

SOUTHERN CALIFORNIA WATER COMMITTEE

**QUARTERLY MEETING OF THE BOARD OF TRUSTEES
JANUARY 25, 2008**

MINUTES

1.0 Call to Order

Chairman Charley Wilson called the meeting to order at 10:07 a.m. and welcomed trustees and guests.

As part of his prerogative, Chairman Wilson moved the featured reports on the agenda forward, and reserved the business items until later.

2.0 Featured Reports

Chairman Wilson introduced Allan Zaremborg, President and CEO, California Chamber of Commerce to brief the Board on a proposed business alliance \$11.7 billion water bond. The California Chamber is the largest broad based business group in the state.

Mr. Zaremborg commented on the recent passing of David Kennedy, a former Director of the California Department of Water Resources among his many other professional affiliations. He noted that Mr. Kennedy not only was a consummate professional, but also a terrific and nice person. Mr. Zaremborg wanted to pay his respects to a great public servant before beginning his presentation.

Mr. Zaremborg reported on a conversation that he and Ron Gastelum had eighteen months ago about Governor Schwarzenegger's ability to sell issues which presents an opportunity to bring the Delta conveyance back into the picture and do something about the Delta. A few months afterwards, the Governor asked two Republicans from the Central Valley, Mike Vilnes and Dave Cogdill to introduce legislation for a bond that would provide funds for water and water storage. The question became what California voters would think about this approach. The voters supported other "water" bonds, but those bonds did not fix the Delta and were primarily about conservation. Although the bonds used "safe drinking water" to promote themselves, they were really about other things. The Chamber put together a coalition of those who rely on an adequate and safe water supply in California. "This should include just about everybody, unfortunately not everybody recognizes there are water problems."

The coalition funded a research poll to know where the public is on this issue. The poll found that the most knowledgeable voters were in the Central Valley. The second most knowledgeable voters were in the Bay Area. The voters in Southern California were the least knowledgeable. "Voters in Southern California believe the Delta is an airplane". The attitude in Southern California is that the water comes from the tap. Given the desert environment in Southern California, one would think there would be awareness. However, part of the reason for their attitude is that water agencies in Southern California have done a very good job of managing the expectations of the consumers and delivering water to them. There haven't been problems in Southern California in terms of reliability and the public doesn't know that there are any issues at all.

When half of the California voters live in the southern part of the state, and they have the least amount of knowledge, you have to be prepared to educate them. Mr. Zarembek noted that the good news is that once they were educated, Southern California voters recognize there are problems and issues and do want to solve them. The coalition learned that when you explain the issues to the public they recognize this is something that needs to be done, you need to build for the future, and deal with the future population. When the fragility of the Delta is explained, along with the problems with current conveyance system, the public wants the state to do something about it. The research showed that the public would support a comprehensive solution and if you put together a comprehensive solution, the public would support it. The research also showed that if Governor Schwarzenegger and United States Senator Feinstein were behind a bond, the public's support increased ten points, which is very significant. This indicates the voters bipartisan support.

Mr. Zarembek reviewed the politics of whether or not storage and conveyance should be kept together. After the research was completed, the Governor and the Department of Water Resources (DWR) started to emphasize the Delta more. He created the Delta Vision Task Force with Phil Isenberg as Chair. The Governor also held a press briefing in Southern California with Senator Feinstein when she publically indicated her support of a Delta conveyance facility. A show of bipartisan support was a key turning point.

For better or worse, the public supports putting together storage and conveyance for a comprehensive solution, and for better or worse, the politics in the Capitol require putting them together. Not putting storage in a package would be poking the Republicans in the eye particularly in the Central Valley, and with voters in the Central Valley being the most knowledgeable, Mr. Zarembek felt it would not be helpful in accomplishing a successful package.

With the assistance of the Association of Water Agencies and others with water experience, the coalition drafted four water bond initiatives. The four bond measures all appropriate the same amount of money, \$11.6 billion, although the first initiative identifies three storage projects and directs a construction commission

to improve the Delta by building an isolated conveyance facility. The other three initiatives include the language that the Governor and legislature worked on, with minor variations. The coalition thought it was important to use the template that the Governor and the legislature had worked on.

In the two last initiatives, one (Version C) is more clear about the improvements in the Delta and specifies dual conveyance. All four versions include a construction commission that is responsible for building the improvements, not for developing policy. The difficulty for the Republicans in terms of storage was that even if funding for storage was in a bond, the fact that most Democrats oppose storage would mean the funds would not be appropriated. In the initiatives, \$3.5 billion is appropriated directly to the construction commission, the remaining funds are to be appropriated by the legislature. This is the 'hang-up' in the legislature. The Democrats are opposed to this while Republicans support it. With two-thirds support needed to put a bond on the ballot, there is not bipartisan support. However, there are precedents for direct appropriations, and Mr. Zarembek pointed to the proposition about stem cell research.

Mr. Zarembek commented on the likelihood of the bond initiatives moving forward and a legislative solution. Governor Schwarzengger is comfortable with any of the four, but it is the politics that are difficult. One of the issues will be if the Governor and Senator Feinstein can agree and join together to say that they do not think the legislature can solve the problem and it is time for an initiative.

The Attorney General must put a title and summary on the initiatives and the Legislative Analyst's Office has to analyze them fiscally and that takes about forty-five days. Mr. Zarembek indicated that by the first of February, the initiatives should be ready for signatures. The coalition will not go forward without bipartisan support. Not to have that would be a waste of time and money. Mr. Zarembek indicated that he did not anticipate environmental support when the bond includes storage, but Senator Feinstein has been a supporter of storage for many years.

In a response to a question about the proposed initiatives, Mr. Zarembek indicated that the voters were most concerned about clean, safe, reliable drinking water and it is important to be able to characterize in a bond package that you are addressing this. That is the reason for locally competitive grants are included in these proposed bonds. However, the key to these initiatives is to solve the problems in the Delta which benefits everyone in the state.

Given a question about whether or not the economy may affect the voters support of a multi-billion bond, Mr. Zarembek responded that there is a question about whether or not monies can be raised for a campaign in the face of a economic slow down, and are the voters willing to go into debt when the economy is facing problems. Businesses recognize that they need to invest in their future. As far as the public's support, the money will be spent after this economic trough and with

a perception of bipartisan support, voters will recognize that California needs this for the future. Today, we have a window of opportunity given the Governor's popularity and his salesmanship, and with a coalition with Senator Feinstein, it is possible.

There is an eighty day period after the Attorney General's Office prepares the initiatives' titles and summaries to collect signatures. The maximum allowed by law is 150 days. Given that, an answer regarding bipartisan is critical to proceeding. It takes approximately \$2.2 million to collect signatures and to date, the process has cost between \$500,000 to \$600,000. A campaign, depending on opposition could cost about \$15 million. Public funds cannot be used for a campaign.

Chairman Wilson asked Mr. Zarembeg if he saw a role for the SCWC and Mr. Zarembeg answered that he believes that the Water Committee can be instrumental in education. There are 18 to 20 million voters that will need to be educated and convinced to vote for a bond. In addition, the SCWC should take the opportunity to reach out to Southern California legislators. Chairman Wilson expressed the SCWC Board's appreciation to Mr. Zarembeg for his informative presentation.

Chairman Wilson introduced Mark Stuart, Southern California Chief, California Department of Water Resources. The purpose of Mr. Stuart's presentation was to lay the foundation for a report surface storage. He noted that population, business, agriculture and the environment are major water demand drivers. In terms of population, California will reach 48 million by 2030, and the six counties in Southern California (excluding Kern County and Imperial County) will reach about 29 million. California's gross annual revenues totals \$1.4 trillion, with agricultural revenues at \$27 billion.

Mr. Stuart noted that the Department of Water Resources produces the California Water Plan every five years which evaluates water supplies and assesses agricultural, urban, and environmental water uses to quantify the gap between water supplies and uses. California's total water supply, including precipitation and imports in 2001, was 145.5 million acre feet (maf), and the 2001 water year was 72% of normal. In 2001, urban uses totaled 8.6 maf, agricultural uses totaled 33.7 maf, environmental water (instream flows, wild and scenic flows, required Delta outflow and managed wetlands water use) totaled 22.5 maf.

In Southern California, the South Coast Region, in 2001, water supplies from local projects totaled 489 thousand acre feet (taf), Colorado River Project totaled 1,251 taf, State project totaled 959 taf, groundwater totaled 1,862 taf, and reuse and recycled water totaled 337 taf. Urban water supplies accounted for 3,990 taf, while agriculture supplies totaled 758 taf.

Chairman Wilson thanked Mr. Stuart for his background on California and Southern California's water supply picture and introduced Steve Roberts, Manager, Surface Storage Investigation Branch, California Department of Water Resources. Mr. Roberts noted that Southern California has done a good job of managing its water demands and supply and noted that Diamond Valley was an example that the DWR hoped to build on this experience with a water storage reservoir. He commented that storage was not just for "water supply", but would benefit the ecosystem and improve water quality.

Mr. Roberts reviewed the five CALFED surface storage investigations which included Shasta Lake enlargement, Sites Reservoir, In Delta storage, Los Vaqueros Reservoir expansion and Upper San Joaquin River Basin storage project. The benefits of surface storage vary by storage project. For example, the storage capacity of Sites Reservoir is 1,800 acre feet (af) with a annual yield projected at 500 to 700 af. Temperance Flat (San Joaquin Valley) would have a storage capability of 1,300 af and a annual yield of 200 af. Los Vaqueros Reservoir would be expanded to increase storage by 175 af with an annual yield of 60 to 140 af.

Total construction costs would equal \$4.9 million for Sites; \$3.8 million for Temperance Flat; and, \$1.5 million for Los Vaqueros. The maximum of the state share is 50% per project. Local interests would need to fund the other 50% of the costs. State and federal governments would likely pay for the portion of the project dedicated to environmental restoration and local participants would pay for water supply and water quality benefits. Mr. Roberts noted that the benefits were for more than environmental restoration, including reducing the need for additional restrictions on pumping, reducing the likelihood of litigation, increasing the flexibility of the system, increasing the resilience of the system, and overall increasing the system's reliability.

Mr. Roberts was questioned as to whether or not in 2008, DWR will have available the finished studies on these projects. To date, there is not enough clarity about these projects, what the costs and benefits are. Mr. Roberts assured the SCWC that a state feasibility studies wukk be done in 2008, and hopefully the federal studies will be done as well. A state study on feasibility and resiliency of these projects will be completed in the Spring. Uncertainty still exists until decisions are made about conveyance and a better understanding of climate change. There is no certainty about the challenges California will face in 2020, but storage may be one of those tools in the tool box that will help the state manage its water supplies.

Chairman Wilson suggested that further questions be postponed until the lunch break and thanked Mr. Roberts and again thanked Mr. Stuart for their presentations. He noted that surface storage is a complicated topic and that it is important that trustees have a foundation of information on which to build their future decisions

3.0 Approval of Minutes

Chairman Wilson requested a motion to approve the minutes of the October 18, 2007 Annual Meeting. Motion by Robert Bein; second by Bert Hack. Motion approved.

4.0 Financial Report

Treasurer Kathie Blyskal reviewed the December 31, 2007 Financial Statement. The December 2007 *Statement of Assets and Liabilities, and Fund Balance* show the Water Committee with assets of \$37,420; cash, checking and money market assets of \$36,509. As of December--the sixth month of the current fiscal year, the SCWC has income of \$160,018 (as compared to \$172,847 for the 2007 FY). Expenses to date are \$136,767 (as compared to \$123,446 for the 2007 FY), for \$23,251 income exceeding expenses (as compared to an excess of income of \$49,401 for the 2007 FY).

Motion to adopt the December 31, 2007 Financial Statement by Supervisor Ashley; second by John Anderson. Motion approved.

Chairman Wilson commented that the County of Orange has been very generous to the SCWC in years past and because of a financial snafu in accounting this year and transition of staff, Orange County's dues were short \$15,000. With the assistance of Supervisor Pat Bates, our new trustee, that shortfall has been made in full and the County of Orange has returned to its annual contribution of \$25,000. Ms. Dym noted that Orange County's increased dues are not reflected in the December 31st Financial Statement.

Chairman Wilson also noted that letters have been sent to each of the other SCWC counties requesting an additional \$5000 for the 2008 FY. To date, Los Angeles County has agreed to this additional support.

5.0 Executive Director's Report

Executive Director Joan Dym referred to the January 2008 Quarterly Action Report and noted that the first three months of the 2008 FY have been active ones for the Water Committee.

6.0 Standing Committee Reports

Chairman Wilson referred to the reports in the agenda packet.

6.1 Delta Water Issues Task Force

Chair Richard Jemison reported that the Task Force has had discussions and meetings regarding the Delta Vision process, the Blue Ribbon Task Force and the Bay Delta Conservation Plan. Mr. Jemison noted that it is clear that the dual conveyance facility is very important and both the Delta Vision Blue Ribbon Task Force and the Bay Delta Conservation Plan are analyzing a dual facility recognizing that to achieve better water supply for California and a healthier ecosystem will require a dual conveyance with new diversion intakes located on the Sacramento River that would convey water around the Delta to the south Delta Central Valley Project and the State Water Project. Mr. Jemison moved, on behalf of the Delta Water Issues Task Force, a motion to that affect. Second by Darrell Gentry.

James Noyes requested an amendment to the motion because the Blue Ribbon Task Force has only stated that dual conveyance and storage are necessary. Mr. Noyes does not believe that the Blue Ribbon Task Force has not endorsed a dual conveyance facility. His amendment would strike any reference to the Blue Ribbon Task Force and substitute language that would call on the SCWC to inform the Vision Committee and Blue Ribbon Task Force of our approval of a dual conveyance. In addition, the motion would be amended to include the SCWC Chairman to request each county and city to adopt a resolution endorsing a dual conveyance.

Mr. Jemison noted that the intent of the Task Force's motion was not to support a particular option, but to support the preliminary analysis and to support the concept. The Task Force believes that whatever the final conveyance solution is, we support an isolated facility with multiple intakes. Mr. Noyes agreed that this is the correct position, but did not agree with the way the resolution was written.

Chairman Wilson asked if the Delta Water Issues Chairman was willing to accept the amendment and Mr. Jemison indicated that he was not willing to accept striking the Blue Ribbon Task Force from the motion, but agreed to clarification that it is the position of the SCWC to support the analysis that has come forward and is discussing the isolated facility. Chairman Wilson requested additional language about how to communicate this issue. Eric Larson suggested additional substitute language to the original motion that added that the SCWC supports the "option" in the preliminary analysis that includes a dual conveyance facility. Motion by Robert Seat; second by Darrell Gentry. Motion approved.

6.2 Legislative Task Force

Chair Dee Zinke reported that the 2007 Legislative retreat resulted in identification of four key legislative areas for the Task Force's focus. In addition, the Task Force is open to the opportunity to co-sponsor bills as a vehicle to increase the SCWC's advocacy for key priorities.

Geoffrey Vanden Heuvel asked about the proposed water bonds. Ms. Zinke reported that there is still an effort to develop a comprehensive water bond in the legislature, but it does not seem likely. Mr. Vanden Heuvel expressed frustration that grassroots communication was not a priority. It is important to activate the grassroots because there is a strong case that our water supply is irresponsibly unreliable. Chairman Wilson commented that he shares Mr. Vanden Heuvel's frustration and suggested that this leads to our discussion with Mr. Dash, Cerrell and Associates at lunch and how one plays the political game.

Ronald Gastelum suggested that the Legislative Task Force review the four Chamber sponsored initiatives and indicate to the SCWC Executive Committee about the differences and recommend an initiative the SCWC should support. Members of the legislature are not asking the SCWC about our opinion and we need to develop a message for our representatives. The Los Angeles Chamber has undertaken education for top business leaders in Los Angeles and sponsoring tours of the Delta. It is time to ramp up education and emotion about this issue.

Chairman Wilson noted that the SCWC has developed a set of principles for water bonds. Given that, the SCWC Legislative Task Force was requested to evaluate the four water bond initiatives based on those principles. Mr. Gastelum commented that we need to have a position to advocate. Mr. Noyes suggested that the SCWC establish a relationship with Senator Feinstein's Southern California office, given Mr. Zarembert's opinion that her support of a water bond is crucial. Mr. Jemison agreed with the recommendation that the SCWC take a position on one of the four initiatives. Legislative Task Force Chair Zinke agreed to develop a recommendation on the water bonds for the next Executive Committee meeting in February.

7.0 Membership Development Campaign

Chairman Wilson reviewed the 2008 Membership Plan and commended three trustees for meeting their goal: Ronald Gastelum, Donald Kendall, and Eunice Ulloa. He asked other trustees to actively support the SCWC's membership campaign. The Board has designated time for Executive Director Joan Dym to work with trustees on their prospects. Chairman Wilson noted that it is important to meet our fundraising goals because we can "only do what we can fund".

8.0 Other Business

With no other business before the Board, Chairman Wilson adjourned the business meeting to lunch at 12:34 p.m.

Trustees Attending January 25, 2008 Board Meeting

Chairman

Charles Wilson, Southern California Edison

Treasurer

Kathie Blyskal, Sunkist Growers, Inc.

County Supervisors

Honorable Marion Ashley, Riverside County
Honorable Mike Maggard, Kern County (Guest)

City Sector

Honorable Bert Hack, City of Laguna Woods

Agriculture Sector

John W. Borchard, Jr., Borchard Companies
Eric Larson, San Diego County Farm Bureau
Robert Seat, Orange County Farm Bureau
Geoffrey Vanden Heuvel, Milk Producers Council

Business Sector

Robert Bein, RBF Consulting
Mark Grey, Building Industry Association of Southern California
Richard Thomson, Procter & Gamble Paper Products

Water Sector

John Anderson, Inland Empire Utilities Agency
Col. John Foley, Mouton Niguel Water District
Darrell Gentry, Vallecitos Water District
John McFadden, Coachella Valley Water District

Task Force Chairs

Ronald Gastelum, Attorney at Law, *Urban Water Plan Task Force*
Richard Jemison, Land Strategies, *Delta Water Issues Task Force*
James Noyes, *Chairman's Advisory Task Force*
Kenneth Petersen, Kennedy/Jenks Consultants, *Water Quality Task Force*
Dee Zinke, Calleguas Municipal Water District, *Legislative Task Force*

Executive Director

Joan Anderson Dym