

• Chief Executive Officer's October Activity Report

Summary

- Colorado River Matters
- CALFED/Bay-Delta Matters
- Legislative Activities
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- Employee Relations

Detailed Report

The following summarizes the activities for the Department of the Chief Executive Officer for the period following the October Board meeting:

COLORADO RIVER

Southern Nevada Water Authority Approves Interstate Banking Agreement

On October 21, the Southern Nevada Water Authority (SNWA) board of directors approved an agreement that would allow the Bureau of Reclamation (Reclamation) to deliver a portion of Nevada's apportionment of Colorado River water to Metropolitan and recover the water in future years. Metropolitan's Board had previously approved the agreement on October 12. The final steps in the implementation process are for the Colorado River Commission of Nevada and Reclamation to approve the agreement, which is expected by early November. SNWA plans to request that Metropolitan take delivery of about 10,000 acre-feet (AF) of Colorado River water during November and December. The multi-year agreement also provides Reclamation the opportunity to deliver additional supplies to Metropolitan for later recovery for SNWA.

Coachella Canal Lining Project Groundbreaking Ceremony Held

On October 19, Coachella Valley Water District hosted a groundbreaking ceremony for the lining of the Coachella Canal. Although the project is described as canal lining, construction actually involves building a new, 33-mile concrete channel that will replace the existing earthen section. Construction is estimated to be completed by early 2007. Metropolitan will divert an amount of water equal to the amount conserved, 26,000 AF per year, except under certain limited circumstances. In exchange, an equal amount of water will be delivered to the San Diego County Water Authority, and once a settlement agreement has been executed, to the United States for the San Luis Rey Indian Water Rights Settlement Parties.

Colorado River Water Availability

During October, Reclamation approved a 109,563-AF increase in Metropolitan's 2004 Colorado River diversions to 655,000 AF. This increase is based on Reclamation's forecast of the use of Colorado River water by the holders of priorities one through three. Should use of water by these holders be greater than forecast, any over-diversion by Metropolitan could be paid back in accordance with the terms of Reclamation's Inadvertent Overrun and Payback Policy.

Additional Colorado River water may become available this year for Metropolitan if use by higher priority users continues to be less than their current water orders. Reclamation is working with Lower Colorado Basin Colorado River water users to improve the administration of annual water orders especially with respect to maximizing the amount and timing of water available to lower priority users.

Colorado River Basin Salinity Control Advisory Council

Dennis Underwood was elected vice chair of the Colorado River Basin Salinity Control Advisory Council (Advisory Council), a federal advisory committee. The Advisory Council provides advice and recommendations to the secretaries of the departments of Interior and Agriculture and the Environmental Protection Agency Administrator on all matters relating to efficient and timely planning and execution of salinity control measures and procedures specified in Title II of the Colorado River Basin Salinity Control Act.

The federal agencies reported their fiscal year 2004 accomplishments to the Advisory Council. The Natural Resources Conservation Service directed more than \$35 million to salinity control activities in seven areas in Colorado, Utah, and Wyoming. These funds were used primarily to share the cost of conservation systems and wildlife habitat replacement with landowners and farm operators through financial and technical assistance. Monies were also expended for monitoring and evaluation, contract administration and investigation of new areas in which to control salinity or expand existing projects to do so. Over 36,000 tons of additional salt were controlled in fiscal year 2004.

Reclamation awarded more than \$26 million in contracts in fiscal year 2004 to control an additional 106,000 tons of salt through six new projects. The Bureau of Land Management (BLM) estimates that it retained an additional 2,800 tons of salt on federal lands from point and non-point sources.

The Advisory Council approved a motion recommending that Reclamation, Department of Agriculture, and BLM budget \$17.5 million, 2.5 percent of Environmental Quality Incentives Program monies, and \$5.2 million, respectively, in fiscal year 2006 for Colorado River Basin salinity control.

Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program

The current landowner sign-up process will end November 3, 2004. Through October 28, 70,600 qualified acres have been enrolled in the Program. This acreage is more than 80 percent of the irrigated acreage in the Palo Verde Valley. The opening of escrows is expected to start November 4, 2004. Land fallowing is expected to start in January 2005 and be fully implemented by July 2005.

CALFED/BAY-DELTA MATTERSCALFED Bay-Delta Improvement Package

As part of the CALFED Bay-Delta Improvement Package, Metropolitan is working with CALFED member agencies on the following implementation measures:

- Levees Program. The Department of Water Resources, along with Metropolitan and other stakeholders, has initiated the development of a Delta Levees System Strategic Plan. The Strategic Plan will prioritize and direct funding to minimize the threat of catastrophic levee failures, which could severely threaten Southern California's water supply reliability and water quality.
- San Joaquin River Water Quality Improvements. The San Joaquin River Water Quality Management Group, composed of various water users and farming interests on the San Joaquin River, continues work on the development of a Salinity Management Plan for the San Joaquin River by December 2004. The Management Plan includes an

evaluation of various flow and salt load management actions, with the goal of reducing salinity and improving water quality on the lower San Joaquin River. This management plan will support achievement of agreements for increased pumping capability at Banks Pumping Plant.

- South Delta Fish Facilities Forum. CALFED, through the South Delta Fish Facilities Forum, composed of state agency and water user representatives, is finalizing a policy vision paper on fish screening improvements and management actions for diversions in the South Delta.
- Environmental Water Account. The CALFED fish agencies and the state and federal projects extended the Environmental Water Account Program for another three years - until December 31, 2007. As a result of the extension of the EWA, and other CALFED accomplishments, the CALFED fish agencies extended programmatic regulatory assurances to CALFED for another three years.

LEGISLATIVE ACTIVITIES

Federal

On October 6, 2004, the House of Representatives passed the California Bay-Delta Authorization Act. The legislation, H.R. 2828, was approved by the Senate in September 2004, and signed by the President on October 25, 2004. The Act authorizes \$395 million over six years to improve statewide water supplies and flood control, enhance source water quality, and restore the Sacramento-San Joaquin Delta ecosystem. Staff worked on grass-roots efforts to generate several business letters throughout Southern California urging the President to sign H.R. 2828.

On October 13, staff met with Guillermo Gonzales, District Manager for United States Senator Dianne Feinstein, to express thanks for her efforts to get CALFED reauthorization legislation passed. Metropolitan will host a luncheon reception to thank the Senator on December 17 at Metropolitan's Union Station facilities.

State

Kathy Cole met with several member agency representatives to review the key legislation enacted during the 2003/04 legislative session and to discuss potential legislative proposals for the upcoming 2005/06 legislative session, including measures pertaining to water conservation, infrastructure safety and special district reform. They have met with Member Agency Legislative Coordinators, the board of the Las Virgenes Municipal Water District and with the Municipal Water District of Orange County staff and their subagency staff.

Regional

On October 7, Metropolitan staff presented an overview of Metropolitan's Integrated Resources Plan and outreach efforts on conservation at the Los Angeles Area Chamber of Commerce's Annual Access City Hall event. More than 300 business and community leaders throughout greater Los Angeles gathered to meet with local legislators to discuss key economic and quality-of-life issues impacting the region.

On October 29, management participated in the Valley Industry and Commerce Association Annual Business Forecast Conference and served as an expert panelist on the impacts of water supply and water quality on the regional economy. The conference, which featured Business, Transportation and Housing Agency Secretary Sunne Wright McPeak as the

keynote speaker, drew more than 500 attendees including federal, state, and local legislators and their staffers as well as many key leaders from the business and community sectors.

COMMUNICATIONS/OUTREACH

On October 23, approximately 160 people attended the World Water Forum held at Metropolitan's Union Station headquarters. The forum introduced college and university teams to the grant competition Metropolitan is holding to underscore the importance of water quality issues and encourage college teams to research and develop water-use efficiency technology that can be employed cost-effectively in water-stressed regions, locally or internationally. Metropolitan's partners in the grant competition include the United Nations and the Bureau of Reclamation.

In late September, the Inland Empire Utilities Agency and Metropolitan Water District briefed several builders about the "California Friendly" Model Home Program, which provides financial incentives to builders for the installation of water efficient landscaping, fixtures and appliances in new homes. Within the next few months, the following builders will be submitting "California Friendly" landscape plans to the City of Chino for their review, comment and final approval: Centex Homes; John Laing Homes; K. Hovnanian Company; Lennar and Shea Homes. The "California Friendly" model homes should be open to the public in mid-February.

Staff is conducting door-to-door outreach with residents affected by work on the West Valley Feeder project.

October highlights for the outdoor conservation campaign include: buy-in from several homebuilders on the "California Friendly" Model Home Program, which provides financial incentives to builders for the installation of water efficient landscaping, fixtures and appliances in new homes; a meeting with 80 wholesale nurseries and growers at a seminar sponsored by University of California Cooperative Extension; "Native Plants Made Easy" classes at all 34 Armstrong Garden Centers in Southern California; and native plant and conservation material giveaways at grocery and specialty food chains. Interviews and segments on the need for outdoor water conservation ran in several media outlets, and there were email blasts to registered users of latimes.com and SignonSanDiego.com users.

On October 14, I participated on an energy, water and transportation panel at the annual San Gabriel Valley Partnership Economic Outlook Conference. Panel participants included representatives from the Southern California Association of Governments and Southern California Edison. Discussions focused on the impacts of growth on vital resources. Metropolitan's message addressed the importance of regional water planning to protect imported water supplies, implement regional and local programs and make necessary financial commitments for infrastructure and rate stability. Metropolitan's outdoor conservation program and the influence local leaders can have on its success was also highlighted. About 350 people attended the conference.

EMPLOYEE RELATIONS

Labor Relations

The Labor Management Committee continues to meet on a monthly basis. All bargaining unit representatives have been in attendance to participate in discussions on the subject of staffing plans as related to skills assessment, attrition analysis and contracting work out. The LMC also continues to discuss human resources policies, procedures and classification issues. The LMC

continues to be a productive venue for information exchange and maintaining open communications between management and the bargaining units.

Diversity

Management also has been facilitating ongoing discussions with the employee organizations that represent the minority groups of Metropolitan. We have met to discuss and review the Affirmative Action Plan, the Semiannual Board Report on Diversity, and Metropolitan's procedures for recruitment and selection.

Annual Employee Appreciation Day

Metropolitan sponsors an annual appreciation day for employees and their families. This year's event was held at the Los Angeles Zoo and Botanical Gardens on Saturday, October 16, 2004. The event was well attended and many positive comments were received from employees who enjoyed the day with their families.



Ronald R. Gastelum
Chief Executive Officer

11/2/04
Date