

MINUTES

ADJOURNED REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

NOVEMBER 18, 1997

42689 The Board of Directors of The Metropolitan Water District of Southern California met in Adjourned 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, November 18, 1997.

The Meeting was called to order by Chairman Foley at 12:41 p.m.

42690 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

42691 The Pledge of Allegiance to the Flag was given, led by Director Gordon W. Tinker.

42692 In the absence of Board Secretary Murph, Chairman Foley designated Vice Chairman Miller as Secretary Pro Tem.

42693 Vice Chairman Miller called the roll. Those answering present were: Directors Abdo, Alario, Bannister, Barbosa, Blake, Brick, Coughran, Dymally, Fellow, Foley, Forbes, Grandsen, Hansen, Herman, Huntley, Ibbetson, King, Kosmont, Krauel, Little, Mason, McCauley, McMurray, Miller, Moret, Morris, Mylne, O'Neil, Owen, Pace, Parker, Peterson, Rascon, Rez, Tinker, Troxel, Watton, Wein, Witt, and Wright.

Those not answering were: Directors Barker (entered 12:52 p.m.), Castro, Frahm, Gilbert, Hill, Krieger (entered 12:52 p.m.), Luddy, Murph, Russell, and Webster.

The Chair declared a quorum present.

42694 Chairman Foley invited State Senator Robert Hurtt to address the Board.

Senator Hurtt shared with the Board his views on some policy and political matters in Sacramento. He commented on Proposition 140, the term-limits provision, which was passed by the voters in 1990, and which is now being challenged for the third time in the courts, an unprecedented action. He stated that if Proposition 140 is not upheld, in 1998 about one quarter of the Senate membership will be allowed to stay. Senator Hurtt also reported on Proposition 198, the cross-over voting in the primary, which was also passed by the electorate and challenged, and now upheld by the court. He felt that this would allow more people to vote in the primary. Senator Hurtt also commented on Proposition 208, the campaign reform act which is also under legal challenge. He remarked that the State will have to formulate a provision whereby propositions which are passed by the general electorate of California are impervious to legal assault. Senator Hurtt stated there were no big issues that have emerged as of yet for the upcoming legislative year, but for those that are concerned about resolving problems internally, they need to be aware that they should not make it an issue in the 1998 legislative year because they will not get a satisfactory solution. Generally, for matters to move through the Legislature, compromises are usually made, which may not satisfy everyone. He, therefore, urged Metropolitan to resolve issues without legislative involvement. Senator Hurtt commended Metropolitan's representatives in Sacramento for the work they are doing in informing the legislators on issues.

Directors Barker and Krieger took their seats at 12:52 p.m.

42695 At 1:03 p.m., Chairman Foley called a public hearing to receive comments on the proposed standby charge for Western Municipal Water District's Thirty-Seventh Fringe Area Annexation.

No members of the public responded and the Chair closed the public hearing at 1:05 p.m.

42696 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.

42697 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Dr. Rick Beck, on behalf of himself and other property owners in the Diamond Valley area, with the aid of slides, commented on the damages their properties and businesses are alleged to have received due to the construction of the Eastside Reservoir, and the high noise levels. He asked that the concerns of the local residents be taken into account, which he felt was not being done by Metropolitan. Dr. Beck commented on the proposed recreation area and the other facilities being planned near their homes which he felt will still affect the residents even after the construction of the reservoir and dam is over. Dr. Beck asked that Metropolitan be fair to the property owners and wished to make the District aware of what is going on in the neighborhood.

General Counsel Taylor replied to Dr. Beck's concerns and stated that Metropolitan has responded to letters from the homeowners stating that consideration is being given to the relocation of the recreation sports complex and that with the environmental review process, these concerns can again be presented with regard to the planning ultimately for the area. Mr. Taylor stated that Metropolitan is constantly monitoring the noise in the area, and is working under an approved AQMD dust plan. He assured the property owners that the Board has been kept up to date and he will endeavor to work with the owners to address their concerns.

Lana Cagle, property and business owner in the Diamond Valley Estates of Hemet, stated her views that Metropolitan has changed its location of the dam closer to the homes and instead of a golf course acting as the buffer, a sports complex, special events meadow, and maintenance yard are to be located nearer to the homes. The constant noise and dust are affecting her family's health and business, and she requested that at least Metropolitan relocate the sports complex and other facilities or reconsider purchasing her property.

Judy Holte, property owner on Diamond Drive in Hemet, spoke on behalf of residents in the neighborhood who have experienced damages to their homes due to the construction of the dam in their area. She requested Metropolitan give the same consideration and options given to the property owners on Palm Avenue and south of Palm, and buy their homes. She also asked that Metropolitan do a study to see what it would cost for Metropolitan to buy their homes.

42698 There being no objection, the Chair ordered the reading of the Minutes of the Meetings held September 3 and 9, 1997, dispensed with, copies having been mailed to each Director.

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

42699 Special Nominating Committee Chairman Rez reported that the committee, with three of the five Directors present, by a unanimous vote of those present, nominates Directors Timothy F. Brick and Edward C. Little to serve as Vice Chairmen of the Board for the term ending December 31, 1999, to replace Vice Chairmen Barker and Miller, whose terms will expire December 31, 1997.

Chairman Foley called for other nominations from the floor. Hearing none, Director Blake moved, seconded by Vice Chairman Barker, that the nominations be closed and for the Board Secretary to record that Directors Timothy F. Brick and Edward C. Little have been elected to serve as Vice Chairmen of the Board for the term ending December 31, 1999.

42700: Director Pace moved, seconded by Director Wright and carried, authorizing a thirty-day leave of absence for Director Hansen, commencing December 1, 1997.

42701 The Chair ordered the Declaration of the Executive Secretary as to posting the Notice of Adjournment of the Regular Meeting of November 11, 1997, to November 18, 1997, received and filed.

42702 Chairman Foley reported on several issues to the Board. Regarding the issue of "Governance", he stated the next special meeting of the Executive Committee to consider this matter will be held on Monday, November 24, 1997, at 1:00 p.m. He reported that out of the 27 member agencies, ten official responses have been received from their governing boards on their positions on Metropolitan's Governance issue; and at the November 24 meeting there will be presentations by Board members regarding the input from their governing bodies, and by the Partnership for Water Reliability. Another meeting to take place on December 15 (subsequently canceled) will focus on the technical report on alternative voting structures, as well as continued discussions on specific Governance options. The Chair reported that discussions have taken place with Ray Watson, a business and civic leader highly regarded throughout the State, to provide Metropolitan with his perspective on the Governance issue.

On the matter of the new Headquarters Building, Chairman Foley reported that by letter of October 13, 1997, the San Diego County Water Authority requested that Metropolitan issue debt now to reimburse the General Fund expenditures for construction of the building, and that this matter was discussed at the October 13 meeting of MWD's Asset Financing Corporation. The Corporation reaffirmed the financing plan to issue debt to reimburse Metropolitan's General Fund in the spring of 1999 after the lease at Two California Plaza expires, with the timing based on cash flow so that debt service payments on the new debt will begin after the end of lease payments to Two California Plaza.

Chairman Foley reported on the new Directors' orientation and mentoring program, with the Chairs and Vice Chairs of standing committees to have specific responsibility for

providing mentoring services for new members to their committees. This program is to begin immediately with Director Hansen and expand to include Directors Tinker, Abdo, Rascon, Castro and others as required.

The Chair announced dates of major interest of upcoming activities. On December 3, 1997, the San Diego County Water Authority and Metropolitan will be hosting a special event to commemorate the 50th Anniversary of imported water delivery to the San Diego region. The event will take place at the San Vicente Reservoir Marina in San Diego at 10:00 a.m., where the United States Bureau of Reclamation will "hand over the deed" to the First San Diego Aqueduct to the Authority and Metropolitan.

The Chair reported that following four sessions between Director Frahm and himself, they have agreed to an expanded negotiating team from both San Diego County Water Authority and Metropolitan to meet at a two-day negotiating "retreat" on December 5 and 6 to try and reach an agreement on the wheeling issue. Metropolitan's team will consist of Directors Luddy, Owen, Pace, Peterson, and the Chairs of the standing committees. Department of Water Resources Director David Kennedy will also participate as required.

On December 10 beginning at 11:00 a.m., Metropolitan's Board and the Authority's Board will be meeting jointly at the Eastside Reservoir Project for tours, briefings, and discussions.

Chairman Foley announced that Wayne Cunningham, president of the National Water Resources Association, presented its President's Award to the NWRA Municipal Caucus for the caucus' outstanding service to the association. Chairman Foley thanked Director Blake, president of the caucus, for his active participation in furthering the activities of the municipal agencies. The Chair also recognized former Director Harry Griffen of San Diego who was very active in the formation of the caucus.

The Chair announced that starting with the committee and Board meetings in January 1998, he is proposing a new format for the meetings wherein on Monday morning a plenary session of

the full Board will be held to hear staff presentations. This would be followed by committee meetings in the afternoon and on Tuesday morning dealing specifically with the charge of each respective committee based on the staff presentations. The Board Meeting will be held on Tuesday, following the committee meetings.

In order to support the implementation of the Integrated Resources Plan, the Chair announced the formation of an advisory steering committee to advise on the development opportunities, consisting of Board members Phil Pace (Chair), Tim Brick, Jim Blake, and Dale Mason; Member Agency representatives Jerry Gewe, City of Los Angeles; Don Harriger, Western Municipal Water District; Don Kendall, Calleguas Municipal Water District; and Stan Sprague, Municipal Water District of Orange County; and staff members Tim Quinn, Ed Means, Karen Tachiki, and Debra Man.

42703 Special Committee on Real Property Management Chairman King reported on the various aspects on the continuing development of the Headquarters Building, which remains on schedule and fully within budget.

42704 General Manager Wodraska presented a status report on the Colorado River and the San Diego County Water Authority negotiations. He stated negotiations have been taking place weekly with Director of Department of Water Resources David Kennedy and the California agencies to develop the California Plan and, hopefully, we would be able to present a more definitive solution to the Board at its December meeting. Mr. Kennedy has indicated his desire to close these negotiations by the end of the year and be able to present an agreement on the California Plan to the Legislature in early 1998. With the aid of slides, Mr. Wodraska stated there was no major change in what is referred to as the "4.4 Plan" except for a description of levels of surplus referenced in a handout entitled "Attachment 1" to the Plan. A major issue for the Authority is whether or not their purchase of water from Imperial Irrigation District (IID) will have "dedicated capacity" in Metropolitan's aqueduct, or whether it would be delivered on an "as available" basis. Mr. Wodraska then described the differences between the different

priorities to the Colorado River to show the condition under which San Diego would receive its water. He reported that San Diego and IID have requested more details, and also of their support for an alternative proposal. Another issue being discussed in the negotiations is the cost for wheeling water through the aqueduct. Mr. Wodraska stated Metropolitan will have to make regional investments to keep the aqueduct full for the future, and this was acknowledged in the Integrated Resources Plan document approved by the Board. The question is one of timing and cost. The cost of wheeling and impacts on Metropolitan will be discussed at future Board meetings.

Directors Herman and Moret withdrew from the Meeting at 2:02 p.m.

42705 By video, the Board received the following reports:

Chief Engineer Snyder reported there are currently 30 construction projects underway which represent a combined amount of over one billion dollars. He described construction activity on the Inland Feeder, with the first stop at City Creek Portal of the Arrowhead East Tunnel, showing the contractor boring the 300-foot long tunnel under Highway 330. Mr. Snyder then described the area on Opal Avenue where the Redlands Unified School District new East Valley High School is located and where part of the Inland Feeder traverses in front of the school. Working in cooperation with the school district for the safety of the school children and not to inconvenience the school, Metropolitan was able to install the pipe before the school opened. He continued to describe the further installation of the pipe along Opal Avenue.

Chief of Planning and Resources Man reported on the CALFED Bay-Delta Program which was initiated through the 1994 Bay-Delta Accord. A cooperative effort among State and Federal agencies, CALFED is working in partnership with agricultural water users, environmental organizations, the business community, and others to develop a long-term comprehensive plan that will restore ecological health and improve water management. Ms. Man stated that in

conjunction with CALFED and statewide interest groups, Metropolitan has developed a Bay-Delta Public Outreach Plan. She then introduced Mary Ann Dickinson, manager of the Legislative and Policy Branch, who reported that the primary goal is to provide information and education about CALFED--its purpose, its progress, and its plan. Ms. Dickinson further reported that under this outreach plan Metropolitan will be an active participant in a statewide network, which will be used to develop a coordinated Southern California message of building a regional support for ecosystem restoration, long-term water supply reliability, and water quality improvement. During November and December CALFED will hold a series of statewide public meetings, with two in Metropolitan's service area. Members of the public will have the opportunity to learn about CALFED's work and get involved in solving the problems of the Bay-Delta. Ms. Dickinson stated that Metropolitan has begun publishing a newsletter entitled "Waterscape", with the first issue to be out in mid-November. This premiere issue will focus on the Bay-Delta and the CALFED Program. Chief of Planning and Resources Man then reported that CALFED's preferred alternative is scheduled to be released in late January 1998, and that Metropolitan anticipates a broadening of its outreach efforts.

Chief Financial Officer Becker reported on Metropolitan's financial condition. He further reported that Metropolitan has completed preparations for the planned sale of \$650 million in fixed rate revenue bonds. The Preliminary Official Statement was mailed to the bond underwriting team on November 14, and that the sale is planned for this week.

Director Kosmont withdrew from the Meeting at 2:11 p.m.

Chief of Operations Malinowski reported that the most immediate problem faced by the Operations Division this month was securing an adequate supply of chlorine for use at the five water treatment plants. The problems began with the routing of railroad cars which resulted in tie-ups at major shipping terminals. Due to this uncertainty, he

stated that the Operations Division worked closely with other divisions of the District, and was able to obtain permits from the Nevada Highway Patrol to allow Metropolitan to pick up its own chlorine in its trucks at Henderson, Nevada, and transport it to the treatment plants.

Mr. Malinowski stated the railway has indicated that its scheduling problems is expected to be resolved by the beginning of next year. Mr. Malinowski further reported that in December, the Department of Water and Resources will release its allocation percentages for State project water for 1998, and the expectation is that Metropolitan will be allocated between 600,000 and 700,000 acre-feet. He stated that on the Colorado, both Lake Mead and Lake Powell are holding about 110 percent of normal for this time of the year, making a full Colorado River Aqueduct a certainty in 1998.

42706 General Manager Wodraska recognized Chief of Operations Malinowski, Chief Engineer Snyder, and Chief Financial Officer Becker and their staffs for their work well done in making sure that (1) the 16 million people of Southern California get their water supply, (2) the work on the construction projects are accomplished without any adverse publicity, and (3) Metropolitan obtains strong credit ratings from the financial community.

Mr. Wodraska reported on the symposium held by the California Federation for Environment and the Economy (CFEE) on November 6 and 7, attended by himself, Tim Quinn, and Director Frahm. Briefings were held on various water issues such as the Bay-Delta, Colorado River water, and the hearings by Senator Costa and Assemblyman Machado on water transfers. At the Legislature's request, CFEE will be looking at 1998 "as the year of water".

The Redlands Unified School District awarded a plaque to Metropolitan for the cooperative work in getting part of the Inland Feeder pipeline construction accomplished on Opal Avenue before the opening of East Valley High School. General Manager Wodraska reported that Metropolitan will be receiving the Gold Star Water Management Conservation Program award from the

Association of California Water Agencies (ACWA) at the Hans Doe Breakfast at the upcoming ACWA conference.

He further reported on the upcoming project currently being reviewed by the University of California in Riverside for the Western Center for Archaeological and Paleontological Research, which project Senator Kelley is involved with. Metropolitan has been asked to participate in this project by making lands available to show the findings in that area. Mr. Wodraska stated as the plans are finalized, this will be brought to the Board for action.

42707 General Counsel Taylor reported on November 7 Judge Lawrence Kay of the San Francisco Superior Court held a hearing on two fundamental issues involved in the validation of Metropolitan's one-year wheeling rates: (1) May MWD set postage stamp wheeling rates and set such rates in advance without regard to any particular proposed wheeling transaction in light of Water Code Sections 1810 and 1814 and the legislative intent and purpose of those statutes? (2) May MWD include systemwide costs in calculating its wheeling rates or may it only include costs relating to particular facilities? At the end of the hearing, the judge did not render a decision, but requested each side to submit by December 9 a proposed order on the two questions at issue and on the various evidentiary objections and issues that have been raised by the parties. The judge is not expected to issue a decision before mid-January 1998.

Mr. Taylor also reported that Metropolitan has agreed to move the litigation against the San Bernardino Municipal Water District, Western Water, and Santa Margarita Water from the Los Angeles Superior Court to the Sacramento Superior Court. This was occasioned by the defendants having the right to move the case to another venue, and that the Department of Water Resources is joining with Metropolitan as a co-plaintiff in that action, and Metropolitan and DWR will be jointly refiling the case in Sacramento.

Mr. Taylor stated that there will be a hearing on Metropolitan's Project Labor Agreement before the Court of Appeal on December 4 in Los Angeles. He reported that this will be the

third time the Court of Appeal has heard an issue in which the Project Labor Agreement has been challenged, one on a Contra Costa project which was upheld, and the other on the San Francisco Airport, which decision is pending. It is expected that Metropolitan will have an opinion from the Court of Appeal within sixty days.

Mr. Taylor commented on the article in today's Los Angeles Times regarding Proposition 198, the cross-filing issue, which was upheld by the Federal District Court in Sacramento. He stated this will be a loss for all political parties.

42708 The Chair reported Items 8-2, 8-3, 8-4, 8-5, 8-8, 8-9, and 8-10 have been added to the Consent Calendar.

Director Pace moved, seconded by Director Morris and carried, and the Board approved the Consent Calendar Items, **M.I. 42709** through **M.I. 42721**, as follows:

42709 Approved funding for fiscal year 1997-98 of three percent of the confidential employees' payroll for an incentive plan program (Pay for Performance) for 60 regular employees assigned to the Confidential bargaining unit, as set forth in the General Manager's letter dated October 28, 1997.

42710 Approved the creation of a new Senior Information Systems Auditor classification at salary grade M17, as set forth in Attachment A to the General Manager's letter dated October 28, 1997.

42711 In accordance with negotiated labor agreements with Metropolitan's four bargaining units, the Board (1) adopted **Resolution 8567** increasing Metropolitan's contributions to the medical plans maintained by the Public Employees' Retirement System for employees and annuitants in classifications represented by these units, said changes to be effective January through December 1998; and (2) amended Section 6522 of the Administrative Code to read as shown in Attachment B to the

General Manager's letter dated October 30, 1997, to provide the new contributions for unrepresented managers; with said Resolution entitled:

**RESOLUTION FIXING THE EMPLOYER'S CONTRIBUTION UNDER THE
PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT**

42712 The Board (1) approved and adopted The Metropolitan Water District of Southern California 1997 Deferred Compensation Plan in the form attached as Exhibit A to the letter signed jointly by the General Manager and the General Counsel dated October 23, 1997; (2) authorized the inclusion of the 1997 Plan in the Administrative Code; and (3) authorized the General Manager and the Treasurer to execute a Trust Agreement, substantially in the form of Exhibit B attached to the foregoing letter, with such changes as are approved by the General Counsel, establishing a trust to carry out the purposes of the 1997 Plan.

42713 Authorized the General Manager to amend a consulting contract with Gordon, Thomas, Honeywell, Malanca, Peterson & Deheim for Rate Refinement Process facilitation services and expenses to increase funding from a total of \$200,000 to \$284,000, as set forth in the General Manager's letter dated November 4, 1997.

42714 The Board (1) approved a policy which allows funds to be advanced to Metropolitan's member agencies to assist in establishing and running Conservation programs; and (2) authorized the General Manager to provide up to 25 percent (to an agreement maximum of \$250,000 and for a maximum period of one year) of the proposed total value of Metropolitan funding upon execution of an agreement with a member agency, with on-going recovery of the advanced funds through the term of the agreement; and that the funds advanced for Conservation programs be subject to interest at a rate equal to Metropolitan's yield on O&M funds, as set forth in the General Manager's letter dated October 27, 1997.

Director Mason requested to be recorded as voting no.

42715 The Board (1) certified it has reviewed and considered the information in the Notice of Exemption prior to reaching a decision on the annexation project; and (2) adopted **Resolution 8568** attached as Exhibit A to the General Manager's letter dated October 28, 1997, granting Calleguas Municipal Water District's request for consent to the concurrent annexation of Annexation No. 52 Parcel B to Calleguas and Metropolitan, and establish Metropolitan's formal terms and conditions for the annexation, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO THE ANNEXATION OF ANNEXATION NO. 52 PARCEL B UPON CONCURRENT ANNEXATION TO CALLEGUAS MUNICIPAL WATER DISTRICT AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Directors Grandsen and Miller requested to be recorded as abstaining.

42716 The Board (1) certified it has reviewed and considered the information contained in the Environmental Impact Report; (2) approved the plan for Implementing Water Use Efficiency Guidelines for the proposed annexation; (3) adopted **Resolution 8569** attached as Exhibit A to the General Manager's letter dated October 28, 1997, granting Calleguas Municipal Water District's request for consent to the concurrent annexation of Annexation No. 53 to Calleguas and Metropolitan, and establish Metropolitan's terms and conditions for the annexation; and (4) adopted **Resolution 8570** attached as Exhibit B to the foregoing letter, imposing standby charges at the rate of \$9.58 per acre or per parcel of less than one acre within the proposed annexation; said Resolutions entitled:

Resolution 8569 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO THE ANNEXATION OF ANNEXATION NO. 53 UPON CONCURRENT ANNEXATION TO CALLEGUAS MUNICIPAL WATER DISTRICT AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 8570 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON ANNEXATION

Directors Grandsen and Miller requested to be recorded as abstaining.

42717 The Board (1) certified it has reviewed and considered the information contained in the Notice of Exemption prior to reaching a decision on the annexation project; (2) adopted **Resolution 8571** attached as Exhibit A to the General Manager's letter dated October 28, 1997, granting Western Municipal Water District's request for consent to the concurrent annexation of Thirty-Seventh Fringe Area Annexation to Western, Murrieta County Water District, and Metropolitan, and establish Metropolitan's terms and conditions for the annexation; and (3) adopted **Resolution 8572** attached as Exhibit B to the foregoing letter, imposing standby charges at the rate of \$9.23 per acre or per parcel of less than one acre within the proposed annexation; said Resolutions entitled:

Resolution 8571

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO THE ANNEXATION OF THIRTY-SEVENTH FRINGE AREA UPON CONCURRENT ANNEXATION TO WESTERN MUNICIPAL WATER DISTRICT AND MURRIETA COUNTY WATER DISTRICT AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 8572

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON ANNEXATION

Directors Krieger and Mylne requested to be recorded as abstaining.

42718 To upgrade dam monitoring systems, improve the accuracy of facility data, and conduct water discharge studies for the Infrastructure Review and Rehabilitation Program, the Board authorized (1) Appropriation No. 15312 in the amount of \$2,290,000 from the Pay-As-You-Go Fund; and (2) the General Manager to have all work performed, except that involving contracts of \$250,000 or more, as set forth in the General Manager's letter dated October 28, 1997.

42719 Authorized entering into an agreement with Montgomery Watson for correction of design defects in the Washwater Reclamation Plant No. 2 at the Joseph Jensen Filtration Plant, as set forth in the General Manager's confidential letter dated October 28, 1997.

Director Morris requested to be recorded as abstaining.

42720 Approved settlement in Sebagh/Paris Go Bootshop v MWD-- Santa Monica Feeder Breach of August 12, 1994, Los Angeles Superior Court Case No. BC147758, as set forth in the

confidential letter signed jointly by the General Manager and the General Counsel dated October 28, 1997.

Before withdrawing from the Meeting, Director Kosmont requested the record show he did not participate in this item.

42721 In the litigation of Metropolitan Water District v. Hyman/JWP West, Los Angeles Superior Court Case No. PC018069, and Hyman/JWP West v. Metropolitan Water District, Los Angeles Superior Court Case No. BC156768, the Board authorized (1) No. 6 to Appropriation No. 15090 from the 1995 Revenue Bond Construction Fund; and (2) amendment of contract with consultants arising out of the construction of Expansion No. 1 to the Joseph Jensen Filtration Plant, as set forth in the confidential letter signed jointly by the General Manager and the General Counsel dated October 28, 1997.

Director Morris requested to be recorded as abstaining.

42722 Budget and Finance Committee Chairman Blake moved, seconded by Organization and Personnel Committee Chairman Wein and carried, authorizing the General Manager to make a lump sum payment to the California Public Employees' Retirement System in the amount of \$31.3 million from the General Fund to eliminate Metropolitan's unfunded actuarial liability estimated to otherwise exist as of December 28, 1997, as set forth in the General Manager's letter dated October 30, 1997.

Director Bannister requested to be recorded as abstaining.

Directors Krauel, Mason, McCauley, Parker, Tinker, and Watton requested to be recorded as voting no.

42723 To authorize Recreation Guiding Principles, initiate the process leading to recreation complex entitlements, and establish a process for private development procurement for the Eastside Reservoir Project recreation complex, Vice Chairman Barker moved, seconded by Engineering and Operations Committee Chairman Miller and carried, and the Board (1) adopted Recreation Guiding Principles for development and operation of the Eastside

Reservoir Project (ESRP) recreation complex as stated in the Executive Summary in the General Manager's letter dated November 4, 1997; (2) approved the draft Recreation Plan described in the Detailed Report and Attachments A and B of the foregoing letter; and based on this plan, authorized preparation of the Specific Plan/Supplemental Environmental Impact Report documents to obtain entitlements for the recreation complex; and (3) approved the Business Planning Framework for procurement of private concessionaire and contract operations of the ESRP recreation facilities set forth in Attachment C.

On behalf of the San Diego County Water Authority, Director Krauel asked that the letter signed by Chris Frahm, Chair of the Authority, dated November 17, 1997, be made a part of the record.

Directors Bannister, Huntley, Owen, McMurray, and Witt requested to be recorded as abstaining.

Directors Krauel, Mason, McCauley, Parker, Tinker, and Watton requested to be recorded as voting no.

42724 Director Blake moved, seconded by Special Committee on Real Property Management Chairman King and carried, instructing staff to (1) continue retaining the proceeds of the Bolsa Chica Properties sale in a trust fund for up to one year from the date of Board of Directors action on this item; (2) apply the proceeds, plus interest accrued thereon, to purchase substitute coastal property, subject to final Board approval; and (3) return to the Board for further instruction if such proceeds have not been expended within one year from the date of Board action on this item, as set forth in the General Manager's letter dated October 28, 1997.

42725 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 September, dated October 28, 1997.

- b. Report of the General Counsel on the activities of the Legal Department for the month of October, dated October 31, 1997.
- c. Report of the Auditor on the activities of the Audit Department for the month of October, dated November 4, 1997.
- d. Letter of the General Manager dated October 31, 1997, transmitting the Executive Financial Summary for the month of September.
- e. Letter of the Auditor dated October 13, 1997, transmitting the Single Audit Reports for the fiscal year ended June 30, 1997.
- f. Letter of the General Manager dated October 17, 1997, submitting the quarterly report on changes in funding sources for capital program expenditures.
- g. Letter of the General Manager dated September 30, 1997, reporting on the MWD/Member Agency Finance Work Group analysis of the assessments of Metropolitan's financial policies prepared by KPMG Peat Marwick and The Barrington-Wellesley Group.
- h. Letter of the General Manager dated October 30, 1997, submitting the variance report for the quarter ending September 1997.
- i. Letter of the General Manager dated November 4, 1997, reporting on the process for evaluating alternative water supplies under the Integrated Resources Plan.
- j. Letter of the General Manager dated October 22, 1997, submitting an update on Methyl Tert-Butyl Ether (MTBE).

- k. Letter of the General Manager dated November 4, 1997, transmitting the Quarterly Project Status Report for the Eastside Reservoir Project--July through September 1997.
- l. Letter of the General Manager dated October 31, 1997, regarding the 1998-99 Annual Budget.
- m. Letter of the General Manager dated October 28, 1997, transmitting the Executive Summary of Inland Feeder Quarterly Status Report for July through September 1997.
- n. Letter of the General Counsel dated November 5, 1997, reporting on the status of Public Records Act requests from San Diego County Water Authority.

42726 The two letters of the General Manager regarding revenue requirements for fiscal year 1998-99 dated November 5, 1997; and landscape conservation project on sites using recycled water for irrigation dated October 23, 1997, were received as pending items and will be discussed next month.

42727 There being no objection, Chairman Foley adjourned the Meeting at 2:42 p.m.

PATRICK H. MILLER

SECRETARY PRO TEM

JOHN V. FOLEY

CHAIRMAN



San Diego County Water Authority

A Public Agency

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November 17, 1997

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

Dear Jack:

The San Diego delegation **opposes** Board Item 8-6, Approve Guiding Principles, Draft Recreation Plan, and Continual Process for the Recreation Component of the Eastside Reservoir Project. We have supported recreational development at Eastside in accordance with the approved Environmental Impact Report (EIR) with the understanding that these components were mitigation for the water project. However, what is now proposed goes far beyond the recreational project described in the EIR. Further, it has become clear that the Recreation Plan is not mitigation for the Eastside Reservoir; in fact, none of the recreation facilities are required as mitigation for environmental impacts.

The new proposal places an unnecessary financial burden and enormous financial risk on water ratepayers. We urge you to remove this item from consideration this month and instead discuss at a future meeting the district's legal obligation and commitment to the community on the recreation project.

The new draft Recreation Plan presents a significant number of expensive new or expanded recreational/commercial uses which go well beyond an appropriate level of recreational development for the district. These new plans include retail stores, village shopping/dining, a winery/restaurant, events meadows for 5,000 persons, a 150 room lodge/hotel, conference center, additional golf courses, and the list goes on. The purported purpose of this expansion is to "ensure that the recreation complex will be 'revenue positive' under a variety of conditions and to create a firm basis for long term business planning." What is not noted is the possibility that this expansive development might be revenue negative.

MWD is in the business of providing water supplies. Recreation development activities are not within the statutory mission of the MWD. Met should focus on this and ways to reduce expenditures, not increase them. The recreation and commercial ventures come at a cost estimated to be \$204 million, including \$98 million in public and water ratepayer funds.

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• Regis Dam • Valley Center
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We understand that the district has an obligation to mitigate community impacts at Eastside. However, we believe that the district should fix the extent of its responsibility, pay for what is necessary and make arrangements with others, such as the County of Riverside, to operate the facilities. MWD is not in the business of recreation and commercial development and has no authority, obligation, or mission to begin such ventures as now proposed. Water ratepayers should not be put in a position to plan, fund, subsidize, or take on risks associated with the proposed development.

Jack, we believe that this is a matter of utmost importance. It has the potential for enormous financial, legal, and political impacts on Metropolitan. **We ask that this item be pulled from the agenda this month.** In the coming months the Board needs to discuss its legal and committed obligations to provide recreational opportunities at Eastside, how it can fix its obligation, what the impacts of recreation will be on the water supply reservoir, and who besides the district would be best to manage and operate the facilities. In an era of utility restructuring, MWD needs to avoid the build-up of a new bureaucracy and taking on extraordinary financial risks, particularly those which are unrelated to the district's mission of supplying a reliable and cost-effective water supply to its member agencies.

Sincerely,



Chris Frahm, Chair
Board of Directors

cc: CWA Board
MWD Board