

• Chief Executive Officer's June 2003 Activity Report

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Detailed Report

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

COLORADO RIVER

Quantification Settlement Agreement

Representatives of the water agencies involved in Quantification Settlement Agreement (QSA) negotiations met with the Governor on June 16, 2003. At this meeting and in a June 19, 2003 letter to the Governor, I expressed the Board's strong concerns that bond money approved by the public be used for intended uses. The Executive Committee has, in concept, endorsed the modified QSA proposal introduced by Senator Mike Machado and the Negotiating Committee's prepared alternative cost-sharing proposal.

The alternative QSA financing proposal that is based on a beneficiary-pays principle with a fee applied to each acre-foot per year of Colorado River water consumptively used by each of the four agencies was outlined in a June 24 letter to the Governor. The monies so collected would be used to finance the environmental and other mitigation costs associated with the IID/SDCWA water transfer in place of Proposition 50 funds, and the related \$235 million transportation subsidy for the SDCWA proposal to be paid by the state General Fund.

Canal Lining Projects

Funding from the state's General Fund for fiscal years 2002/03 and 2003/04 totaling \$16 million is included in the state's proposed Budget Act for the Coachella Canal Lining Project. Of this total, approximately \$2.3 million has been expended and approved for payment and \$1.7 million has been received by Metropolitan as reimbursement from the state.

While current planning costs for the All American Canal Lining Project are being covered through Metropolitan/IID advance funding agreement, it was anticipated that the state would cover fiscal year 03/04 costs through Proposition 50 money. However, given the state's financial condition, it does not anticipate selling these bonds next year.

The State Legislature in its state budget deliberations is considering withholding funds previously appropriated for the canal lining projects. Accordingly, staff is investigating interim funding methods.

On July 1, 2003, Congressman Ken Calvert, Chairman of the House Subcommittee on Water and Power of the House Committee on Resources held an oversight field hearing on the current QSA negotiations. Panelists included federal, state, four agencies, other Basin states, urban, environmental, and business representatives.

Other Items

Metropolitan staff on June 6-7 attended and participated in a conference on the Department of the Interior's new Water 2025: Preventing Crisis and Conflict in the West initiative.

On June 11 the USBR conducted one of a series of public meetings on the "Era of Limited Water Availability" at Metropolitan. Other meetings have been held in Bullhead City and Phoenix, Arizona, San Diego and Las Vegas. Staff from USBR's lower Colorado River water operations, accounting and conservation offices described the new "era of limits" facing the lower Basin states. Topics included the impacts of the current drought and future availability of Colorado River water, historic and future river management, contracting for and unauthorized use of Colorado River water, and decree/consumptive use accounting.

On June 18 Metropolitan staff gave a presentation at the AWWA Annual Conference and Exposition in Anaheim on "Adapting to Limited Colorado River Supplies." The presentation discussed Metropolitan's diverse water supply portfolio, Colorado River issues affecting Metropolitan, and Metropolitan's support for a complete public process for the QSA and for market-based water transfers.

Board members and staff attended the June 26-27, 2003, 5th Annual CLE Law of the Colorado River conference in Scottsdale, Arizona. The conference provided presentations on diverse Colorado River issues. Vice President Dennis Underwood served as co-program chairman for the annual conference.

CALFED/BAY-DELTA MATTERS

CALFED Authorization

The U.S. House of Representatives is working on a CALFED authorization bill. Water and Power Subcommittee Chairman Ken Calvert held three field hearings throughout California during the 4th of July holiday recess. Metropolitan was asked to testify at two of these hearings on separate topics: (1) CALFED solutions in the South Delta, and (2) Metropolitan's perspective on current Colorado River deliberations. These hearings were designed to set the stage for the eventual introduction of the CALFED authorization bill.

Sacramento Valley Transfers

Because of dry water supply conditions earlier this year, Metropolitan purchased 128,200 acre-feet (af) of water from Sacramento Valley water agencies. As the water year progressed and water supply conditions improved in April and May, the State Water Project allocation increased to 90 percent. The higher allocation results in less capacity at Banks Pumping Plant to convey non-project water. Metropolitan is looking to store and carry over its purchased water upstream of the Delta until capacity becomes available at Banks Pumping Plant to deliver this water south.

Metropolitan forecasts that it will be able to begin storing this transfer water in Oroville reservoir by the end of this month. Due to hydrological conditions and operational constraints, Metropolitan currently projects that it will lose approximately 32,000 af of the 128,200 af that were purchased. Metropolitan staff is coordinating closely with both the Department of Water Resources and the Bureau of Reclamation staffs to capture the remaining balance.

State Water Contractors Activities

The State Water Contractors (SWC) held their monthly board meeting on June 19, 2003 in Sacramento. I have appointed Steve Arakawa, Manager of the Water Resource Management Group, as Metropolitan's representative on that board. Part of Mr. Arakawa's responsibilities at Metropolitan is to manage staff responsible for the administration of Metropolitan's State Water Project (SWP) contract, working jointly with the Chief Financial Officer and the Auditor. Steve takes over the SWC board responsibilities after several years of exemplary service in that role from Duane Georgeson. Mr. Georgeson will continue to provide active support to Metropolitan in our efforts to secure the reliability and cost-effectiveness of the SWP that is critical to our service area. A complete description of the SWC overall mission and objectives for the coming year is included in July Board Item 9-2.

At the June meeting, key topics that were addressed included efforts to successfully complete the new Monterey Contract Amendment Environmental Impact Report. This EIR is the result of the Planning and Conservation League litigation regarding the Monterey Contract Amendment executed in 1995. Metropolitan's interests are tied closely to completion of this EIR since significant water supply and financial benefits were derived from this agreement. The board received a report from the Department of Water Resources staff on operational and financial issues, relicensing of Oroville hydropower facilities, and efforts to secure energy into the future.

DIAMOND VALLEY LAKE RECREATION

In continued preparation for the upcoming public opening events for Diamond Valley Lake, agreements are being finalized for the concessionaire services, the reservation system, security, sanitation and trash and the pre-boat inspection program. The boat ramp is currently under construction and will be completed before the public opening dates, which are September 26-28.

COMMUNICATIONS/OUTREACH

On June 11 and 12, Metropolitan staff conducted a Colorado River User's Workshop & Aqueduct Inspection Trip for the Community Improvement Program Ad-Hoc Scope Committee of the MWD/Palo Verde Irrigation District Land Management, Crop Rotation & Water Supply Program. More than 40 residents of the Palo Verde valley—including the vice-mayor of Blythe—attended. Participants visited several facilities, including San Bernardino Valley Municipal Water District to discuss transfer policy; Western Municipal Water District/city of Corona to learn about groundwater recovery; Rancho Santa Ana Botanic Gardens to hear about Metropolitan's outdoor water conservation campaign; Long Beach Water Department's ocean desalting demonstration and Eastern MWD Perris Valley's regional water reclamation facility. Vice President Adán Ortega and I used the tour to discuss Metropolitan's position on the proposed transfer, the IRP, outdoor conservation and the Quantification Settlement Agreement.

A groundbreaking ceremony was held for The Center for Water Education and the Western Center for Archaeology and Paleontology at Diamond Valley Lake with a large attendance by local students, elected officials and other local dignitaries, Metropolitan directors and many others. The event received positive news coverage from the *Riverside Press Enterprise*, *Valley Chronicle* and *The Californian* as well as from a San Diego television station. In addition to hearing congratulatory remarks from local officials, attendees saw both large tractors dig into the ground as well as many officials turn the earth with shovels, along with a release of balloons by the children.

Metropolitan's inaugural Solar Splash event was held May 30-June 1 at Lake Skinner with eight participating high schools (from six member agencies) entering solar-powered boats. Opening ceremonies included several dignitaries and nearly 400 students from local, non-participating schools to learn how this program could work for them. The event received substantial news coverage before, during and afterward.

Staff assisted in promoting and managing media coverage for two signing ceremonies involving Proposition 13-funded conjunctive-use storage projects with Member Agencies (Municipal Water District of Orange County, and the Inland Empire Utilities Agency and Three Valleys Municipal Water District). The ceremonies received positive news media coverage in local news outlets.

Staff secured a special half-hour cable television program on water issues in which I participated. Bill Rosendahl, producer/host of Adelphia's "Week in Review" moderated a panel of speakers that included Arthur Baggett, Chairman of the Water Quality Resources Control Board; Fran Diamond, President of the Regional Water Quality Control Board; Tom Soto, environmental consultant; and myself. The program aired for two weeks on Southern California Adelphia outlets beginning June 12.

Vice President for External Affairs Adan Ortega, Jr. launched a strategic effort to improve employee communications through a program called "MetWorks." The objective of the effort is to develop more collaborative, proactive and better-organized communications from management to staff. Unveiled at this meeting were the results of an employee survey about communications. The survey showed that most employees prefer to receive their information electronically. Many communication initiatives have been identified.

Straight from the Tap's episodes of "Liquid Art" and "Waterwise Kids" came in first and third place, respectively, at the STAR Awards earlier this month in the Video News Magazine category "Under \$400,000." The STAR Awards recognize excellence in government programming in California and Nevada. STAR is part of the National Association of Telecommunications Officers and Advisors.



Ronald R. Gastelum
Chief Executive Officer

7/2/02

Date