protest Resolution staff with the goal of providing closure on protest items, which includes either resolution or determining the necessity of filing a claim against DWR. To date, 408 of the 656 identified items have been resolved and removed from the protest item list. In total, 14 items were resolved in FY 2024. The tenth Amendment to the Tolling and Waiver Agreement was executed to extend the tolling period to December 31, 2025.
Energy	
Senate Bill No. 49 (Energy: Appliance Standards and SWP Assessment) Report	<ul style="list-style-type: none"> Continued to explore ways with legislature and administration to reduce impacts of Senate Bill No. 1020 (Laird, Statutes of 2022). Secured funding for the restoration of pumpback operations at the Orville Complex. Researched the potential for behind-the-meter solar generation at pumping plants along the Valley String. Potential benefits include reduced exposure to volatile energy prices, reduced transmission access charge costs, and meeting clean energy goals.
Energy Legislation	<ul style="list-style-type: none"> Ensured DWR's responsibilities as a central procurement entity for energy generation do not interfere with State Water Project operations or costs.
Science	
Endangered Species Act (ESA), California Endangered Species Act (CESA), and Water Quality Control Plan (WQCP) Environmental Compliance	<ul style="list-style-type: none"> Continued to coordinate with DWR on implementation of the Incidental Take Permit, including participation in various subgroups, discussion of adaptive management opportunities, and resolution of operational and other issues as they arose. Worked with DWR to hold the Environmental Coordination Committee meetings quarterly. Worked with DWR to hold the DWR-SWC Environmental Science Work Group meetings quarterly.
Outreach	
Position Awareness	<ul style="list-style-type: none"> Developed an informational and educational whiteboard video to explain the HRL, illustrating their benefits and components and reinforcing why they are the best proposal for updating the Bay-Delta Plan. The video is in partnership with the Northern California Water Association (NCWA) and coming on the heels of the Water Board's release of its Draft Staff Report and ahead of public workshops.
SWC Management	
Accounting	<ul style="list-style-type: none"> Maintained internal financial records and provided regular reports to the SWC Board of Directors.
Contract Management	<ul style="list-style-type: none"> Issued contracts to research institutes, consultants, and other entities; executed cost-sharing agreements with funding partners.

FY 2024/25 High Priority Objectives of the State Water Project Contractors

Objective	Description
Water Supply	
Delta Conveyance Technical/Policy Support	<ul style="list-style-type: none"> Provide technical and policy support to State Water Contractors (SWC) members that are Delta Conveyance Project (DCP) participants, including assistance to complete the DCP contract amendment, secure necessary funding, and coordinating among participants. Support the development of necessary permits and environmental documentation related to the Delta Conveyance Project.
Update to the Bay-Delta Water Quality Control Plan	<ul style="list-style-type: none"> Participate in the Agreements to Support Healthy Rivers and Landscapes (HRL), formerly known as Voluntary Agreements, development and discussions, and in related activities, including engagement on California Environmental Quality Act process, coordination with other HRL parties, and engagement with State Water Board staff and Board members.
Water Supply and Operations Improvements	<ul style="list-style-type: none"> Develop and track future outlook for State Water Project (SWP) water supply risks and opportunities taking into consideration various ongoing efforts related to regulatory (e.g., Endangered Species Act, California Endangered Species Act, Water Quality Control Plan), infrastructure (e.g., San Luis Expansion, DCP, Sites), operational (e.g., Forecast-Informed Reservoir Operations, groundwater recharge, Coordinated Operations Agreement) and the changing hydrologic conditions. Identify potential strategies to minimize the risks to SWP water supply.
Infrastructure	
Infrastructure Reliability	<p>Work with the Department of Water Resources (DWR) in the effort to maintain and improve reliability of the aging SWP Infrastructure with a focus on:</p> <ul style="list-style-type: none"> Continuing work to develop/document/implement an asset management plan and capital improvement program. Developing a tracking/communication process for members to better understand the roll-out and addition of future SWP-funded positions and the resulting benefits. Assessing maintenance management systems to better identify vulnerabilities, the required risk mitigation strategies and management policy and objectives. Advocate for appropriate priorities and affordability.
Capacity Reliability	<p>Work with DWR to ensure SWP delivery capacity and storage capabilities meet current and future demands with a focus on:</p> <ul style="list-style-type: none"> Subsidence in the San Joaquin Valley, machine outages, power outages, regulatory requirements, weeds/debris, and water quality. Advocating for projects, repairs, procedures, and studies to ensure that capacity is restored or preserved to ensure long-term operational capacity. Working with the SWC Storage Expansion Workgroup to develop a white paper that summarizes the need, opportunity, and risks of potential expansion of the SWP storage capacity.

Infrastructure Safety	<p>Work with DWR and member agencies to plan and ensure SWP infrastructure safety by:</p> <ul style="list-style-type: none"> Tracking SWP seismic vulnerability studies and begin planning/preparing for realistic response and recovery. Tracking SWP dam safety - expanded focus and regulatory requirements on dam safety, including the Oroville Dam Comprehensive Needs Assessment, to ensure timely remediation. Fire modernization project for all SWP plants.
Infrastructure Affordability	<p>Work with DWR and member agencies on measures to improve SWP infrastructure affordability with a focus on:</p> <ul style="list-style-type: none"> Supporting and assisting in the development of a capital investment plan that relies on asset management data to ensure affordability and certainty in the SWP budgeting process. Seeking opportunities and working with members to obtain outside State and Federal funding for repairs and modification for co-owned (State Water Project – Central Valley Project) facilities, damages sustained beyond normal SWP operations, and for climate change resiliency. Tracking implementation of SWP initiatives, quarterly budget reviews, Business Case Evaluations, Value Engineering Studies, and asset management informed processes.
Business Processes	
Budgets	<ul style="list-style-type: none"> Promote DWR’s development, management, and analysis of a SWP budget to minimize annual variances and to ensure reasonable revenue requirements and to facilitate contractors’ short-term planning and budgeting efforts.
Financial Projections	<ul style="list-style-type: none"> Promote the development of a SWP long-term forecast and the analysis of historical data to predict future SWP cost trends and outcomes to ensure long-term affordability and to facilitate contractors’ long-term planning efforts.
Financial Resources, Revenue Requirements, and Investments	<ul style="list-style-type: none"> Promote business processes that optimize the development of economical revenue requirements (Statement of Charges) and optional funding sources to ensure sustainable affordability into the future.
Energy	
Senate Bill No. 49 (Energy: Appliance Standards and SWP Assessment) Report	<ul style="list-style-type: none"> Collaborate with DWR to brief stakeholders on the report’s content and advocate for appropriate funding sources for identified tracks.
Energy Roadmap	<ul style="list-style-type: none"> Work with DWR to continue implementing and updating the Energy Roadmap to reflect recent budgetary and legislative changes, specifically incorporate strategies to meet the 2035 clean energy requirements that maintains reliable water delivery and a cost-effective power portfolio.

Science	
Endangered Species Act, California Endangered Species Act, and Water Quality Control Plan Environmental Compliance	<p>Collaborate with DWR to improve the Environmental Science Workgroup to facilitate planning and implementation of required habitat, mitigation, and monitoring, including:</p> <ul style="list-style-type: none"> • Work with DWR to hold Environmental Coordination Committee meetings at least quarterly and develop requested information relative to costs and efficacy of required monitoring and other actions. • Engage the DWR-SWC Environmental Science Work Group and hold meetings at least quarterly. • Work towards defining requirement offramps for science elements and seek permit amendments. • Ensure costs are split equitably with the United States Bureau of Reclamation. • Participate in adaptive management actions informing project operations.
Outreach	
Position Awareness	<ul style="list-style-type: none"> • Proactively drive SWC messaging and legislative positions to the media (i.e., key reporters, editorial boards), key stakeholders, legislators, and regulatory agencies to elevate the organization's position on priority issues.
SWC Management	
Accounting	<ul style="list-style-type: none"> • Oversee all financial and accounting operations. Establish financial policies, procedures, controls, and reporting systems to ensure the accuracy and integrity of financial data.
Treasury	<ul style="list-style-type: none"> • Ensure SWC retains adequate liquidity to meet the needs of its primary business operations and respond to organizational threats as needed.