



## Board of Directors

7/10/2018 Board Meeting

**8-6**

### Subject

Adopt CEQA determinations and rescind Board action taken on April 10, 2018 approving Board Item 8-7 (which authorized Metropolitan to, among other things, fund up to 64.6% of the total project costs of California WaterFix); authorize Metropolitan to provide additional financial support of California WaterFix sufficient to fully fund the unsubscribed share of the project up to 64.6% of total project costs; authorize General Manager to execute certain agreements and agreement amendments related to financing, pre-construction and construction activities for California WaterFix; authorize funding of up to \$86 million for further contributions for study, review, planning, engineering, design, and other pre-construction capital costs subject to certain conditions; and authorize General Manager to negotiate draft terms and conditions for one or more multi-year transfers of State Water Project water supplies subject to Board approval

### Details

#### Introduction

California WaterFix is a project to modernize and improve the SWP's water delivery system in the Delta by building three new intakes in the northern Delta along with two main tunnels to carry water to new pumping facilities and the existing aqueduct system in the southern Delta. The Delta's ecosystem and 1,100 miles of levees are increasingly vulnerable to earthquakes, flooding, saltwater intrusion, climate change and environmental degradation. Moreover, State Water Project ("SWP") and Central Valley Project ("CVP") operations have been and continue to be affected by regulatory restrictions that have decreased operational flexibility and reduced exports from the Delta.

California WaterFix is intended to address these problems and improve both the reliability and quality of exports from the Delta. Implementing California WaterFix is critical to ensuring reliable deliveries of SWP supplies to Metropolitan in the future. These supplies represent about 30 percent of the total supplies available to Metropolitan's service area and about half the water that Metropolitan provides to its Member Agencies. Indeed, some Member Agencies on the northeastern and northwestern regions of Metropolitan's service area generally receive only SWP supplies from Metropolitan. (More detailed information about California WaterFix is available at <http://www.mwdh2o.com/DocSvcPubs/WaterFix/> and <https://www.californiawaterfix.com/>.)

The Board previously expressed support for California WaterFix and voted to provide funding toward its construction and operation. Most recently, on April 10, 2018, the Board authorized Metropolitan to provide increased financial support of California WaterFix, up to 64.6% of the total project costs. The Board also authorized the General Manager to execute certain agreements and agreement amendments related to California WaterFix financing, pre-construction and construction activities, and to negotiate draft terms and conditions for one or more multi-year transfers of SWP water supplies.

However, as discussed more fully below, some concerns have been raised by others about certain communications that occurred with and between Board members prior to the actions taken on April 10. While there is no indication that these communications had any impact on the actions taken, to ensure that there is no question concerning the validity of the Board's consideration of and vote on whether to authorize increased funding of California WaterFix and related items, this matter is being presented to the Board anew for its consideration and a vote.

### **Prior Board Actions**

On October 10, 2017, the Board adopted the CEQA determination, expressed Metropolitan's support for California WaterFix, approved contributing up to 25.9 percent of overall project costs, and authorized the General Manager to take certain related actions intended to move the project forward. (See **Attachment 1.**) These Board actions were the culmination of more than a decade of planning, preliminary design, environmental analysis, regulatory review, and public input related to California WaterFix and its predecessors (e.g., the Bay-Delta Conservation Plan), and were aimed at ensuring that Metropolitan and its Member Agencies would have reliable deliveries of SWP water for decades to come.

At that time, the expectation was that California WaterFix would proceed with significant participation from public water agencies ("PWAs") that have contracts for water from the SWP and CVP. The United States Bureau of Reclamation ("Reclamation") had indicated previously that it would not provide any funding for the project. Likewise, DWR had stated that if insufficient PWAs committed to participate in California WaterFix, the project would be "shut down." (See **Attachment 2.**)

As of October 2017, it was envisioned that 55% of project costs would be funded by SWP PWAs and 45% of project costs would be funded by CVP PWAs. However, in the months that followed, sufficient PWA commitment failed to materialize. No CVP PWAs except Santa Clara Valley Water District decided to participate in California WaterFix at that time, because of concerns about the cost of financing the project and because Reclamation could not assure them that any resulting benefits would be distributed solely among contributing CVP PWAs.

Consequently, on February 7, 2018, the California Department of Water Resources ("DWR") announced it would explore the option of constructing the project in stages, based on the amount of funding made available by participating SWP and CVP PWAs. (See **Attachment 3.**) During that same time period, the percentage of costs that could ultimately be funded by CVP PWAs was revised from 45% to 33% based on reduced CVP PWA interest and DWR's modeling results that analyzed how benefits would be apportioned under a staged implementation approach based on operating rules and agreements. In turn, the SWP PWA share was increased from 55% to 67%.

In addition to the staged construction option, Metropolitan staff presented the CVP PWAs with possible options and contractual arrangements that could assist them in meeting their financial obligations associated with funding the full project. Despite this, most CVP PWAs remained unwilling to commit to funding California WaterFix and, accordingly, those options and arrangements were not brought to Metropolitan's Board for consideration. These developments were reviewed in presentations given by staff to the Board in February and March 2018, and in a memorandum from the General Manager to the Board of Directors and Member Agency Managers dated April 2, 2018. (See **Attachments 4 – 7.**)

On April 10, 2018, staff presented the Board with three options for implementation of California WaterFix. Option 1 proposed that Metropolitan support staged construction of the project, with the first stage providing up to 6,000 cubic feet per second (cfs) capacity at two new north Delta intakes. In addition, this option proposed that Metropolitan finance a 47.1% share of the first stage costs, based on its proportionate participation in the revised SWP share of the project. Option 2 proposed that Metropolitan support construction of the full, 9,000 cfs facility as authorized by the Board on October 10, 2017, but with increased financial support for the project. More specifically, this option proposed that Metropolitan fund its share of project costs to be funded by SWP PWAs, as well as the unsubscribed share of project costs previously intended to be funded by CVP PWAs, for a total of up to 64.6% of total project costs.

Both Option 1 and Option 2 included certain amendments to the General Manager's prior authorization to form the Delta Conveyance Design and Construction Joint Powers Authority ("Construction JPA") and the Delta Conveyance Financing Joint Powers Authority ("Financing JPA"). These options also provided additional funding to continue pre-construction activities, and authorized the General Manager to negotiate draft terms and conditions for one or more multi-year transfers of SWP water supplies that would be brought back to the Board for CEQA review and action.

Option 3 proposed that Metropolitan take no further action related to implementation of California WaterFix. In other words, this option called for maintaining the status quo with respect to the actions taken and authorizations provided by the Board on October 10, 2017. (See **Attachment 8**.) This option would have created a funding shortfall and effectively prevented the project from moving forward. The Board voted in favor of Option 2. (See **Attachment 9**.)

### **Food and Water Watch / First Amendment Coalition Brown Act Notice**

On May 7, 2018, Food and Water Watch (“FWW”) and the First Amendment Coalition (“FAC”) sent a Notice of Brown Act Violation and a Request for Public Records pursuant to the California Public Records Act (CPRA) to the General Manager asserting that the actions taken by the Board on April 10 violated the Ralph M. Brown Act, Government Code Section 54950 *et seq.* (“Brown Act”). Among other things, FWW/FAC claimed that “this vote was nothing more than a rubber stamp, and was a result of multiple serial communications between members of the Metropolitan Water District Board of Directors, both directly and with intermediaries, including Governor Brown.” FWW/FAC further claimed that the agenda for the April 10 meeting was deficient in certain respects. FWW/FAC demanded that Metropolitan “cure and correct” these alleged violations (See **Attachment 10**.)

For the reasons discussed in its June 6 response to FWW/FAC (see **Attachment 11**), Metropolitan disagrees that any violation of the Brown Act occurred. California WaterFix and its predecessors have been subject to an unprecedented level of analysis, review and scrutiny for more than a decade. Throughout that time, there has been a robust and continuous dialogue with the public regarding the merits of improving Delta conveyance with a dual conveyance system, and a myriad of public comments have been solicited, reviewed and taken into account. Nonetheless, to ensure that there is no question concerning the validity of the approvals and authorizations pertaining to California WaterFix that were granted by Metropolitan’s Board on April 10, 2018, staff is recommending that they be rescinded in their entirety and this matter be considered anew by the Board. Attachments 9 and 10 and the documents provided in response to the Request for Public Records and other documents relating to Metropolitan’s review of CWF are posted on Metropolitan’s CWF website at the link referenced above.

### **Recent Developments Related to Staged Implementation**

Provided with the April 10 Board Letter were documents that addressed the options for moving forward with the project. These included staged implementation as an alternative to construction of the full 9,000 cfs facility at the outlet. At that time, staff noted that the full facility would provide greater benefits for Metropolitan in the near term, and would advance the state’s coequal goals for the Delta on a shorter time frame than staged implementation. Nonetheless, staff recommended pursuing staged implementation based on its reduced financial exposure for Metropolitan.

One day prior to that meeting, Governor Brown sent a letter to Metropolitan urging support for the full project stating, “Staging its construction may seem plausible, but it will actually risk serious delay in permitting and jeopardize the entire project. Overall costs would, of course, rise.” (See **Attachment 12**.) Subsequently, DWR sent a letter dated April 20, 2018, to the State Water Resources Control Board addressing questions raised during hearings on the State’s and Reclamation’s application for a change in the point of diversion (“CPOD”) for the new north Delta intakes that would be constructed and operated as part of California WaterFix. Among other things, the hearing officers requested additional information concerning the status of any decision regarding staging. In response, DWR stated that it “is not pursuing a staged construction of the California WaterFix.” (See **Attachment 13**.) This position was reiterated by DWR’s legal counsel at the CPOD hearings held on April 23, 2018. (See **Attachment 14**.)

In addition, since the Board’s vote on April 10, a number of other SWP PWAs have voted to support moving forward with the full 9,000 cfs facility.

Agency	Date of Vote
Santa Clara Valley Water District	May 8
San Bernardino Valley Municipal Water District	May 15
Alameda County Water District	May 17
San Geronio Pass Water Agency	May 21
Mojave Water Agency	May 24
Desert Water Agency	June 5
Santa Clarita Valley Water Agency	June 5
Coachella Valley Water District	June 26

Alameda County Flood Control and Water Conservation District, Zone 7, previously approved supporting California Water WaterFix in September 2017. Furthermore, the staffs of a number of water agencies have indicated that they will recommend their boards consider participation in the full project. These water agencies include Dudley Ridge Water District, Kern County Water Agency, and Antelope Valley-East Kern Water Agency.

In light of these developments, it is clear that pursuing staged implementation of California WaterFix is no longer feasible and, as such, it is not being presented for the Board's consideration. Rather, under Option 1, the Board would rescind the actions it took with respect to California WaterFix on April 10, 2018, and again authorize Metropolitan to fund up to 64.6% of the overall costs of the full 9,000 cfs facility and to take certain related actions. Under Option 2, the Board would not authorize such actions. For the reasons discussed in more detail below, staff is recommending Option 1. In support of staff's recommendation, this letter provides additional information for the Board to consider related to the costs and benefits to Metropolitan of funding up to 64.6% of the full facility.

### **Project Features, Benefits and Costs**

The physical, operational, and financial details of California WaterFix have been discussed extensively in prior Board letters, reports, memoranda, presentations and workshops, as well as in the three detailed white papers that were presented to the Board prior to its first vote on the project last October. (See **Attachments 15 – 17**.) Additionally, many of the most commonly asked questions about the project were addressed in the "Q&A" paper released in September 2017 (**Attachment 18**).

The following table summarizes the principal features of the full facility, as well as its benefits and costs relative to no project. It should be noted that the costs shown in this table do not assume any offset for potential revenues that may be generated by Metropolitan from the sale or use of its capacity rights in the full project. Likewise, the water supply benefits shown in this table do not reflect any benefits Metropolitan may receive from its or the SWP's potential use the unsubscribed share of the project.

<b>FULL FACILITY IMPLEMENTATION (9,000 CFS)</b>	
<b>Principal Features</b>	
New Diversions	3 intakes at 3,000 cfs each
Main Tunnels	Two 40 foot diameter 35 miles long
Pumping Plants	2
<b>Costs (2017 Dollars)</b>	
Total Capital Costs	\$16.7 billion
MWD Capital Costs	Up to \$10.8 billion (64.6%)
MWD Total Annual Costs <sup>1</sup>	Up to \$515 million
MWD Overall Cost Increase <sup>1,2</sup>	Up to 33%
MWD Annual Cost Increase over 15 Years	Up to 2.2%
MWD Average Cost Increase per Acre-Foot <sup>1,3</sup>	Up to \$303
Estimated Average Household Cost in MWD Service Area <sup>4</sup>	Up to \$4.80/month
<b>Benefits</b>	
Annual Average MWD Supply Reliability Improvement	Approx. 405 – 455 TAF/yr plus additional flexibility from three intakes
Average Reverse Flows	Approx. -2000 cfs (No Action) +53 cfs (Full Implementation)
Transfer Capacity (Preliminary SWP PWA Analysis)	1.1 MAF/yr at 50 <sup>th</sup> percentile
Climate Change Adaptation	9,000 cfs capacity (North Delta Intakes)
Capacity to Mitigate for Earthquake or Other South Delta Outages	9,000 cfs capacity (North Delta Intakes)
Reduced Total Dissolved Solids (TDS) (Dry Years)	Up to 19%
Reduced Bromide (Dry Years)	Up to 31%

<sup>1</sup> When project is fully operational in 2033 (Year 15)

<sup>2</sup> Based on Metropolitan's 2017/18 Revenue Requirement of \$1,574 Million

<sup>3</sup> Based on Metropolitan's 2017/18 Budget of 1.70 MAF

<sup>4</sup> Assumes 4% interest based on 6.2 million occupied residential households in Metropolitan's service area and a 70% residential /30% industrial split. The per household cost will vary depending on retail agencies' wide variation of costs, sources of water and rate decisions.

California WaterFix would improve the water supply reliability and quality of Metropolitan's SWP deliveries, reduce conflicts with the environment and improve regulatory stability, and address earthquake risk and climate change impacts in the Delta. With the full facility in place, the delivery of Metropolitan's SWP water supply allocation would be safeguarded for decades to come.

As shown in the April 10 Board Letter, incremental water supply reliability benefits to Metropolitan from California WaterFix are estimated at 405,000 to 455,000 acre-feet per year on average. This estimate is based on the expectation that 6,000 cfs, or 67% of the capacity, would be for the benefit of the SWP PWAs, and that the remaining 3,000 cfs, or 33% of the capacity, would ultimately be acquired by CVP PWAs for their benefit. In the event that not all of the 3,000 cfs capacity is used by CVP contractors, and, instead that capacity is used for the benefit of the SWP, following appropriate additional environmental analysis and permitting, then full implementation of California WaterFix is expected to result in approximately 150,000 acre-feet per year of additional SWP supply.

In addition, Metropolitan could work with DWR to evaluate further improvements in water supply reliability by capturing more supplies in high flow periods under our existing SWP contract (e.g., Article 21), through water transfers, when available, and by wheeling water for other south-of-Delta PWAs.

Metropolitan's investment in the full implementation of California WaterFix would allow Metropolitan to recoup its investment by selling its interest in the unsubscribed capacity. Likewise, Metropolitan could receive revenues from contracted use of facilities by others to offset the cost to Metropolitan. Although most CVP PWAs and Reclamation have not committed to California WaterFix at this time, their participation in or use of the completed project is expected, with payment for benefits received provided through subsequent purchases of capacity interests in the project, wheeling arrangements, or other transfer agreements. Staff believes that the revenues generated by such participation would be substantial and would significantly reduce Metropolitan's financial exposure. Currently, neither Reclamation nor the majority of CVP PWAs are in a position to commit to such financial arrangements. But even without a future sale of the additional capacity to CVP PWAs, Metropolitan's investment in the full project would provide significant benefits directly to Metropolitan. (See **Attachment 19** for a more detailed analysis of these benefits.)

Finally, Metropolitan's investment in California WaterFix is prudent at the proposed level. The project addresses not only the delivery problems faced by the existing SWP water delivery system in the Delta and improves the Metropolitan's water supply reliability, it provides resiliency in adapting to future uncertainties such as earthquakes, climate change, sea level rise, and increased regulations that further restrict exports from the existing south Delta intakes. In addition, it would reduce the reverse flows in the south Delta and improve export water quality. As presented to the Board over the last few years, investment in the project yields benefits for Metropolitan at a cost-effective rate compared to other potential capital investments. Moreover, due to the region's approximately 30 percent reliance on the SWP in meeting total water demands, the investment is prudent in conjunction with other capital projects. At the 64.6% funding level, Metropolitan's investment in California WaterFix remains cost-effective.

### **Related Actions**

Apart from approving increased cost-sharing in California WaterFix, certain other actions are necessary for implementation. First, in October 2017 the Board approved Metropolitan's participation in formation of Construction and Financing JPAs based on term sheets that outlined governance structures, which identified specific levels of participation for the SWP and CVP PWAs. To accommodate potential changes in such participation, staff seeks authority to amend the existing term sheets for these JPAs to allow for changes to the governance structures based on member participation in design, construction and financing. The amendments would allow for both SWP and CVP participation in California WaterFix. (See **Attachment 20**.)

Second, DWR has established an additional gap funding budget of \$133 million to pay for California WaterFix pre-construction expenses, including study, review, planning, engineering, design and other pre-construction capital costs prior to issuance of bonds. As of this date, eight other PWAs have agreed to provide gap funding. Staff recommends authorization for Metropolitan to fund up to \$86 million (64.6%) for the above costs, if the

Board approves Option 1. This approval would be subject to a reimbursement agreement with DWR acceptable to the General Manager and General Counsel that provides for repayment upon DWR's first bond issuance. Metropolitan may finance its share of any gap funding. DWR has been providing funding through the State Water Resources Development System Funds and may provide additional funding, and other SWP PWAs would pay their proportionate share. Gap funding would be reimbursed with interest upon issuance of the first series of bonds, currently estimated to be within approximately 12 months.

Third, staff seeks authorization to proceed with negotiating one or more potential multi-year transfer agreements with other SWP PWAs for additional water supplies attributable to California WaterFix. All transfer agreements will be brought back to the Board for consideration.

### **Recommendation**

The lack of progress on California WaterFix leaves Metropolitan's service area at severe risk from decreasing reliability and increasing disruptions in the delivery of vital SWP supplies, including from additional regulatory restrictions on operations of the existing SWP facilities in the south Delta. There is an urgent need to move forward on the project to modernize and improve the water delivery system as expeditiously as possible. Therefore, staff is recommending the Board authorize Metropolitan to provide additional financial support of California WaterFix sufficient to fully fund the unsubscribed share of the project up to 64.6% of total project costs. For this increased level of support, arrangements are needed to both facilitate Metropolitan's support of the issuance of DWR California WaterFix Revenue bonds and Metropolitan's funding of the unsubscribed share of the capacity in California WaterFix. This approach would realize the full water delivery reliability, water quality, and environmental benefits of California WaterFix, as originally envisioned. Additionally, whether CVP PWA participation is realized through a subsequent purchase of Metropolitan's additional capacity, the full project would provide additional benefits directly to Metropolitan.

### **Policy**

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By Minute Item 50993, dated October 10, 2017, Board expressed support for California WaterFix, authorized Metropolitan to participate in construction of facility, up to a 25.9 percent share of overall project costs, and authorized General Manager to take certain related actions.

By Minute Item 50358, dated January 12, 2016, Board adopted 2015 Integrated Resources Plan Update.

By Minute Item 46637, dated April 11, 2006, Board adopted policy principles regarding long-term actions for the Sacramento-San Joaquin River Delta.

By Minute Item 47135, dated June 12, 2007, Board adopted proposed Delta Action Plan.

By Minute Item 47232, dated September 11, 2007, Board adopted criteria for support of conveyance options in Implementation of a Long-term Delta Improvement Plan.

Metropolitan Water District Administrative Code Section 8121 (a): General Authority of the General Manager to Enter Contracts.

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

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#### **CEQA determinations for Option #1:**

#### Rescission of Board Action Taken on April 10, 2018 Approving Board Item 8-7

The proposed action is statutorily exempt from CEQA because it involves the rescission of Board approvals and authorizations granted on April 10, 2018, with respect to California Water Fix. CEQA applies only to discretionary actions proposed to be carried out or approved by a public agency. (Public Resources Code Section 21080(a).) CEQA does not apply to proposed actions which a public agency rejects or disapproves. (Public Resources Code Section 21080(b)(5); State CEQA Guidelines Section 15270(a).)

The CEQA determination is: Determine that the proposed action is statutorily exempt pursuant to Section 21080(b)(5) of the Public Resources Code and Section 15270(a) of the State CEQA Guidelines.

#### Implementation of Full 9000 cfs Project and Related Actions

Pursuant to the provisions of CEQA and the State CEQA Guidelines, DWR, acting as Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the California WaterFix Project. On July 21, 2017, DWR certified that the Final EIR complies with CEQA, adopted Findings of Fact (FOF), a Statement of Overriding Considerations (SOC), and a Mitigation Monitoring and Reporting Program (MMRP) before it approved the project.

On October 10, 2017, Metropolitan, as a CEQA responsible agency, considered the Final EIR and adopted DWR's FOF, SOC, and MMRP before it took action to approve its participation in construction and financing of the project. Under Option 1, California WaterFix would be implemented, and its environmental impacts would not change. Furthermore, the modified governance structures of the Construction and Financing JPAs and revised and additional financing resolutions will not alter the environmental impacts of California WaterFix. Accordingly, no further CEQA action is required. In addition, the additional financial contribution for study, review, planning, engineering, design and other pre-construction capital costs will not have any new or substantially more severe impacts, so no further CEQA action is required for the appropriation and authorization to enter a gap funding agreement for further pre-construction activities.

The CEQA determination is: No further CEQA action is required to proceed with full implementation of California WaterFix, alter the governance structure of the Design-Construction and Financing JPAs, adopt revised and additional financing resolutions, or provide gap funding for pre-construction activities.

#### Authorization to Negotiate Multi-Year Water Transfers

The authorization to negotiate one or more multi-year water transfers is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378(a)) because it does not involve a commitment to any specific transfers at this time that may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). Prior to the Board's authorization of any water transfers negotiated by the General Manager, CEQA documentation will be prepared by the Lead Agency and reviewed and processed in accordance with CEQA and the State CEQA Guidelines.

The CEQA determination is: Determine that the proposed action is not defined as a project under Public Resources Code Section 21065 and Sections 15378(a) and 15378(b)(4) of the State CEQA Guidelines.

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

None required.

### **Board Options**

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#### **Option #1**

Adopt the CEQA determinations that (1) rescinding the Board action taken on April 10, 2018, approving Board Item 8-7 is statutorily exempt from CEQA; (2) no further CEQA action is required to proceed with full implementation of California WaterFix, alter the governance structure of the Design-Construction and Financing JPAs, adopt revised and additional financing resolutions, or provide gap funding of pre-construction activities; and (3) authorizing the General Manager to negotiate one or more multi-year water transfers is not defined as a project under CEQA; and:

- Rescind the Board action taken on April 10, 2018, approving Board Item 8-7 (which authorized Metropolitan to, among other things, fund up to 64.6% of the total project costs of California WaterFix);
- Adopt Resolutions authorizing the General Manager to participate, support and fund additional financing and funding arrangements for California WaterFix up to 64.6% of total project costs;



- Amend the General Manager's existing authorization to execute Joint Powers Agreements forming the Construction and Financing JPAs to allow for governance structures commensurate with member participation;
- Authorize funding of up to \$86 million for further contributions for study, review, planning, engineering, design, and other pre-construction capital costs for the California WaterFix subject to a reimbursement agreement with DWR acceptable to the General Manager and General Counsel that provides for repayment upon DWR's first bond issuance; and
- Authorize the General Manager to negotiate draft terms and conditions for one or more multi-year transfers of SWP water supplies subject to Board approval.

**Fiscal Impact:** Present value costs (in 2017 dollars) would be Metropolitan's (maximum) 64.6% investment (\$10.8 billion) of total project costs (\$16.7 billion capital cost for construction and mitigation). The anticipated cost increases for California WaterFix have already been incorporated into Metropolitan's updated ten-year Financial Forecast and are included as part of the long-term projected average 4.1 percent rate increases. It is expected that the capacity interest acquired through this option would generate future revenues from the delivery or wheeling of water supplies to CVP PWAs or other parties. Revenues generated would offset some of the fiscal impact of this option.

**Business Analysis:** Option #1 ensures the reliable delivery of Metropolitan's essential SWP supplies for decades to come and provides numerous other benefits to Metropolitan's Member Agencies. This option promotes the goal in Metropolitan's IRP Update to ensure the reliability of SWP supplies and meets all of the Delta Conveyance Criteria adopted by the Board in 2007. At the 64.6% funding level, Metropolitan's investment in California WaterFix remains cost-effective.

#### Option #2

Take no action.

**Fiscal Impact:** Same as for Option #1, since the April 10, 2018, Board action approving Board Item 8-7 would remain effective.

**Business Analysis:** Same as for Option #1, except that risk of litigation challenging the validity of that action would be greater.

#### Staff Recommendation

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Option #1

  
 Stephen N. Arakawa  
 Manager, Bay-Delta Initiatives

7/3/2018  
 Date

  
 Jeffrey Lightlinger  
 General Manager

7/3/2018  
 Date