



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

7/14/2026 Board Meeting

8-5

Subject

By a two-thirds vote, authorize payments of up to \$4.16 million for participation in the State Water Contractors for fiscal year 2026/27 and up to \$4.25 million for fiscal year 2027/28; 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 participating in the State Water Contractors (SWC), an association of 27 of the 29 public water agencies that have contracts with the State of California for water service from the State Water Project (SWP). Participation in this organization allows Metropolitan to advocate for effective operations and management of the SWP, with an emphasis on the reliability of SWP infrastructure, the Sacramento-San Joaquin Bay/Delta (Delta), and SWP energy resources. Metropolitan's participation enhances the effectiveness of relationships with 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 primary objectives include supporting sound financial management, supporting regulatory compliance and engagement in a Delta science program, developing energy planning and cost management, advocating for legislative and policy initiatives, enhancing outreach to communicate the value of the SWP, and improving internal processes and operational efficiency.

Staff requests authorization for the General Manager to make total payments to SWC of up to \$4.16 million for fiscal year (FY) 2026/27 and up to \$4.25 million for FY 2027/28. The recent approval of the biennial budget for FYs 2026/27 and 2027/28 authorized expenditures up to \$4.14 million in FY 2026/27 for the SWC with the remaining balance paid from Metropolitan's available prepaid balance that is currently being held by the SWC. In similar fashion, expenditures for participation in the SWC for FY 2027/28 are projected to be up to \$4.25 million, consistent with the recently approved biennial budget FYs 2026/27 and 2027/28. Metropolitan currently has a prepaid balance from previous payments to the SWC of \$1.356 million.

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

Staff Recommendation: Option #1

Option #1

By a two-thirds vote, authorize payments of up to \$4.16 million for participation in the State Water Contractors for FY 2026/27 and up to \$4.25 million for FY 2027/28.

Fiscal Impact: Expenditures for participation in SWC in FY 2026/27 would be in an amount up to \$4.16 million. Up to \$4.14 million would be paid from the approved budget, and the remaining balance would be paid from Metropolitan's current available prepaid balance with the SWC. Expenditures for participation in the SWC for FY 2027/28 are projected to be up to \$4.25 million, consistent with the recently approved biennial budget.

Business Analysis: Metropolitan benefits from the SWC representing positions with DWR, legislators, regulators, and third-party groups that advance its SWP strategic initiatives. Metropolitan also benefits from collaborative and coordinated studies, activities and advocacy provided by the SWC.

Option #2

Do not authorize the General Manager to make payments to the State Water Contractors for FY 2026/27 and FY 2027/28.

Fiscal Impact: Unexpended budgeted amounts of \$4.14 million for FY 2026/27 and \$4.25 million for FY 2027/28.

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

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 become more complex, with potential duplication 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 \$3.32 million, and leveraged \$4.95 million annually from the other SWC members. For these reasons, the 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)

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 dues increase above amounts which are authorized in this action, Metropolitan may use its prepaid balance or return to the Board for future authorization, as appropriate, to cover the need for additional funds.

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 that provide participation rights in the SWP. Collectively, there are 27 million Californians and 750,000 acres of productive farmland in the SWC members’ service areas. The SWC’s role and activities inform DWR’s policy and decision-making processes. The SWC's staff of nine employees coordinates across the SWC’s members to ensure consistent policy positions, effective messaging, and coordinated advocacy. This coordination first seeks unanimity whenever possible and then amplifies the individual agency voices. The SWC effectively represents the interests of Metropolitan and the other SWP 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 agency managers. The table below summarizes the board members and their respective class designation representatives:

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

The SWC dues are made up of 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 |
| Energy Fund | Power Use with Maximum Table A and Prior Year Energy Use |

| Fund | Basis of Allocation |
|---------------------------------------|--|
| Bay-Delta Fund | Maximum Table A with Adjustments for Metropolitan and KCWA Efforts |
| Delta Conveyance Project Fund | Presumed Participation in Project |
| Municipal Water Quality Investigation | Table A of Participating Contractors |

The SWC's work efforts and associated revenue collections for the funds are as follows:

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 50 percent (approximately \$523,000, 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 contributes to achieving favorable outcomes. Notable accomplishments of direct value to Metropolitan include:

- (1) Expanded SWC financial forecasting capabilities for Water System Revenue Bond Debt Service Billing Project settlement scenarios and supported execution of the 11th Amendment to the Tolling and Waiver Agreement.
- (2) Co-authored the Energy Roadmap with DWR and, through implementing Senate Bill 49, continued research into the potential for behind-the-meter solar generation at pumping plants.
- (3) Coordinated with DWR and stakeholders on California Aqueduct subsidence, advocated for cost-sharing and funding strategies to address land subsidence along the San Luis Canal, and led coordination and stakeholder efforts to address golden mussel risks.
- (4) Participated in a new structured decision-making process related to Incidental Take Permit requirements for summer-fall habitat actions and coordinated with DWR on environmental planning and water rights change in point of diversion.

Further accomplishments are provided in **Attachment 1**. **Attachment 2** describes SWC objectives for FY 2026/27.

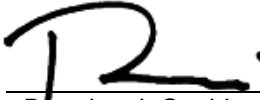
Summary of Payment Distribution

The table below summarizes the actual, budgeted, and requested payment authorization for participation in the SWC:

| | FY 2026/27 MWD Budget | Requested Authorization | |
|-------------------------------|--------------------------|-------------------------|--------------------------|
| | | FY 2026/27 Actual | FY 2027/28 MWD Budget |
| Dues Fund | \$ 1,859,344 | \$ 2,299,120 | \$ 1,915,124 |
| Energy Fund | \$ 234,773 | \$ 236,293 | \$ 241,816 |
| Bay-Delta Fund | \$ 1,232,596 | \$ 898,848 | \$ 1,269,574 |
| Delta Conveyance Project Fund | \$ 550,418 | \$ 470,259 | \$ 566,931 |
| MWQI | \$ 260,000 | \$ 260,000 | \$ 260,000 |
| Totals: | \$ 4,137,131 | \$ 4,164,520 | \$ 4,253,445 |

The payment request to SWC for FY 2026/27 is for the actual SWC dues amount, and for FY 2027/28 is based on Metropolitan’s approved budget. The actual payment request for FY 2026/27 is \$27,389 higher than the estimate provided in the approved budget. The primary driver of this difference is the Dues Fund, which reflects expanded external engagement and outreach efforts, including a SWP education campaign and higher legal costs. The FY 2027/28 budget assumed a three percent escalation from the FY 2026/27 budget for all fund components except MWQI. Metropolitan will utilize its current prepaid balance with the SWC to pay for the \$27,389 difference over the approved budget. Metropolitan’s current prepaid balance with the SWC is \$1,356,095.

The MWQI Specific Project Committee (Committee) is preparing its calendar year 2027 activities and budget for approval in December 2026. In December 2027, MWQI will approve its calendar year 2028 activities and budget. Once approved, Metropolitan will pay its share of costs, which are estimated to be up to \$260,000 for each FY 2026/27 and FY 2027/28. These costs are consistent with the budget adopted by Metropolitan.



 Brandon J. Goshi
 Manager, Water Resource Management
 6/17/2026
 Date



 Shivaji D. Shmukh
 General Manager
 6/17/2026
 Date

Attachment 1 – FY 2025/26 High Priority Accomplishments of the State Water Contractors

Attachment 2 – FY 2026/27 High Priority Objectives of the State Water Contractors

FY 2025/26 High Priority Accomplishments of the State Water 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 California Department of Water Resources (DWR) and conveyed member agencies’ perspectives. Worked on the DCP Contract Amendment approaches with the participants’ legal counsels and DWR legal. Staff provided feedback on DWR’s proposed approach and made significant progress on an approach that would largely preserve an Agreement in Principle (AIP). |
| Delta Conveyance Permitting | <ul style="list-style-type: none"> Coordinated with DWR on environmental planning, water rights change in point of diversion (CPOD) efforts, and securing the final construction biological opinion from the U.S. Fish and Wildlife Service (USFWS) for the Delta Conveyance Project. |
| Water Operations Evaluation | <ul style="list-style-type: none"> Provided monthly updates on current and projected SWP water operations, including regulatory impacts and estimated water losses related to Biological Opinions (BiOps)/ Incidental Take Permit (ITP) implementation. Provided weekly water operations dashboard updates focused on SWP water supply operations. |
| Update to the Bay-Delta Water Quality Control Plan | <ul style="list-style-type: none"> Reviewed the second and third drafts of the Program of Implementation, provided comments and participated in the State Water Board public workshops. Participated in Healthy Rivers and Landscapes (HRL) flow operations dry run with DWR, United States Bureau of Reclamation (USBR), State Water Resources Control Board (SWRCB), and other parties to support implementation planning and resolve HRL flow accounting issues. |
| Water Supply and Operations Improvements | <ul style="list-style-type: none"> Worked closely with DWR to offramp Fall X2 action in 2025. Participated in real-time operations tracking workgroups such as the Delta Monitoring Workgroup that is responsible for providing feedback on the real-time operational decisions/recommendations to the Water Operations Management Team. Reviewed and provided comments on USBR’s revised Record of Decision regarding new operational criteria for long-term Central Valley Project (CVP) and State Water Project (SWP) operations under federal Endangered Species Act requirements (ESA). |
| Infrastructure | |
| Infrastructure Reliability | <ul style="list-style-type: none"> Coordinated with DWR and stakeholders on California Aqueduct subsidence, established a San Luis Canal stakeholder process, and addressed potential delivery impacts to raise awareness and support repair planning. Monitored the implementation of the Oroville River Valve Outlet System (RVOS) project and the Fire System Modernization Program to help ensure infrastructure reliability. Led coordination and stakeholder efforts to address golden mussel risks and support development of cost-effective mitigation strategies to protect long-term SWP reliability. |

| Objective | Accomplishments |
|--|---|
| Capacity Retention | <ul style="list-style-type: none"> • Planned recurring SWC Operations Maintenance and Engineering (OME) Committee meetings with regular agenda items and discussions on planned and forced outages, review of incident reports, and field division updates. • Reviewed and advocated for subsidence interim projects and tracked ongoing projects, including condition assessments, forced outages, scheduled maintenance, and electrical equipment. • Tracked implementation of DWR’s SWP Strategic Asset Management Plan, reviewed Aging Infrastructure Report metrics, engaged with DWR management on member agency perspectives, and monitored and distributed SWP operating availability reports. |
| Infrastructure Safety | <ul style="list-style-type: none"> • Continued to highlight dam safety efforts quarterly at OME meetings. DWR’s Dam Safety Program created risk-informed processes for inspections, engineering assessments, and modernization of all SWP dams, and these efforts are routinely reviewed at OME meetings. |
| Infrastructure Affordability | <ul style="list-style-type: none"> • Reviewed DWR’s SWP charters, budget-to-actual expense comparisons, and Asset Management Plan development to support appropriate cost classification, cost justification, and asset management-based decision making. • Advocated for cost-sharing and funding strategies to address land subsidence along the San Luis Canal, coordinated evaluation of potential local funding partnerships, and supported legal and policy efforts related to subsidence impacts near SWP facilities. |
| Financial Management | |
| SWP Budget Oversight | <ul style="list-style-type: none"> • Refined and supported contractor engagement on DWR’s capital forecasting (2026–2040), transitioning it to a planning tool for supporting rate predictability and long-term affordability, with inclusion of major capital improvements such as aqueduct subsidence, habitat expansion agreement projects, Perris Dam remediation projects, fire and life safety modernization at all facilities. |
| Statement of Charges(SOC) | <ul style="list-style-type: none"> • Expanded and refined SWC financial forecasting capabilities to reflect Water System Revenue Bond (WSRB) Project settlement scenarios, issuance of new WSRB 2026 Series A bonds, and updated transmission and energy cost forecasts. |
| Water System Revenue Bond Debt Service Billing Project | <ul style="list-style-type: none"> • Continued contractor education and coordination on the Water System Revenue Bond Project and capital financing structures to support understanding of debt service impacts, long-term financial requirements to develop settlement principles, and contractor positions. • Created WSRB Project settlement outcomes under multiple scenarios and policy decisions to forecast individual contractor impacts based upon different settlement outcomes that impact contractors through 2035. |
| Protested Item Resolution and Improvement of DWR Internal Controls | <ul style="list-style-type: none"> • Advanced resolution of long-standing protest items through ongoing coordination with DWR Contract Billing Support, reducing 14 items across the 2025–2026 SOC’s and narrowing financial and legal exposure. • Supported execution of the 11th Amendment to the Tolling and Waiver Agreement, extending the tolling period through June 30, 2028, to preserve contractor rights while negotiations continue. |

| Objective | Accomplishments |
|--|---|
| Energy | |
| Implement Senate Bill 49 Report | <ul style="list-style-type: none"> Continued research into 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 Roadmap | <ul style="list-style-type: none"> Co-authored Energy Roadmap with DWR, held subgroup meetings to discuss technical aspects of energy markets and achievement of 2035 clean energy goals, and reconstituted Risk Oversight Committee to increase coordination, communication, and cooperation on energy-related strategies. |
| Energy Legislation | <ul style="list-style-type: none"> Met with legislators to discuss potential Transmission Access Charge reforms and ways to reduce transmission costs to ratepayers. |
| Science | |
| Endangered Species Act (ESA), California Endangered Species Act (CESA), and Water Quality Control Plan (WQCP) Environmental Compliance | <ul style="list-style-type: none"> Participated in a new structured decision-making (SDM) process related to ITP requirements for summer-fall habitat actions. Worked with DWR to hold the Environmental Coordination Committee (ECC) meetings quarterly, with continuing improvement in the information provided in this committee. Coordinated with DWR to hold the DWR-SWC Environmental Science Work Group (ESWG) meetings quarterly, with continuing engagement from attendees. |
| Collaborative Science and Adaptive Management Program | <ul style="list-style-type: none"> Provided funding for Bay-Delta science support and cost share. |
| Outreach | |
| SWP Education and Position Awareness | <ul style="list-style-type: none"> Conducted strategy and coalition management around priority issues, including the DCP and the Water Board’s consideration of the HRL Program. Participated in media interviews for stories on various water issues impacting California and the SWP, allowing the SWC to clearly outline its position and priorities on local, state, and national issues. Monitored daily media clips to inform messaging and, when needed, responded to inaccurate or imbalanced reporting. |
| 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. |

FY 2026/27 High Priority Objectives of the State Water Contractors

| Objective | Description |
|---|--|
| Water Supply | |
| Delta Conveyance Project (DCP) | <ul style="list-style-type: none"> • Complete Draft Contract Amendment • Complete Financing Plan • Continued engagement in permitting support • Support Delta Conveyance Design and Construction Authority (DCA) Joint Exercise of Powers Agreement (JEPA) and DCP Design and Cost Estimate Updates • Continued DCP outreach and education |
| Water Quality Control Plan (WQCP)/Healthy Rivers and Landscapes (HRL) | <ul style="list-style-type: none"> • Adoption of Updated WQCP to SWC’s satisfaction • Resolution of HRL billing mechanism for SWP • Engage in ongoing curtailment methodology • Engage in legal processes to protect State Water Contractors (SWC) position on WQCP |
| Environmental Regulations | <ul style="list-style-type: none"> • Secure permanent Fall X2 offramp Amendment for SWP • Secure Incidental Take Permit (ITP) amendments for export operations flexibility • Pursue California Endangered Species Act (CESA) Consistency Determination for future consultations • Ensure Healthy Rivers and Landscapes Program spring outflow implementation in ITP (if HRL adopted) |
| Infrastructure | |
| Subsidence Funding and Repairs | <ul style="list-style-type: none"> • Develop a stakeholder decision-making process • Develop a funding plan with California Department of Water Resources (DWR), United States Bureau of Reclamation (USBR), State Water Project (SWP), and Central Valley Project (CVP) contractors • Coordinate regional subsidence and groundwater data collection and monitoring workshops and establish, at a minimum, a shared responsibility for implementation • Ensure the most reliable and affordable long-term subsidence alternative is implemented • Work with water user coalition to secure as much public funding as possible; pursue other sources as necessary • Develop and implement a process with DWR for containing SWP design, project management, and construction management cost |

| Objective | Description |
|---|---|
| Financial Management | |
| Water System Revenue Bond (WSRB) Debt Service Billing Project | <ul style="list-style-type: none"> Organize and lead settlement negotiations, including technical and policy support and coordination Complete settlement with California Department of Water Resources; implement outcomes in 2028 Statement of Charges (SOC) |
| Other State Water Project Financial Management | <ul style="list-style-type: none"> Develop solutions for recreational costs DWR forecasting 5-10 years by contractor Update Energy Forecast/transition to DWR |
| SWP-CVP Cost Share | <ul style="list-style-type: none"> Develop a process to ensure SWP projects requiring CVP cost are funded, and cost share is secured prior to project commencement |
| Energy | |
| Oroville Hydropower License | <ul style="list-style-type: none"> Utilize Lake Oroville Relicensing Team to determine and manage license cost impacts and allocations, implementation timeframes, and successful outcomes Ensure successful implementation of the Habitat Expansion Agreement |
| Energy Costs and Compliance | <ul style="list-style-type: none"> Pursue California Independent System Operator (CAISO) Initiatives of Interest – Technical Advisory Committee (TAC) / Convergence Bidding / Real-Time Load Bidding Work with DWR to understand and influence clean energy procurement strategies and costs associated with 2035 target Update Energy Roadmap |
| Science | |
| SWC Science Program | <ul style="list-style-type: none"> Coordinate on planning and implementation of Endangered Species Act (ESA), California Endangered Species Act, and Water Quality Control Plan compliance actions Develop hypotheses on key limiting management uncertainties/mechanisms of outflow-fish relationships Fund scientific investments to address outflow management questions in the SWC Science Plan Fund scientific investments to address non-operational stressor management questions in the SWC Science Plan Host science symposium for agriculture Provide administrative support for Municipal Water Quality Investigation (MWQI), participate in MWQI team meetings, and define areas of alignment |

| Objective | Description |
|-------------------------------|--|
| Outreach | |
| SWC Outreach | <ul style="list-style-type: none"> • Demonstrate the benefits and value of the State Water Project to California • Inoculate against threats to the reliability, affordability, and operation of the State Water Project • Amplify the SWC’s position on key issues among decision makers and influencers |
| State and Federal Legislation | <ul style="list-style-type: none"> • Work with water user coalition to maximize state funding for subsidence • Secure passage of bill for water rights time extension • Work with water user coalition to maximize federal funding for subsidence • Secure amendments to Senate Bill (SB) 1020 statute to reduce costs of implementation • Secure amendments to SB 1020 statute to reduce costs of implementation • Secure passage of a Technical Advisory Committee California Public Utilities Commission (CPUC) Study Bill • Advocate SWC position on budget proposals, legislation and other efforts (audits, hearings, etc.) |
| SWC Management | |
| Business Processes | <ul style="list-style-type: none"> • Installing new cloud-based server • Streamline SWC business and operations processes • Implement Laserfiche software to integrate paperless filing and document management for SWC |