



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-2

January 26, 1993

To: Board of Directors (Organization and Personnel Committee--Action)
(Water Problems Committee--Action)

From: General Manager

Subject: Guidelines for Hiring and Compensating Consultants Assisting
Metropolitan with Exchanges and Transfers

Report

On January 10, 1993, your Board requested staff to provide background information on commission-based consultant services available to assist Metropolitan in securing additional water supplies through water exchanges and transfers from the Central Valley. In addition, your Board requested staff to present guidelines for hiring and compensating such consultants. This letter responds to those requests.

To accomplish your Board's water supply reliability goal, while minimizing the need to hire additional Metropolitan personnel, staff proposes to utilize a small number of consultants to identify and develop water transfer and exchange proposals, assist in negotiations, and otherwise provide expertise needed to secure exchange and transfer agreements. This type of consulting service, while somewhat new to California, is commonly practiced in other western states where water marketing has proven very successful.

Such consultants generally have a land management/real estate background and valuable experience in guiding large resource transactions to closure. In addition, they have developed, or can readily develop, working relationships with potential water transferors. For example, it is anticipated that this type of consultant would be able to readily identify agricultural landowners that could benefit economically by incorporating an "option" program into their overall land management plan during those years when limited water supplies make farming uneconomical. In addition, staff believes that such consultants, being "insiders", familiar with local politics, will be more approachable for potential water transferors who may not feel comfortable approaching Metropolitan directly.

Proposed compensation would be consistent with existing arrangements in other states for these types of consultants. Presently, a combination of hourly rates and commissions is proposed, whereby payments for consultants time would be subtracted from the commission payment which would be calculated as a percentage of the total water purchase price.

Transfers pursued under the above arrangements and their attendant environmental documentation will necessarily be presented to your Board for approval. Further, to ensure that consultants' activities are consistent with your Board's policy, staff proposes to incorporate the attached set of "Principles" into each agreement for such services. Adjustments to the Principles will be made if your Board's policy is modified. Staff recognizes and shares your Board's concerns on this issue, and will appropriately retain and monitor such consultants accordingly.

Pursuant to your Board's policy, consultants retained for these services will be required to have a current Affirmative Action Plan on file with Metropolitan as a condition of a fully executed consulting agreement.

The proposed action is not subject to provisions of the California Environmental Quality Act (CEQA) in that it is not a "project" as defined by CEQA and its implementing guidelines.

Board Committee Assignments

This letter is referred for action to:

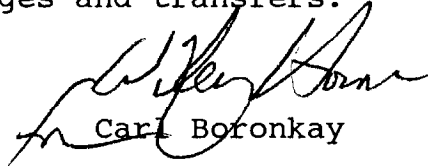
The Organization and Personnel Committee because of its authority to make recommendations regarding terms and conditions of employment of all consultants, advisors, and special counsel, pursuant to Administrative Code Section 2471(g); and

The Water Problems Committee because of its authority to make recommendations regarding policies of importing water required by the District, pursuant to Administrative Code Section 2417(a).

Recommendation

**ORGANIZATION AND PERSONNEL AND WATER PROBLEMS
COMMITTEES FOR ACTION.**

That your Board concur with the attached set of "Principles" to be incorporated into consulting agreements which specifically assist Metropolitan in securing additional water supplies through water exchanges and transfers.



Carl Boronkay

SPH:dlc
Attachment
s/mm/board/biconsul.sph

PRINCIPLES FOR CONSULTANTS
ASSISTING METROPOLITAN IN EXCHANGES AND TRANSFERS

Consultant shall maintain close contact with Metropolitan staff at all times during the development of water transfer proposals.

Consultant shall convey to all prospective transferrors that Metropolitan cannot commit to a transfer proposal until Metropolitan's Board of Directors approves the transfer agreement and reviews and considers and/or certifies any attendant environmental documentation.

Consultant shall review Metropolitan's Water Transfer Policy Statement and agree to limit his/her activities while under contract with Metropolitan to those that are consistent with that Policy.

Consultant shall review all proposals with Metropolitan during the preliminary stage of negotiations to assure consistency with Metropolitan Board policies.