

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JUNE 10, 1997

42424 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 10, 1997.

The Meeting was called to order by Chairman Foley at 12:40 p.m.

42425 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

42426 The Pledge of Allegiance to the Flag was given, led by Director Thom Coughran.

42427 In the absence of Board Secretary Murph, Chairman Foley designated Vice Chairman Barker as Secretary Pro Tem.

42428 Secretary Pro Tem Barker called the roll. Those answering present were: Directors Abdo, Alario, Bannister, Barbosa, Barker, Blake, Brick, Castro, Coughran, Dymally, Fellow, Foley, Forbes, Frahm, Gilbert, Grandsen, Herman, Hill, Huntley, Ibbetson, King, Krauel, Krieger, Little, Mason, McCauley, McMurray, Meyer, Miller, Moret, Morris, Mylne, O'Neil, Owen, Pace, Parker, Peterson, Rascon, Rez, Russell, Troxel, Watton, Webster, Wein, Witt, and Wright.

Those not answering were: Directors Griffen, Kosmont (entered 12:54 p.m.), Luddy, and Murph.

The Chair declared a quorum present.

42429 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.

42430 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Following questions by the Board, Michael J. Clinton, General Manager of the Imperial Irrigation District, made a presentation on Colorado River water issues. (See Attachment)

Director Kosmont took his seat at 12:54 p.m.

Director Krauel withdrew from the Meeting at 1:00 p.m.

42431 Director Mason introduced Margaret "Betty" Ferguson and Trish Hannan, members of the Vallecitos Water District's Board.

42432 Director Little introduced Carol Kwan, a member of the Board of Directors of West Basin Municipal Water District.

42433 On behalf of Calleguas Municipal Water District, Donald Kendall, General Manager, presented resolutions of commendation to Alan Lerchbacker, Gary Shipley, Alan Ubrun, and Robert Lyons, Metropolitan's employees from the Operations and Engineering Divisions, for their expert help in getting one of Calleguas' major pipelines in Simi Valley back into operation within a short period of time without any major disruption in its distribution system.

42434 There being no objection, the Chair ordered the reading of the Minutes of the Meetings held April 8 and May 13, 1997, dispensed with, copies having been mailed to each Director.

Director Blake moved, seconded by Director Hill and carried, approving the foregoing Minutes as mailed.

42435 The General Counsel's letter dated May 20, 1997, was presented, transmitting the credentials evidencing the appointment by the City of San Fernando of Sergio Rascon as its representative on Metropolitan's Board for an indefinite term, replacing Doude Wysbeek.

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. Rascon, and ordered the Oath filed.

Following an introduction by Mayor Raul Godinez of the City of San Fernando, Mr. Rascon took his seat as a Director representing the City of San Fernando.

42436 Vice Chairman Miller moved, seconded by Director Blake and carried, approving the committee assignments recommended by the Executive Committee of Director Rascon to the Budget and Finance and the Legal and Claims Committees.

42437 Chairman Foley announced due to the resignation of Director Frahm from the Special Audit Committee, he has appointed Director Grandsen and Director Meyer as Chairman and Vice Chairman, respectively, of the Special Audit Committee.

42438 Chairman Foley presented a Commendatory Resolution to former Director Bruce R.J. Milne for his six years of service on Metropolitan's Board, representing Three Valleys Municipal Water District.

42439 Chairman Foley reported on the absence of Ray Corley, Metropolitan's Legislative Representative in Sacramento, due to his wife's critical illness. He advised the Board on the formation of a Strategic Policy Ad Hoc Steering Committee consisting of Directors King as Chairman, Dymally, Forbes, Huntley, Kosmont, Krieger, and Troxel, with the committee to review Metropolitan's strategic policies that will establish

foundation and direction for the Board and staff. Chairman Foley also stated he is in the process of establishing an ad hoc committee to review the District's MBE/WBE programs and will report the membership of the committee at the July Meeting.

Director Herman withdrew from the Meeting at 2:12 p.m.

42440 Special Committee on Real Property Management Chairman King reported on the continuing development and construction of the new Headquarters Building, with tenant improvement packages being issued by the contractor for bid, and that the project remains on schedule and within budget. Director King announced the next meeting of the committee will be on June 24, 1997, at 7:30 a.m.

Director Mason withdrew from the Meeting at 2:14 p.m.

42441 Chairman Foley reported the Special Committee on Department Head Compensation met on May 27, interviewed the three Department Heads, and reviewed their respective job performance; and the committee recommended the Board approve the salary and benefits, to be effective June 29, 1997, as listed in the Chairman's letter dated May 30, 1997, as follows:

1. An increase in the General Manager's base salary from a flat rate of \$183,000 to a flat rate of \$196,400, based on his performance evaluation rating of "exceeds expectations". Additional modifications to his contract include: (1) deletion of the individual term life insurance policy and addition of variable universal life insurance policy, (2) modification to the leave accrual provision to include an Administrative Leave accrual at a rate of 40 hours per year, (3) modification to the severance package from one-half annual salary to annual salary;

2. An increase in the General Counsel's base salary from a flat rate of \$164,383 to a flat rate of \$179,500, based on his performance evaluation rating of "exceeds expectations";

3. An increase in the Auditor's base salary from a flat rate of \$104,021 to a flat rate of \$115,918 based on his performance evaluation rating of "exceeds expectations"; and

4. That the Administrative Code be amended accordingly.

Director Blake moved, seconded by Vice Chairman Miller and carried, approving the salary and benefit package for the Department Heads as set forth in Chairman Foley's letter dated May 30, 1997.

Directors McCauley and Watton requested to be recorded as voting no.

Director Mylne expressed the appreciation of the Board for the excellent job General Manager Wodraska has performed for the District. Chairman Foley also commended General Counsel Taylor and Auditor Hondorp for their job performances.

42442 General Manager Wodraska reported that David Kennedy, Director of the Department of Water Resources, continues to meet on a weekly basis with the managers on Colorado River issues, and that Mr. Kennedy is to report back to the Legislature around the middle of August on the plans and progress of the California Plan.

42443 Chairman Foley commented briefly on the ongoing negotiations regarding the Colorado River and the SDCWA/IID issues. Mr. Foley summarized the terms for a long-term wheeling agreement and made reference to the availability of capacity, the avoided cost, and the availability to all member agencies. He further stated that there are other principles which are outlined on the sheet distributed at today's Meeting and which concept our negotiators are operating under.

42444 By video, the Board received the following reports:

Director of Water Quality Beuhler reported on the research project Metropolitan has started with the Orange County Water District, Lawrence Livermore National Laboratory, and Southern California Edison Company to develop new and innovative technologies to substantially reduce the cost of desalting Colorado River supplies and reclaimed water. He stated the Livermore Laboratory has developed a new desalting technology known as carbon aerogel

capacitive deionization which may use significantly less energy than conventional desalting technologies.

Mr. Beuhler further reported that the research partnership will also look at new reverse osmosis membranes designed specifically for Colorado River water which require less energy, and that this partnership is expected to be a phased project over a 5- to 6-year period. He then introduced Bill Mills, General Manager of the Orange County Water District, and Steve McKenry of Southern California Edison, who spoke on the methods to be used by their companies to further this research project.

Chief Engineer Snyder reported there are currently 25 construction projects underway, which represent over \$951 million in total construction costs. He reported on the Engineering and Operations Committee's two-day inspection trip of Metropolitan's construction sites, in which 14 Directors participated. Besides visits to some of the facilities, the trip participants also visited the California Speedway in the City of Fontana where a portion of Metropolitan's Upper Feeder pipeline traverse the speedway site from end to end and where Metropolitan devised a protection plan for the pipeline using concrete slabs supported by 90 piles over the pipeline, with rubber seals installed inside the pipeline at joints to further protect against damage.

Vice Chairman Frahm withdrew from the Meeting at
2:32 p.m.

Chief of Planning and Resources Man reported that in the CALFED decision-making process for the Bay-Delta, significant progress has been made in the implementation of ecosystem restoration projects. She then introduced Steve Arakawa, Assistant Chief of Planning and Resources in charge of State Water Project Resources, who described the restoration projects called Category III measures as part of the plan for the Bay-Delta Estuary. Byron Buck, Executive Director of the California Urban Water Agencies, further reported on the Category III program.

Director Hill withdrew from the Meeting at 2:37 p.m.

Chief Financial Officer Becker reported on Metropolitan's financial condition. Mr. Becker then introduced Antoinette Christovale, Assistant Chief Financial Officer, who reported on the progress of the MWD/Member Agency Finance Work Group. She stated the work group is comprised of member agency managers, their financial staff, and Metropolitan's financial staff, and was established in October 1996 to promote better communication of Metropolitan's financial planning and reporting activities to its member agencies.

Chief of Operations Malinowski expressed appreciation for the opportunity to show the Engineering and Operations Committee's inspection trip participants the emergency water supply system at Live Oak Reservoir and the state-of-the-art chemical handling facility at the Diemer treatment plant. He reported that the design work for the 50-acre cover for the San Joaquin Reservoir has been halted, and that Metropolitan is working with the other partners to find some better solutions than investing \$40 million at this stage to cover the reservoir. However, Metropolitan is committed to assist in the repair of slope damage in the canyon where the reservoir is located, he advised. Mr. Malinowski then introduced Nick Catrantzos, Security Manager for the Eagle Rock Control Center, who reported on one of the Emergency Operations Center exercises. Mr. Malinowski further reported that water quality and deliveries remain good for the month, but with the cooler temperature, water sales have dropped to about 5,400 acre-feet a day compared to more than 6,000 acre-feet when the temperature is higher.

Directors Coughran and King withdrew from the Meeting at 2:44 p.m.

42445 General Manager Wodraksa reported on the awards received by Metropolitan from the American Red Cross Association for our support of its disaster programs, and from the Society of Hispanic Professional Engineers for our continued support of California State University, Northridge, minority engineering

program. He advised that in an ongoing effort to improve the Business Outreach Program he is having an audit done on the MBE/WBE Program to review our past practices and compliance. Mr. Wodraska further reported on the study of service practice and performance in the United States performed by a research team from the London Business School, University of North Carolina, and University of Southern California, whereby Metropolitan was considered one of the top two utilities in the United States. Mr. Wodraska stated he was pleased to have represented Metropolitan at the 75th Anniversary of the signing of the Colorado River Compact at Santa Fe, New Mexico.

42446 General Counsel Taylor reported on the Domenigoni settlement agreement which was approved and signed by the Domenigoni family. He stated that as part of the settlement it was also necessary to have a Resolution of Necessity adopted to acquire the additional properties as a result of the settlement agreement, and that the Board will be asked to approve both items at today's Meeting.

42447 The Chair announced that Agenda Items 8-4 regarding the construction of the Inland Feeder Pressure Control Structure of the Eastside Reservoir Project; and 8-10, the direct access for water supply retail electrical loads, have been withdrawn.

42448 Organization and Personnel Committee Chairman Wein reported Agenda Item 8-17, the Memorandum of Understanding between Metropolitan and the Supervisors' Association, is being withdrawn due to the association not having the opportunity to ratify the agreement because of time constraints.

42449 The Chair announced the addition of Agenda Items 8-5, 8-6, 8-7, 8-8, 8-11, 8-14, 8-15, 8-16, 8-18, and 8-19 to the Consent Calendar.

Director Morris moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 42450** through **M.I. 42469**, as follows:

42450 Authorized the General Manager to execute an agreement with Southern California Edison to award Metropolitan a research

grant in the amount of \$320,000, subject to the agreement being in form approved by the General Counsel, as set forth in the General Manager's letter dated May 19, 1997.

42451 Authorized the General Manager to enter into an agreement on a sole source basis with Oracle Corporation for consulting services for the upgrade of the District's Oracle Financials suite of applications in the amount not to exceed \$980,000, as set forth in the General Manager's letter dated May 20, 1997.

42452 Authorized an amendment to Agreement No. 9286 between Metropolitan and Resource Management International, Inc., to increase expenditures under the Agreement by \$500,000, to a total of \$1 million, for the preservation and protection of Metropolitan's power interests during the restructuring of the electric utility industry; said amount has been included in the Annual Budget for fiscal year 1997-98, as set forth in the General Manager's letter dated May 20, 1997.

42453 Authorized an amendment to Agreement No. 6255 between Metropolitan and the law firm of Duncan, Weinberg, Miller & Pembroke to increase the maximum amount payable by an additional \$400,000 to \$900,000, for advice and representation in legal proceedings arising out of the restructuring of the electric utility industry, as set forth in the General Counsel's letter dated May 19, 1997.

42454 Adopted (1) Amendment to Contract Between the Board of Administration of the Public Employees' Retirement System and the Board of Directors of The Metropolitan Water District of Southern California, to provide service credit for military service; and (2) **Resolution 8540** authorizing the amendment to the contract as set forth in Exhibits A and B to the General Manager's letter dated May 20, 1997; such contract amendment to be effective on June 11, 1997; and (3) authorized the Certification of Final action of Governing Body as set forth in Exhibit C to the foregoing letter; said Resolution entitled:

RESOLUTION AUTHORIZING AN AMENDMENT TO THE CONTRACT

42455 Amended Section 6201 (Benefits Paid Temporary Employees), and added Section 6231 (Benefits Paid Regular Part-Time Employees), to the Administrative Code to read as set forth in Attachment A to the General Manager's letter dated May 28, 1997, that effective June 29, 1997 (1) regular part-time and temporary part-time employees be entitled to twelve hours of personal leave for the 1997 calendar year; (2) for subsequent calendar years, the personal leave provided to regular part-time and temporary part-time employees will be twenty-four hours; (3) temporary full-time employees be entitled to twenty-four hours of personal leave for the 1997 calendar year; and (4) for subsequent calendar years, the personal leave provided to temporary full-time employees be forty-eight hours.

42456 Approved the payment of the State Water Contractors' membership dues and the contributions to the State Water Contractors' Bay-Delta Fund and Bay-Delta Urban Fund for fiscal year 1997-98 in the amounts of \$462,645, \$125,000, and \$74,485.43 respectively, from funds provided for in Metropolitan's 1997-98 budget, as set forth in the General Manager's letter dated May 27, 1997.

42457 Authorized the General Manager to amend (1) the agreement with Bookman-Edmonston Engineering, Inc., which is now engaged in the Phase II Salinity Management Study for an additional expenditure of \$100,000 to update the analysis of economic impacts of high salinity water levels in Metropolitan's service area for a total amended cost not to exceed \$350,000; and (2) the cost-sharing agreement with the U.S. Bureau of Reclamation to receive an additional \$100,000 for the Phase II Study, subject to the agreements being in form approved by the General Counsel, as set forth in the General Manager's letter dated May 27, 1997.

42458 Expressed support, if amended, for Senate Bill 1082 (Kelley) to clarify the roles of the Director of the Department of Water Resources and the Colorado River Board to ensure that California can live within its annual apportionment, as set forth in the letter signed jointly by the General Manager and the General Counsel dated May 30, 1997.

42459 Authorized the General Counsel to amend an existing contract with the law firm of Selzer, Ealy, Hemphill & Blasdel to increase the maximum amount payable from \$60,000 to \$160,000 per year to provide assistance on a range of environmental permitting issues, as set forth in the General Counsel's letter dated May 16, 1997.

42460 Authorized (1) No. 1 to Appropriation No. 15288, an increase of \$1,395,000 to a total of \$1,900,000 from the Pay-As-You-Go Fund, to finance repairs to the Jensen Finished Water Reservoir No. 2; and (2) the award of a fixed price construction contract to Serrot Corporation for \$1,093,000, as set forth in the General Manager's letter dated May 20, 1997.

42461 Authorized the General Manager to enter into agreements for design activities for the Lake Mathews Outlet Facilities Program with (1) Woodward-Clyde Consultants for geotechnical exploration and testing services in an amount not to exceed \$600,000; and (2) Jacobs Associates for tunnel design and geotechnical engineering services in an amount not to exceed \$1,500,000, as set forth in the General Manager's letter dated May 20, 1997.

42462 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 1997-98, with an overall limitation in amounts paid of \$8,500,000 for the first half of fiscal year 1997-98, substantially in accordance with the terms outlined in the General Manager's letter dated May 20, 1997, with the provision that no contract will exceed \$3,000,000 in a single contract year, subject to the contracts being in form approved by the General Counsel.

42463 Authorized the General Manager to amend existing agreements and enter into new contracts with employment service agencies supplying temporary personnel in excess of the \$250,000 limitation with an overall limitation in amounts paid of \$4,208,380 for the first half of fiscal year 1997-98,

substantially in accordance with the terms outlined in the General Manager's letter dated May 20, 1997, subject to the contracts being in form approved by the General Counsel.

42464 The Board (1) found that the interests of Metropolitan will not be adversely affected by the remaining window area of the annexation; (2) approved the Plan for Implementing Water Use Efficiency Guidelines for the proposed annexation; and (3) informally approved the Guajome Regional Park Annexation concurrently to Vista Irrigation District, San Diego County Water Authority, and Metropolitan, conditioned upon a cash payment to Metropolitan of the annexation charge of \$33,043.84 if completed by December 31, 1997, or at the then current annexation charge rate, if completed by December 31, 1998, subject to such terms and conditions as may be fixed by the 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 May 20, 1997.

42465 Adopted, by a two-thirds vote, **Resolution 8541** attached to the General Manager's letter dated May 23, 1997, declaring the necessity for the Eastside Reservoir Project and for the property described in Exhibit A and shown on Exhibit B attached to the foregoing letter, and directing the General Counsel to commence condemnation proceedings in Riverside County to acquire the property, said Resolution entitled:

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA DIRECTING THE
CONDEMNATION OF CERTAIN PROPERTIES SITUATED IN RIVERSIDE
COUNTY (EASTSIDE RESERVOIR PROJECT)**

42466 Adopted, by a two-thirds vote, **Resolution 8542** attached to the General Manager's letter dated May 23, 1997, declaring the necessity for the Inland Feeder Project and for the property described in Exhibits A and B attached to the foregoing letter, and directing the General Counsel to commence condemnation proceedings in San Bernardino County to acquire the easements, said Resolution entitled:

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA DIRECTING THE CONDEMNATION OF CERTAIN PROPERTIES SITUATED IN THE COUNTY OF SAN BERNARDINO (INLAND FEEDER PROJECT)

Directors Parker and Watton requested to be recorded as voting no.

42467 Authorized the General Manager to acquire Parcel No. 144-001-813 owned by Thomas M Doran and Donna L. Doran, for the Eastside Reservoir Project, as set forth in the General Manager's confidential letter dated April 22, 1997.

42468 Approved the recommendation as set forth in the General Counsel's confidential letter dated June 9, 1997, regarding Metropolitan Water District v. Domenigoni, Fourth Appellate District Case No. E017416; Domenigoni v. Metropolitan Water District, Riverside County Superior Court Case No. 288115; and Estate of Frederick Domenigoni, Riverside County Superior Court Case No. 071183.

Director Owen requested the record show he did not participate in this item.

42469 Approved the recommendation as set forth in the General Counsel's confidential letter dated May 23, 1997, regarding the eminent domain action titled Metropolitan Water District v. Glen Kennedy, et al., Riverside County Superior Court Case No. 251554, for the Eastside Pipeline Project.

42470 Director Little moved, seconded by Vice Chairman Barker and carried, adopting, by a two-thirds vote, **Resolution 8543** attached to the General Counsel's letter dated June 5, 1997, declaring the necessity for the Eastside Reservoir Project and for the properties and interests in properties described in Exhibits A and B attached to the foregoing letter, and directing the General Counsel to pursue condemnation proceedings in Riverside County to acquire the properties, said Resolution entitled:

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA DIRECTING THE
CONDEMNATION OF CERTAIN PROPERTIES SITUATED IN RIVERSIDE
COUNTY (EASTSIDE RESERVOIR PROJECT)

Director Owen requested the record show he did not participate in this item.

Directors Moret and Russell withdrew from the Meeting at 2:50 p.m.

42471 Budget and Finance Committee Chairman Blake moved, seconded by Vice Chairman Barker and carried, and the Board:

1. Approved the 1997-98 Annual Budget, as set forth in the General Manager's letter dated May 27, 1997;
2. Approved identification of funding for the Annual Capital Expenditure Plan and the 10-Year Capital Improvement Program;
3. Appropriated \$581.4 million for District O&M and SWP operations, maintenance, power and replacement costs; SWP capital charges; operations and maintenance costs associated with additional Colorado River water supplies, and Business Enterprise Development;
4. Appropriated, as continuing appropriations, \$204.6 million for debt service on District general obligation and revenue bonds and interest payments on commercial paper, and payments for the Allen McColloch Pipeline;
5. Appropriated, as continuing appropriations, \$9.7 million for operating equipment and inventory supplies;
6. Allocated \$24 million for deposit into the Water Transfer Fund;
7. Approved the use of up to \$72.9 million from the Water Rate Stabilization Fund to pay a portion of fiscal year 1997-98 costs;

8. By a two-thirds vote, authorized expenditures subject to the amounts appropriated by the Board as detailed in the 1997-98 Annual Budget for the protection of Metropolitan rights and properties, as set forth in the General Manager's letter dated May 27, 1997; and

9. Found that the actions recommended in the foregoing letter are not subject to the California Environmental Quality Act either because the actions proposed herein are (i) exempted by Section 15301 of the State CEQA Guidelines as providing for the continued operation of existing facilities with no expansion of use beyond that previously existing; or (ii) exempted by Section 15378(b)(5) of the State CEQA Guidelines as constituting the creation of government funding mechanisms or other government fiscal activities which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment.

The Chair called for a vote on the motion.

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

Ayes: Anaheim (Dir. Alario, 1,570 votes), Beverly Hills (Dir. Webster, 819 votes), Calleguas Municipal Water District (Dirs. Grandsen and Miller, 3,268 votes), Central Basin Municipal Water District (Dirs. Castro, Ibbetson, and Pace, 5,659 votes), Chino Basin Municipal Water District (Aye: Dir. Troxel. Absent: Dir. Hill. 3,125 votes), Coastal Municipal Water District (Dirs. McMurray and Owen, 2,623 votes), Eastern Municipal Water District (Dir. Gilbert, 1,805 votes), Foothill Municipal Water District (Dir. O'Neil, 531 votes), Fullerton (Dir. Blake, 639 votes), Glendale (Dir. Rez, 1,075 votes), Las Virgenes Municipal Water District (Dir. Peterson, 838 votes), Long Beach, (Dir. Meyer, 1,780 votes), Los Angeles (Ayes: Dirs. Kosmont and Wein. Absent: Dirs. Herman, Luddy, Moret, and Russell. 18,092 votes), Municipal Water District of Orange County (Ayes: Dirs. Bannister, Foley, Huntley, and Witt. Absent: Dir. King. 11,155 votes), Pasadena (Dir. Brick, 872 votes), San Fernando (Dir. Rascon, 72 votes), San Marino (Dir. Morris, 189 votes), Santa Monica (Dir. Abdo, 935 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,487 votes),

Torrance (Dir. Wright, 1,105 votes), Upper San Gabriel Valley Municipal Water District (Dirs. Fellow and Forbes, 3,557 votes), West Basin Municipal Water District (Dirs. Barker, Dymally, and Little, 6,119 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,624 votes). Total 70,939 votes.

Noes: Burbank (Dir. McCauley, 831 votes), San Diego County Water Authority (Noes: Dirs. Parker and Watton. Absent: Dirs. Frahm, Griffen, Krauel, and Mason. 13,402 votes). Total 14,233 votes.

Abstains: None.

Absent: Compton (Dir. Murph, 159 votes), Santa Ana (Dir. Coughran, 1,003 votes). Total 1,162 votes.

The Chair declared that the 1997-98 Annual Budget was adopted by a vote of 70,939 ayes, 14,233 noes, and 1,162 absent, representing more than the required two-thirds vote.

42472 Budget and Finance Committee Chairman Blake moved, seconded by Director Little and carried, and the Board approved (1) Metropolitan's Statement of Investment Policy dated June 10, 1997 (Attachment A), including changes as described in the detailed report in the General Manager's letter dated May 20, 1997, and as revised by his letter of June 9, 1997; and (2) the annual delegation of authority to the Treasurer to make investments on behalf of Metropolitan.

42473 Budget and Finance Insurance Committee Chairman Blake moved, seconded by Engineering and Operations Committee Chairman Miller and carried, authorizing (1) No. 14 to Appropriation No. 15122, an increase of \$9,100,000 to a total of \$298,627,000 from the 1996 Revenue Bond Construction Fund, to finance costs for continued project management services for the Inland Feeder Project; and (2) the General Manager to amend the agreement with Parsons Infrastructure and Technology in the amount of \$8,300,000, for a total agreement amount of \$12,150,000, for the

above services, as set forth in the General Manager's letter dated May 20, 1997.

Directors Parker and Watton requested to be recorded as voting no.

42474 Director Dymally moved, seconded by Director Huntley and carried, and the Board (1) granted the General Manager authority to modify two existing unrepresented positions to the positions of Director of Business Development and Senior Executive Assistant to the General Manager, at salary grades 68 and 74, respectively, with the essential duties and responsibilities associated with these positions as reflected in the classification descriptions attached to the General Manager's letter dated May 28, 1997, and that no new budgeted positions will be required as part of this action; and (2) amended Section 6500 of the Administrative Code, Hourly Pay Rate Schedule, to incorporate these changes.

42475 The Chair announced that Agenda Item 9-7, letter of the General Manager reporting on the water conservation program with Imperial Irrigation District, was withdrawn.

42476 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 20, 1997.
- b. Report of the General Counsel on the activities of the Legal Department for the month of May dated May 30, 1997, and the confidential supplemental letter dated June 5, 1997.
- c. Report of the Auditor on the activities of the Audit Department for the month of May, dated May 27, 1997.
- d. Letter of the General Manager dated May 15, 1997, transmitting the Executive Financial Summary for the month of April.

- e. Letter of the Auditor dated May 27, 1997, transmitting the Audited Cash Basis Financial Statements as of March 31, 1997.
- f. Letter of the General Manager dated May 20, 1997, reporting on the process used in Request for Qualifications 240--Insurance Brokerage and Risk Management Services.
- g. Letter of the General Manager dated May 19, 1997, reporting on the Sixth Amendment to Agreement No. B54783 for providing the Department of Water Resources machining, fabricating, and other support services.
- h. Letter of the General Manager dated May 22, 1997, reporting on the Interim Agricultural Water Program Audit.
- i. Letter of the General Manager dated May 20, 1997, submitting an update on fluoridation.
- j. Letter of the General Manager dated May 19, 1997, submitting an update on Methyl Tert-Butyl Ether (MTBE) Action Plan.
- k. Letter of the General Manager dated May 20, 1997, reporting on the California Public Utility Commission decisions on Electric Industry Restructuring and Report on the Phase II Filing made at the Federal Energy Regulatory Commission.
- l. Letter of the General Manager dated May 22, 1997, submitting a Summary of the Blue Ribbon Task Force and Implementation Process.
- m. Letter of the General Manager dated May 27, 1997, reporting on National Wetlands Coalition: Criteria for Maintaining Membership.

42477 There being no objection, Chairman Foley adjourned the Meeting at 2:57 p.m.

CHARLES D. BARKER
SECRETARY PRO TEM

JOHN V. FOLEY
CHAIRMAN

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

REGULARLY SCHEDULE MEETING
OF THE BOARD OF DIRECTORS

PUBLIC COMMENTS

TUESDAY, JUNE 10, 1997

12:42 P.M.

ALISON MAYER, CSR #2545
BY: LISA FERNS, CSR #3297
POST OFFICE BOX 234
PACIFIC PALISADES, CA. 90272
TELEPHONE 310-454-1687
FAX 310-454-9930

1 To provide and hone in and, let's call it,
2 focusing on the subject, I am going to allow
3 directors initially to ask any questions they might
4 have prior to Mr. Clinton's presentation. If he
5 would be responsive to those questions, we can get
6 on productively with this meeting.

7 Mike, are you here? There he is. I am
8 going to offer our directors an opportunity to
9 question you, and then we will let you have your
10 presentation.

11 MR. CLINTON: Thank you, Mr. Chairman. It is a
12 pleasure to be here. I would be pleased to respond
13 to the -- that's one of the areas I intended to
14 cover, but if you want to move that up front, that's
15 fine.

16 CHAIRMAN FOLEY: Director Blake, did you have
17 any --

18 DIRECTOR BLAKE: Yes, please. Welcome, Mike.

19 MR. CLINTON: Thank you, Jim.

20 DIRECTOR BLAKE: When Metropolitan previously
21 sought to implement its exclusive right to bank
22 water in Lake Mead, IID opposed it. Your proposed
23 framework, as I understand it, would allow for it.
24 Does this mean that IID now supports Metropolitan's
25 banking right? And if so under what terms and

1 LOS ANGELES, CALIFORNIA: TUESDAY, JUNE 10, 1997
2 12:42 P.M.
3 (PUBLIC COMMENTS)

4
5 CHAIRMAN FOLEY: This is an opportunity for
6 members of the public to address the Board on
7 matters within our jurisdiction.

8 Before we proceed with that, I am aware
9 that we have a request from Mike Clinton, the
10 General Manager of Imperial Irrigation District.

11 And, in particular, I would call the
12 attention of the Board to the fact that we
13 distributed a letter that Mr. Clinton sent to Robert
14 Johnson, the Regional Director of the Bureau of
15 Reclamation. And that letter was to provide
16 Mr. Johnson with Mr. Clinton's comments regarding
17 the 1998 Operations Plan, Draft Operations Plan for
18 the Colorado River Reservoir, and the condition of
19 surplus that would be normally declared when there
20 is surplus on the Colorado.

21 Specifically, Mr. Clinton has asked the
22 Bureau to delay the declaration until 1998 when the
23 water year begins, despite the fact that the
24 Bureau's inclination appears to be to support a
25 surplus declaration.

1 conditions?

2 MR. CLINTON: A little history is helpful.
3 Back in the 20's when the Boulder Canyon Act
4 Compromises were put together, IID supported
5 Metropolitan receiving the five million acre feet of
6 banking rights in Lake Mead as a part of that
7 compromise. We have supported and continue to
8 support that as a part of the California Plan. And
9 other than that, we have had no restrictions on it,
10 no reservations.

11 Our only thought is that we also would
12 like to have that option at some point, if it's made
13 available to other agencies.

14 DIRECTOR BLAKE: My understanding is that in
15 1931 we, meaning Metropolitan, gave up its priority
16 right in order to get the banking privileges on the
17 Colorado River.

18 If I am also correct, Metropolitan is the
19 only California agency who has this right to bank
20 provided for in its water delivery contract with the
21 secretary, as well as the seven-party agreement.

22 Why should Metropolitan be required by IID
23 or anyone, for that matter, to wait to implement its
24 right until the entire package or plan is agreeable
25 to all?

1 MR. CLINTON: I'm not an attorney, Mr. Blake.
 2 So you are asking somewhat of a legal question.
 3 I'll answer it from more of a policy perspective and
 4 that we at IID have watched the issues around the
 5 whole regional solution, issues throughout Arizona,
 6 California, and Nevada.

7 And it has been our sense that the best
 8 hope of getting an unfettered option to exercise
 9 that contractual right is through a consensus
 10 regional plan which IID is supporting and looking
 11 forward to trying to concluding here later this
 12 year.

13 DIRECTOR BLAKE: Even though when we were
 14 granted this right, there were no strings attached,
 15 other than the secretary saying go ahead?

16 MR. CLINTON: That's correct.

17 DIRECTOR BLAKE: So you got a little addition
 18 to it is what you are saying.

19 MR. CLINTON: And even in recent months we have
 20 strongly supported Met receiving that banking right.
 21 We have also been pragmatic and seen the problems
 22 with it and have felt that the best way to get that
 23 right is as a part of a regional solution.

24 DIRECTOR BLAKE: I see. Thank you very much.

25 CHAIRMAN FOLEY: Director Krieger.

1 DIRECTOR KRIEGER: It came a little sooner than
 2 I expected.

3 Mike, I am grateful to you for sending the
 4 book out and the plan that you have given a format
 5 for.

6 I find I am concerned about your
 7 interpretation of what is conservation. Is
 8 conservation water saved from your allotment or is
 9 it water saved from whatever water is available?

10 MR. CLINTON: AS someone said recently, we have
 11 the screwiest allocation system on the lower
 12 Colorado for the ag users that you can find anywhere
 13 in the world. Interestingly, Arizona has the same
 14 kind of a screwy cascading system.

15 That whatever is not used by the earlier
 16 priorities flows into the later priorities. And in
 17 terms of the allocation, the allocation is fixed.
 18 It was set to the contracts for the ag agencies at
 19 3.85 million.

20 As we have worked through the Met 1
 21 program with the approval agreement, that approval
 22 agreement does not require that IID reduce
 23 diversions. It requires that we save the water.

24 And the reason for that is that our
 25 diversions are in this cascading water system,

1 whereas we can use water against Palo Verde and
 2 against the Reservation Division, the Yuma Project,
 3 and against the Coachella Division if it's not used
 4 by others.

5 And so the approval agreement was very
 6 careful to protect that cascading contractual
 7 allocation system that exists.

8 The way that the approval agreement was
 9 set up is that there is something called a
 10 Verification Committee. It has the powers of
 11 binding arbitration between IID and Metropolitan,
 12 and that Verification Committee determines what is
 13 being saved. And their estimate for 1997 is that
 14 there will be 97,000 acre feet saved.

15 Now, what that means is that a part of
 16 that 3.85 million, that 97,000 acre feet is not used
 17 by IID. It flows on through the priority system,
 18 potentially to Coachella, but it primarily --
 19 primarily into the priority 4 for use by IID or by
 20 Metropolitan. So this year in 1997 Metropolitan
 21 will have the full use of that 97,000 acre feet that
 22 is saved.

23 We expect that by 1998 we will have in
 24 place the works to complete the full 106,000 acre
 25 feet.

1 DIRECTOR KRIEGER: I am still not sure that you
 2 are going to get your conservation from your
 3 allotted water or from water generally.

4 MR. CLINTON: We don't have an allotment
 5 specifically for IID. It will come out of the 3.85
 6 million ag allotment.

7 DIRECTOR KRIEGER: Now I am with you. I can't
 8 help but be a little amused that IID can be as
 9 arrogant or possibly more so than Metropolitan Water
 10 District.

11 Tell me, do you have any answer from
 12 Coachella?

13 MR. CLINTON: Yes, we do. Approximately three
 14 months ago IID put on the table a proposal to change
 15 this historical cascading priority system for
 16 Coachella. We proposed that Coachella have a firm
 17 priority, parallel with us, for the water they had
 18 used in the last ten years, the 330,000 acre feet.

19 We also proposed that they would have an
 20 option to take half of the All American Canal
 21 water. Also that they would have a quarter of the
 22 priority 6 and 7 water.

23 We received a counter proposal from
 24 Coachella about two months ago. That counter
 25 proposal said that 330,000 acre feet was not enough

1 for them, that they wanted a full 500,000. They
2 wanted it at no cost. They wanted it at priority
3 ahead of IID.

4 Our Board is unable to accept that kind of
5 condition. And where that offer stayed on the table
6 until the end of May, where we are with it at this
7 point is Mr. Kennedy has inserted himself in the
8 discussions between ourselves and Coachella.

9 Bob Johnson, the Regional Director of the
10 Bureau of Reclamation has also started working on
11 it. I for one believe there is a solution. I don't
12 think it's 330 for Coachella. I don't think it is
13 500. I think it is somewhere in between.

14 I'm looking to those statesmen,
15 Mr. Johnson or Mr. Kennedy, to help the two of us
16 find a way to live together. And that's really what
17 we need to do, and we need to do it here very
18 quickly.

19 DIRECTOR KRIEGER: Thank you.

20 CHAIRMAN FOLEY: I have about six names. I
21 will go down the list. Director Little.

22 DIRECTOR LITTLE: Your proposal calls for an
23 overrun accounting. I am not sure I understand how
24 this would work and particularly how the
25 agricultural agencies would repay the water and

1 within what timeframe.

2 And also you indicate those who use
3 surplus money should pay money into an augmentation
4 fund. Would those agencies who use overrun
5 accounting also pay into this fund? I am not sure
6 about this.

7 We spent \$150,000,000 in Imperial
8 conserving water, and your water use increased in
9 the process. I am not sure what we are supposed to
10 pay for now. And obviously you don't intend to pay
11 into this fund based on the fact that you don't have
12 overrun of water. Is that correct? Or tell me
13 about this.

14 MR. CLINTON: Well, there is two or three
15 points in your question. Let me try and walk
16 through them sequentially.

17 Overrun accounting has been a subject of
18 discussion among the three states going back for the
19 last three, four, or five years.

20 And what that would be is that as an
21 agricultural area gets toward the end of the year
22 and you have got a crop in the ground and you really
23 don't know how much all of the other people are
24 using because the water accounting lags for a period
25 of time, that if -- because of that, a district went

1 over its entitlement, that the process would allow
2 that to be repaid over some period of time, whether
3 it's one or two or five years. That kind of detail
4 has never been brought to the fore or brought to
5 conclusion. But it would be a relatively short-term
6 repayment.

7 Secondly, you asked about the concept of
8 developing an augmentation fund. Back in the 20's
9 and 30's and on into the 60's, the dream of the
10 Colorado River users using the full supply was still
11 a dream.

12 Last year, 1996, for the very first time
13 the total uses, upper and lower basin, exceeded the
14 safe yield of the system. That's what the system
15 can supply during the long term droughts.

16 That threshold is such that once we have
17 crossed that, we need to start looking down the road
18 fifteen, twenty years from now.

19 And the way we should start looking in our
20 estimation is to start assessing a fee for surplus
21 water use, whether it's a dollar an acre foot or
22 whatever it is, so that we start doing the study,
23 start doing the preparation for that time, so we
24 don't set our society at risk.

25 This is something that I think as a

1 professional in the business is something we should
2 be starting. And that's why that component was put
3 in there.

4 You asked whether or not our overrun
5 accounting or our overrun water use would be a part
6 of that. We surely believe it should, yes.

7 CHAIRMAN FOLEY: Director Miller.

8 DIRECTOR MILLER: Thank you, Mr. Chairman. I
9 would like to address the letter that you had
10 written to the Bureau Regional Director, Robert
11 Johnson, on May the 15th. In that letter you
12 requested a delay in the declaration of surplus on
13 the conditions of the Colorado River.

14 Given that the Bureau has indicated that
15 flood control releases are up and beyond -- Met's
16 above and beyond the normal usage down river for
17 '98, this request, whether it was approved by the
18 IID Board or not, seems that it would unnecessarily
19 put a risk on all of the water users of Southern
20 California, the 16 million people that we have here,
21 plus the 500 billion dollar economy that we have.

22 And the question I have, why have you,
23 under these conditions, written a letter that would
24 jeopardize this effort that we have in Southern
25 California?

1 MR. CLINTON: I think that's a really important
2 question, and I am really pleased to be able to
3 address that here. In fact, I have with me a letter
4 signed by our Board president that helps clarify
5 this.

6 One of IID's continuing concerns is a
7 series of surplus declarations and a long-term
8 precedent being set without a plan for how those
9 surpluses would be managed, how those surplus
10 declarations would be made. We don't have that plan
11 today.

12 And I have watched rural constituencies
13 all over the west when a precedential operating
14 strategy was tried for a year or two and something
15 that they couldn't live with long term, but it got
16 tried for a year or two.

17 And if you look at the Missouri River
18 basin, the barge and tow boat owners set that kind
19 of a system in for the upper Missouri reservoirs.
20 And when the Dakotas started needing that water a
21 few years ago, they did not have the political power
22 to overturn a series of historical operating
23 strategies.

24 If you look at the Columbia system and the
25 newly understood concerns of the Salmon, and the

1 concerns are still, even though they have gotten
2 heavily into the endangered species law, have been
3 unable to overturn those historic operating
4 strategies that have been in place for a number of
5 years. This state suffers from a similar situation.

6 In the late 1970's an environmental
7 community was able to, through the State Water
8 Resources Control Board, attach the Delta. And this
9 Board, your Board, and all of the water users
10 districts throughout California are now in the
11 process of trying to overturn and redress that
12 precedential decision that has been on the books for
13 the last twenty years.

14 I at IID am not willing to see a
15 happenstance process of surplus declarations create
16 a precedent that in time, if continued, would put my
17 water rights and my district in jeopardy. And
18 continual declarations without a criteria, continual
19 declarations of surplus do that.

20 Let me turn the other side. IID has been
21 strongly supportive of a California plan. The
22 framework that Mr. Little referenced and others
23 suggests a early withdrawal, early release of
24 potential spill waters, which would significantly
25 increase the probability of surplus flows to help

1 Metropolitan keep its aqueduct full. We believe
2 that needs to be a part of the California plan.
3 We've been strongly in favor of that.

4 We're not in favor of what I will call the
5 cycling, 80 percent protection at elevation 1050 on
6 Lake Mead, which means that 20 percent of the time
7 you go there, in the drought of records you drain
8 the lake. We have been strongly opposed to that
9 kind of a strategy.

10 We are at the table offering water,
11 offering conservation programs, to help make a
12 California plan work. We have offered a reservoir
13 operating strategy that we think is responsible that
14 helps Metropolitan.

15 It is our hopes that through this dialogue
16 that Mr. Kennedy is chairing that we can, between
17 now and mid-August when he makes his report to the
18 Legislature, come forward with a California plan
19 that includes a reservoir operating strategy that
20 IID can embrace and support.

21 Without that I really have no place but to
22 protect the position of the Imperial Irrigation
23 District.

24 The administrative process that is
25 underway today had a deadline of May 16th to file

1 concerns with the operating criteria. I could not
2 let that go by without filing and protecting the
3 interest of my district for fear that such a
4 continuing series of surplus declarations would
5 be -- jeopardize our rights.

6 In the manager's meeting I called
7 Mr. Wodraska. I told the other managers to consider
8 this a minority position, consider it protecting our
9 interests. The letter that we sent to Mr. Johnson
10 is very clear.

11 We do believe that conditions will support
12 a surplus declaration, and all we're suggesting is
13 that until a California plan is in place or we see
14 the kinds of runoff conditions that will require and
15 justify that, that that decision not be made.

16 CHAIRMAN FOLEY: Director Barbosa.

17 DIRECTOR MILLER: I have a follow-up question.

18 CHAIRMAN FOLEY: I am sorry.

19 DIRECTOR MILLER: This is all fine and good,
20 but already the Bureau has declared that there is a
21 surplus of water, and it is not going to be affected
22 by the -- it is not going to affect any of the
23 downstream responsibilities. As surplus it is going
24 to be dumped.

25 Southern California at this time could use

1 this, not only for daily use, but to fill some of
2 the underground reservoirs we have.
3 Why in the world would you, based on our
4 economy and what is happening to people in Southern
5 California trying to get our underground reservoirs,
6 why in the world would you object to this water when
7 it's available being put to best use, best practical
8 use for the people of California?

9 I checked on the map to see if Imperial
10 Irrigation District was in California or Arizona. I
11 thought it was in California. And this is water
12 that could be used by California at this time. Not
13 in the future, not looking down the line. That's
14 going to be dumped no matter what happens.

15 So my question is why didn't you take this
16 into consideration, the economy of Southern
17 California?

18 MR. CLINTON: Yes, I did. And if you look at
19 our letter, the letter I sent to Bob Johnson, I said
20 very explicitly that we expect that conditions will
21 justify a surplus declaration for '98. We don't
22 object to it.

23 In fact, the agricultural pool this year
24 likely will exceed 3.85. We also -- and our
25 friends in Coachella need a surplus declaration to

1 support the expected uses of them.

2 I will say again the letter that we sent
3 to Mr. Johnson was pro forma. It was to protect our
4 legal position, so that a series of surplus
5 declarations without a plan don't start us down a
6 slippery slope that we would not be able to recover
7 from.

8 CHAIRMAN FOLEY: Director Barbosa.

9 DIRECTOR BARBOSA: Thank you, Mr. Chairman.
10 Mr. Clinton, is that correct?

11 MR. CLINTON: Yes.

12 DIRECTOR BARBOSA: Thank you, Mr. Clinton, I
13 only had a moment to look at the briefing book that
14 you circulated, and I ran across a particular press
15 release regarding the validation lawsuit. And I
16 have one question for you.

17 Is it correct that it's your position that
18 Metropolitan's fixed costs for the state water
19 project should not be a part of a wheeling charge?
20 And if that is your position, my question to you
21 then is who would you expect to pick up those
22 costs?

23 MR. CLINTON: Very interestingly, the wheeling
24 rates charged on the state project are incremental.
25 They don't include any additional component for

1 fixed costs. This is an issue of significant
2 importance to the entire state.

3 DIRECTOR BARBOSA: Exactly why I asked that
4 question.

5 MR. CLINTON: And as that decision process goes
6 through either administrative or through a legal
7 process, we as a potential water seller have a
8 vested interest in those decision processes, and we
9 believe that we have an obligation to our water
10 rights holders, people in our valley, to protect
11 that interest and make sure that as that decision is
12 made, it's made with our voice.

13 DIRECTOR BARBOSA: I respect that because we
14 all have that same interest, I think, for our
15 constituencies. But my question to you is if that
16 cost -- those fixed costs were not made part of the
17 wheeling, who would pick up that extra cost? My
18 district, Three Valleys?

19 MR. CLINTON: I don't know. I think that is a
20 decision --

21 DIRECTOR BARBOSA: You don't know.

22 MR. CLINTON: I don't know. I think that's a
23 decision that as we work through this process -- and
24 the idea is also in the electric business, we are
25 dealing with our costs and how to make sure that

1 they are covered in this process.

2 And I recognize and appreciate that
3 Metropolitan and the state water project have
4 similar obligations as you. The format, how that is
5 done is something that is a matter of broad public
6 interest, and we want to be a part of that --

7 DIRECTOR BARBOSA: Mr. Clinton, let me be
8 specific. In the present context, in the current
9 circumstances, who would pay those costs if they
10 weren't made part of the wheeling charge, the other
11 districts of Metropolitan?

12 MR. CLINTON: I believe the state water project
13 contracts already have obligations to pay those
14 costs. Now, whether those --

15 DIRECTOR BARBOSA: Those are the fixed costs,
16 right?

17 MR. CLINTON: Those fixed costs. So whether
18 those fixed costs should be shared with potential
19 wheelers is something that I think we need a policy
20 decision. The costs bill that went through the
21 state legislature in our estimation is unclear.
22 There is a word that strata costs will be recovered
23 in that bill. There is also other language in the
24 bill that seems to say the opposite, that it will
25 just be incremental costs.

1 DIRECTOR BARBOSA: So what is your position on
2 that?

3 MR. CLINTON: Our position is that we need to
4 work through a delivery of process and find out
5 what's in the best public interest for this state.

6 DIRECTOR BARBOSA: Is it systemwide or is it
7 not systemwide?

8 MR. CLINTON: I believe that it is -- if you --
9 just in the power business, as we are doing.

10 DIRECTOR BARBOSA: No, just the water business.

11 MR. CLINTON: That the strata costs with the
12 facilities that are actually used do need to be
13 recovered.

14 DIRECTOR BARBOSA: Thank you.

15 CHAIRMAN FOLEY: Director Mylne.

16 DIRECTOR MYLNE: Thank you, Mr. Chairman. And
17 Mr. Clinton, I added up 3.85 and Metropolitan's
18 fourth priority .55. And I come up with 4.4. I
19 think that's the total amount that California is
20 allocated under the Rules of River.

21 MR. CLINTON: That's correct.

22 DIRECTOR MYLNE: The six basin states have
23 indicated that there is something wrong with that
24 system because they don't feel they are ever going
25 to get cut back if Metropolitan has only got a

1 half-full aqueduct and they are in fourth priority.
2 They are looking for some plan to restore that, such
3 that there is an assured full aqueduct.

4 And even in your May 13th letter you
5 indicate a need to achieve a full Colorado River
6 aqueduct.

7 If that 4.4 is the basis upon which a
8 California plan must be constructed, how do you --
9 what is your best view, your view of how the water
10 should be allocated to achieve a full
11 California-Colorado River aqueduct and satisfy the
12 4.4 limit simultaneously?

13 The answer I hope will include some kind
14 of a speculative allocation or quantification -- it
15 seems to be the colloquial word these days --
16 between Palo Verde and IID, Coachella, Yuma, and
17 Metropolitan. How would you see that coming out in
18 the ideal IID view?

19 MR. CLINTON: Let me really -- two issues
20 there. How does the reallocation take place between
21 ag and urban?

22 I am aware that -- I think if you received
23 a copy of the water budget that Mr. Kennedy has been
24 circulating for public review and comment, and that
25 suggests fairly large volumes of the 3.85 ag

1 entitlement moving through the aqueduct to help keep
2 it full and to continue to meet the needs of the
3 coastal plain.

4 In fact, in the last month or so even
5 though my Board was told by our citizens to limit
6 the transfer to San Diego to 200,000, they have been
7 actively working with our community to increase that
8 magnitude and shorten up the period of ramp-up, so
9 that a larger volume could be made earlier.

10 It is through those kinds of market-based,
11 cost-based, whatever kinds of economic win-win kind
12 of situations that we expect to see that
13 reallocation taking place.

14 DIRECTOR MYLNE: I guess I am not seeing who it
15 is coming from or going to -- maybe who it is going
16 to but not where it is coming from, and that seems
17 to me a necessary clarification.

18 MR. CLINTON: A necessary clarification is how
19 do we deal with the Coachella issue. And I believe
20 that in the fairly near term, hopefully in the next
21 three months, IID and Coachella will be able to
22 reach an agreement that can become a part of a
23 California plan to where that priority 3 supply,
24 which amounts to about 3.4 million acre feet, is
25 divided between the two of us.

1 I don't see a need to quantify the
2 Palo Verde District or the Yuma Project Reservation
3 Division. Those uses in comparison to the 3.4
4 million that's in the priority 3 are fairly small,
5 and their variations I think can be handled by
6 Coachella and ourselves. In fact, our proposal to
7 Coachella suggested that.

8 The apportionment we suggested between
9 ourselves and Coachella was that they receive the
10 first 330,000 acre feet. And that IID, because of
11 our prior rights, we do have a subordination
12 agreement where our rights go ahead of them. But
13 because of that we would have the remaining supplies
14 and priority 3.

15 That was unacceptable, but I do expect to
16 see a resolution of this issue in the next three
17 months. I hope that it won't have to go into the
18 courts. But we do have a contract today. That
19 contract says that IID's uses come ahead of
20 Coachella. And, if necessary, we're prepared to
21 defend that. Our preference is to find a peaceful
22 way to address this and --

23 DIRECTOR MYLNE: I think peaceful is all of our
24 preference, and that's why I asked you whether you
25 could provide some numbers to go with the

1 quantification, so that it were clear to all where
 2 this proposed water would come from and where it
 3 would go to. Without that it seems as though we're
 4 all kind of in a wash.

5 MR. CLINTON: Sure, let me give you an example.
 6 The proposal we made to Coachella would cap IID's
 7 use at 3.1 million. The 160,000 acre feet that we
 8 now are about to conserve with Met would lower that
 9 to 2,994,000.

10 Were we to enter into an agreement with
 11 San Diego for 200,000, we would agree to cap our use
 12 and drop that another 200,000, to the 2.7 million
 13 range.

14 So that is the proposal that we made to
 15 Coachella, that we would reduce our diversions and
 16 our take off the river by the amount of conservation
 17 that we're contracted to.

18 DIRECTOR MYLNE: Thank you.

19 CHAIRMAN FOLEY: Director Brick.

20 DIRECTOR BRICK: Thank you, Mr. Chairman.
 21 Mr. Clinton, I'm surprised and somewhat bewildered
 22 by your position with regard to your letter to
 23 Mr. Johnson. The surplus may be dessert to the
 24 Imperial Irrigation District, but it is the main
 25 course to Southern California. It's the main course

1 for the economy and life style of Southern
 2 California.

3 I think the letter which you describe as
 4 pro forma can better be described as a hostile act
 5 in a period of time in which we are trying to
 6 develop a unified California plan.

7 And I am disappointed by that, because I
 8 think that we have worked together as partners in a
 9 very effective way in the past.

10 I am pleased today to hear you clarify --
 11 and correct me if I am wrong -- but I understood
 12 from statements that you made to Director Krieger
 13 that you agree that the Phase 1 IID / MWD
 14 Conservation Program, that that water does -- when
 15 California is limited to 4.4 million acre feet, that
 16 that water does come out of the 3.85 agricultural
 17 entitlement. Did I understand that correctly?

18 MR. CLINTON: Yes, you did. That's locked up
 19 in the contractual terms of the approval agreement.

20 DIRECTOR BRICK: Thank you very much for that
 21 clarification.

22 Now, another follow-up question is doesn't
 23 it seem to you only reasonable, given the MWD's
 24 great stake in the quantification of Colorado River
 25 water that the MWD should be included in those

1 discussions between you and Coachella? Would you
 2 support that, Mr. Clinton?

3 MR. CLINTON: Yes, I do. And, in fact, in the
 4 manager's meetings Mr. Wodraska has asked for that
 5 grace, to be a part of those discretions.
 6 Mr. Kennedy, Mr. Levy, and myself have all agreed
 7 that Metropolitan has an interest and should be a
 8 part of those discussions.

9 DIRECTOR BRICK: I am glad to hear that. And,
 10 finally, could you clarify what is the status of the
 11 MOA with the Bureau of Reclamation to determine
 12 reasonable and beneficial use in IID and has the
 13 Bureau approved your 1997 diversions?

14 MR. CLINTON: I'll hit the last one first
 15 because that's easy. Yes, the Bureau did approve
 16 our diversion request. We had a job honing dialogue
 17 process through which we were able to reach an
 18 agreement where the Bureau approved our diversion
 19 schedule. It is a little bit below 3 million acre
 20 feet for 1997.

21 The MOU, which IID and the Bureau of
 22 Reclamation drafted, was drafted around the remarks
 23 that Secretary Babbot gave at the Colorado River
 24 Water Users in December, and it was a fairly broad
 25 reaching MOU. It included all of the things that

1 Secretary Babbot said he wanted IID to be involved
 2 in. San Luis Rey Settlement, All American Canal,
 3 River Operations, trying to get a California plan.

4 It also included terms under which
 5 Reclamation and IID staff would have been in the
 6 field this summer collecting information. That
 7 agreement was approved by my Board. It was sent by
 8 the Bureau of Reclamation to Washington for
 9 approval.

10 Your general counsel, the general counsel
 11 from the Coachella Valley Water District, the
 12 San Luis Rey settlement parties objected at the
 13 departmental level to the broad scope of that
 14 agreement. And because of those objections, the
 15 Bureau of Reclamation did not sign that agreement.
 16 We have been trying to find a way around that
 17 blockage.

18 And Bob Johnson, the Regional Director of
 19 the Bureau of Reclamation, has recently suggested
 20 that maybe a three-part MOU focusing just on
 21 reasonable and beneficial use might make sense.
 22 That would be between the Bureau of Reclamation,
 23 IID, and the California Department of Water
 24 Resources.

25 Last week my Board instructed me to begin

1 preparation of such a three-part agreement. It's
2 our hope that we can have that in place so that that
3 kind of information that will clarify whether or not
4 we are using our water reasonably can be available
5 for everybody in a forum and in a body that has
6 integrity and the regulatory agencies involved. So
7 we want to move forward.

8 I will borrow a phrase from my
9 friend: "The truth is our friend." That has been
10 our position all the way through. We do want to
11 find out what that issue is. We believe we're using
12 our water reasonably, and I will show you some stuff
13 here in a few minutes to reflect that.

14 DIRECTOR BRICK: Thank you.

15 CHAIRMAN FOLEY: Mike, so that you can get to
16 your presentation, it is only four more names here
17 that have asked or requested questions. I will go
18 through those and then we will move onto it.
19 Director Morris, you were next.

20 DIRECTOR MORRIS: Thank you, Mr. Chairman.
21 Mr. Clinton, in your response to Director Brick's
22 questions with regards to banking, you had indicated
23 the interest of IID and also participating in
24 banking. I think you recognize by that comment the
25 value that that is. The question I have for you is

1 IID will go to make the same quid pro quo that
2 Metropolitan did and are you willing to take half of
3 your entitlement and put it in category 5 in
4 exchange for that banking?

5 MR. CLINTON: I think we're into an area of
6 speculation. And I think there is something that
7 ought to be really important. Dave Kennedy a week
8 ago gave a presentation to the -- up in Santa Fe to
9 the 75th anniversary the Compact Symposium held.

10 One of the things he pointed out was IID's
11 first water rights were established in the 1890's
12 and that it wasn't until the 1920's that
13 Mr. Mulholland and the people from San Diego made
14 filings on the river. And so the water rights that
15 Metropolitan today enjoys in both priorities 4 and 5
16 were subordinated by IID. We had a water right that
17 was prior and larger. We subordinated that right to
18 give Metropolitan the water right.

19 So I think there is a lot of history that
20 goes on. And I will show you some of the
21 revisionist issues that go on right today as we
22 talk.

23 We did give at the pump in 1929 as part of
24 the Boulder Canyon Act Compromises. We're prepared
25 to do that again. We're prepared to conserve water

1 and move a part of that into the coastal plain. And
2 I think that's where the solution is.

3 What we might be willing to contribute to
4 receive a banking right is something that we have
5 not ingested or worked through at this point.

6 At some point through this California
7 process, if that looks appropriate, we would
8 consider what kind of quid pro quo is appropriate.

9 CHAIRMAN FOLEY: Director Moret.

10 DIRECTOR MORET: Thank you Mr. Chairman.
11 Mr. Clinton, there is a little bit of water for you
12 to wet your whistle.

13 MR. CLINTON: Thank you.

14 DIRECTOR MORET: Thank you for coming here
15 today. While you are drinking, I have a math
16 question for you.

17 Colorado River water is provided fairly
18 inexpensively to you. In the March 18 hearings up
19 in Sacramento I believe you said that the cost to
20 conserve water is about \$180 an acre foot. On your
21 chart under tab 3 in the box scores here where you
22 are talking about selling the water at \$200 an acre
23 foot for 20,000 acre feet, there is a spread there
24 of \$20.

25 I have sort of a two-part question,

1 Mr. Chairman, just take a minute. I would like to
2 know what the \$180 costs are. And then the spread
3 of \$20 doesn't get me too excited, but over twenty
4 years that ramps up to \$300. Does the \$180 also go
5 in sort of a logarithmic direction, does it go up to
6 280?

7 But before you answer that one, let me
8 know where the 180 is coming from, okay.

9 MR. CLINTON: Some of your board members have
10 been to the valley recently and seen the kind of
11 physical works that are going in under the IID Met
12 program. We have done a lot of canal lining. We
13 have put reservoirs in. We have put some lateral
14 interceptor canals in. We are to the point of
15 diminishing returns on our physical delivery system.
16 The costs on those works are getting up into the
17 220, 250 range.

18 The other thing that your directors saw
19 were called a pump back system. Because of the way
20 the district was laid out at the turn of the
21 century, the way our farmers farm the lower end of
22 their fields is to keep water flowing through. And
23 these pump act systems are a small reservoir at the
24 end of the field to capture that tail water and
25 bring it back and recirculate it. Those systems

1 today are costing \$180 an acre foot. One of the
 2 things that we're all dealing with is inflation.
 3 In 1988 when the first Met program was put
 4 together, we were looking at \$130 water. Today the
 5 incremental water is 180. If we look down the road
 6 for another ten or fifteen years of just inflation,
 7 that same investment is going to go to in the
 8 neighborhood of \$270 an acre foot.

9 So the summary of graph terms we have, the
 10 San Diego is designed over that ten-year period to
 11 reflect the increasing cost of business. Whether
 12 it's buy a new pair of trousers or putting a pump
 13 act system in, all of us have to deal with that.
 14 And that's why that increase is in there. It is to
 15 keep us covered as we go to conservation.

16 One other item is that that agreement we
 17 have with San Diego does not include funds for
 18 environmental mitigation. And that is something
 19 that as we go into our final terms we are going to
 20 have to address and work through.

21 CHAIRMAN FOLEY: Director Wein. And then
 22 Director Peterson to wrap it up.

23 DIRECTOR WEIN: Thank you, Mr. Chairman. Can I
 24 call you Mike?

25 MR. CLINTON: You bet, George.

1 diligently working to get those approvals done.

2 We woke up one morning and read in our
 3 news clips that a part of the water from the All
 4 American Canal on this conditional agreement had
 5 been bargained off to southern Nevada, to Las Vegas.
 6 That's the first we heard about it. We learned
 7 about it with Governor Bob Miller with a beaker of
 8 water in his hand toasting our water that we had
 9 never heard was being sublet.

10 That decision by Metropolitan enraged the
 11 people in our valley so badly that when that
 12 conditional agreement came up for renewal at the end
 13 of December of that year -- my Board doesn't have
 14 many 5/0 votes -- that was a unanimous decision to
 15 not extend that agreement.

16 DIRECTOR WEIN: Okay, you will pardon my
 17 confusion. In November of that year the general
 18 manager approached Pat Mulroy concerning the idea of
 19 the 30,000 acre feet. You recall that?

20 MR. CLINTON: I do very well.

21 DIRECTOR WEIN: Okay. Do you also recall that
 22 in October of that year you also approached Pat
 23 Mulroy to sell them water, Southern Nevada?

24 MR. CLINTON: Yes, I did.

25 DIRECTOR WEIN: Okay.

1 DIRECTOR WEIN: Hello, Mike. I have got a
 2 question. About two years ago MWD and IID entered
 3 into an MOU concerning the lining of the All
 4 American Canal. And I notice in a lot of brochures
 5 and materials that came out, including this latest
 6 document, you are somewhat proud of saying that you
 7 are in this conservation program with MWD on what we
 8 call IID I.

9 Yet about a year-and-a-half ago I sat in a
 10 meeting where you got up and basically said to the
 11 general manager: "You are out of here. We are going
 12 to take over the lining of the All American Canal."

13 My question is after a year-and-a-half and
 14 probably around 100,000 acre feet of water that has
 15 gone into the sand, where do you stand on lining
 16 that canal?

17 MR. CLINTON: I feel a need to go through that
 18 decision process that took place in December of
 19 1995. We had in place a conditional agreement with
 20 Metropolitan that needed three more signatures. It
 21 needed Coachella's signature. I know that's not
 22 easy to get. It needed Palo Verde's signature. But
 23 it also needed the secretary's signature.

24 As we went into December of 1995, that
 25 agreement was in place. And I know your staff was

1 MR. CLINTON: My Board had given me a charge to
 2 go find financial partners to deal with, to help
 3 fund the next round of conservation in our valley.
 4 And we have felt a continuing need to husband this
 5 resource. And it is beyond the capability of our
 6 farmers to fund these kinds of activities.

7 In May of that year, May of 1995, I came
 8 to the Metropolitan staff and asked whether
 9 Metropolitan would be interested in a further
 10 program to go on after we finished IID I. I was
 11 told that there was not any interest in Metropolitan
 12 in doing that for a number of reasons.

13 Probably the largest reason was the fact
 14 that the IRP assumed that the aqueduct would be full
 15 for 35 years.

16 There were other concerns that were
 17 addressed too, price of water, things of that
 18 nature.

19 But the message was loud and clear from
 20 Met that they did not have an interest in moving
 21 forward with IID in a further conservation program.

22 My Board had given me direction to go find
 23 a financial partner, and I did talk to the people in
 24 Las Vegas. I talked to the people in Arizona. I
 25 talked to others throughout California at my Board's

1 direction to see if we could find another financial
2 partner.

3 That is the process that led to us opening
4 a relationship with San Diego. That need to
5 continue the conservation work that we are doing is
6 something our Board takes very, very seriously. And
7 that was one of the first things they charged me
8 with when I came to work there.

9 And we're still looking to find that
10 financial partner to be able to continue the
11 conservation, which we know is possible, but we also
12 know our farmers can't afford.

13 CHAIRMAN FOLEY: Finally Director Peterson.

14 DIRECTOR PETERSON: Thank you, Mr. Chairman.
15 Thanks for being here, Mike.

16 Earlier you had commented about the fact
17 that your rights were threatened by other right
18 holders, and I just would -- this is kind of a
19 statement -- I think you are more threatened by the
20 waste of water. And certainly the Bureau and the
21 Water Resources Control Board have found that than
22 by any right holder that lies below. That's my
23 statement.

24 You have referred throughout this briefing
25 book, which is well done, about the great success of

1 Phase 1 of the Conservation Agreement between IID
2 and Metropolitan Water District. This Conservation
3 Agreement was based upon cost-plus basis, that is
4 Metropolitan paid for the cost of annual -- actual
5 conservation, which you were threatened with having
6 to pay yourselves, and within your district, as well
7 as direct mitigation costs. Simply, that's over
8 twenty million dollars we spent on mitigation.

9 What is your justification for your
10 indicating that your Board will only consider
11 market-based agreements in the past? Now, in the
12 future.

13 MR. CLINTON: I think we get trapped in
14 semantics sometimes. As you can see from my earlier
15 discussion on the cost of conservation, the
16 relationship that we have with San Diego and the
17 proposed relationship is really a cost-plus kind of
18 relationship. San Diego was concerned and we also
19 were concerned that as the value of these assets
20 changes, that there ought to be some adjustment to
21 market. And our summary of draft terms includes an
22 adjustment to market every ten years.

23 I as a trustee, just as you in your real
24 estate business when you deal with a trustee, I have
25 a responsibility to my water users, my water rights

1 holders, to assure that that property right, which
2 is being leased out, is leased out at par value, the
3 best value we can get in the market, and assure that
4 it covers costs.

5 It is from that trustee's perspective that
6 our Board has used the terminology "market-based
7 transactions." Markets are pretty leveling. They
8 keep everybody honest.

9 And with that in mind, we won't sell our
10 water for less than cost. I would be surprised if
11 the markets allow us to get significantly more than
12 cost. We may not be able to fund these conservation
13 measures with the kinds of prices that the market
14 would bear.

15 So that's kind of a circuitous answer to
16 your question, Glen, but I think hopefully I have
17 shared with you some of the rationale we have used.

18 CHAIRMAN FOLEY: Mike, thank you very much. I
19 hope this has helped. These are the issues that are
20 on the tongues of all our directors. So you have a
21 feeling for what we are mostly interested in.

22 I will make a commitment to you if you
23 wrap this up in about ten more minutes, I will give
24 you back your director's hat. That is Roy Allen's
25 white hat and he doesn't have many of those. Okay,

1 Mike.

2 MR. CLINTON: I do appreciate the chance to be
3 here. As I walked in this morning, I saw Chick
4 Barker. And I don't know how many years I have
5 known Chick, but he says: "What's going on?" I
6 said: "We're trying to improve communications." And
7 that really is what we're about. I think we're all
8 in this same boat together. We need to understand
9 each other and be working together.

10 And that's why I very much appreciate the
11 chance to be here and hopefully clarify some of the
12 concerns that I've heard from your board members, as
13 well as from your staff.

14 I also saw Bill Wright here earlier this
15 morning, and he congratulated me on the briefing
16 book. And I told him it's really dangerous if we
17 start believing our propaganda. That's our
18 propaganda. I'm not sure we believe it all. We all
19 have to take this stuff with a grain of salt and
20 work toward the solutions that make this process
21 work.

22 So, again, I appreciate the chance to be
23 here and share with you what's going on from my, at
24 least, concerns.

25 I want to spend a minute or two each on

1 four subjects.
 2 Waste of water, and I have heard that a
 3 lot.
 4 Secondly, I have already talked a little
 5 bit about why we are dealing with San Diego. But
 6 also where that's headed.
 7 Thirdly, I want to talk about our greedy
 8 farmers, because there are assertions that our
 9 farmers are going to get some windfall in this
 10 process.
 11 Also we have an issue with absentee
 12 landlords that we deal with all the time. I want to
 13 share with you how the IID looks at those.
 14 We have already talked about the river
 15 operations, but I have one graphic I want to show
 16 you on that.
 17 Let me start with wasting water. And we
 18 have heard from some of your legal advisors that
 19 they believe IID is wasting water and all Met has to
 20 do is squeeze IID and you will have all the water
 21 you need.
 22 I hear that from my good friend Tom Levy
 23 at Coachella. He says all he has to do is send 50
 24 U.S. Marshals to the Imperial valley and he will get
 25 all of the water he needs.

1 I have a quote from the California Water
 2 Plan Update, Bulletin 160, and I think it's very
 3 relevant. It talks about irrigation efficiencies
 4 around this state. And this is from page 177 of
 5 Bulletin 160-93, if you need to get the reference.
 6 It says: "It's assumed that 73 percent is
 7 a reasonable average target on-farm irrigation
 8 efficiency for agriculture in all regions of the
 9 state by 2020. Some areas of states, such as West
 10 Lands, Kern County Water Agency, and Imperial
 11 Irrigation District have on-farm efficiencies
 12 ranging from 75 to over 80 percent."
 13 The State Department of Water Resources
 14 acknowledges that we are one of the most efficient
 15 irrigation districts in the state. I think that's
 16 very, very important for you to understand.
 17 About two months ago your staff put
 18 together a program that talked about irrigation
 19 efficiencies in the area, and I have a graphic that
 20 I would like to share with you.
 21 And the first part of that only shows the
 22 first -- the first part of the last six or seven
 23 years of use. What this graphic is is a showing of
 24 the historical percentage of water that got to the
 25 Salton Sea over years. And if you can see the

1 slight dashed lines up there on the upper right,
 2 that's where that would have been without the Met
 3 program, that 100,000 acre feet accounts for about 3
 4 percent of the water we use.
 5 As you can see, in the last few years
 6 about 33 percent of our water has gotten to the sea.
 7 That would have been significantly higher had it not
 8 been for the Met program.
 9 Let me pull the piece off that shows the
 10 rest of the story, as Paul Harvey says.
 11 Historically our water use was not nearly as
 12 efficient as it is today. Deborah's paper looked
 13 only at the last five years of water use at IID.
 14 Had she looked at the last ten years, you would not
 15 have seen that acceleration of uses because it went
 16 down in the first five years of that decade.
 17 The message here is that we do need to
 18 look at these issues in long term. We need to put
 19 them in perspective. We are today only the window
 20 between the past and the future, and we need to look
 21 forward and not look back.
 22 We need to understand the lessons of
 23 history, and I think that lesson in that graphic is
 24 pretty clear. IID's water use has been getting
 25 better. It's been getting better with the help of

1 the financial support from Metropolitan, and we look
 2 forward to continuing that downward trend in terms
 3 of flows of water to the Salton Sea and the converse
 4 trend of additional transfers to the Metropolitan
 5 areas.
 6 Let me talk just for a moment -- I think
 7 we can take that off for a second. I only have one
 8 other graphic later in the day -- about the -- why
 9 we are dealing with San Diego. And somebody
 10 mentioned the State Water Board, and IID is under
 11 the continuing jurisdiction of the state board.
 12 They directed us to save the 100,000 acre
 13 feet that we are doing with Metropolitan. They
 14 directed us to go find a financial partner for
 15 that. And they said: "As you get done with that, we
 16 reserve the right to order additional physical
 17 solutions," where IID would have to conserve the
 18 water and those who receive it would pay for those
 19 conservation costs.
 20 I mentioned earlier that my Board, in
 21 respecting that decision, sent me hither and yon to
 22 find financial partners. We've done that.
 23 In the last two months, as we have started
 24 at IID seeing the magnitude of challenge that we in
 25 this state, all of us, face to get down to 4.4, our

1 Board of Directors did something pretty heroic.
 2 In our public involvement program with San
 3 Diego our citizenry had said loud and clear: "No
 4 more than 200,000 acre feet."
 5 And as you I am sure are aware, our
 6 relationship talks about somewhere between 200 and
 7 500,000. In the last two months our Board has taken
 8 the courage to go out and see if they can't
 9 accelerate the pace of that, bring it in sooner, and
 10 put more than 200,000.
 11 And as you may recall in Mr. Kennedy's
 12 water budget, there's not just 200,000 from IID,
 13 there's another 50 to 100,000 of conservation from
 14 IID that's proposed in there.
 15 We are trying to do our part. We're
 16 looking forward to seeing how that additional
 17 capability fits into the California plan. We're
 18 working with the other agencies to accomplish that.
 19 Let me talk about greedy farmers, because
 20 I was very troubled about a month ago. I was in
 21 Washington, and I went to the offices of one of the
 22 good senators from the State of California. And her
 23 staff told me that the Metropolitan reps had been in
 24 talking about how farmers who pay \$12 an acre foot
 25 for water are going to sell it for 200 and \$300 an

1 acre foot for water.
 2 Nothing could be further than the truth.
 3 In this public dialogue process we went through in
 4 our valley there was one loud and clear message we
 5 received, is that there would be no fallowing,
 6 either taking land out or through rotation of crop
 7 fallowing, that would allow land owners, farmers, to
 8 get a windfall out of this.
 9 As we're putting together the on-farm
 10 programs, we're putting programs in that if they
 11 were to receive financial support, they would have
 12 to invest in those pump act systems I spoke of
 13 earlier, in more labor. The other methods to
 14 actually do wet water conservation and keep farming
 15 their ground. That would preclude any land owner
 16 from making a windfall, making any kind of
 17 substantial profit.
 18 We hope that there is enough incentive in
 19 this process that we can get land owners and farmers
 20 to sign on the dotted line. That's our hope and our
 21 expectation. We won't know that until we actually
 22 put a solicitation out in our valley.
 23 That leads me to absentee landlords, and
 24 maybe many of you might not know but 60 percent of
 25 the Imperial valley, about 300,000 acres, is owned

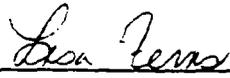
1 by nonresidents. These people live in Canada. They
 2 live in Palo Alto. They live in Pasadena. Some of
 3 them live in Texas. If those absentee land owners
 4 aren't going to get a windfall, why are they out
 5 there strongly advocating IID's role in this water
 6 marketing, water transfer program?
 7 How many of you are in business? Most of
 8 you? Let me use an analogy. Say you are in the
 9 cattle business and you buy a trucking company to
 10 move your cows from one place to the other. Say
 11 this cost you 50 million dollars. And one of the
 12 things you get with that purchase is a contract for
 13 fuel at an acceptable process -- price.
 14 Now the analogy ought to be pretty easy,
 15 trucks versus land, fueling versus water. And if
 16 you start realizing that the greatest threat to your
 17 business is the potential you might lose your fuel
 18 contract or your water supply, are you going to sit
 19 back and let some bureaucracy, such as IID, be your
 20 sole protection in that process? I surely wouldn't
 21 if I were in business.
 22 The Western Farms people out of Texas have
 23 40,000 acres of land in our valley. That's an
 24 investment somewhere north of 50 million dollars,
 25 maybe 60. I don't know what they paid for it. If I

1 am in business and am doing my diligence to protect
 2 my investment, I don't sit here and watch a
 3 bureaucracy which may be inept take care of my
 4 interests. I go out and do it myself.
 5 And that's the reason why you see the
 6 Western Farms people working actively in this
 7 process, both in Sacramento and Washington.
 8 Woody and I have talked about controlling
 9 our respective constituencies. He can't control his
 10 member agencies. I can't control my farmers. I do
 11 have a lot of sway to lobby with them and try and
 12 keep them under control. And I try and do that as
 13 much as I can, but they are independents. They have
 14 their own recognizance. They play their own process
 15 as they protect their interests. I thought you
 16 needed to know why and how that works.
 17 Lastly let me talk about river operations.
 18 And when I finish, I have a letter from Don Cox in
 19 response to your letter, Jack, that we will provide.
 20 I mentioned earlier in my statements that
 21 one of the great concerns that we have had is that
 22 an operating strategy would be set up which would
 23 put us on that slippery slope where under the
 24 drought of record Lake Mead would be empty. We
 25 would have the kind have crisis that this state

1 faced in the late '80's.
 2 There is such an operating criteria being
 3 proposed. It was advanced by the Bureau of
 4 Reclamation in September of 1995. It is called the
 5 80 percent protection of elevation 1050 at Lake
 6 Mead.
 7 In the drought of record, not a drought
 8 worse than we have seen historically, the drought of
 9 record, if that operating criteria were established,
 10 Lake Mead would be brought empty over a period of
 11 time.
 12 As I mentioned earlier, we are going to
 13 fight tooth and nail to preclude that kind of a
 14 result.
 15 I have a graphic here that shows the
 16 operating strategies that are now in place in blue.
 17 The bottom blue line is what happens under the
 18 drought of record. And with the current strategies
 19 you can see that even under the worst drought we
 20 have ever had about 8 or 10 million acre feet is
 21 kept in Lake Mead for future use. That's the
 22 insurance policy. Because we know that whether it's
 23 El Nino, whether it's global warming, whether it's
 24 just the normal run of Mother Nature, that we are
 25 going to have a drought worse than we have had

1 MR. CLINTON: -- allow me to come back home.
 2 CHAIRMAN FOLEY: Thank you very much, Mike. I
 3 am going to cut this off. I think we have had a
 4 real good exchange. And I appreciate you asking and
 5 coming up here to speak to us. And I believe, Roy,
 6 you can add that to all your black hats.
 7 MR. CLINTON: I want to thank you for the
 8 chance to share with you our views and have this
 9 exchange. Some of your board members have been to
 10 the valley in recent months. I know there are
 11 others who are considering it. You are always
 12 welcome down there. We would love to have you come.
 13 And we are very proud about the joint
 14 partnership we have and the investments that are
 15 being made. We would like you and this Board to
 16 understand how well they are being used and how we
 17 are looking forward to going forward with some more
 18 of the same. Thank you very much.
 19 CHAIRMAN FOLEY: Thank you, Mike.
 20 (Public comments concluded.)
 21
 22
 23
 24
 25

1 historically.
 2 The red line, the bottom line, is what
 3 would happen under the drought of record with the
 4 new proposed 80 percent protection of Lake Mead.
 5 When Lake Mead gets to the mud, my valley,
 6 my constituency, my hundred thousand people don't
 7 stand a chance in that kind of a political
 8 environment.
 9 If I am responsible as a general manager,
 10 I won't allow that kind of a situation to be set in
 11 place today to where my people, my future
 12 generations on that slippery slope have to deal with
 13 that down the road.
 14 We are prepared, we're supporting of
 15 revised operating criteria to reduce the amount of
 16 spills to beneficially use that water. We hope to
 17 see that in a California plan, and it will increase
 18 significantly the probability of spill -- of having
 19 a full aqueduct for Metropolitan. And it's
 20 something that we're advocating and supporting and
 21 we're prepared to work with you and your staff on.
 22 That concludes my presentation. I hope to
 23 get Mr. Allen's hat back because if I don't I
 24 probably won't --
 25 CHAIRMAN FOLEY: You get half the hat back.

1 THE METROPOLITAN WATER DISTRICT
 2 OF SOUTHERN CALIFORNIA
 3
 4
 5 STATE OF CALIFORNIA)
 6 SOUTHERN CALIFORNIA DISTRICT)
 7
 8 I, LISA FERNS, CSR #3297, Certified
 9 Shorthand Reporter of the State of California, do
 10 hereby certify that the foregoing pages 1 through 51
 11 comprise a true and correct transcript of the Public
 12 Comments heard at the Regularly Scheduled Board
 13 Meeting held on Tuesday, June 10, 1997.
 14 Dated this 12th day of June, 1997.
 15
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 19 _____ CSR#3297
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