

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JANUARY 10, 1995

41185 The Board of Directors of The Metropolitan Water District of Southern California met in Regular Meeting on the third floor of the building located at 350 South Grand Avenue in the City of Los Angeles, State of California, on Tuesday, January 10, 1995.

The Meeting was called to order by Chairman Foley at 12:34 p.m.

41186 The Meeting was opened with an invocation by Director Larry L. Stamper.

41187 The Pledge of Allegiance to the Flag was given, led by Director Dale Mason.

41188 In the absence of Secretary Murph, the Chair designated Director E. Thornton Ibbetson to act as Secretary Pro Tem.

41189 Secretary Pro Tem Ibbetson called the roll. Those answering present were: Directors Alario, Bannister, Barker, Blake, Brandt, Brick, Davenport, Fellow, Foley, Gilbert, Grandsen, Green, Griffen, Harry, Hawkins, Hill, Ibbetson, King, Krieger, Little, Malburg, Mason, McMurray, Meyer, Milne, Moret, Morris, Morse, Mylne, O'Neil, Pak, Parker, Peterson, Rez, Stamper, Stuart, Troxel, Watton, Wein, Witt, Wright, and Wysbeek.

Those not answering were: Directors Frahm, Handelman, Krauel, Lombard, Luddy, Miller, Murph, Reed, and Webster.

The Chair declared a quorum present.

41190 Chairman Foley inquired if there were any additions to the agenda. There being none, the Chair declared only those matters listed on the agenda would be considered.

41191 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Michael Smith, representative of 3M Property Investment Company, indicated his client's willingness to accept the settlement offered by Metropolitan.

41192 There being no objection, the Chair declared the Minutes for the Board Meetings held December 6 and 13, 1994, are deferred.

41193 Chairman Foley announced that David N. Kennedy, Director of the Department of Water Resources for the State of California has had to cancel his scheduled appearance before the Board due to unforeseen circumstances.

41194 Chairman Foley presented a Memorial Resolution to Mrs. Leah Kazarian in memory of Director Bob Kazarian who had represented the City of Anaheim from November 20, 1990, to July 12, 1994.

41195 Vice Chairman Blake moved, seconded by Vice Chairman Barker and carried, approving the recommendations of the Executive Committee for the appointments of Chairs and Vice Chairs of the Standing Committees for terms ending December 31, 1996, as follows:

Director Miller as Chairman of the Engineering and Operations Committee for a first term; Director Frahm as Vice Chairman for a second term.

Director Mason as Chairman of the Finance and Insurance Committee, and Director Green as Vice Chairman; both for a second term.

Director Wysbeek as Chairman of the Land Committee, Director Parker as Vice Chairman; both for a first term.

Director Krauel as Chairman of the Legal and Claims Committee for a second term; Director Handelman as Vice Chairman for a first term.

Director Rez as Chairman of the Organization and Personnel Committee for a second term; Director McMurray as Vice Chairman for a first term.

Director Malburg as Chairman of the Water Problems Committee for a second term; Director Brick as Vice Chairman for a first term.

Director Brandt as Chairman of the Committee on Legislation, Director Hill as Vice Chairman; both for a first term.

Director Bannister withdrew from the Meeting at 12:47 p.m.

41196 Task Force to Review Office Space and Building Sites Chairman Brick moved, seconded by Vice Chairman Blake and carried, authorizing the General Manager to execute a Memorandum of Understanding (MOU) with the City of Los Angeles regarding entitlement/permit processing and municipal fee waivers for Metropolitan's future headquarters at Union Station, contingent upon final Los Angeles City Council approval of the required enabling ordinance, subject to the MOU being in form approved by the General Counsel, as set forth in Task Force Chairman Brick's letter dated January 3, 1995.

Director Mason requested to be recorded as voting no.

Director Bannister returned to the meeting at 12:48 p.m.

41197 Task Force to Review Office Space and Building Sites Chairman Brick reported that negotiations are continuing in connection with the purchase agreement and the development agreement for the permanent headquarters facility at Union Station. He advised that it is anticipated these agreements will be presented to the Board for consideration and action at its March Meeting.

41198 Task Force to Review Office Space and Building Sites Chairman Brick reported on the negotiations with representatives of the Lasung World Evangelical Church regarding the sale of Metropolitan-owned surplus property at 1111 Sunset Boulevard.

41199 Ad Hoc Committee on State Water Contract Negotiations Chairman Ibbetson reported that meetings continue between the parties to the State/Federal Accord on Bay/Delta Management, the agreement accepted on December 15, 1994.

41200 Through the medium of video, Chief of Planning and Resources Man reported on the activities of the Division in connection with facilities planning, the local projects program, and the Colorado River water resources; followed by a report from Deputy General Manager Quinn regarding the Landmark Agreement reached on December 15, 1994, on the Bay/Delta Protections.

The Board viewed the video tape of Chief of Operations Means submitting a water supply update as set forth in the General Manager's letter before each Director dated January 9, 1995.

Through the medium of video, Acting Chief Financial Officer Becker reported on the District's financial condition.

The Board received a video tape report on the progress of construction projects from Chief Engineer Snyder.

41201 General Manager Wodraska reported on the discussions with Secretary of the Interior Bruce Babbitt during a meeting in Washington, D.C.: banking of water on the Lower Colorado, lining of the All American Canal, and the reauthorization of the Endangered Species Act. He advised that, while in Washington, he met with Congressman Don Young, Chairman of the House Natural Resources Committee, the committee having jurisdiction in the redrafting of the Endangered Species Act. He advised that Assistant Secretary of the Interior Betsy Rieke has announced her resignation, effective June 1, from the Department to become the Executive Director of the Natural Resource Law Center at the University of Colorado Law School.

41202 General Counsel Taylor gave an update on the MWD v. Paul, Hastings, Janofsky & Walker trial; the possible impacts resulting from the case of Baldwin v. Tehama County where the Court held that State law does not preclude all local regulation of exportation of groundwater within a particular county. He announced that the Umberg law is now in effect requiring the annual reporting of gifts in excess of \$280.

Vice Chairman Blake moved, seconded by Vice Chairman Green, and the Board approved the Consent Calendar Items, M.I. 41203 through M.I. 41216, as follows:

41203 Authorized the General Manager to execute the agreement setting forth the unit rate for power sales from Metropolitan's Phase I Hydroelectric Power Plants substantially in accordance with the terms outlined in the

General Manager's letter dated December 20, 1994, subject to the agreement being in form approved by the General Counsel.

41204 Amended Administrative Code Section 3300(b) to read as shown in Attachment 2 to the General Manager's letter dated December 27, 1994, regarding the 1995 per-acre annexation charge.

41205 Authorized the General Manager to execute a contract with Plaza Landscape, Inc., in the amount of \$593,000 to perform landscape and irrigation work for the Etiwanda Control Facility in accordance with Specifications No. 1250A, as amended; and upon execution of the contract, authorized the General Manager to reject all other bids received, as set forth in the General Manager's letter dated December 27, 1994.

Director Bannister requested to be recorded as voting no.

41206 Authorized (1) the General Manager to prepare a feasibility study to identify and recommend a means of processing sludge at the Joseph Jensen Filtration Plant; and (2) Appropriation No. 698 in the amount of \$350,000 from the Pay-As-You-Go Fund to finance all estimated costs for preparation of the feasibility study, as set forth in the General Manager's letter dated December 27, 1994.

41207 Authorized (1) the General Manager to enter into an agreement that would allow Irvine Ranch Water District, on behalf of the San Joaquin Reservoir Advisory Committee, to administer a slope repair project at the San Joaquin Reservoir; and (2) Appropriation No. 701 in the amount of \$600,000 from the Pay-As-You-Go Fund to finance Metropolitan's share of the repairs for this jointly owned and operated reservoir, as set forth in the General Manager's letter dated December 27, 1994.

41208 Authorized the General Manager to enter into an agreement with John M. Tetteimer and Associates, not to exceed \$1.9 million, for geotechnical investigations, design and preparation of specifications for the Lake Mathews Detention Basin Project, Lake Mathews Sediment Basins, and relocation of Cajalco, El Sobrante, and Gavilan Roads, as set forth in the General Manager's revised letter dated December 27, 1994.

41209 Delegated authority to the General Manager to execute urgent necessity contracts subject to the requirements of Public Contract Code sections 1102, 21567 and 22050, and that Section 8115(b) of the Administrative Code be amended to read as set forth on Attachment B to the General Manager's letter dated December 21, 1994, to become effective upon adoption.

41210 Amended Sections 7105 and Chapter 2 of Division VII of Metropolitan's Administrative Code to read as set forth in Attachment A to the General Counsel's letter dated December 14, 1994, supplemented by his letter dated January 6, 1995, regarding Conflict of Interest and Disclosure of Personal Finances Code.

41211 Authorized the General Counsel to execute an agreement with the law firm of Bogle & Gates to provide for the personal services of Jerome C. Muys consistent with the terms and conditions outlined in the General Counsel's letter dated December 22, 1994.

41212 Authorized the General Counsel to increase the contract limit for the services of Mason & Mason as appraisal experts in eminent domain and related litigation for the Domenigoni Valley Reservoir Project by \$250,000 to a total of \$600,000, as set forth in the General Counsel's letter dated December 20, 1994.

41213 Granted the General Manager the authority to modify the existing promissory note and trust deed with The Friendly Group II Limited Partnership for Surplus Parcel 140-5-29 and 35 (Lake Mathews) to include (1) increasing the principal for any lost interest and associated costs to modify the note; and (2) extending the loan payment period, as set forth in the General Manager's letter dated December 21, 1994.

Director Brandt requested to be recorded as voting no.

41214 Amended Section 4901 of the Administrative Code to read as shown on Attachment A to the General Manager's letter dated December 20, 1994, regarding the Interim Agricultural Water Program.

41215 Authorized the General Manager to execute a Lease Agreement for approximately 7,000 rentable square feet of space over a 10-year term to accommodate the Sacramento-based Bay/Delta and legislative staffs, with initial annual costs of \$170,000, escalating over a 10-year term to an amount not

exceed \$225,000, plus incidental expenses for required tenant improvements, materials, and equipment subject to the lease being in form approved by the General Counsel, as set forth in the General Manager's letter dated December 27, 1994.

41216 Authorized the General Manager to make payment of \$350,000 to the American Water Works Association Research Foundation (AWWARF) as Metropolitan's contribution to fund AWWARF's applied research program during calendar year 1995, as set forth in the General Manager's letter dated December 8, 1994.

41217 Vice Chairman Blake moved, seconded by Water Problems Committee Chairman Malburg, and by a unanimous vote the Board (1) approved the guarantee set forth in the Principles for Agreement on Bay/Delta Standards Between the State of California and the Federal Government; (2) approved Appropriation No. 702 for \$10 million from the General Fund to provide "seed money" for funding Category III measures for the first year consistent with the General Manager's letter dated January 4, 1995; and (3) authorized the General Manager to expend up to such amount upon creation of institutional arrangements which accomplish the objectives described in the foregoing letter, subject to the agreements being in form approved by the General Counsel.

41218 Vice Chairman Blake moved, seconded by Water Problems Committee Chairman Malburg, that the Board:

1. Find that the restructuring and setting of rates recommended in the General Manager's letter dated December 20, 1994, is exempt from the California Environmental Quality Act by Public Resources Code Section 21080(b)(8) since it is for the purposes of: (a) meeting operating expenses, (b) purchasing or leasing supplies, equipment or materials, (c) meeting financial reserve needs and requirements, and (d) obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, since it constitutes the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.

2. Set a time for a hearing of the Board at which interested parties may present their views regarding the General Manager's recommendation that the water rates for fiscal year 1995-96 be set by the Board as follows:

<u>Class of Service</u>	<u>Rates (\$/AF)</u>
Noninterruptible	
Untreated	\$ 344
Treated	426
Emergency Water	
Untreated	1,032
Treated	1,278
Reclaimed	113
Seasonal Storage	
Untreated	229
Treated	286
Connection Maintenance Charge	\$50/cfs of connected capacity per month
	Maximum charge per connection of \$5,000 per month
Interim Agriculture	
Untreated	231
Treated	289

3. That the Board approve the following Resolutions:

(a) Resolution of Intention (**Resolution 8464**) to impose the Readiness-To-Serve (RTS) charge in the form shown as Exhibit A to the General Manager's December 20 letter, declaring the Board's intention to consider (i) at its March 13, 1995, meeting, and act upon the General Manager's recommendation to impose a RTS charge; and (ii) at its May 9, 1995, meeting, and act upon the General Manager's recommendation to impose standby charges within the territories of requesting member agencies as a means of collecting such RTS charge.

(b) Resolution of Intention (**Resolution 8465**) to levy a new demand charge in the form shown as Exhibit B to the General Manager's December 20 letter.

4. Directing the General Manager to submit bimonthly progress reports and complete, by November 1995, the studies necessary to address the following issues and that the Board review the outcome of these studies when developing rates and charges for 1996-97:

(a) Revising Metropolitan's incentives and programs as necessary to meet the local resource and groundwater storage targets identified in the IRP, and to ensure regional water supply benefits under normal supply and shortage conditions. The incentives associated with such programs will be commensurate with their regional benefit. The studies in support of the resolution of these issues include the completion of the analysis of Metropolitan's existing water management programs, including the seasonal storage program, local projects program, groundwater recovery program, and conservation credits program.

(b) Preparing a Resources Management Program (long-term drought management program) that includes principles for use of water during surplus years and uses of stored water and otherwise available water during periods of shortage. This Resources Management Program would include procedures for allocation of supply.

(c) Developing criteria for water market purchases and Metropolitan's operating and pricing policies for the transportation of such water purchases.

5. In light of the discussion regarding system equity at the December 1994 Board Meeting, directing the General Manager to convene a Task Group, comprised of Metropolitan staff and member agency managers, to assemble the appropriate information and necessary analysis to assist the committee to review and make recommendations on system equity, recognizing both the historic preferential rights of the member agencies and the total contributions of the member agencies to Metropolitan's system capital value.

The motion was voted upon and carried.

At the request of Director Griffen, the statement of the San Diego County Water Authority regarding the 1995-96 rates is recorded in the minutes as follows:

"The SDCWA approves the water rates for 1995-96 only and accepts the commitment of the Chairman, General Manager and staff to continue working in good faith during the next year to address our concerns, including SDCWA Resolution 94-37, the recommended actions in the December 20, 1994 rate letter and a review of the revenue structure in light of the results from the completion of the December 13, 1993 conditions. The SDCWA supports MWD's CIP and its needs for reliable revenues, provided the Authority's need for supply assurances equal to its financial contributions can be met. The SDCWA's position on subsequent years' rates and revenue structure is hereby reserved pending a resolution of these matters.

Our vote is made today with the further understanding that the Board committee directed to be formed by the vote of this Board last month and referred to at paragraph 5 at page 11 of Board letter 8-1 will be constituted and its membership announced by the Chairman no later than March 1995. Given the delay in forming the Board committee, we urge the staff to be mindful of any and all policy implications which may be inherent in their work in "assembling information" and preparing the "necessary analysis" to assist the committee which is ultimately appointed by the Chairman of the Board."

As recommended by the Executive Committee, Chairman Foley ordered the statement submitted by the Northern Group to become part of the minutes, as follows:

"1. Supports the recommendation offering member agencies the option to request that the existing water standby charge be used to meet their readiness-to-serve (RTS) charge obligations under the new water rate structure.

2. Recommends that the Board consider future increases in the water standby charge be limited to coincide with future increases in a member agency's RTS obligation at the member agency's request.

3. Recommends that the rate of increase in the commodity charge should be held as low as reasonable and defensible.

4. Supports setting the new demand charge at its full level in 1995-96.

5. Supports including treatment costs necessary to meet increases in demands for treated water through a separate "treated water" new demand charge.

6. Recommends that staff evaluate approaches to accomplishing IRP goals that address limitations on Investor-Owned Utilities, including possible legislative changes."

41219 Vice Chairman Blake moved, seconded by Water Problems Committee Chairman Malburg and carried, scheduling the public hearing on the proposed water rates and new charges before the Board on Tuesday, February 14, 1995, at 12 noon in Room 311 at 350 South Grand Avenue, Los Angeles.

41220 Water Problems Committee Chairman Malburg moved, seconded by Finance and Insurance Committee Chairman Mason and carried, and the Board (1) accepted the Nexus Study attached to the General Manager's letter dated December 20, 1994, for use by member agencies in implementing appropriate rates and charges; and (2) found that the proposed Nexus Study is a planning and feasibility study which is exempt from the provisions of the California Environmental Quality Act.

Director Witt withdrew from the Meeting at 1:28 p.m.

41221 Committee on Legislation Chairman Brandt moved, seconded by Water Problems Committee Chairman Malburg and carried, and the Board adopted the following legislative policy principles concerning watershed management:

1. Support Federal and State legislative and regulatory proposals to establish watershed management programs that are consistent with the following principles:
 - a. State-level implementation of watershed management laws and regulations;
 - b. Development of watershed management programs which recognize local primacy in basin management and land-use controls, and which facilitate cooperative working relationships among all watershed stakeholders;
 - c. Development of watershed management plans based on site-specific conditions, needs and objectives;

- d. Development of watershed management plans which consider all water resources management objectives for the watershed, including source water quality protection and/or improvement, water supply availability, water supply storage, flood and erosion control, and aquatic ecosystem protection objectives;
 - e. Inclusion of public drinking water suppliers in the group of stakeholders involved in the development of watershed management plans;
 - f. Development of watershed management plans which address all discharges within a particular watershed, and consider their relative impacts on the watershed in the implementation of control measures; and
 - g. Development of watershed management plans which ensure no interference with the authority of the State to manage allocation of water supplies within their jurisdiction.
2. Support Metropolitan's involvement as a stakeholder in watershed management planning efforts for imported sources of supply (i.e., the Bay/Delta watershed and the multi-State Colorado River watershed), in order to work in cooperation with other interests throughout the watersheds, and ensure consideration of drinking water quality and water supply availability objectives.
3. Support Metropolitan's involvement as a stakeholder working cooperatively with others on watershed management planning efforts impacting Metropolitan's locally stored water supplies.
4. Support Metropolitan's coordination with member agencies to cooperatively participate in watershed management planning efforts impacting local sources of water supply, and to provide assistance to local primary agencies.

In order to ensure implementation of these policy principles, the Board directed staff to closely monitor the development of State and Federal legislation and regulations concerning watershed management, and actively participate in the formation and refinement of such proposals to ensure incorporation of language that is compatible with Metropolitan's watershed management policy principles; specifically, an active participatory role in the development

of watershed management legislation and regulations, rather than a lead-role, to ensure development of watershed management programs consistent with the above-listed policy principles. In addition, the Board directed staff to communicate the recommended policy principles to the Regional Water Quality Control Boards within our service area and to the State of California Assembly and Senate committees which have jurisdiction over water resources issues.

41222 Committee on Legislation Chairman Brandt moved, seconded by Water Problems Committee Chairman Malburg and carried, approving the recommendations as set forth in the General Manager's letter dated December 20, 1994, regarding legislative policy principles.

41223 Finance and Insurance Committee Chairman Mason moved, seconded by Director Gilbert and carried, and the Board (1) authorized Revision No. 14 to Appropriation No. 560, an increase of \$56,758,000 to a total of \$593,388,000 from the 1992 Revenue Bond Construction Fund, to finance all remaining costs for the Eastside Pipeline feature of the Domenigoni Valley Reservoir Project; and (2) awarded a construction contract in the amount of \$45,628,961 to Advanco Contractors for the Eastside Pipeline in accordance with Specifications No. 1246, as amended; and upon execution of the contract, authorized the General Manager to reject all other bids received, as set forth in the General Manager's letter dated December 27, 1994.

41224 Finance and Insurance Committee Chairman Mason moved, seconded by Vice Chairman Blake and carried, and the Board (1) authorized Revision No. 15 to Appropriation No. 560, an increase of \$22,331,000 to a total of \$615,719,000 from the 1992 Revenue Bond Construction Fund, to finance all remaining costs for the Newport Road location feature of the Domenigoni Valley Reservoir Project; and (2) awarded a construction contract in the amount of \$19,245,525.88 to E. L. Yeager Construction Company for the Newport Road relocation; and upon execution of the contract, authorized the General Manager to reject all other bids received, as set forth in the General Manager's letter dated December 27, 1994.

41225 Organization and Personnel Committee Chairman Rez moved, seconded by Director Stuart and carried, authorizing the General Manager to amend existing agreements and enter into new contracts with employment service agencies and consultants supplying temporary personnel in excess of the \$250,000 limitation with an overall limitation in amounts paid of \$3,522,450 for the second half of fiscal year 1994-95,

substantially in accordance with the terms outlined in the General Manager's letter dated December 21, 1994, subject to the agreements being in form approved by the General Counsel.

41226 Chairman Foley reported that Agenda Item 8-9 regarding the Resolution of Necessity for the Eastside Pipeline in Riverside County for parcels owned by the Wilhelms and the Dilworths as set forth in the General Manager's letter dated December 20, 1994, has been withdrawn.

41227 Chairman Foley reported that Agenda Item 8-10 regarding the Resolution of Necessity for the Inland Feeder Project in San Bernardino County for a parcel owned by Krikor and Zovag Guldalian, Trustees, as set forth in the General Manager's letter dated December 20, 1994, has been withdrawn.

41228 Finance and Insurance Committee Chairman Mason reported staff presented a report to the committee regarding the Ultra-Low-Flush Toilet Program as set forth in the General Manager's letter dated January 5, 1995, and the committee determined no action was necessary at this time. He advised that the Audit Committee will be monitoring the program, and there will be a comprehensive report submitted prior to the request for authority to execute a new contract for this program.

41229 Land Committee Chairman Wysbeek moved, seconded by Director Gilbert and carried, authorizing the General Counsel to make a final offer in the eminent domain action titled Metropolitan Water District v. Natale Ferraro, et al., Riverside County Superior Court Case No. 231210, to acquire Domenigoni Valley Reservoir Project Property 144-1-9, as set forth in the General Counsel's confidential letter dated December 27, 1994.

41230 The following listed communications were submitted for the information of the Board:

- a. Letter of the General Manager dated January 3, 1995, presenting an update on Orange County investment pool and water storage program.
- b. Report of the General Manager on the operating data for the month of November, dated December 27, 1994.
- c. Report of the General Counsel on the activities of the Legal Department for the month of December, dated December 31, 1994.

- d. Report of the Auditor on the activities of the Audit Department for the month of December, dated January 3, 1995.
- e. Letter of the General Manager dated January 6, 1995, transmitting the Monthly Financial Report for the month of November.
- f. Letter of the Auditor dated December 22, 1994, transmitting the audited Cash Basis Financial Statements as of September 30, 1994.
- g. Letter of the General Manager dated December 19, 1994, reporting on body-contact recreation at the Domenigoni Valley Reservoir Project.
- h. Letter of the General Manager dated December 20, 1994, submitting the second quarter status report on the Local Projects Program.
- i. Letter of the General Manager dated December 27, 1994, reporting on the proposed conservation budget process for fiscal year 1995-96.
- j. Letter of the General Manager dated December 27, 1994, reporting on the reduction in appropriations for United States Bureau of Reclamation co-participation in Southern California water conservation projects for federal fiscal year 1994-95.
- k. Letter of the General Manager dated December 14, 1994, submitting the annual report on organizational memberships.
- l. Letter of the General Manager dated January 9, 1995, presenting a water supply update.
- m. Letter of the General Manager and the General Counsel dated December 20, 1994, reporting on San Gabriel Valley Water Resources.

41231 Vice Chairman Blake moved, seconded by Vice Chairman Green and carried, ratifying the action of the General Counsel as set forth in his confidential letter dated January 10, 1995, in connection with Metropolitan's settlement offer in eminent domain action Metropolitan Water District v. 3M Property Investment Company, et al., Santa Barbara County Superior Court Case No. 197920, MWD Parcel No. 144-1-71.

Directors Mason, Peterson, and Wysbeek requested to be recorded as voting no.

41232 There being no objection, at 1:36 p.m., Chairman Foley adjourned the Meeting to 12 noon on Tuesday, February 14, 1995.



CHAIRMAN



SECRETARY PRO TEM