

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JANUARY 9, 1996

41701 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 9, 1996.

The Meeting was called to order by Chairman Foley at 12:39 p.m.

41702 The Meeting was opened with an invocation by Director Gary A. Morse.

41703 The Pledge of Allegiance to the Flag was given, led by Director Lois B. Krieger.

41704 In the absence of Board Secretary Murph, the Chair designated Vice Chairman Barker as Secretary Pro Tem.

41705 Secretary Pro Tem Barker called the roll. Those answering present were: Directors Alario, Bannister, Barker, Blake, Brick, Capobianco, Fellow, Foley, Gambrell, Grandsen, Griffen, Harry, Hawkins, Huntley, King, Krieger, Little, McCauley, McMurray, Meyer, Miller, Milne, Moret, Morris, Morse, Mylne, O'Neil, Pace, Parker, Peterson, Rez, Troxel, Wein, Witt, Wright, and Wysbeek.

Those not answering were: Directors Brandt, Frahm (entered 12:45 p.m.), Gilbert, Hill, Ibbetson (entered 12:50 p.m.), Krauel (entered 12:45 p.m.), Luddy, Mason, Murph, Reed, Watton, and Webster.

The Chair declared a quorum present.

41706 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.

41707 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

William G. Seelig, President, Institute of Human Engineering Sciences, Inc., advised of the video tapes being prepared by his firm highlighting advanced technologies. He indicated desalination will be the theme of one of the tapes and of the opportunity for a representative from Metropolitan to be on a panel interview scheduled for January 12, 1996. He also reported on the possibility of entering into a treaty with Canada for delivering a water supply to the United States.

Directors Frahm and Krauel took their seats at 12:45 p.m.

41708 There being no objection, the Chair ordered the reading of the Minutes of November 14, 1995, dispensed with, a copy having been mailed to all Directors; and deferred the Minutes of December 12, 1995.

Vice Chairman Blake moved, seconded by Director Witt and carried, approving the foregoing Minutes as mailed.

41709 Real Property and Asset Management Ad Hoc Committee Chairman King reported the City of Los Angeles has granted a parking variance for the Headquarters Building at Union Station. Committee Chairman King advised that Los Angeles Deputy Mayor Rae James, who was invaluable in expediting the necessary permits, has resigned to accept a position with MTA. He requested the Board authorize the preparation of a commendatory resolution to

be presented to Ms. Rae James at a future Board Meeting and so moved. The motion was seconded by Director Brick and carried. Committee Chairman King announced that Conrad Sison, who assisted Gilbert Ivey in the Headquarters Building activities, will be resigning to continue with his education. The Board commended Conrad Sison for his efforts and wished him future success.

Director Ibbetson took his seat at 12:50 p.m.

41710 General Manager Wodraska reported that the mediation process continues with the six parties on the Colorado River and it is expected events will have progressed to the point of being able to report on these activities at the February Board Meeting.

41711 By video tape, the Board received the following reports:

Chief of Operations Means reported that the Operations Division has created a Home Page for the World Wide Web, which was viewed by the Board.

Chief of Planning and Resources Man reported that the final draft of the Integrated Resources Plan has been prepared for review by the Board and the member agencies. Mrs. Man also commented on the water rates being recommended, to become effective in January 1997.

Chief Financial Officer Becker reported on Metropolitan's financial condition.

Chief Engineer Snyder reported on the progress of thirteen construction contracts, totaling \$170,000,000. He pointed out the cracks appearing in the Second Lower Feeder, and the subsequent repairs by the Operations Division staff. The new inspection techniques for determining the integrity of pipes were described.

Deputy General Manager Horne reported on the benefits experienced from the Bay/Delta Category III program; namely, restoring salmon runs in Butte Creek.

41712 General Manager Wodraska reported on the two programs being mediated at this time: (1) rate refinement being mediated by Jim Waldo (mediator on the Bay/Delta Accord), and (2) Colorado River issues mediated by Abe Sofaer. He introduced the three members of staff selected to participate in the Executive Fellowship Program: Debra Irizarry to intern in the Washington, D.C., office; Edgar Dymally to intern in the Sacramento Office; and Jeffry Dennis to intern in the Executive Offices.

41713 Director Witt moved, seconded by Vice Chairman Blake and carried, and the Board created a Rate Refinement Task Force. Chairman Foley announced he has appointed Directors Brick (Chair), Barker, Frahm, Huntley, Miller, Troxel, and Wein to the Rate Refinement Task Force.

41714 General Counsel Taylor reported that the Planning and Conservation League has filed a lawsuit in the Sacramento Superior Court challenging the EIR for the Bay/Delta Accord. A sixty-day notice has been received from an environmental group headquartered in Tucson challenging the multi-species work on the Colorado River. He then reported that the Second Appellate District in Los Angeles issued a decision upholding the MBE/WBE program for the City of Los Angeles, stating copies of the decision are available.

41715 Director Morris moved, seconded by Voice Chairman Blake and carried, approving the addition of Agenda Item Nos. 8-2, 8-4, 8-6, 8-7, 8-8, 8-14, 8-15, and 8-17 to the Consent Calendar.

Director Witt moved, seconded by Vice Chairman Blake and the Board approved the Consent Calendar Items, **M.I. 41716** through **M.I. 41731**, as follows:

41716 Authorized the General Manager to contribute a total of \$63,893.52 for fiscal year 1995-96 to the State Water Contractors Special Urban Account for work on issues of common interest to urban contractors, as set forth in the General Manager's letter dated December 26, 1995.

41717 Amended Section 5114 of Metropolitan's Administrative Code to read as set forth in Attachment A to the General Manager's letter dated December 18, 1995, regarding the reporting requirements of the Treasurer.

41718 The Board (1) authorized No 1 to Appropriation No. 684, an increase of \$585,000 to a total of \$975,000 from the Pay-As-You-Go Fund, to expend budgeted funds to finance all costs for construction related to the installation of 32 buried insulating joint test stations on ten Metropolitan pipelines; and (2) awarded a construction contract in the amount of \$372,676 to American Construction & Supply, Inc., for the installation of insulating joint test stations in accordance with Specifications No. 1319, as amended, and that conditioned upon execution of the contract, all other bids be rejected, as set forth in the General Manager's letter dated December 19, 1995.

41719 Authorized the General Manager to enter into a non-binding agreement with the U.S. Environmental Protection Agency for the Partnership for Safe Water, subject to the agreement being in form approved by the General Counsel, as set forth in the General Manager's letter dated December 8, 1995.

41720 Approved the establishment of a flexible spending account program that qualifies under Section 125 of the Internal Revenue Code for employees in the management, supervisory, and confidential employee units and for unrepresented managers, as set forth in the General Manager's letter dated December 14, 1995.

41721 Authorized the General Manager to make payment of \$375,000 to the American Water Works Association Research Foundation (AWWARF) as Metropolitan's contribution to fund AWWARF's applied research program for the calendar year 1996, as set forth in the General Manager's letter dated December 19, 1995.

41722 The Board (1) approved the prepayment of annual dues in the amount of \$100,000 to Association of California Water Agencies (ACWA) in accordance with ACWA's proposed "Advance Dues Deposit Agreement" to be placed on interest-bearing deposit with

ACWA for a period of five years; and (2) authorized the General Manager to enter into such an agreement, subject to the agreement being in form approved by the General Counsel, as set forth in the General Manager's letter dated December 18, 1995.

41723 Approved District membership in the Western Coalition of Arid States (WESTCAS) in the amount of \$2,200 for 1996, and in The California Institute for Federal Policy Research in the amount of \$1,000 for 1996, as set forth in the General Manager's letter dated December 21, 1995.

41724 Approved the selection of the underwriting team named in Attachment 1 to the General Manager's letter dated December 26, 1995, for services associated with future sales of Metropolitan's water revenue bonds for the next two- to three-year period.

Director Moret requested to be recorded as abstaining.

41725 Authorized the General Manager to approve and make all payments he determines to be due and payable under the terms of the State Water Service and Devil Canyon-Castaic contracts for the 1996 calendar year, as set forth in the General Manager's letter dated December 26, 1995.

41726 The Board (1) approved the Plan for Implementing Water Use Efficiency Guidelines for this proposed annexation; and (2) gave informal approval for the concurrent annexation of the Brouwer Annexation to Rancho California Water District, Eastern Municipal Water District, and The Metropolitan Water District of Southern California, conditioned upon a cash payment to Metropolitan of the annexation charge of \$50,198.10, if completed by December 31, 1996, or at the then current rate if completed after December 31, 1996, subject to such terms and conditions as may be fixed by your Board in granting formal consent to such annexation when a request therefor has been received, as set forth in the General Manager's letter dated December 19, 1995.

41727 The Board (1) approved the Plan for Implementing Water Use Efficiency Guidelines for this proposed annexation; and (2) gave informal approval for the concurrent annexation of the Kemmis/Utah Pacific Annexation to Rancho California Water District, Eastern Municipal Water District, and The Metropolitan Water District of Southern California, conditioned upon a cash payment to Metropolitan of the annexation charge of \$28,669.20, if completed by December 31, 1996, or at the then current rate if completed after December 31, 1996, subject to such terms and conditions as may be fixed by your Board in granting formal consent to such annexation when a request therefor has been received, as set forth in the General Manager's letter dated December 19, 1995.

41728 Adopted Resolution 8487 transmitted with the General Manager's letter dated December 19, 1995, granting Calleguas' request for consent to the concurrent annexation of Annexation No. 32 to Calleguas Municipal Water District and The Metropolitan Water District of Southern California, and fixing Metropolitan's terms and conditions for the annexation, including a cash payment to Metropolitan of \$1,206,744.39; together with the full conveyance from the Port Hueneme Water Agency, of the right to take and use 1,850 acre-feet a year of the State Water Project Entitlement, if the annexation is completed by December 31, 1996, and the meeting of the other terms and conditions set forth in the Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO THE
ANNEXATION OF ANNEXATION NO. 32 UPON CONCURRENT ANNEXATION
TO CALLEGUAS MUNICIPAL WATER DISTRICT AND FIXING THE TERMS
AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

41729 Authorized the General Counsel to make Offer to Compromise pursuant to Code of Civil Procedure Section 998 in Metropolitan Water District of Southern California v. JWP Controls, Inc., et al., San Luis Obispo County Superior Court Case No. CV77170, as set forth in the General Counsel's confidential letter dated December 20, 1995.

41730 Authorized the General Manager to acquire Eastside Reservoir Project Properties 144-001-319 and 321 owned by Glen and Marianne Richey, as set forth in the General Manager's confidential letter dated December 19, 1995.

41731 Authorized settlement of claim against the County of Los Angeles and Silvia Construction Inc., for costs of repairs to the Sepulveda Feeder as set forth in the confidential letter jointly signed by the General Manager and the General Counsel dated December 19, 1995.

41732 Organization and Personnel Committee Chairman Rez moved, seconded by Director Hawkins and carried, authorizing amendments to the existing agreements and entering 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 \$3,077,970 for the second half of fiscal year 1995-96, substantially in accordance with the terms outlined in the General Manager's letter dated December 20, 1995, subject to the agreements being in form approved by the General Counsel.

41733 Water Planning and Resources Committee Chairman Brick moved, seconded by Finance and Insurance Committee Chairman Mason and carried, that the Board:

1. Find that the setting of rates and charges recommended in the letter of the General Manager dated December 26, 1995, is exempt from the California Environmental Quality Act (CEQA) 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 Water Planning and Resources Committee at which interested parties may present their views regarding the General Manager's recommendation. The water rates and charges for the first six months of fiscal year 1996-97 will remain unchanged; and that the rates and charges effective January 1, 1997, be set by the Board as follows:

Effective January 1, 1997

<u>Class of Service</u>	<u>Rate or Charge</u>
Noninterruptible--Untreated	\$349 per AF
Noninterruptible--Treated	\$431 per AF
Interim Agriculture--Untreated	\$236 per AF
Interim Agriculture--Treated	\$294 per AF
Seasonal Storage--Untreated	\$233 per AF
Seasonal Storage--Treated	\$290 per AF
Reclaimed	\$113 per AF
Connection Maintenance Charge	\$50 per cubic feet per second of capacity per month, not to exceed a maximum charge per connection of \$5,000 per month

3. Approve the following Resolutions:

(a) Resolution of Intention (**Resolution 8488**) to impose the readiness-to-serve (RTS) charge in the form shown as Exhibit A to the General Manager's letter dated December 26, 1995, declaring the Board's intention (i) at its March 11, 1996 meeting to consider and act upon the General Manager's recommendation to impose an RTS charge at the current level, with an increase on January 1, 1997; and (ii) at its May 14, 1996

meeting to consider and act upon the General Manager's recommendation to impose standby charges within the territories of member agencies that have requested that charge as a means of collecting the RTS charge, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE READINESS-TO-SERVE CHARGE

(b) Resolution of Intention (**Resolution 8489**) to levy a new demand charge at the current level in the form shown as Exhibit B to the foregoing letter, entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE NEW DEMAND CHARGE

4. Find that portions of Items 2 and 3 may be reconsidered as a result of the rate refinement process which is progressing and expected to be completed in March 1996.

41734 Vice Chairman Blake moved, seconded by Water Planning and Resources Committee Chairman Brick, that the Board approve the Integrated Resources Plan attached to the General Manager's letter dated December 26, 1995, as a policy guideline for future resource and capital development, to meet Metropolitan's regional water supply reliability and water quality needs over the next 25 years.

Vice Chairman Frahm stated Mark Watton, Chairman of the San Diego County Water Authority, has written a letter to Metropolitan's Board, dated January 8, 1996, and requested that letter become part of the record of the Meeting (see attached).

The motion was voted upon and carried.

Directors Frahm, Griffen, Krauel, and Parker requested to be recorded as voting no.

Director Morris moved, seconded by Vice Chairman Miller and the Board approved the Board Action Items, M.I. 41735 through M.I. 41738, as follows:

41735 The Board (1) authorized No. 20 to Appropriation No. 560, an increase of \$4,500,000 to a total of \$713,555,000 from the 1995 Revenue Bond Construction Fund, to finance budgeted costs for construction of the East Dam excavation for the Eastside Reservoir Project; and (2) awarded a construction contract in the amount of \$3,835,200 for the East Dam excavation to Erreca's Inc., in accordance with Specifications No. 1308, as amended, and that conditioned upon execution of the contract, all other bids be rejected, as set forth in the General Manager's letter dated December 26, 1995.

41736 The Board (1) authorized No. 21 to Appropriation No. 560, an increase of \$440,945,000 to a total of \$1,154,500,000 from the 1995 Revenue Bond Construction Fund, to expend budgeted funds to finance all remaining costs for the West Dam, Saddle Dam, and Forebay features of the Eastside Reservoir Project; and (2) awarded a contract in the amount of \$384,150,000 for the West Dam, Saddle Dam, and Forebay construction to Atkinson-Washington-Zachry, A Joint Venture, in accordance with Specifications No. 1326, as amended, and that conditioned upon execution of the contract, all other bids be rejected, as set forth in the General Manager's letters dated November 28 and December 26, 1995.

41737 The Board (1) authorized No. 22 to Appropriation No. 560, an increase of \$29,400,000 to a total of \$1,183,900,000 from the 1995 Revenue Bond Construction Fund, to finance budgeted costs for procurement of the pumps for the P-1 Pumping Plant feature of the Eastside Reservoir Project; and (2) awarded a procurement contract in the amount of \$22,600,000 for the pumps to Nissho Iwai American Corporation in accordance with Specifications No. 1293A, as amended, and that conditioned upon execution of the contract, all other bids be rejected, as set forth in the General Manager's letter dated December 26, 1995.

41738 The Board (1) authorized No. 23 to Appropriation No. 560, an increase of \$15,250,000 to a total of \$1,199,150,000 from the 1995 Revenue Bond Construction Fund, to finance budgeted costs for procurement of the butterfly valves for the Eastside Reservoir Project; and (2) awarded a procurement contract in the amount of \$11,880,000 for the butterfly valves to Nissho Iwai American Corporation in accordance with Specifications No. 1339, as amended, and that conditioned upon execution of the contract, all other bids be rejected, as set forth in the General Manager's letter dated December 26, 1995.

41739 Director Ibbetson announced the Section 135 Ad Hoc Committee has scheduled a meeting on January 23, 1996, at 8:30 a.m., and urged all Directors to attend.

41740 Chairman Foley reported that the General Manager's December 16, 1995, informational letter on the Incentive Payment Plan and Performance Appraisal for the General Manager and his Department has been withdrawn.

41741 The following listed communications were submitted for the information of the Board:

- a. Report of the General Manager on the operating data for the month of November, dated December 19, 1995.
- b. Report of the General Counsel on the activities of the Legal Department for the month of December, dated December 29, 1995.
- c. Report of the Auditor on the activities of the Audit Department for the month of December, dated December 20, 1995.
- d. Letter of the General Manager dated January 4, 1996, transmitting the Executive Financial Summary for the month of November.
- e. Letter of the General Manager dated December 26, 1995, reporting on the connection maintenance charge revenues for fiscal year 1995-96.

- f. Letter of the General Manager dated December 19, 1995, reporting on the 1996 per-acre annexation charge.
- g. Letter of the General Manager dated December 22, 1995, reporting on the proposed Amendment to State Water Resources Control Board Resolution No. 92-49 Regarding Groundwater Cleanup and Establishing Containment Zones.
- h. Letter of the General Manager dated December 26, 1995, submitting the second quarter status report on the Local Projects Program.
- i. Letter of the General Manager dated December 26, 1995, reporting on the distribution of Board letter packets via diskette.
- j. Letter of the General Manager dated December 26, 1995, reporting on his work plan for fiscal year 1995-96.
- k. Letter of the General Manager dated December 19, 1995, transmitting the Statement of Metropolitan's Boundary Changes.
- l. Confidential letter of the General Manager dated December 19, 1995, reporting on the rejection of all bids for Joseph Jensen Filtration Plant Expansion No. 1 standby emergency power system additions.

Director Griffen withdrew from the Meeting at 1:32 p.m.

41742 At 1:32 p.m., pursuant to Government Code Section 54957.6, the Chair called the Meeting into closed session for a discussion of meet and confer items.

Director Parker withdrew from the Meeting at 2:03 p.m.

Director Moret withdrew from the Meeting at 2:20 p.m.

At 2:34 p.m. the Chair called the Meeting into open session. Chairman Foley reported that in closed session the Board unanimously approved the instructions given to the labor negotiators.

41743 There being no objection, Chairman Foley adjourned the Meeting at 2:35 p.m.


SECRETARY PRO TEM


CHAIRMAN



San Diego County Water Authority

A Public Agency

3211 Fifth Avenue • San Diego, California 92103-5718
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448

January 8, 1996

Chairman John V. Foley
Board of Directors
Metropolitan Water District of
Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chairman Foley:

MWD's Integrated Resources Plan

The San Diego Delegation has always and will continue to support the concept of regional planning to evaluate how to meet the future water needs of southern California, but regrettably cannot support approval of MWD's proposed Integrated Resources Plan (IRP) in its present form. The IRP does not address several key issues which the Authority and others have raised which, if left unresolved, will result in inequities among MWD's member agencies' obligations to pay for its implementation.

Very importantly, we believe that approval of the IRP at this time is premature because of the ongoing negotiations on Colorado River issues. These negotiations could result in the need for major revisions to the IRP within the next few weeks or months. We believe that it is a mistake to adopt this Plan now to serve as "the policy guideline for future resource and capital development", when it is known that some of the most fundamental elements of the IRP are in jeopardy and the IRP also does not reflect the likely outcome of decision-making by your largest customer.

The San Diego Delegation believes the following items must be addressed in the Plan in order for its implementation to be equitable for all of Metropolitan's member agencies:

- First and foremost, demonstrate that the Plan results in an economical resources mix for MWD. MWD changed its reliability goal after receiving input from the member agencies and the public. The certainty that MWD can meet this new goal has not sufficiently been demonstrated nor has the incremental cost of providing for the changed goal been determined.

MEMBER AGENCIES

CITIES

• Carlsbad
• Escondido
• San Diego

IRRIGATION DISTRICTS

• North San Diego Bay
• Vista

WATER DISTRICTS

• Meun • Otay
• San Diego
• Valley View

MUNICIPAL WATER DISTRICTS

• Carlsbad
• Olivenham
• Padre Dam
• Rainbow
• Ramona
• Encan del Diablo
• Jule Center
• Yuma

COUNTY

• San Diego

PUBLIC UTILITY DISTRICT

• San Diego

FEDERAL AGENCY

• Pendleton Military Reservation

- Demonstrate that implementation of the IRP preferred resource mix is a true regional plan which provides benefits and incentives for investment by the individual member agency. For example, under present programs and projections, the IRP does not provide sufficient regional benefit to establish that further investments in the MWD are San Diego's least cost alternative. We are obliged as fiduciaries to ensure the best investment for San Diego ratepayers. After all, our circumstances are perhaps the most different of your member agencies, i.e., high volume and high degree of reliance on MWD.
- Provide evidence that implementation of the IRP will result in a clear and proportionate relationship between incentive program levels and the value of benefits realized. The IRP provides no evidence that this will occur. For example, MWD determined that the regional benefits of seasonal storage operations are much less than the discount currently provided. Yet, implementation of program changes to correct this inequity has been delayed and disconnected from other Local Resource Program incentive program revisions.
- Include in the IRP mix of water resources the potential for Colorado River water transfers, along with transfers from the Central Valley. Core water transfers are a water supply option which can provide more certainty at a lesser cost than some of the "local" projects currently included in the Plan.
- Address the great uncertainty and risks associated with MWD's Colorado River Reliability Program.
- Address a long-term solution for water pricing and reliability for agricultural water customers within Metropolitan's service area. MWD is currently annexing areas into the service area which will increase demands, providing incentive to other users to reduce demands on MWD, relinquishing Colorado River entitlements to Nevada, while at the same time issuing a notice of possible interruption of water service to agriculture.
- Define the process of how and when changes to the IRP will be made, so that the Plan is truly flexible. This process needs to be able to accommodate significant changes in MWD demands or member agency supplies such as would result from the proposed IID/Authority water transfer. Based upon experience, the IRP is not being corrected on a very flexible basis.

In closing we would like to reiterate our support of the planning concept , but urge the Board to delay approval of the draft IRP until the above concerns are addressed, and a conclusion reached in the Colorado River negotiations.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Watton", with a long horizontal stroke extending to the right.

Mark Watton
Chairman, Board of Directors

cc: MWD Board of Directors
CWA Board of Directors