

• Chief Executive Officer's May 2003 Activity Report

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- Legislative Activities
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Detailed Report

The following details the activities for the Department of the Chief Executive Officer for the period following the May Board meeting:

COLORADO RIVER MATTERS

Quantification Settlement Agreement

Work continues on conditions precedent to the execution of the proposed revised Quantification Settlement Agreement (QSA). This includes refinements to a number of agreements, further discussions on mitigation funding for Imperial Irrigation District (IID) Transfer Project, IID's Conservation Program, and the Department of the Interior and Basin states' concerns.

Representatives of the State Administration and the agencies met on May 27, 2003, with representatives of the other Basin states to further discuss the concerns of other Basin states and their analysis of the QSA and related agreements. Senator Mike Machado met with the representatives of the State Administration and the agencies on May 30, 2003, to discuss his concerns with the proposed revised QSA and related agreements.

On May 20, 2003, the IID approved a water conservation program based on a Farm Bureau proposal and a program to implement IID's 3.1 million acre-feet (maf) per year cap on its Colorado River water use. In doing so, the IID board waived the farmers sign up requirement that 130,000 acre-feet per year (afy) of its 300,000 afy transfer project come from on-farm conservation. The program would be voluntary with no long-term farmer agreements or water allocation to the farmer. In its approval, the IID board provided for up to 90 days to develop program guidelines and rules.

There are more than ten pieces of legislation before the State Legislature that deal with various aspects of the QSA and related documents. The two major bills, SB 317 and SB 117, deal with the fully protected species issue and environmental mitigation for the San Diego County Water Authority (SDCWA) and IID transfer. Other than SB 317 that provides for relief from fully protected species provisions, the language of most of the bills have been changed from specific to intent language so that they can proceed through the required committees. In so doing, the bills can be amended later.

Increased interest continues in proposed Salton Sea restoration and water supply alternatives wherein up to 500,000 afy of desalted agricultural return water for transfers would be generated. The Salton Sea Authority made a presentation of such an alternative to Metropolitan's Board on May 27, 2003.

Metropolitan's staff addressed the Arizona Water Banking Authority on May 7, 2003 relative to a stored water withdrawal agreement for recovering in 2004 Metropolitan's 89,000 acre-feet (AF) of water stored in Arizona, a long-term storage agreement with Arizona, and the reinstatement of Metropolitan's Interim Surplus Guidelines Agreement with Arizona.

Staffs of the Bureau of Reclamation, IID, and Metropolitan met on May 16, 2003 to discuss the advancement of the proposed water management reservoirs and associated facilities near the All American Canal.

Canal Lining Projects

Twelve proposals were received in response to the request for proposals for construction management for the Coachella Canal. A selection decision is scheduled for June 16, 2003. Parsons Water & Infrastructure Inc. has been selected as the project management and construction management contractor for the All American Canal Lining Project. A request for proposals for design work is expected to be issued in September 2003.

Various proposed budget actions by the State Legislature would revert the state funding monies for the All American Canal and Coachella Canal Lining Projects and a storage and conjunctive use program to the General Fund as part of budget actions to deal with the state's budget deficit.

Metropolitan's staff has continued discussions with the representatives of Interior and the San Luis Rey Indian water rights settlement parties (Settlement Parties) relative to the allocation agreement as to the assignment of conserved water from the All American Canal and Coachella Canal lining projects and a transportation agreement to transport the 16,000 afy canal conserved water allocated to the Settlement Parties.

The Department of the Interior has released its Water 2025: Preventing Crisis and Conflict in the West initiative. The Water 2025 initiative sets forth a framework to identify problems, solutions, and a plan of action. The framework includes six principles to guide the addressing of problems, five realities that drive water crises, and four key tools to help proactively manage scarce water resources.

SEAWATER DESALINATION

Staff continues to work with the member agencies in several areas including finalizing uniform agreement terms and principles, development of a coordinated research plan, and formulating a consistent message regarding the need and benefits of seawater desalination.

The state legislative analyst has recommended deferral of desalination project funding under Proposition 50 pending completion of the desalination task force report required by AB 2717. Since there is presently a demand for near-term funding, legislative budget staff is considering appropriation of funding in advance of the task force report. In anticipation of the potential for advanced funding, Metropolitan and the member agencies have developed project criteria for consideration as part of Senate Bill 21 (Machado).

CALFED WATER USE EFFICIENCY (WUE) ACTIVITY DURING MAY 2003

The California Bay-Delta Authority recently began the process of developing a long-term plan for financing CALFED. As part of this effort, one of its subcommittees has been asked to identify major WUE-related finance issues, develop categories and measures for classifying WUE-related costs and benefits, and to identify program beneficiaries. The WUE Program Manager also requested additional nominations for the Program's Science Review Panel. The Science Review Panel will independently review and evaluate the scientific merit of WUE Program products.

CALFED CONGRESSIONAL TOURS

Metropolitan staff toured various CALFED projects with U.S. Representative Ken Calvert, Chair, House Resources Subcommittee on Water and Power. The aerial tour and briefing was preparatory to mark-up of authorizing legislation for the CALFED Program. The tour attendees included Metropolitan's Washington D.C. staff; Steve Hall, Executive Director, Association of California Water Agencies; and the representative's staff. As a result of the briefing, Congressman Calvert requested a follow-up briefing on this subject for U.S. Representative Richard Pombo, Chair of the House Resources Committee.

On May 26-28 staff led an inspection trip of Northern California water facilities for U.S. Representative Grace Napolitano. She also was briefed about state water issues, including ecosystem restoration and CALFED. Vice Presidents Tim Quinn and Adán Ortega also participated in the tour.

SACRAMENTO VALLEY TRANSFERS

Due to improved water supply conditions resulting from the second wettest April in the State Water Project (SWP) watershed on record, Metropolitan did not exercise its May 1 option to purchase 20,000 AF from Placer County Water Agency. During May, Lake Oroville flood control releases, which are anticipated to continue until mid-June, precluded storing approximately 20,000 AF of the transfer supplies. Staff continues to work with the Department of Water Resources (DWR) and U.S. Bureau of Reclamation (USBR) staff to ensure that the remaining Sacramento Valley transfer supplies can be stored in Lake Oroville to the extent feasible. Staff will keep the Board informed of efforts to manage these transfer supplies.

STATE WATER PROJECT JOINT POWERS AUTHORITY

As approved by the Board in May, Metropolitan participated in the first meeting of the SWP Joint Powers Authority (JPA) on May 15. At this initial meeting, officers of the JPA's board of directors were selected as well as an Interim General Manager. Mr. Duane Georgeson has been appointed Metropolitan's alternate representative on the JPA's board of directors and on interim basis serves as Metropolitan's representative until Metropolitan's primary representative is appointed. Additionally, Metropolitan's Treasurer, Mr. Roger Marumoto, will serve as the Interim Treasurer for the JPA. To date, 13 contractors have joined and additional agencies are expected to join when their boards give approval. The first key activity is to negotiate and agree to a general services agreement with DWR.

LEGISLATIVE ACTIVITIES

Staff led a delegation of more than 50 CEOs and Presidents from the United Chambers of Commerce of the San Fernando Valley on their annual legislative trip to Sacramento, May 6-7. The group met with 13 state legislators to discuss various issues impacting businesses in the

Valley, including water -- support for CALFED, preserving local funding from Prop. 50 funds, and funding for desalination research and demo projects.

Staff joined VICA on its annual legislative trip to Washington, D.C. on May 3-7, where delegates met with legislators to discuss support for the CALFED reauthorization bill.

On May 7-11 staff attended the National Association of Home Builders Legislative Conference and Board of Directors/Committee Meetings in Washington, DC.

On Saturday, May 3, Metropolitan participated in a Community Water Festival in Temecula, sponsored by USBR. About 1,500 people visited the festival, which was held inside the Temecula Mall. VIP attendees included Temecula mayor pro-tem Mike Neggar and Assembly member John Benoit (R-Riverside).

Metropolitan participated in a May 18 event sponsored by Women at Work, which honored Assemblywoman Carol Liu and her work with the organization.

COMMUNICATIONS/OUTREACH

Staff welcomed 130 high school students from 11 local high schools to discuss, debate and decide issues of water supply and water quality pertaining to Southern California's water as part of the 6th annual Water Politics Student Water Forum. Working with ten water, business and environmental experts, including keynote speaker Ed Begley Jr., the students responded with a number of reports that acknowledged the need to continue to diversify supply resources and to increase our efforts to maintain and ensure water quality standards.

Metropolitan's outdoor conservation public outreach campaign reached important milestones in May. These achievements included:

- More than 300 people, including actress and native plant enthusiast Rene Russo, attended the May 4 "Garden with a View" dinner at Rancho Santa Ana Botanic Garden, featuring the 43 applicants to the City Makeover Program. Attendees included eight members of Metropolitan's Board, the mayors of Azusa, Encinitas and Laguna Niguel and representatives from more than 50 local agencies and cities.
- City Makeover grant recipients were announced by Chairman Phillip Pace and Rene Russo at a press conference held at Metropolitan headquarters on May 21. Among the 40-plus attendees were representatives from each of the grant recipients, program judges and local officials. Coverage of the announcement appeared in the following news outlets: *Los Angeles Times*, *Riverside Press-Enterprise*, *Inland Valley Daily Bulletin*, *Orange County Register*, *North County Times*, *San Diego Union-Tribune*, *San Clemente Sun Post*, KGTV (San Diego), KUSI (San Diego), and KPBS-FM (San Diego). City Makeover grant recipients are as follows: the cities of Azusa, Oceanside, Rancho Cucamonga, San Clemente and San Jacinto will each receive \$75,000. Camrosa Water District, Chino Basin Water Conservation District, and the cities of Corona, La Mesa, Santa Monica and San Juan Capistrano will each receive \$20,000.
- Media services staff met with the Metropolitan Transit Authority to discuss opportunities to use Southern California heritage landscaping along the 14-mile landscaped bus way

running through the southern San Fernando Valley. MTA staff is very amenable to the use of native and drought-tolerant plants and efficient irrigation, and is also willing to create a demonstration garden as part of the project.

- The *Los Angeles Times Magazine* devoted its May 18 issue to native plant gardening and highlighted Metropolitan's campaign.

The Press Office managed several regional and some national news media requests for information and interviews involving ongoing QSA negotiations. The Vice President of External Affairs and General Counsel handled the interviews.

Staff administered and completed the Alvarado Intermediate School Water Fair hosted in partnership with the Three Valleys Municipal Water District. More than 1,100 middle school and feeder school students participated in 15 water-related activities, events and entertainment. State Assembly member Robert Pacheco spoke along with executives from both Three Valleys MWD and their retail agency, Rowland Water District.

The Press Office issued two press releases during May and managed multiple media requests resulting from these releases. The releases were related to the District's decision to not exercise the last round of options for water transfers from the Sacramento Valley and to announce the winners of the City Makeover program. In addition, the press office proactively managed the announcement that MWD updated its report on water supplies. The effort led to articles in a few California newspapers.

The May issue of the "Metrospectives" newsletter, with a main story on Metropolitan's water supply report, was produced, printed and mailed.

The "California's Water from A-Z" Alphabet Books were delivered and presented. The books, created by the fourth-grade class at Bautista Creek Elementary, will be used as a memento for the upcoming groundbreaking dedication of The Center for Water Education.

FINANCIAL REPORTING EXCELLENCE

For the ninth consecutive year, Metropolitan was awarded the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the FY2001/02 Annual Financial Report.



Ronald R. Gastelum
Chief Executive Officer

Date