



- Board of Directors  
*Water Planning and Stewardship Committee*

7/13/2021 Board Meeting

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**7-8**

## **Subject**

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Authorize payments, by a two-thirds vote, of up to \$3.56 million for participation in the State Water Contractors for fiscal year 2021/22; 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 the management of the SWP.

The requested authorization amount is up to \$3.56 million, which is less than the \$4.07 million included in Metropolitan's fiscal year (FY) 2021/22 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, facilities planning 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 creating a cost and benefit allocation process and assisting in the development of permit and environmental documentation.
5. Municipal Water Quality Investigation (MWQI) Specific Project Committee – Provides SWP contractors with water quality information as it relates to drinking water regulations through monitoring, studies, analyses, and forecasting.

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 2020/21 and **Attachment 2** for objectives for FY 2021/22.

### **Summary of Payment Distribution**

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

<u>SWC Payments</u>	<b>FY 2021/22</b>	<b>FY 2020/21</b>
Dues Fund	\$ 1,423,818	\$ 1,309,926
Energy Fund	\$ 241,211	\$ 252,581
Bay-Delta Fund	\$ 910,740	\$ 1,007,069
Delta Conveyance Project Fund	\$ 801,578	\$ 850,095
MWQI	\$ 180,000	\$ 174,991
<b>Total:</b>	<b>\$ 3,557,347</b>	<b>\$ 3,594,662</b>

The costs for FY 2021/22 and FY 2020/21 are nearly flat. In total, Metropolitan's payment to the SWC for FY 2021/22 is approximately \$509,000 below what was included in Metropolitan's budget. In large part, this is due to anticipated legal costs related to Bay-Delta activities that the SWC did not incur.

The MWQI Specific Project Committee is preparing its calendar year 2022 activities and budget to be approved in December 2021. When approved, Metropolitan will pay its share of costs. Staff requests approval to pay up to \$180,000 for funding the Committee. This amount is consistent with the FY 2021/22 budget.

### **Policy**

Metropolitan Water District Administrative Code Sections 11102 and 11103: Payment of Dues and Participation in Projects or Programs Serving District Purposes.

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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).

#### **Option #2**

None required

### **Board Options**

#### **Option #1**

By a two-thirds vote, authorize the General Manager to make payments of up to \$3.56 million to the State Water Contractors for FY 2021/22.

**Fiscal Impact:** Expenditures for participation in SWC in FY 2021/22 would be up to \$3.56 million, funded within the FY 2021/22 budget. The authorization is approximately \$509,000 less than the approved FY 2021/22 budget for participation in the SWC.

**Business Analysis:** Metropolitan would benefit 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 2021/22.

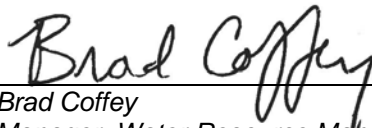

**Fiscal Impact:** Savings up to \$3.56 million

**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

 Brad Coffey Manager, Water Resource Management	6/17/2021 Date
 Jeffrey Kichtlinger General Manager	6/28/2021 Date

**Attachment 1 – FY 2020/21 High Priority Accomplishments of the State Water Contractors**

**Attachment 2 – FY 2021/22 High Priority Objectives of the State Water Contractors**

Ref# wrm12680903

**FY 2020/21 High Priority Accomplishments of the State Water Contractors****WATER SUPPLY****Delta Conveyance Technical/Policy Support**

- Assisted in developing information needed for the Delta Conveyance supplemental funding request approval, including preliminary benefits and costs, updated environmental planning schedule, supplemental funding agreements, and staff report and presentation.
  - Helped with progress on Design and Construction Authority Joint Powers Authority (DCA JPA) Amendment and Reduced Reliance Policy prior to the supplemental funding request.
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**Delta Conveyance Permitting**

- Maintained significant engagement with the Department of Water Resources (DWR) on Delta Conveyance environmental planning and permitting.
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**Water Management Contract Amendment**

- Assisted in finalizing contract language for the Water Management Tools Amendment and coordinated with the members to meet the twenty-four signatory's threshold by February 2021, allowing its implementation.
  - Facilitated implementation workshops for Water Management Tools in coordination with DWR.
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**State Water Resource Control Board Activities**

- Continued to collaborate with DWR, United States Bureau of Reclamation (USBR), and other water users to develop a proposed Voluntary Agreement outlining flow and habitat actions for use by the State Water Resource Control Board in the Water Quality Control Plan update.
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**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 for the upcoming lowering of Castaic Reservoir to accommodate the necessary seismic fortification work for the outlet tower access bridge.
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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 members 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 in the development of DWR's subsidence remediation strategic plan formation.
  - Tracked short-term capacity issues related to weeds, water quality, and incidents/damage to the SWP delivery infrastructure.
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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 cybersecurity 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, 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.
  - Represented member agencies on important forums such as the Oroville comprehensive needs assessment effort, value engineering studies, and consultant review board meetings with USBR and DWR related to the Sisk Dam seismic remediation modification.
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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 the scope/timeline, cost categorization, and Central Valley Project cost sharing where applicable. Performed quarterly reviews of O&M and Engineering Division plans versus actual budget tracking. Reviewed DWR's budget changes proposals.
  - 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 the budget augmentations proposals, which would add permanent additional operations and maintenance expenses to the SWP.
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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 supporting Contractors' efforts to complete a draft Agreement in Principle for the Delta Conveyance Project (DCP), to brief Boards on the proposed DCP, secure funding for the DCP Fourth Supplemental Funding Agreement, and the completion of the final Agreement in Principle.
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**Financial Resources, Revenue Requirements, and Investments**

- Supported the SWC-DWR Legal Team drafting the Water Management Tools (WMT) Contract Amendment based on the June 2018 Agreement in Principle. Assisted in the development of contract amendment materials provided to Contractors for briefing Boards on the proposed WMT Amendment.
- Provided support to the legal team as they continued discussions to resolve the Article 13(b) liability issue between DWR and the Contractors.
- Continued to provide support to the Contractors and the technical workgroups as they developed the concepts and principles for a contract amendment for the DCP.

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**ENERGY****Review and Finalize SWC Strategic Plan for Energy Supply and Transmission**

- Engaged with DWR on the development of their Senate Bill (SB) No. 49, Energy: Appliance Standards and SWP Assessment, Report which requires the California Energy Commission and the Natural Resources Agency to assess opportunities and constraints for potential operational and structural upgrades to the SWP in helping the state meet its climate and energy goals, including opportunities for non-SWP funding. Out of the nine tracks proposed by DWR in the SB No. 49 Report, SWC developed a list of five priority tracks and measures of success.
- Worked with DWR to create background materials for the pending development of an Energy Roadmap, including an outline and potential topics.

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**Near-term Risk Management**

- Continued to lead discussions within the Energy Committee to track the ever-changing energy regulatory requirements, legislative, and political initiatives to move the state to a cleaner energy portfolio by either utilizing the SWP or subjecting it to new fees/penalties, requirements/mandates.
- Began exploring the possibility of flexible water deliveries for Contractors to create additional opportunities to reduce SWP pumping costs and increasing revenues through additional generation, without adverse impacts to water deliveries.

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**SCIENCE****Endangered Species Act, California Endangered Species Act, and Water Quality Control Plan Compliance**

- Coordinated with DWR on implementation of the Incidental Take Permit, including participation in various subgroups.
  - Reinitiated and worked with DWR to hold the Environmental Coordination Committee (ECC) meetings quarterly, including development of cost information for the ECC.
  - Reinitiated and worked with DWR to hold the DWR-SWC Environmental Science Work Group meetings quarterly.
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**OUTREACH****SWP Education and Awareness**

- Developed new fact sheets and other materials to highlight how the SWP supports various industries throughout the state, including agriculture, construction, energy, retail/business, and more.
  - Developed and distributed fact sheets, press releases, social posts, talking points, and supporter toolkits on specific efforts to protect the SWP, most notably around key legislation, projects, and processes, including Senate Bill 559, the Delta Conveyance Project, Voluntary Agreements, and WMT Contract Amendment.
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**Research Results and Implications**

- Developed, distributed, and promoted the Annual Science report outlining the SWC's key science accomplishments, investments, priorities, and efforts.
  - Participated in panel discussions and conferences, including the Delta Stewardship Council's Delta Science Needs Assessment Workshop and the Bay-Delta Conference, to explore science efforts and challenges as well as discuss the SWC's science priorities, initiatives, and accomplishments.
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**SWC Position Awareness**

- Participated in media interviews 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.
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**SWC MANAGEMENT****Accounting**

- SWC staff maintained internal financial records and provided regular reports to management and the Board of Directors.
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## FY 2021/22 High Priority Objectives of the State Water Contractors

Objective	Description
<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.
Update to the Bay-Delta Water Quality Control Plan (WQCP)	Participate in Voluntary Agreement development and discussions. Support governance and science basis analyses.
Drought Planning	Given the dire hydrologic conditions for the second straight year, help with the State Water Project (SWP) drought planning and keep SWC members apprised frequently. Work with the Department of Water Resources (DWR) staff and members to identify and implement near-term Delta and/or upstream operations strategies to minimize impacts to SWP water supply. Work with DWR staff and members to plan for a potentially dry water year 2022.
<b>Infrastructure</b>	
Infrastructure Reliability	<p>Work with DWR in the effort to maintain and improve the 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>Maintenance management systems to better assess 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 in determining 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>Advocating 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> </ul>
Infrastructure Safety	<p>Work with DWR and member agencies on infrastructure safety with a focus on:</p> <ul style="list-style-type: none"> <li>Seismic vulnerability of the SWP studies and begin planning/preparing for realistic response and recovery.</li> <li>Expanded focus and regulatory requirements on dam safety.</li> <li>Follow-up on Oroville Dam Comprehensive Needs Assessment project development, in addition to other dam safety projects, to assure timely remediation.</li> <li>Fire-control modernization project for all SWP plants.</li> </ul>
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 Bulletin 132 budget development, to assure proper alignment with the aforementioned objectives.</li> <li>Improving 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 (Budget Years 1-3)</li> </ul>



Objective	Description
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>• Work Plan Scoping Budget/Forecasting Process</li> <li>• Forecasting 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 SWP financial performance regarding operational goals, budgets, financial targets, and forecasts to maximize the use of available revenues and optimize the 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	Engage with DWR to provide feedback and ensure conclusions are aligned with SWP's mission. Work to ensure recommendations enhance the legislature and public's perception of the SWP as it relates to energy.
Co-Author Energy Roadmap with the DWR	Committed to co-developing with DWR a strategic plan known as the "Energy Roadmap" to develop policy principles on the future direction of energy investments for the SWP, including 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 continue holding 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>	
SWC Position Awareness	Proactively drive SWC messaging to the media, key stakeholders, legislators, and regulatory agencies in order 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.