



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

4/8/2025 Board Meeting

7-14

Subject

Authorize the General Manager to terminate the Long Beach Conjunctive Use Program Agreement; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff recommends that the General Manager be authorized to enter into agreements to terminate six inactive Conjunctive Use Program (CUP) agreements. The six inactive agreements include Compton, Foothill Area, Live Oak Basin, Long Beach, Long Beach Expansion into Lakewood, and Orange County CUPs. The six programs have been inactive for a variety of reasons, including lack of local agency support, groundwater contamination concerns, or leadership changes. Staff has coordinated with the member agencies involved with the listed projects, and the consensus of both member agencies and staff is to terminate the agreements.

The subject of this board action is to terminate the Long Beach CUP agreement. Termination of the Long Beach CUP agreement will reduce Metropolitan costs in the current biennium by approximately \$26,000 and \$27,000 in future years due to the elimination of administrative fee payments, and approximately \$1.6 million in avoided costs related to the sharing of extraction costs that would otherwise be made by Metropolitan to Long Beach if the agreement were to remain in effect. This action will also result in \$9.3 million in additional revenue from the sale of the remaining water to Long Beach in the current biennium. A summary of the CUP programs is provided in **Attachment 1**.

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

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to terminate the Long Beach Conjunctive Use Program Agreement.

Fiscal Impact: Terminating the agreement would relieve Metropolitan of administrative fees and result in a reduction of budgeted Supply Program costs of \$26,409 in FY2024/25 and \$53,478 through the term of the existing agreement. In addition, the cost-sharing agreement for financial credits offsetting O&M and power costs will result in a total reduction of \$1.6 million in expected expenditures from the Supply Program budget.

Business Analysis: This action will reduce Metropolitan costs in the current biennium by approximately \$1.7 due to the elimination of administrative fee payments and share of the extraction credits that would have been made by Metropolitan if the agreements had remained in effect. In addition, Metropolitan would generate an additional \$9.3 million in revenue due to the sale of the 6,678 acre-feet remaining in the account.

Option #2

Do not authorize the General Manager to terminate the Long Beach CUP agreement, which would allow the Long Beach CUP agreement to terminate on its current schedule.

Fiscal Impact: Cost savings or increased revenue in this biennium will not be achieved.

Business Analysis: Not terminating now will leave this agreement on its original schedule, and no cost savings or increased revenue will be realized in this biennium. Revenue generation would be deferred to 2027.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 4209: Contracts

Metropolitan Water District Administrative Code Section 4507: Billing and Payment of Water Deliveries

By Minute Item 43514, dated April 13, 1999, the Board adopted the Water Surplus and Drought Management Plan

By Minute Item 43860, dated Jan. 11, 2000, the Board approved strategies for implementing Groundwater Storage Programs within Metropolitan's service area.

By Minute Item 44210, dated Oct. 17, 2000, the Board adopted Resolution 8706 to accept the grant for funds from Proposition 13.

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

By Minute Item 44427, dated April 10, 2001, the Board gave authority to finalize agreement terms for Groundwater Conjunctive Use Projects using Proposition 13 funds.

By Minute Item 44871, dated May 14, 2002, the Board approved the Long Beach CUP.

By Minute Item 45035, dated October 8, 2002, the Board approved the Live Oak Basin CUP.

By Minute Item 45205, dated February 11, 2003, the Board approved the Foothill Area CUP.

Board Report dated May 11, 2004, reporting on the selection of Groundwater Storage Programs using remaining Proposition 13 funds.

By Minute Item 46073, dated January 11, 2005, the Board approved the Compton CUP.

By Minute Item 46301, dated July 12, 2005, the Board approved the Long Beach CUP Phase 2 expansion into Lakewood.

Summary of Outreach Completed

Presented to Member Agency Managers Meeting on February 11, 2025

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)).

CEQA determination for Option #2:

None required

Details and Background

Background

The purpose of the CUP program is to store water during wet years and extract the stored water during dry years upon a call by Metropolitan. Since 2002, more than 350,000 acre-feet has been stored in the nine CUP programs. Also, the CUP program has generated a total of about 266,000 acre-feet of yield that has benefited Metropolitan during drought and emergencies.

Metropolitan seeks ways to streamline the current program and identify measures to reduce costs and generate revenue in the CUP program. To achieve this goal, Metropolitan proposes to terminate six inactive CUP programs during this fiscal year to reduce future administrative and reimbursement costs and to generate revenue. This proposed action would terminate the Long Beach CUP.

History of the CUP Program

The 1996 Integrated Resources Plan (IRP) identified groundwater storage as an important part of Metropolitan's future water resource mix. The IRP also identified that the remaining need for long-term storage is 450,000 acre-feet, with 150,000 acre-feet per year of dry-year production.

In January 2000 (Board Item 9-5), the Board approved a hybrid framework for the development of in-region dry-year CUP. This hybrid framework for CUP included two components:

- **A case-by-case approach** where member agencies could submit proposals to Metropolitan based upon their needs and expected benefits, or Metropolitan may approach a member agency based upon an assessment of potential regional benefits; and
- **A request for proposal (RFP) approach** where member agencies would submit proposals that would be competitively ranked against specific criteria. This approach tries to standardize all Groundwater Storage Programs; however, experience has shown that not all local groundwater programs are alike. Local issues such as water quality, basin adjudication or management, and local and regional benefits are all unique, making it difficult to rank projects using specific criteria.

In January 2000, the Board also established principles for the development of conjunctive use in the service area. These principles are summarized in **Attachment 1**.

In March 2000, 65 percent of California voters approved Proposition 13 (Prop. 13), authorizing the state of California to sell \$1.97 billion in general obligation bonds for water-related projects throughout the state. In May 2020, the Governor's Annual Budget Act appropriated to the Department of Water Resources local assistance grant funds from Prop 13. From these funds, the state allocated \$45 million to Metropolitan to help finance Southern state Water Reliability Projects targeting conjunctive use projects within the Metropolitan's service area.

In November 2000, Metropolitan released an RFP for the CUP Program. Nine CUP programs were selected and approved by the Board and received funding from Prop 13 in the amount of \$45 million and Metropolitan in the amount of \$27 million. These CUP programs included: the Chino Basin, Compton, Elsinore, Foothill Area, Live Oak, Long Beach, Long Beach Expansion into Lakewood, Orange County, and Upper Claremont CUPs. Each CUP agreement has a term of 25 years with termination between 2027 and 2031, depending upon when the agreement was executed. Without this action, the Long Beach CUP agreement will terminate on June 30, 2027. Each agreement also includes provisions for capital facilities needed to perform for the program. Program facilities included treatment facilities, new wells, conveyance systems, and recharge facilities. The final disbursement of the Prop 13 and Metropolitan funding for the completion of all funded CUP facilities was achieved in May 2009.

The total storage of the CUP programs is 211,889 acre-feet with a dry-year yield of 70,296 acre-feet per year. The current balance in the CUP program is 83,607 acre-feet. Storage amounts for all the CUP programs are shown in **Attachment 1**.

Need for Action

Six CUP programs have been inactive for a variety of reasons, including lack of local agency support, groundwater contamination concerns, or leadership changes. Over time, Metropolitan has developed alternative approaches and programs for coordinated groundwater storage management that can continue to provide regional benefits that have previously come from these inactive CUP programs. Metropolitan has discussed the termination of these programs with the affected member agencies. As a result of these discussions, the program partners have expressed interest in terminating their programs early. The six inactive agreements include Compton, Foothill Area, Live Oak Basin, Long Beach, Long Beach Expansion into Lakewood, and Orange County CUPs. This

action would terminate the Long Beach CUP agreement. Regional dry-year storage levels are currently at a record high of 3.8 million acre-feet. The proposed action is not likely to significantly impact the availability of dry-year supplies. Further, termination of the inactive programs does not impact the requirements of the Prop 13 funding received and disbursed to the participating agencies for the development of the programs.

Proposed Action and General Terms

Staff recommends that the Board authorize the General Manager to enter into agreements to terminate six inactive CUP agreements. New agreements are currently required to allow for termination of the existing agreements. The existing CUP agreements do not include standard termination language, which would have allowed the parties to initiate early terminations upon written notice.


General Terms

The following conditions will apply to the agreements:

- Metropolitan and the six participating member agencies will enter into individual agreements.
- Termination of the Long Beach CUP agreement will be effective by June 30, 2025.
- The participating member agency would not be required to pay back any funds received from Metropolitan during the term of the agreement.
- No money would be due upon termination by either party unless there is water remaining in a CUP account.
- If water is remaining in the CUP account, a lump-sum sale of the amount remaining in the account at the full-service rate would occur on June 30, 2025, with Metropolitan providing a share of the projected cost to extract the stored water. The Long Beach CUP currently has a balance of 6,678 acre-feet. The City of Long Beach would purchase the full 6,678 acre-feet at the full-service treated water rate. Metropolitan would agree to share the operations and maintenance, and power credits with the City of Long Beach for producing the 6,678 acre-feet of water remaining in the Long Beach account.

Project Milestone

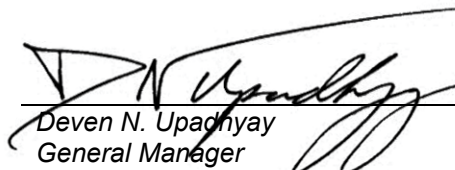
Termination of the Long Beach CUP will be effective June 30, 2025.



Brandon J. Goshi
Interim Manager,
Water Resource Management

3/24/2025

Date



Deven N. Upadhyay
General Manager

3/24/2025

Date

Attachment 1 – Summary of Conjunctive Use Programs

Ref# wrm12700431

Summary of Conjunctive Use Programs

Program	Current Balance (AF)	Start Date	Original Termination Date	Active or Inactive	Proposed Termination Date
Chino	63,838	2003	2028	Active	—
Compton	0	2005	2030	Inactive	2025
Elsinore	11,891	2006	2031	Active	—
Foothill Area	0	2003	2028	Inactive	2025
Live Oak	0	2002	2027	Inactive	2025
Long Beach Phase 1	6,678	2002	2027	Inactive	2025
Long Beach Phase 2 (Lakewood)	0	2005	2030	Inactive	2025
Orange County	0	2003	2028	Inactive	2025
Upper Claremont	1,200	2005	2030	Active	—
Total	83,607	—	—	—	—