

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JUNE 11, 1996

41910 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, June 11, 1996.

The Meeting was called to order by Chairman Foley at 12:36 p.m.

41911 The Meeting was opened with an invocation by Director Gary A. Morse.

41912 The Pledge of Allegiance to the Flag was given, led by Director Aaron E. Michaelsen.

41913 In the absence of Board Secretary Murph, Chairman Foley designated Director Ibbetson as Secretary Pro Tem.

41914 Secretary Pro Tem Ibbetson called the roll. Those answering present were: Directors Abdo, Alario, Bannister, Barker, Blake, Brick, Fellow, Foley, Frahm, Grandson, Hill, Huntley, Ibbetson, King, Kosmont, Krauel, Krieger, Little, Luddy, Mason, McCauley, McMurray, Meyer, Michaelsen, Miller, Milne, Moret, Morris, Morse, Mylne, O'Neil, Pace, Parker, Peterson, Rez, Russell, Troxel, Watton, Wein, Witt, Wright, and Wysbeek.

Those not answering were: Directors Capobianco, Gambrell, Gilbert, Green, Griffen, Harry, Hawkins, Murph, and Webster.

The Chair declared a quorum present.

41915 Chairman Foley inquired if there were any additions to the agenda; stating that there is a need to take immediate action on the case of The Metropolitan Water District v. JWP Controls, Inc., San Luis Obispo Superior Court Case No. CV77170. He advised that discussions on the settlement offer from JWP Controls continued to June 7, 1996; subsequent to the posting of the agenda. Chairman Foley stated that the outcome of those discussions requires the Board to act prior to the July Meeting. Vice Chairman Blake then moved that the Board, by a two-thirds vote, add this item to the Agenda for action at today's Meeting. The motion was seconded by Vice Chairman Barker and carried unanimously, representing more than the required two-thirds vote.

41916 Director Morris moved, seconded by Director Witt and carried, that the added item, JWP Controls, be placed on the Consent Calendar for action.

41917 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction. No member of the public responded.

41918 The Chair ordered the reading of the Minutes of April 9, 1996, dispensed with, a copy having been mailed to all Directors.

Director Bannister requested the foregoing Minutes be amended to reflect that approval of retaining the services of Jerome C. Muys in Washington, D.C. is "subject to the signing off of all parties to the agreement" (M.I. 41842).

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

41919 The General Counsel's letter dated May 30, 1996, was presented, transmitting the credentials evidencing the appointment by the City of Los Angeles of L. Michael Russell for a term ending December 31, 1996, replacing David Y. Handelman.

General Counsel Taylor reported the credentials had been examined and found legally sufficient.

The Chair ordered the credentials, together with the General Counsel's letter, received and filed.

The Chair reported the Oath of Office had been administered to Mr. Russell, and ordered the Oath filed.

Following an introduction by Director Wein, Mr. Russell took his seat as a Director representing the City of Los Angeles.

41920 The General Counsel's letter dated June 3, 1996, was presented, transmitting the credentials evidencing the appointment by the City of Santa Monica of Judy Abdo for an indefinite term, replacing the late Christine E. Reed.

General Counsel Taylor reported the credentials had been examined and found legally sufficient.

The Chair ordered the credentials, together with the General Counsel's letter, received and filed.

The Chair reported the Oath of Office had been administered to Ms. Abdo, and ordered the Oath filed.

Following an introduction by Director Brick, Ms. Abdo took her seat as a Director representing the City of Santa Monica.

41921 The Chair deferred consideration of Agenda Item 6C, the committee assignments.

41922 Chairman Foley reported that at the Board Workshop held last night, San Diego County Water Authority General Manager Maureen Stapleton made a presentation of items relating to the

San Diego Proposal, which included the Annual Requirement Purchase Commitment, Water Exchange Program (Water Transfers), and additional facilities. He explained that while the presentation raised many additional questions, it also answered some of the questions contained in the "Matrix of San Diego County Water Authority Proposal Discussion Categories". The matrix is being updated, he advised, to indicate which of the questions and comments have been fully addressed and which are still pending, and will be mailed to the Board by the end of this week. The next workshop is at Cal Plaza on June 25 at 1:30 p.m. (subsequently changed to July 8), he stated. It is anticipated, he said, to last four hours and will cover presentations on the Law of the River and various Colorado River Basin matters. The Rate Refinement Committee will be meeting at 12:00 noon on June 25, and the next workshop covering the topics of River Reoperation and Banking is scheduled for the evening of July 8, he advised.

41923 Real Property and Asset Management Ad Hoc Committee Chairman King announced the groundbreaking ceremony for the Headquarters Building at Union Station will be held on June 19, 1996, at 9:00 a.m. with Mayor Riordan to be the keynote speaker. The building completion date is scheduled for November 1, 1998, with full relocation by February 1, 1999. He reported that escrow on the four and one-half acres at Union Station had closed on May 31, 1996.

41924 Chairman Foley reported the Special Committee on Department Head Compensation met on June 4, interviewed the three Department Heads, and reviewed their respective job performance. The Committee recommends the Board approve the benefits, as listed in his letter dated June 5, 1996, as follows:

1. A one-time incentive payment of \$3,600 (two percent of base salary) for the General Manager, based on his performance evaluation rating of "exceeds expectations", and an increase of one week of annual leave;

2. A one-time incentive payment of \$3,288 (two percent of base salary) for the General Counsel, based on his performance evaluation rating of "exceeds expectations", and an increase of one week of annual leave;

3. An increase in the Auditor's salary from \$100,275 to \$104,021, based on his performance evaluation rating of "exceeds expectations"; with the effective date to be the nearest pay period to July 1, 1996; and

4. That the Administrative Code be amended accordingly.

Director Rez moved, seconded by Vice Chairman Miller and carried, approving the benefit package for the Department Heads as set forth in Chairman Foley's letter dated June 5, 1996.

Director Mason requested to be recorded as voting no.

41925 General Manager Wodraska stated there was no report on the litigation regarding the Monterey Amendment.

41926 General Manager Wodraska reported that at the Colorado River Board meeting tomorrow, the environmental assessment of the San Luis Rey Indians and the river operations will be considered, and the actions taken, if any, will be reported to the Board.

41927 By video tape, the Board received the following reports:

Chief of Planning and Resources Man reported on the status of the rate refinement process and the water transfer program.

Chief Financial Officer Becker reported on Metropolitan's financial condition. He announced that Metropolitan received the Government Finance Officers Association Award for Excellence in Financial Planning for its 1995 Long-Range Finance Plan. He advised that Metropolitan is one of six agencies throughout the United States and Canada to receive this prestigious award.

Chief Engineer Snyder reported on the progress of construction projects, the sale of the Bolsa Chica property, the open house for Metropolitan's employees and their families at the Eastside Reservoir, and that the dedication ceremony for Newport Road will be held on June 13.

Chief of Operations Malinowski reported on water supply conditions. He showed a portion of the dedication ceremony of the Visitors Center at Hoover Dam, noting some Board members were in attendance.

Deputy General Manager Means reported on the major breakthrough by Metropolitan on methods for detecting waterborne Cryptosporidium, which is being patented. He introduced Dr. Paul Rochelle of the Microbiology Branch who described this new method of detection.

41928 General Manager Wodraska advised that the patent pending status for the Cryptosporidium detection method has the potential of becoming a revenue enhancement opportunity. He then reported on his recent meetings with members of the financial community when he learned that Metropolitan continues to be ranked among the top three in the municipal bond market.

41929 General Counsel Taylor advised that before each Director is a copy of the opinion on banking offered by our consultant, Jerome C. Muys. The second document before each Director advises that Metropolitan has no residency requirements for Directors, as long as they reside within the State of California. He introduced Arnold Becker of the law firm Hawkins, Delafield and Wood, disclosure counsel, who addressed the Board on Directors reporting requirements and their liability.

Director Morris moved, seconded by Director Witt and carried, and the Board approved the Consent Calendar Items, M.I. 41930 through M.I. 41935, as follows:

41930 Having reviewed and considered the proposed Negative Declaration for the Iron Mountain Landfill Closure and Post-Closure Maintenance Project, as well as the Initial Study, and the public comments received in response to these documents, the

Board approved the project and adopted the Negative Declaration for this project, as set forth in the General Manager's letter dated May 23, 1996.

41931 Authorized the General Manager to exercise the option under Contract No. 1403 with Chemineer, Inc., to purchase 27 additional hydrofoil flocculators in the amount of \$837,512 for the Joseph Jensen Filtration Plant Expansion No. 1, as set forth in the General Manager's letter dated May 21, 1996.

41932 Adopted **Resolution 8499** in the form attached to the General Manager's letter dated May 21, 1996, providing in substance that Metropolitan elects to be allocated that additional portion of revenue from taxes levied on redevelopment property which is attributable to any increase in Metropolitan base year tax rate applied to incremental assessed value of the Jurupa Valley Area Project Merger and Amendment, County of Riverside, said Resolution titled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA ELECTING TO RECEIVE
ALLOCATION OF TAXES PURSUANT TO PROVISIONS OF THE COMMUNITY
REDEVELOPMENT LAW**

41933 Authorized the General Manager to extend the agreement with United Personnel Services through December 31, 1996, in the amount of \$655,000, for providing temporary unskilled or minimally skilled labor under the Operations Division's Don Adams Memorial Jobs Program, as set forth in the General Manager's letter dated May 21, 1996.

41934 Adopted a "watch" position on the Campaign Contributions and Spending Limits Disclosure Initiative Statute, as set forth in the General Counsel's letter dated May 20, 1996.

41935 Authorized the General Counsel to enter into a compromise and settlement agreement in the matter of The 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 his confidential letter dated June 10, 1996.

Director Mason withdrew from the Meeting at 1:05 p.m.

41936 Vice Chairman Blake moved, seconded by Director Meyer, that the Board:

1. Appropriate \$505.0 million for District O&M and SWP operations, maintenance, power and replacement costs; Colorado River Aqueduct power costs; SWP capital charges; and operations and maintenance costs associated with additional Colorado River water supplies; and conjunctive use programs;

2. Appropriate, as continuing appropriations, \$172.6 million for debt service on District general obligation and revenue bonds and interest payments on commercial paper, and payments on the Allen McColloch Pipeline;

3. Appropriate, as continuing appropriations, \$7.1 million for operating equipment and inventory supplies;

4. Appropriate \$34.0 million for Water Transfer Fund deposits;

5. Approve the use of up to \$696,000 from the Water Rate Stabilization Fund to pay a portion of fiscal year 1996-97 costs; and

6. By a two-thirds vote, authorize expenditures subject to the amounts appropriated by the Board as detailed in the 1996-97 Annual Budget for the protection of Metropolitan's rights and properties, as set forth in the General Manager's letter dated May 28, 1996.

The Chair called for a vote on the motion.

The following is a record of the vote on the motion:

Ayes: Anaheim (Dir. Alario, 1,533 votes), Calleguas Municipal Water District (Dirs. Grandsen and Miller, 3,097 votes), Central Basin Municipal Water District (Dirs. Ibbetson, Morse and Pace, 5,595 votes), Chino Basin Municipal Water District (Dirs. Hill and Troxel, 3,045 votes), Coastal Municipal

Water District (Dir. McMurray, 2,565 votes), Foothill Municipal Water District (Dir. O'Neil, 516 votes), Fullerton (Dir. Blake, 616 votes), Glendale (Dir. Rez, 1,080 votes), Las Virgenes Municipal Water District (Dir. Peterson, 833 votes), Long Beach, (Dir. Meyer, 1,830 votes), Los Angeles (Ayes: Dirs. Kosmont, Luddy, Michaelson, Moret, Russell, and Wein. Absent: Dirs. Capobianco and Green. 18,344 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, Huntley, King, and Witt, 10,936 votes), Pasadena (Dir. Brick, 896 votes), San Fernando (Dir. Wysbeek, 71 votes), San Marino (Dir. Morris, 183 votes), Three Valleys Municipal Water District (Dir. Milne, 2,466 votes), Torrance (Dir. Wright, 1,135 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Fellow. Absent: Dir. Hawkins. 3,485 votes), West Basin Municipal Water District (Ayes: Dirs. Barker and Little. Absent: Dir. Gambrell. 6,221 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,639 votes). Total 67,086 votes.

Noes: Burbank (Dir. McCauley, 819 votes), San Diego County Water Authority (Noes: Dirs. Frahm, Krauel, Parker, and Watton. Absent: Dirs. Griffen and Mason. 13,349 votes). Total 14,168 votes.

Abstains: Santa Monica (Dir. Abdo, 923 votes). Total 923 votes.

Absent: Beverly Hills (Dir. Webster, 837 votes), Compton (Dir. Murph, 156 votes), Eastern Municipal Water District (Dir. Gilbert, 1,838 votes), Santa Ana (Dir. Harry, 1,041 votes). Total 3,872 votes.

The Chair declared that the 1996-97 Annual Budget was adopted by a vote of 67,086 ayes, 14,168 noes, 923 abstain, and 3,872 absent, representing more than the required two-thirds vote.

41937 On behalf of the Finance and Insurance Committee, Director Meyer moved, seconded by Director Krieger and carried, approving Metropolitan's Statement of Investment Policy dated June 12, 1996, as shown on Attachment A to the General Manager's letter dated May 28, 1996.

Director Mason returned to the Meeting at 1:12 p.m.

41938 Engineering and Operations Committee Chairman Miller moved, seconded by Vice Chairman Barker, that the Board authorize:

1. No. 6 to Appropriation No. 604, an increase of \$6,000,000 to a total of \$11,950,000 from the Pay-As-You-Go Fund, of which \$4,500,000 is for the design of a generic, nonsite-specific Seawater Desalination Demonstration Plant; \$500,000 for continued operation of the test unit; and \$1,000,000 for site selection activities;

2. The General Manager to execute an agreement with a joint venture consisting of Parsons Overseas Company and Israel Desalination Engineering Technologies, Ltd. (Joint Venture) to provide engineering design services for an amount not to exceed \$4,000,000, for design of a generic, nonsite-specific Seawater Desalination Demonstration Plant, and to provide participation in sales of the resulting technologies, subject to the agreement being in form approved by the General Counsel; and

3. The General Manager to execute an agreement with the Joint Venture for the Joint Venture to pay Metropolitan an amount not to exceed \$2,500,000, for Metropolitan to act as subconsultant to the Joint Venture, and to provide engineering services for design of a generic, nonsite-specific Seawater Desalination Demonstration Plant, as set forth in the General Manager's revised letter dated May 21, 1996.

Director Michaelsen requested clarification of the financing arrangements. Chief Engineer Snyder stated the Joint Venture and Metropolitan will each share fifty percent of the cost of the design effort, to a total amount not to exceed \$8,000,000. Negotiations are continuing on the terms of the agreement, he said.

Director Michaelsen suggested that when the terms of the agreement have been negotiated, Metropolitan obtain a fairness opinion prior to execution.

Director Michaelsen offered a substitute motion, seconded by Director Bannister, that there be a fairness opinion rendered on the profit participation provision prior to finalizing the agreement, indicating that the percentage participation figure could increase possibly to thirty percent.

The Chair called for a vote on the substitute motion which was voted upon and did not carry.

The Chair called for a vote on the original motion, which carried.

Directors Michaelsen and Morris requested to be recorded as abstaining.

Directors Bannister and Milne requested to be recorded as voting no.

Directors Frahm, Morse, and Watton withdrew from the Meeting at 2:05 p.m.

41939 Engineering and Operations Committee Chairman Miller moved, seconded by Organization and Personnel Committee Chairman Rez and carried, and the Board authorized the General Manager to amend existing contracts and enter into new contracts with employment service agencies and consultants supplying temporary personnel in excess of the \$250,000 limitation and to employ temporary and part-time personnel for the Engineering Division in addition to the Board-approved, District-wide personnel limit for fiscal year 1996-97, with an overall limitation in amounts paid of \$14,750,000 for the first half of fiscal year 1996-97, substantially in accordance with the terms outlined in the letter of the General Manager dated May 21, 1996, subject to the contracts being in form approved by the General Counsel.

41940 Water Planning and Resources Committee Chairman Brick moved, seconded by Vice Chairman Blake and carried, approving the proposed criteria to be met for Metropolitan to support specific surface water storage or conjunctive use/groundwater storage projects that may be included as a component of proposed CALFED/Bay-Delta alternatives, as set forth in the General

Manager's letter dated June 10, 1996, revised from his letter of May 28, 1996.

41941 Committee on Legislation Chairman Luddy moved, seconded by Director Hill and carried, adopting legislative policy principles for power as follows:

1. Continue to take appropriate actions to protect Metropolitan's investment in long-term firm power resources such as the Hoover power plant and the Parker power plant;
2. Oppose provisions that would expand jurisdiction of the California Public Utilities Commission or the Federal Energy Regulatory Commission over Metropolitan's activities;
3. Continue to take appropriate actions to preserve Metropolitan's existing power contract rights and avoid cost increases and shifting of stranded costs as the electric utility industry restructuring moves forward; and
4. Seek opportunities that may arise through deregulation to provide direct service at reduced cost to Metropolitan's water supply loads that are services under tariff schedules, as set forth in the General Manager's letter dated May 28, 1996.

41942 Chairman Foley announced that Agenda Item 8-8, authorization to execute an agreement to acquire property for the Diemer Filtration Plant, has been withdrawn.

41943 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 April, dated May 21, 1996.
- b. Report of the General Counsel on the activities of the Legal Department for the month of May, dated May 31, 1996.
- c. Report of the Auditor on the activities of the Audit Department for the month of May, dated May 28, 1996.

- d. Letter of the General Manager dated May 23, 1996, transmitting the Executive Financial Summary for the month of April.
- e. Letter of the General Manager dated May 28, 1996, submitting the Responses to Special Budget and Financial Analysis Committee Recommendations made at the 1996-97 Budget Workshop.
- f. Letter of the General Manager dated May 28, 1996, reporting on the status of Friant-Kern Water Transfer Programs.
- g. Letter of the General Manager dated May 28, 1996, regarding the Proposed Model Water Transfer Act for California.
- h. Letter of the General Manager dated May 28, 1996, reporting on the Colorado River Aqueduct Power Integrated Resource Plan.
- i. Letter of the General Manager dated May 21, 1996, submitting an update on fluoridation.
- j. Letter of the General Manager dated May 21, 1996, reporting on the Arsenic Research Partnership.
- k. Letter of the General Manager dated May 21, 1996, reporting on the Don Adams Memorial Cooperative Work/Study Program.
- l. Letter of the General Counsel dated May 23, 1996, reporting on ACA 49 (Isenberg) and SCA 39 (Killea, Alquist, and Kopp) -- Proposed Constitutional Amendments from California Constitution Revision Commission.

41944 Chairman Foley announced the groundbreaking for the new Headquarters Building is scheduled for June 19, 1996.

41945 There being no objection, Chairman Foley adjourned the Meeting at 2:10 p.m.

E. THORNTON IBBETSON
SECRETARY PRO TEM

JOHN V. FOLEY
CHAIRMAN