

Date: April 2, 2018

To: Board of Directors
Member Agency Managers

From: Randy A. Record, Chairman of the Board
Jeffrey Kightlinger, General Manager

Subject: California WaterFix

On March 30, Chairman Record, General Manager Kightlinger and Assistant General Manager Patterson met with directors and staff from other State Water Project (SWP) and Central Valley Project (CVP) contractors along with officials from the State of California and the United States Bureau of Reclamation (USBR) to discuss California WaterFix (CWF).

The CVP representatives and USBR officials expressed great appreciation for the concepts that Metropolitan advanced to explore alternative financing mechanisms to construct the full 9,000 cfs WaterFix preferred alternative. Everyone concurred that the best approach for all of California's water interests and the environment would be to build the full project in one stage as originally proposed.

However, the majority of CVP contractors and USBR officials informed everyone that there still remained a number of internal institutional issues that first needed to be resolved among the CVP contractors before they could make a commitment to participate in the full 9,000 cfs project.

Based on that information, it was decided that the SWP contractors would proceed as proposed by the Brown Administration with a staged approach to build two intake facilities and a single tunnel with the capacity of 6,000 cfs. A third intake and second tunnel would follow in a later stage to eventually bring the project to its full capacity. The SWP contractors and the California Department of Water Resources would continue to work with the CVP contractors and the USBR to resolve issues and explore alternative financing mechanisms to expedite construction of the second stage. There was interest from two smaller CVP contractors to participate in the first stage, and they will be included. The SWP contractors and participating CVP contractors will finance the entire first stage, however the door will remain open for other CVP contractors to participate on a larger scale in the first stage if there is interest.

Accordingly, the action that staff will be bringing to the Metropolitan Board on April 10 will be for Metropolitan to fund its share of the first stage of CWF: the two intakes, single tunnel, 6,000 cfs stage of the project. Metropolitan staff will continue to engage in discussions with CVP contractors and USBR on their issues and alternative financing options for the second stage that honor the "beneficiaries pay" principle which the first stage is using, and we will keep the Board apprised of progress.
