



● **Board of Directors**  
***Water Planning and Stewardship Committee***

2/8/2022 Board Meeting

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**7-8**

**Subject**

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Authorize: (1) agreement with the State Water Contractors, Inc. to pursue 2022 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**

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Staff is seeking authorization to enter into an agreement with the State Water Contractors, Inc. (SWC) to pursue potential 2022 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 2022.

**Timing and Urgency**

Metropolitan is preparing for possible transfer negotiations in the spring of 2022. The SWC seeks an initial commitment from participants in February 2022 in preparation for a potential transfer agreement in the spring of 2022.

**Details**

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**Background**

Staff seeks authorization for the General Manager to enter into an agreement with SWC to pursue water transfer supplies for 2022. In recognition of the currently low 15 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 2022. Metropolitan entered into similar agreements with SWC to pursue transfers in eight of the last sixteen years. Staff recommends reserving the option to purchase transfer supplies to maximize flexibility as the water year develops. If the SWP supplies improve, transfer supplies could help support SWP supplies for 2023.

Staff proposes that Metropolitan enter into an agreement, similar to previous years, among the potential buyers and SWC for 2022 water transfers. SWC staff coordinate and administer 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 to cover SWC's and sellers' administrative costs, including potential litigation costs. Depending on 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 2022. 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 water supply conditions, participation levels, and prices. Metropolitan will receive a refund of any unused administrative deposit 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 2022, consistent with Metropolitan's Water Surplus and Drought Management Plan. Staff will return to the

Board later this spring to recommend the purchase of transfer supplies negotiated through the SWC buyers group and any related agreements necessary to complete the transfers.

**Policy**

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Metropolitan Water District Administrative Code Section 4203: Water Transfer

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

**California Environmental Quality Act (CEQA)**

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**CEQA determination for Option #1:**

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action involves an agreement with State Water Contractors to pursue water transfer supplies for 2022 associated with the operation of existing public water conveyance facilities with negligible or no expansion of use and no possibility of significantly impacting the physical environment. Accordingly, this proposed action qualifies for a Class 1, Categorical Exemption (Section 15301 of the State CEQA Guidelines).

**CEQA determination for Option #2:**

None required

**Board Options**

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**Option #1**

- a. Authorize the General Manager to enter into an agreement with the State Water Contractors, Inc. to pursue 2022 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 of 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 2021/22 budget. If Metropolitan does not participate, most of the deposited funds would be returned.

**Business Analysis:** Approval will improve dry-year reliability consistent with implementing 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.

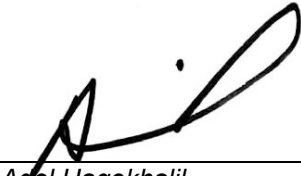
**Staff Recommendation**

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Option #1

  
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 Brad Coffey  
 Manager, Water Resource Management

2/2/2022  
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 Date

  
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 Adel Hagekhalil  
 General Manager

2/3/2022  
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 Date