



One Water & Stewardship Committee

Authorize agreements with Western Canal Water District and Richvale Irrigation District for water transfer options and first rights of refusal during 2025 through 2027

Item 7-7

October 7, 2024

Item 7-7 Water Transfer Agreements

Subject

Authorize the General Manager to enter into agreements with Western Canal Water District and Richvale Irrigation District for water transfer options and first rights of refusal during 2025 through 2027.

Purpose

These agreements would improve access to limited north-of-Delta water transfer supplies and increase drought reliability for the SWP dependent area.

Recommendation and Fiscal Impact

Authorize the General Manager to enter into agreements with Western Canal Water District and Richvale Irrigation District for water transfer options and first rights of refusal during 2025 through 2027. The agreements provide for a one-time upfront option payment of \$500,000 total and annual water purchase payments of up to \$51 million if called.

Recommendation and Fiscal Impact

Not budgeted. Costs would be sourced from budgeted funds from the Water Supply Program and State Water Project budget

Background

Water transfers help meet demands

Approach for dry and critical years

Board authorized the General Manager to secure up to \$50M of water transfers in 2024

Funded by unused Water Supply Program and SWP Budget

Past participation in the dry-year transfer program with State Water Contractors

Limited availability and access



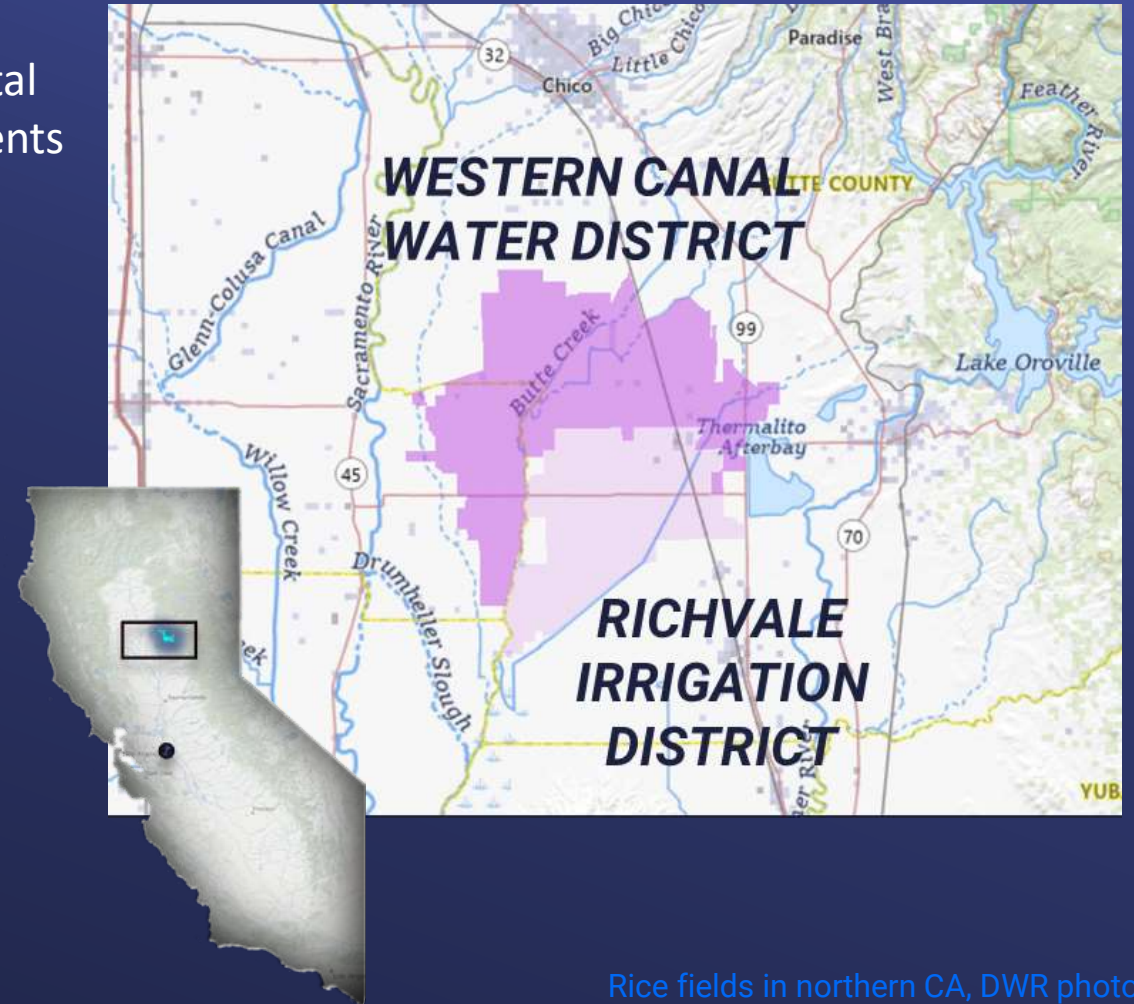
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Exploring new partnerships and approaches to water transfer arrangements

- Improve access to limited supplies
- Increase drought reliability for the SWP-dependent area

Multi-Year Option – Proposed Agreements

- One agreement for each seller
 - Western Canal Water District
 - Richvale Irrigation District } two total agreements
- Term: 2025-2027
- One-time option payment to each seller for first right of refusal on crop idling water transfers
- Water purchase price based on final SWP allocation



Rice fields in northern CA, DWR photo

Fiscal Impact

- February 2024: Board authorized the General Manager to secure up to \$50 million of water transfers if needed
 - Funding from unused Water Supply Program and SWP Budget

	FY 24/25	FY 25/26	FY 26/27
Option Payment	\$500,000	\$0	\$0
Water Purchase Payments	Up to \$51M	Up to \$51M	Up to \$51M
Total	Up to \$51.5M	Up to \$51M	Up to \$51M
Source of Funds	Unused Water Supply Program and State Water Project Budget		Budget request for Water Supply Programs

September Committee Input

The agreement term is too short

- Sellers have environmental coverage through 2027
- Term covers a period of time under which Metropolitan is developing drought actions to address SWP-dependent area

What if we don't get any water?

- No remedy for wet conditions or curtailment of seller supply
- Agreement provides for the pro-rated return of option payment if Metropolitan calls on water and the seller does not offer a minimum amount
- Option payment is an insurance policy for the SWP-dependent area

Budget concerns

- Staff anticipates unspent funds in call years

Benefits



Increase
Metropolitan's
flexibility in managing
water resources

Better planning and response to
fluctuating hydrologic conditions

Securing available
water supplies from
trusted sources reduces
the risk of shortages



Maintain consistent service to customers

Exclusive first-right access
to limited north-of-Delta
transfer supplies



Stability in
purchase
price



Building partnerships
with north of Delta
agricultural districts



Board Options

Option 1

- Authorize the General Manager to enter into agreements with Western Canal Water District and Richvale Irrigation District for water transfer options and first rights of refusal during 2025 through 2027

Option 2

- Do not authorize the General Manager to enter into agreements with Western Canal Water District and Richvale Irrigation District for water transfer options and first rights of refusal during 2025 through 2027

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Staff Recommendation

- Option 1

