

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
DECEMBER 9, 1997

42728 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, December 9, 1997.

The Meeting was called to order by Chairman Foley at 12:35 p.m.

42729 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

42730 The Pledge of Allegiance to the Flag was given, led by Director Joseph Parker.

42731 Secretary Murph 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, Ibbetson, King, Kosmont, Krauel, Krieger, Little, Luddy, Mason, McMurray, Miller, Moret, Morris, Murph, Mylne, O'Neil, Owen, Pace, Parker, Peterson, Rascon, Rez, Tinker, Troxel, Watton, Wein, Witt, and Wright.

Those not answering were: Directors Hansen, McCauley, Russell, and Webster.

The Chair declared a quorum present.

42732 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.

42733 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Mayor Claude A. "Bud" Lewis of Carlsbad asked for clarification on Agenda Items 8-5 and 8-7. Regarding Item 8-5, Deputy General Manager Means replied that at the instruction of the Organization and Personnel Committee, the \$2 million cap on the temporary contracts is specifically for the engineering related functions. In response to Item 8-7 relating to Mr. Lewis' statement of expenditure on other ventures, General Counsel Taylor stated there has been no expenditure of funds by the staff in excess of that authorized.

42734 Director Ibbetson introduced Bill Zastrow, president of Central Basin Municipal Water District.

42735 There being no objection, the Chair ordered the reading of the Minutes of the Meeting held October 14, 1997, dispensed with, a copy having been mailed to each Director.

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

Director Gilbert and Board Secretary Murph requested to be recorded as abstaining.

42736 Chairman Foley presented a Commendatory Resolution to former Director Henry J. Meyer, who represented the City of Long Beach on Metropolitan's Board from February 1993 to August 1997.

42737 Special Nominating Committee Chairman Rez reported that the committee, with all five members present, considered all eligible Directors as potential candidates for the three nonofficer members of the Executive Committee for the term ending December 31, 1999. Since there were three positions to fill, he therefore nominated Director Chester C. Gilbert for the first

position, Director Robert J. Huntley for the second position, and Director Wesley M. Bannister for the third position.

Chairman Foley called for other nominations from the floor. There were none.

Director Witt moved, seconded by Director Dymally and carried, and the Board elected Director Gilbert to serve as a nonofficer member of the Executive Committee for his first two-year term ending December 31, 1999.

Director King moved, seconded by Director Coughran and carried, and the Board elected Director Huntley to serve as a nonofficer member of the Executive Committee for his first two-year term ending December 31, 1999.

Director Dymally moved, seconded by Director Fellow and carried, and the Board elected Director Bannister to serve as a nonofficer member of the Executive Committee for his first two-year term ending December 31, 1999, replacing Director Edward C. Little who was elected as Vice Chairman of the Board.

The above nominations and election of Directors Gilbert, Huntley, and Bannister were recorded by Board Secretary Murph to serve as nonofficer members of the Executive Committee for the term ending December 31, 1999.

42738 Special Committee on Real Property Management Chairman King reported on the continuing development of the Headquarters Building, which remains on schedule and within budget. Committee Chairman King recognized John Mallory who worked for Metropolitan for 36 years and who will be retiring at the end of December. He stated John recently worked in the Finance and Business Services Division in the Facilities Planning Section of the Business Support Services Branch, and was a key member of the new Headquarters design and construction team. The Board wished John continued success upon his retirement.

42739 Strategic Plan Steering Committee Chairman King reported the committee is preparing to issue a Request for Proposals requesting assistance for the long-range plan for

Metropolitan's future and looking at the process which would be undertaken. Director King requested input and involvement from the Board for the Strategic Plan in terms of what the issues are, and recommended that the Board move ahead with the Request for Proposals.

42740 Regarding the Governance issue, Chairman Foley announced he has postponed the December 15 special meeting of the Executive Committee to some time in January so that the information gained from the past three Executive Committee meetings can now be accumulated to prepare alternatives, which will be sent out to all Directors for consideration before the next meeting.

42741 Chairman Foley announced the new schedule of committee and Board meetings to begin in January 1998 with a plenary session on Monday morning for staff presentation of agenda items, followed by individual committee meetings on Monday afternoon and on Tuesday morning, concluding with the Board Meeting at 11:00 a.m. on Tuesday.

42742 Chairman Foley requested Chief of Communications Maloy to report on the negotiating sessions held with the San Diego County Water Authority on December 5 and 6. Mr. Maloy referred to the packet of documents distributed to all Directors under cover letter, dated December 9, 1997, from Gilbert Ivey, Senior Executive Assistant to the General Manager, regarding the negotiating sessions on December 5 and 6. Mr. Maloy highlighted the salient points included in the San Diego County Water Authority's Proposal, the Discussion Draft for Consideration by Joint Metropolitan/San Diego Negotiating Session; and Metropolitan's Negotiating Committee Report. Mr. Maloy stated that discussions also took place about the importance of the California Plan and a core transfer to make the California Plan a reality. After review and discussion of the above-referenced documents, the negotiating teams from both Metropolitan and San Diego agreed to meet again on Saturday, December 13, 1997. Mr. Maloy requested Directors to read the detailed documents.

Director Mylne commended the negotiating team members and facilitators for their approach which seem to satisfy the

needs of all parties and hoped that a final agreement will be reached in the next negotiating session.

Director Brick moved, seconded by Director Blake and carried, that the negotiating team and review committee be authorized to continue negotiations with the San Diego County Water Authority on the basis of the concepts outlined in the review committee report and the recommendation therein.

Vice Chairman Frahm, Directors Krauel, Mason, Parker, Tinker, and Watton requested to be recorded as abstaining.

42743 Chairman Foley announced the following committee appointments: Directors Luddy and Owen to the IRP Steering Committee, Director King as Vice Chair of the Electric Industry Restructuring Ad Hoc Committee, and Director Witt to the Special Committee on Real Property Management; and that Director Mason has resigned from the Electric Industry Restructuring Ad Hoc Committee.

42744 General Manager Wodraska reported there was no further report on the Colorado River matters.

42745 By video, the Board received the following reports:

Director of Water Quality Beuhler reported on perchlorate and its impact on drinking water in Southern California. Perchlorate is a chemical used in the manufacture of rocket fuel, fireworks, and explosive devices. There is no Federal or State maximum contaminant level for perchlorate, but California has an action level of 18 parts-per-billion in water. Above this level water utilities are required to notify their customers and ultimately find another source of water. Mr. Beuhler further reported on the effect of perchlorate on some of our member agencies that treat groundwater, and that Congress has appropriated \$2 million for studying the perchlorate issue. Metropolitan will continue to ensure that the water it serves is below the State's action level and safe for our customers.

Mr. Beuhler then introduced Roy Wolfe, Associate Director of Water Quality, who gave a background of the detection of perchlorate in groundwater and wells in Sacramento and Southern California. He reported Metropolitan tested its Colorado River and State Water Project supplies in July 1997, and found no perchlorate in the State project water, but samples at Lake Mathews contained perchlorate showing the source to be Lake Mead. With the cooperation of the Southern Nevada Water Authority, a source of perchlorate entering Lake Mead was found in a Las Vegas Valley wash, where perchlorate from local manufacturing sites enters Lake Mead through groundwater seepage. Mr. Wolfe stated the perchlorate levels in our water are under control, but the trace levels in the Colorado River Aqueduct is expected to continue for years until the source is cut off and it flushes through our system. Currently, alternatives are being developed by Metropolitan, the Southern Nevada Water Authority, the Nevada Department of Environmental Protection, and the U.S. Environmental Protection Agency to prevent perchlorate from entering Lake Mead.

Vice Chairman Frahm and Director Moret withdrew from the Meeting at 1:33 p.m.

Chief Engineer Snyder reported there were sixteen construction contracts awarded this past year, with fourteen completed. Currently there are thirty construction contracts underway with a total contract value of over one billion dollars. Mr. Snyder then reviewed the major projects in 1997. At the Eastside Reservoir, significant progress has been attained in 1997 with construction more than fifty percent complete. The construction and design activities are proceeding on schedule and within budget, with projected completion of reservoir facilities by October 1999, and the initial phase of the recreation facilities expected to open in late 2000.

In the Inland Feeder, design is complete on six of the eight reaches, and four construction contracts totaling \$170.9 million have been awarded. Current projections

indicate the project is on schedule to meet an on-line date of 2004, and work will be accomplished within the established budget.

On desalination, work is continuing on Metropolitan's seawater program in two areas, design and commercialization. The design of the 12.6 mgd desalting plant will be completed by the end of this year as planned and within budget. Metropolitan's engineers have been working with an international team of private consultants for over 18 months to complete the design phase and have participated in providing technical information at conferences and commercialization events. The management of the commercialization activities was moved to the Business Development Office in April 1997.

Mr. Snyder reported that over the past year, the Engineering Division developed a management plan to respond to the changing work load the division will see in the next ten years and to the major changes occurring in the water industry. The Engineering Division is now proceeding with the implementation phase, and reassignments have been made within the division to strengthen project management with team leaders being assigned to address the areas of cost reduction, quality, staffing, and communications.

Chief of Operations Malinowski reported that 1998 should be a strong water year, with or without the heavy precipitation predicted by the El Niño condition offshore. With the allocation from the State Water Project and the Colorado River, total water available during the year is estimated to be 2.3 million acre-feet while demands are expected in the range of 1.8 million acre-feet. Mr. Malinowski then introduced Alec Brok, planning engineer, who described the Eastside Reservoir Initial Fill Study to store water.

Chief of Planning and Resources Man reported on the efforts of the staff to protect endangered species. Ms. Man stated that Senate Bill 1180, the bill to reauthorize the Endangered Species Act, was passed by the Senate Environment

and Public Works Committee this fall. The bill is expected to go to the Senate floor for a vote in early 1998, and legislation is to be introduced in the House of Representatives, with action to be concluded by both houses in mid-1998 to allow for a conference bill in the last year of the 105th Congress. This bill is beneficial to Metropolitan and its member agencies and includes provisions for "no surprises", "safe harbors", and "multiple species conservation plans".

Chief Financial Officer Becker reported on Metropolitan's financial condition. He further reported on the successful November 19 bond sale of \$650 million in fixed rate water revenue bonds. The sale was oversubscribed by the investor community which reflected well on Metropolitan's strong financial condition and high credit ratings. The \$650 million issue sold at a true interest cost of 5.26 percent and will provide continued financing for the Capital Improvement Program, mainly for the Eastside Reservoir Project and the early stages of the Inland Feeder Pipeline Project. Mr. Becker stated the Inland Feeder is an important conveyance facility that will allow significant amounts of water to be put into the reservoir during wet years so that the Northern California Bay-Delta estuary can be protected during dry periods. He announced that the 1996-97 Annual Financial Report has been completed and distributed to the Board.

42746 General Manager Wodraska reported that the \$650 million bond sale had closed and the funds were deposited into Metropolitan's account today. He referred to the Moody's and Standard & Poor's analyses of Metropolitan and the confidence the financial institutions have in what Metropolitan does for Southern California. Mr. Wodraska further reported on the speech entitled "A Season of Change" which he gave at the Metro Investment Report Water Policy Seminar on December 2.

Reporting on the Fellowship Program for this year, Mr. Wodraska recognized Fernando Paludi and Craig Brackbill, who will complete their fellowship at the end of the year. He then introduced the two new "executive fellows" for 1998--Jade Kuan

from the Human Resources Division and Don Bentley from the Planning and Resources Division.

General Manager Wodraska stated Secretary of the Interior Bruce Babbitt will be the keynote speaker at the Colorado River Water Users Association conference in Las Vegas on December 18, and it is anticipated that Mr. Babbitt will deliver a major address on the Colorado River.

The General Manager continued his report on the Integrated Resources Plan (IRP) process, stating that one of the changes in the IRP has to do with Metropolitan becoming more receptive to ideas that are not generated from within Metropolitan, especially in transfers. He reported that Metropolitan has received much interest from public and private agencies regarding storage and supply options, and that these programs will be brought before the Board's IRP Steering Committee. Proposals have been received from the Cadiz Land Company, Catellus Development Corporation, and Coachella Valley Water District.

Director Herman withdrew from the Meeting at 1:56 p.m.

42747 General Counsel Taylor referred to his Board letter regarding Senate Bill 138 (Kopp) on amendments to the Ralph M. Brown Act. He reported on the Attorney General's opinion on the one amendment causing the greatest concern--that of the attendance of a majority of the members of a legislative body at an open and noticed meeting of a standing committee of that body, provided that the members of the legislative body who are not members of the standing committee attend only as observers. Mr. Taylor further reported he is in the process of checking with the League of Cities, the Board of Supervisors Association, ACWA, and the Attorney General's office requesting clarification of certain parts of the opinion.

In the San Luis & Delta-Mendota Water Authority case, Mr. Taylor reported that an action has been filed and Metropolitan is evaluating its role in this action. This case deals with the challenge to the Central Valley Project's 800,000 acre-foot release.

In reference to the wheeling litigation which is being heard in San Francisco, Mr. Taylor stated both sides have submitted their proposed order and rulings on evidentiary questions. In the next two to three weeks all parties will file briefs commenting upon the order presented by each side, at which time the matter will be submitted to the judge, with a ruling on the wheeling rates expected during the first part of January.

Director Hill, Vice Chairman Luddy, and Director Kosmont withdrew from the Meeting at 2:00 p.m.

Director Blake moved, seconded by Vice Chairman Miller and carried, and the Board approved the Consent Calendar Items, **M.I. 42748** through **M.I. 42754**, as follows:

42748 Authorized the General Manager to execute an agreement with Caltrans substantially on the terms outlined in the General Manager's letter dated November 18, 1997, for relocation of approximately 104 feet and protection of approximately 150 feet of Metropolitan's 55-inch-inside-diameter West Orange County Feeder pipeline, subject to the agreement being in form approved by the General Counsel.

42749 Authorized (1) Appropriation No. 15314 in the amount of \$437,700 from the Pay-As-You-Go Fund, for the upgrade and expansion of Metropolitan's Black Metal Mountain communications facilities; and (2) the General Manager to have all work performed, including coordination, design, and installation, as set forth in the General Manager's letter dated November 18, 1997.

42750 Authorized (1) entering into a contract with San Luis & Delta-Mendota Water Authority to provide fee-for-shop services, at an amount not to exceed \$175,000; and (2) all ancillary activities necessary to implement the agreement, subject to the agreement being in form approved by the General Counsel, as set forth in the General Manager's letter dated November 13, 1997.

42751 Approved the Local Resources Program Principles included in Attachment A to the General Manager's letter dated November 21, 1997, as guidelines for defining administrative rules for the proposed program.

42752 Authorized entering into an agreement with the Department of Water Resources for participation in the Municipal Water Quality Investigations Program, subject to the agreement being in form approved by the General Counsel, as set forth in the General Manager's letter dated November 21, 1997.

42753 Authorized the payment of up to \$50,000 from the Annual Budget Appropriation for Metropolitan's supplemental membership dues and special assessments for power-related organizations during the 1997-98 fiscal year, as outlined in the General Manager's letter dated November 18, 1997, and as deemed appropriate by the General Manager.

42754 Authorized the settlement negotiated at the mandatory settlement conference in the eminent domain action entitled Metropolitan Water District v. Colville, Riverside County Superior Court Case No. 286919, Metropolitan's Parcel No. INFED1-09-180TEA1, in the sum of \$22,000, inclusive of interest and costs, as set forth in the General Counsel's letter dated November 19, 1997.

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

42755 Budget and Finance Committee Chairman Blake moved, seconded by Organization and Personnel Committee Chairman Wein and carried, authorizing (1) No. 18 to Appropriation No. 15122, an increase of \$8,500,000 to a total amount of \$410,527,000 from the 1996 Review Bond Construction Fund, to provide post-design consulting services for the Riverside Badlands Tunnel of the Inland Feeder Program; and (2) the General Manager to amend an agreement with Daniel Mann, Johnson, & Mendenhall to increase agreement by \$8,500,000 for a total amount of \$16,450,000, as set forth in the General Manager's letter dated November 18, 1997.

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

42756 Budget and Finance Committee Chairman Blake moved, seconded by Engineering and Operations Committee Chairman Miller and carried, authorizing No. 2 to Appropriation No. 15248, an increase of \$2,534,950 to a total of \$6,943,950 from the Pay-As-You-Go Fund, to finance continuing implementation of the Remote Meter System and related software projects, as set forth in the General Manager's letter dated November 5, 1997.

42757 To relocate Metropolitan pipelines impacted by the construction of the Alameda Corridor Project, Budget and Finance Committee Chairman Blake moved, seconded by Engineering and Operations Committee Chairman Miller and carried, authorizing (1) Appropriation No. 15313 in the amount of \$2,425,000 from the Pay-As-You-Go Fund, to finance design; and (2) the General Manager to have all work performed in advance of award of construction contracts, as set forth in the General Manager's letter dated November 18, 1997.

42758 Engineering and Operations Committee Chairman Miller moved, seconded by Organization and Personnel Committee Chairman Wein and carried, authorizing the General Manager to (1) amend existing contracts and enter into new contracts with employment service agencies and consultants supplying temporary personnel without regard to the \$250,000 limitation on the General Manager's contract authority, with no individual contract to exceed \$2,000,000 in a single contract year; and (2) 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 \$17,000,000 for fiscal year 1997-98, substantially in accordance with the terms outlined in the General Manager's letter dated December 8, revised from his letter dated November 18, 1997, subject to the contracts being in form approved by the General Counsel. The services provided by temporary personnel shall be limited to the technical, engineering-related services listed on Attachment B to the General Manager's letter of November 18, 1997.

42759 Budget and Finance Committee Chairman Blake moved, seconded by Water Planning and Resources Committee Chairman Brick, approving the revenue requirements for fiscal year 1998-1999 as set forth in the General Manager's letter dated November 21, 1997.

Director Castro reported that the boards of Central and West Basin Municipal Water Districts voted to request that Metropolitan consider deferring the increase of \$8 million in the readiness-to-serve charge because of the sufficient reserves currently on hand. Director Castro, therefore, made a substitute motion, seconded by Director Dymally, that the Board delay the increase of the \$8 million in the readiness-to-serve charge for a one-year period.

Director Morris expressed his concern with the substitute motion as it was not addressing the issue currently before the Board, which is the revenue requirements. He stated that rates and charges are subject to a future meeting, which is heard before the Water Planning and Resources Committee and then to the Board for action, and that this issue is not on today's agenda.

After considerable discussion by the Board whether the increase in the readiness-to-serve charge applies to which fiscal year period, and also whether consideration of rates is applicable to the approval of the revenue requirements, General Counsel Taylor ruled the substitute motion out of order at this time since the process to consider rates is scheduled to begin in January. Recognizing the concern on this matter, Mr. Taylor stated he would put a footnote on that action that everyone understood it is not an endorsement of the statement of revenue.

Vice Chairman Luddy returned to the Meeting at 2:18 p.m.

Water Planning and Resources Committee Chairman Brick stated the committee will be holding a hearing in February to consider the rates for 1998-99, which would be the appropriate time to consider rate issues.

Director Ibbetson, therefore, moved, seconded by Director Castro, that Agenda Item 8-7 regarding the revenue requirements be tabled until the January meeting. The motion was voted upon and carried.

Board Secretary Murph withdrew from the Meeting at 2:30 p.m.

42760 Water Planning and Resources Committee Chairman Brick moved, seconded by Director Castro and carried, authorizing the General Manager to modify the approved Friant-Kern (Arvin-Edison) Water Transfer Program and enter into the proposed agreement, as modified, with the Arvin-Edison Water Storage District for a water transfer/storage program, as set forth in the General Manager's letter dated November 21, 1997.

42761 Special Committee on Real Property Management Chairman King moved, seconded by Director Dymally and carried, authorizing the General Manager to acquire Parcel 144-001-791 owned by Lawrence I, Dady, Trustee, for the Eastside Reservoir Project, as set forth in the General Manager's confidential letter dated November 18, 1997.

Board Secretary Murph returned to the Meeting at 2:32 p.m.

42762 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 October, dated November 18, 1997.
- b. Report of the General Counsel on the activities of the Legal Department for the month of November, dated November 21, 1997.
- c. Report of the Auditor on the activities of the Audit Department for the month of November, dated November 21, 1997.

- d. Letter of the General Manager dated November 19, 1997, transmitting the Executive Financial Summary for the month of October.
- e. Letter of the Auditor dated November 21, 1997, transmitting the Audited Cash Basis Financial Statements as of September 30, 1997.
- f. Letter of the General Manager and the General Counsel dated November 18, 1997, reporting on the implementation of California's restructured electric utility industry on January 1, 1998.
- g. Letter of the General Manager dated November 20, 1997, transmitting the Operations Division's Annual Operating Plan.
- h. Letter of the General Manager dated November 18, 1997, reporting on the 1998 per-acre annexation charge.
- i. Letter of the General Manager dated November 21, 1997, submitting an update on the Arsenic Research Partnership.

42763 There being no objection, Chairman Foley adjourned the Meeting at 2:34 p.m.

REGINA MURPH

SECRETARY

JOHN V. FOLEY

CHAIRMAN