



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

8/16/2022 Board Meeting

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**7-12**

**Subject**

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Authorize payments, by a two-thirds vote, of up to \$3.75 million for participation in the State Water Contractors for FY 2022/23; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

**Executive Summary**

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This action requests authorization to continue funding and participation in the State Water Contractors (SWC). Participation in this organization allows Metropolitan to advocate for the effective management of the State Water Project (SWP), particularly related to operations and activities in the Bay-Delta. The SWC provides a unified voice among the contractors to provide input to the California Department of Water Resources (DWR) on management of the SWP.

The requested authorization amount is up to \$3.75 million, which is less than the \$4.07 million included in Metropolitan's fiscal year (FY) 2022/23 budget.

**Details**

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**State Water Contractors**

The SWC is a nonprofit association of 27 public agencies from northern, central, and southern California with contracts to purchase water from the SWP. 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's work efforts and associated revenue collections encompass five areas:

1. Dues Fund – Provides funding for SWC activities, including general operating expenses, to support activities such as DWR cost management, ensuring sufficient infrastructure and water supply reliability, and water quality.
2. Energy Fund – Provides funding for SWC staff and consultants working with DWR to develop and implement energy strategies to obtain cost-effective energy for the SWP.
3. Bay-Delta Fund – Supports SWC participation in Bay-Delta fish monitoring, environmental review processes, coordinated activities with the Central Valley Project, protection of existing operations, collecting scientific data, and planning for the future.
4. Delta Conveyance Project Fund – Supports SWC involvement in the Delta Conveyance Project planning activities, such as assisting in the development of permit and environmental documentation and policy and technical support on project benefits.
5. Municipal Water Quality Investigations (MWQI) Specific Project Committee – Provides SWP contractors with water quality information as it relates to drinking water regulations through conducting specialized scientific studies, research, and investigations.

The united voice of the SWC provides value in achieving favorable outcomes. Refer to **Attachment 1** for a more detailed report on SWC accomplishments in FY 2021/22 and **Attachment 2** for objectives for FY 2022/23.

### **Summary of Payment Distribution**

The table below summarizes the current and proposed costs for participation in the SWC:

<u>SWC Payments</u>	<b>FY 2022/23</b>	<b>FY 2021/22</b>
Dues Fund	\$ 1,698,105	\$ 1,423,818
Energy Fund	\$ 234,971	\$ 241,211
Bay-Delta Fund	\$ 1,108,684	\$ 910,740
Delta Conveyance Project Fund	\$ 449,955	\$ 801,578
MWQI	\$ 260,000	\$ 179,985
<b>Total:</b>	<b>\$ 3,751,715</b>	<b>\$ 3,557,332</b>

The cost increase from FY 2021/22 is primarily due to legal support for Bay-Delta activities and additional funding for outreach consulting. In total, Metropolitan's payment to the SWC for FY 2022/23 is approximately \$314,000 below what was included in Metropolitan's budget. In large part, this is due to the SWC reducing the collection of reserves in the Delta Conveyance Project fund for anticipated legal costs.

The MWQI Specific Project Committee is preparing its calendar year 2023 activities and budget to be approved in December 2022. When approved, Metropolitan will pay its share of costs. Staff requests approval to pay up to \$260,000 for funding the Committee. This amount is consistent with the FY 2022/23 budget.

### **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.

### **California Environmental Quality Act (CEQA)**

#### **CEQA determination for Option #1:**

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State of CEQA Guidelines).

#### **CEQA determination for Option #2:**

None required

### **Board Options**

#### **Option #1**

By a two-thirds vote, authorize the General Manager to make payments of up to \$3.75 million to the State Water Contractors for FY 2022/23.

**Fiscal Impact:** Expenditures for participation in SWC in FY 2022/23 would be up to \$3.75 million, funded within the FY 2022/23 budget. The authorization is approximately \$314,000 less than the approved FY 2022/23 budget for participation in the SWC.

**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 a payment to the State Water Contractors for FY 2022/23.

**Fiscal Impact:** Savings up to \$3.75 million

**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.

**Staff Recommendation**

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Option # 1

  
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Brad Coffey  
Manager, Water Resource Management

7/25/2022

Date

  
\_\_\_\_\_  
Adel Hagekhalil  
General Manager

7/29/2022

Date

**Attachment 1 – FY 2021/22 High Priority Accomplishments of the State Water Contractors**

**Attachment 2 – FY 2022/23 High Priority Objectives of the State Water Contractors**

Ref# wrm12683599

**FY2021/22 High Priority Accomplishments of the State Water Project Contractors****WATER SUPPLY****Delta Conveyance Technical/Policy Support**

- Developed information needed for the Board packages for the Delta Conveyance Project (DCP) second tranche of supplemental planning funding.
- Participated in DCP technical and policy discussions with the Department of Water Resources (DWR) and provided member agencies' perspectives.
- Provided monthly updates to keep the participants apprised of the DCP activities and policy issues.

**Delta Conveyance Permitting**

- Maintained significant engagement with DWR on Delta Conveyance environmental planning and permitting.
- Appraised member agencies and coordinated on the DCP environmental planning efforts through weekly meetings.
- Reviewed the administrative draft sections of the EIR.

**Update to the Bay-Delta Water Quality Control Plan (WQCP)**

- Continued to collaborate with DWR, California Department of Fish and Wildlife (CDFW), California State Water Resources Control Board (SWRCB), California Natural Resources Agency (CNRA), California Environmental Protection Agency (CalEPA), United States Bureau of Reclamation (USBR), and other water users to develop a Memorandum of Understanding for the proposed Voluntary Agreement outlining flow and habitat actions, key legal parameters, and decision making for consideration by the SWRCB in the Water Quality Control Plan update.
- Continued to lead water user efforts to define the early implementation actions and identify additional steps needed for SWRCB evaluation.

**Drought Planning**

- Collaborated with DWR management, State Water Project (SWP) operators, and member agencies' management and staff on the drought planning for water year (WY) 2022.
- Worked with DWR to obtain funding for the member agencies' drought projects.
- Engaged with Delta watermaster and SWRCB staff on potential illegal diversion of the stored water and provided feedback on the State Board's water unavailability methodology.

**INFRASTRUCTURE****Infrastructure Reliability**

- Continued to lead discussions within the Operations, Maintenance, and Engineering (OME) Committee and directly with DWR management/executives to emphasize member agencies' interest in the reliability of SWP infrastructure and track the myriad of ongoing projects resulting from condition assessments or forced outages.

- Worked with DWR to provide coordination and communication with the West Branch members during the lowering of Castaic Reservoir to accommodate construction of the necessary seismic fortification work for the outlet tower access bridge.
  - Retained a consultant to develop a general maintenance plan to help facilitate future South Delta channel maintenance for the removal of silt accumulations to benefit SWP deliveries, the environment, and farming irrigation in the region.
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### **Capacity Retention**

- Continued to lead discussions and represent the interest of member agencies within the OME Committee and directly with DWR management/executives to emphasize the importance of maintaining the capacity of the SWP.
  - Performed extensive coordination with DWR and member agencies related to subsidence of the California Aqueduct, which is the single largest, most expensive long-term capacity threat to the SWP. Represented member agencies' interest in the consulting review board meetings and the development of DWR's subsidence remediation strategic plan formation. Participated in coordination meetings with DWR, USBR, San Luis & Delta-Mendota Water Authority, and Friant Water Authority. Continued to pursue funding options.
  - Tracked short-term capacity issues related to weeds, water quality, and incidents and damages to the SWP delivery infrastructure.
  - Formed and facilitated the SWP Storage Expansion Workgroup to study concepts and opportunities for future increases in SWP storage facilities.
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### **Infrastructure Safety**

- Continued to lead discussions and represent the interest of member agencies within the OME Committee and directly with DWR management/executives to track projects, policies, and expenditures related to DWR's upgrade projects on both physical and cyber security of the SWP and infrastructure safety as it relates to the public and DWR employees.
  - As a result of the heightened focus on dam safety following the Oroville spillway incident, continued quarterly meetings of the Dam Safety Committee, a subcommittee under the OME Committee, were held. The meetings served as a forum for member agencies to obtain more in-depth updates on DWR's expanding dam safety program and specific details on the recently elevated inspections and evaluations, engineering assessments, and modernizations of all SWP dams.
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### **Infrastructure Affordability**

- Continued to lead discussions and represent the interest of member agencies within the OME Committee and directly with DWR management/executives to emphasize the importance of SWP infrastructure affordability with emphasis on a realistic capital improvement planning approach using DWR's new Asset Management Program. Performed annual reviews of the budgets and prioritization of all Operations and Maintenance (O&M) extraordinary and capital SWP-related projects. Held bimonthly reviews/discussions on individual project charters, which included cost magnitude and changes, cause and effects of changes in scope and timeline, cost categorization, and Central Valley Project (CVP) cost sharing where applicable. Performed quarterly reviews of O&M and Engineering Division plan versus actual budget tracking.

- Engaged with DWR on the affordability workshop. Organized a series of discussions between members and DWR management/executives to articulate members' concerns about the proposed positions in budget augmentations proposals, which would add permanent additional O&M expenses to the SWP.
- Continued to work closely with DWR and members' staff and lobbyist to seek opportunities to obtain funding to help reasonably offset SWP expenses.

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## **BUSINESS PROCESSES**

### **Budgets**

- Continued to work on advancing the Process of Affordability concepts and enhancing budget information provided during DWR's annual Financial Management Conferences with the Joint SWC-DWR Affordability Workgroup.

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### **Financial Projections**

- Continued to provide 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 Contract Extension Cost Compression Model.
- Continued to develop and enhance SWC SWP budget reports within the Tableau dashboards to improve forecasting and trend analysis of billing components.

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### **Financial Resources, Revenue Requirements, and Investments**

- Provided a starting draft of the DCP Contract Amendment based on the March 2021 Agreement in Principle, which included the terms for billing and cost recovery for the DCP facilities, to the SWC-DWR Legal Team.
- Developed a committee charter for the Audit and Finance Committee.

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## **ENERGY**

### **Senate Bill (SB) No. 49 (Energy: Appliance Standards and SWP Assessment) Report**

- Engaged with DWR on the development and completion of the SB No. 49 Report. Provided feedback on all nine tracks, including the potential for future discussions on items related to water delivery flexibility and siting of renewable energy resources. Conducted outreach to legislators and other leaders, including voicing support for elements of the report before the California Water Commission.

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### **Co-Author Energy Roadmap with the DWR**

- In conjunction with DWR and members, co-developed a draft of the roadmap and reviewed it. The Energy Roadmap contains eleven sections, including the historical energy management of the SWP, past successful collaborations, core values of protecting the SWP's mission of delivering water, an interim action plan, and a communications plan to educate other stakeholders, leaders, and interested parties.
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**SCIENCE****Endangered Species Act (ESA), California Endangered Species Act (CESA), and WQCP Environmental Compliance**

- Continued to coordinate with DWR on implementation of the Incidental Take Permit (ITP), 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****SWC Position Awareness**

- Participated in media interviews for stories on various water issues impacting California and the SWP, allowing for the SWC to clearly outline its position and priorities on local, state, and national issues.
- Participated in panel discussions, conferences, and briefings with stakeholders, legislators, and regulatory agencies to discuss the SWP and other relevant issues, including energy, state and federal legislation and initiatives, the Delta and the environment, reliance on the SWP, Delta Conveyance, Voluntary Agreements, and other upcoming projects and priorities.
- Continued to distribute statements and press releases on priority issues, including SWP contract amendments, the Delta Conveyance project, Voluntary Agreements, key legislation, climate, and drought conditions.
- Developed and distributed an informational and educational White Board video in collaboration with the DWR Save Our Water team to illustrate the importance of conservation during the current drought.

**SWC MANAGEMENT****Accounting**

- Maintained internal financial records and provided regular reports to management and the Board of Directors.

**FY2022/23 High Priority Objectives of the State Water Project Contractors**

<b>Objective</b>	<b>Description</b>
<b>Water Supply</b>	
Delta Conveyance Technical/Policy Support	Provide technical and policy support to State Water Contractors (SWC) members that are Delta Conveyance Project (DCP) participants on benefits and permitting.
Delta Conveyance Permitting	Support development of necessary permits and environmental documentation related to the Delta Conveyance Facility.
Drought Planning	<p>Given the dire hydrologic conditions for the last two consecutive years, help with the State Water Project (SWP) drought planning and keeping SWC members apprised frequently.</p> <ul style="list-style-type: none"> <li>• Work with Department of Water Resources (DWR) staff and SWC members to identify and implement near-term Delta and/or upstream operations strategies to minimize impacts to SWP water supply.</li> <li>• Work with DWR staff and SWC members to plan for a potentially dry water year 2023.</li> <li>• Track development of updated forecast modeling.</li> <li>• Track and participate in State Water Resources Control Board (SWRCB) activities.</li> </ul>
Update to the Bay-Delta Water Quality Control Plan (WQCP)	Participate in Voluntary Agreement development and discussions, and related activities. Support governance and science basis analyses.
Water Supply and Operations Improvements	Work towards defining flexible California Endangered Species Act (CESA) and Endangered Species Act (ESA) requirements, if possible, as part of the upcoming reconsultation on the Central Valley Project (CVP)-SWP long-term operations. Identify potential risks to SWP and develop strategies to minimize the exposure.
<b>Infrastructure</b>	
Infrastructure Reliability	<p>Work with 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"> <li>• Continue to work on the development/documentation/implementation of an asset management plan and capital improvement program.</li> <li>• Develop a tracking/communication process to better understand the roll-out and addition of future SWP-funded positions and the resulting benefits.</li> <li>• Assess maintenance management systems to better identify vulnerabilities, the required risk mitigation strategies, and management policy and objectives. Advocate for appropriate priorities and affordability.</li> </ul>
Capacity Retention	<p>Work with DWR to determine impacts and potential remedies to both delivery capacity and storage within SWP reservoirs with a focus on:</p> <ul style="list-style-type: none"> <li>• Subsidence in the San Joaquin Valley, machine outages, power outages, regulatory requirements, weeds/debris, and water quality.</li> <li>• Advocate for projects, repairs, procedures, and studies to assure that capacity is restored or preserved to assure long-term operational capacity that meets realistic needs under the current demands and export restrictions.</li> <li>• Work with the SWC Storage Workgroup to develop a white paper that summarizes the need, opportunity, and concepts for possible future expansion of SWP storage capacity.</li> </ul>
Infrastructure Safety	<p>Work with DWR and member agencies to plan and ensure SWP infrastructure safety with a focus on:</p> <ul style="list-style-type: none"> <li>• Track SWP seismic vulnerability studies and begin planning/preparing for realistic response and recovery.</li> <li>• Expanded focus and regulatory requirements on dam safety.</li> <li>• Track Oroville Dam Comprehensive Needs Assessment project development in addition to other SWP Dam Safety projects to assure timely remediation.</li> <li>• Fire modernization project for all SWP plants.</li> </ul>



Objective	Description
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"> <li>• Support business practice efforts for affordability process development, as well as the annual Bulletin132 budget development, to assure proper alignment with the aforementioned objectives.</li> <li>• Improve illustration of future costs attributed to each infrastructure objective.</li> <li>• Seek opportunities and work with members to obtain outside State and Federal funding for repairs and modification for co-owned facilities and for damages sustained beyond normal SWP operations.</li> </ul>
<b>Business Processes</b>	
Budgets	<p>Monitor and promote DWR's development and management of an SWP budget to minimize annual variances and optimize reasonable revenue requirements</p> <ul style="list-style-type: none"> <li>• Process of Affordability Project (Forecast Budget Years 1-3)</li> <li>• Monitor DWR's Positions Budget Change Proposals</li> </ul>
Financial Projections	<p>Monitor and promote DWR's analysis, development, and management of SWP's cost trends to maximize operational readiness at an optimal cost level ensuring long-term affordability</p> <ul style="list-style-type: none"> <li>• Forecast Operations and Maintenance and Variable projections</li> <li>• Process of Affordability Project (20-Year Forecast)</li> </ul>
Financial Resources, Revenue Requirements, and Investments	<p>Monitor and assess DWR's State Water Project financial performance regarding operational goals, budgets, financial targets, and forecasts to maximize use of available revenues and optimize determination of revenue requirements.</p> <ul style="list-style-type: none"> <li>• Contract Extension Amendment including cost compression</li> <li>• Audit-Finance Committee Roadmap including Statement of Charges Workshops</li> </ul>
<b>Energy</b>	
Senate Bill No. 49 (Energy: Appliance Standards and SWP Assessment) Report	Collaborate with DWR to brief stakeholders on the content of the report and advocate for appropriate sources of funding for identified tracks.
Energy Roadmap	Co-develop with DWR a strategic plan known as the "Energy Roadmap" to develop energy policy principles for SWP investment and operational strategies.
<b>Science</b>	
Endangered Species Act (ESA), California Endangered Species Act (CESA), and WQCP Environmental Compliance	<p>Collaborate with DWR to improve the Environmental Science Workgroup to facilitate planning and implementation of required habitat, mitigation, and monitoring.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Engage the Environmental Science Work Group and hold meetings at least quarterly.</li> <li>• Work towards defining requirement offramps for science elements and seek permit amendments.</li> <li>• Ensure costs are split equitably with the United States Bureau of Reclamation (USBR).</li> </ul>
<b>Outreach</b>	
Position Awareness	Proactively drive SWC messaging and legislative positions to the media, key stakeholders, legislators, and regulatory agencies to elevate the organization's position on priority issues.
<b>SWC Management</b>	
Accounting	Oversee all financial and accounting operations. Establish financial policies, procedures, controls, and reporting systems to ensure the accuracy and integrity of financial data.
Treasury	Ensure SWC retains adequate liquidity to meet the needs of its primary business operations and respond to organizational threats, as needed.