

MINUTES

**ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS**

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

FEBRUARY 10, 1998

42802 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, February 10, 1998.

The Meeting was called to order by Chairman Foley at 11:02 a.m.

42803 The Meeting was opened with an invocation by Director Kenneth H. Witt.

42804 The Pledge of Allegiance to the Flag was given, led by Director Ronald R. Gastelum.

42805 Secretary Murph called the roll. Those answering present were: Directors Abdo, Alario, Bannister, Barbosa, Barker, Blake, Brick, Castro, Coughran, Dymally, Fellow, Foley, Forbes, Frahm, Gastelum, Gilbert, Grandsen, Hansen, Hill, Huntley, Kosmont, Krauel, Krieger, Kwan, Lewis, Mason, McCauley, McMurray, Miller, Morris, Murph, Mylne, O'Neil, Owen, Pace, Parker, Peterson, Rascon, Rez, Tinker, Wein, Witt, and Wright.

Those not answering were: Directors Freeman, Herman (entered 11:10 a.m.), King (entered 11:30 a.m.), Luddy, Mayér (entered 11:40 a.m.), Moret, Troxel, and Webster.

The Chair declared a quorum present.

42806 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.

Director Herman took her seat at 11:10 a.m.

42807 The Chair recognized former Director E. Thornton Ibbetson who will be honored at a luncheon today.

On behalf of the State of California and her district, Assemblywoman Grace Napolitano presented to Mr. Ibbetson a resolution in honor of his many years of service to Southern California in the water industry.

42808 The Chair presented pins to Directors Bannister, Fellow, Grandsen, and Peterson emblematic of their completion of five years of service as representatives from Municipal Water District of Orange County, Upper San Gabriel Valley Municipal Water District, Calleguas Municipal Water District, and Las Virgenes Municipal Water District, respectively.

42809 Director Blake moved, seconded by Director Krieger and carried, authorizing preparation of Commendatory Resolutions for former Directors E. Thornton Ibbetson, Edward C. Little, L. Michael Russell, and Mark W. Watton.

42810 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Daniel Hentschke, General Counsel of the San Diego County Water Authority, commented on the proposed pending appeal by Metropolitan in the wheeling rate case Metropolitan Water District v. All Persons Interested, etc., and referred to his letter addressed to Chairman Foley dated February 6, 1998, regarding this matter. Mr. Hentschke also referred to a letter dated February 10, 1998, which was sent to the State Water Contractors Legal Committee on February 9 from Metropolitan's Legal Department. Mr. Hentschke requested Metropolitan not appeal the case. General Counsel Taylor responded he would report back to the Board next month on the letter sent out by his department.

Director Barbosa stated his support for an appeal and wondered why the Authority is fearful of Metropolitan filing an appeal.

Vice Chairman Frahm stated the Authority originally urged Metropolitan not to file the validation action and again requested that an appeal not be filed in this matter.

Director King took his seat at 11:30 a.m.

42811 There being no objection, the Chair ordered the reading of the Minutes of the Meeting held December 9, 1997, dispensed with, a copy having been mailed to each Director.

Director Blake moved, seconded by Board Secretary Murph and carried, approving the foregoing Minutes as mailed.

42812 On the matter of Governance, Chairman Foley thanked the Board for its support of the process undertaken and reported that the issues approached so far have been in "Board Representation" and "Board Effectiveness." For representation, the Chair referred to the December 22, 1997, letter regarding weighted voting alternatives and governance models, and that former Attorney General John Van de Kamp is assisting in this area. Chairman Foley referred to the presentation on "Board Governance" by John Carver at the Executive Committee meeting held on January 26, 1998, which was well received by the Board. He announced that a Board workshop to be conducted by Mr. Carver will be held on March 16 and 17.

42813 General Manager Wodraska reported there was no further report on the Colorado River matters.

42814 General Manager Wodraska reported on the continuing discussions regarding the IID/San Diego County Water Authority transfer and the status of the validation suit. He stated the negotiating committee is considering the proposed MOU that DWR Director David Kennedy is working on, which was the framework presented to the Board last month. Regarding the validation suit, Mr. Wodraska reported that the trial court declined to reconsider its decision and issued a judgment on January 30, and that if the Board chooses to appeal, the time period for appealing would be the end of February. If there is no appeal, the trial court decision will be binding on Metropolitan and will necessitate a review of the entire rate structure.

Director Barbosa moved, seconded by Director Krieger, that (1) Metropolitan appeal from the trial court the judgment in the wheeling rate validation action entitled The Metropolitan Water District of Southern California v. All Persons Interested, etc., Los Angeles County Superior Court Case No. BC164076, and direct the General Counsel to file the Notice of Appeal; (2) the General Manager and the General Counsel consult with Member Agency Counsel and State Water Contractors on the issues that need to be addressed on appeal; (3) the General Manager prepare a report to the Board recommending a process for identifying unused capacity in Metropolitan's system to facilitate water transfers and that the process include procedures for appropriate public

and environmental review by Member Agencies and other interested persons, and that this report be brought back to the Board in ninety days; and (4) the General Manager and the General Counsel explore alternatives to further litigation, in cooperation with the Member Agencies and the State Water Contractors, including introduction of appropriate legislation which would require that all transfers enacted after the effective date of this legislation comply with Section 1812.5(d) of the Water Code unless mitigated for such noncompliance.

Director Krauel requested the vote on the motion be delayed to consider the lengthy motion before any action is taken. The Chair so ordered. (See Minute Item 42832)

42815 The Chair reported Agenda Item 7-11 has been removed from the Consent Calendar for discussion; and Agenda Items 8-8, 8-10, and 8-11 have been added to the Consent Calendar.

Director Morris moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, M.I. 42816 through M.I. 42824, as follows:

42816 Authorized (1) No. 2 to Appropriation No. 15288, an increase of \$273,000 to a total amount of \$\$2,173,000 from the Pay-As-you-Go Fund, to finance all estimated remaining costs for repairs to the Joseph Jensen Filtration Plant Finished Water Reservoir No. 2, as set forth in the General Manager's letter dated January 20, 1998.

42817 The Board (1) approved amendments to Sections 5200 and 5201 of the Administrative Code regarding the establishment of funds as shown in Attachment A to the General Manager's letter dated January 23, 1998; and (2) authorized the General Counsel to amend and supplement Sections 5200 and 5201 of the Code from time to time to provide for the establishment of the funds created by resolution of the Board with respect to the issuance of water revenue, general obligation bonds, and commercial paper notes.

42818 The Board authorized the General Manager and the General Counsel to (1) amend Agreement No. 4645 with the law firm of Morgan, Lewis & Bockius to amend the maximum amount payable under the Agreement to an amount not to exceed \$100,000 per twelve-month period; and (2) file an amicus curiae brief in the matter of Costa v. WCAB, et al. (Fourth Appellate District No. G022181), a case in which the constitutionality of the workers' compensation alternative dispute resolution provisions under

California Labor Code section 3201.5 are being challenged, as set forth in the letter of the General Manager dated January 6, 1998.

42819 Expressed support, if amended, for Senate Bill 1033 (Sher) to adopt a primary drinking water standard for perchlorate, as set forth in the General Manager's letter dated January 22, 1998.

42820 Adopted legislative policy principles, as set forth in the General Manager's letter dated January 27, 1998, to be used during the 1998 Federal Congressional and State legislative sessions, as follows:

1. Federal issues: Repeal of Federal Water Efficiency Standards; Implementation of Farm Bill Conservation Programs;

2. State issues: California Environmental Quality Act, CALFED Water Use Efficiency; State Budget Issues Impacting the State Water Project Contractors; Expanded Types of Use of Recycled Water; and

3. Federal and State issues: MTBE Impacts on Surface Water; Source Water Quality Protection; Colorado River.

42821 Authorized the General Manager to make payment of \$400,000 to the American Water Works Association Research Foundation as Metropolitan's contribution to fund the Association's applied research programs for the calendar year 1998, as set forth in the General Manager's letter dated January 12, 1998.

42822 Authorized the General Manager to enter into an agreement on a sole source basis with the Knoll Group for products and services associated with systems furniture in an amount not to exceed \$2,310,900, for the phased move from California Plaza to the District's new Headquarters facility at Union Station, as set forth in the General Manager's revised letter dated February 5, 1998.

42823 Endorsed the District's proposed 1998 State Legislative Portfolio emphasizing Metropolitan's commitment to securing the highest quality water at the lowest possible cost to the public, as set forth in the General Manager's letter dated January 26, 1998.

Vice Chairman Frahm, Directors Krauel, Lewis, Mason, Parker, and Tinker requested to be recorded as voting no.

42824 Authorized the amendment of contract with McCormick, Kidman & Behrens for legal services related to the Inland Feeder Project, as set forth in the General Counsel's confidential letter dated January 26, 1998.

Vice Chairman Frahm, Directors Krauel, Lewis, Mason, Parker, and Tinker requested to be recorded as voting no.

42825 Director Blake moved, seconded by Director Barker and carried, authorizing the General Manager to (1) continue negotiation of a Settlement Agreement for resolution of Yuba County water users' responsibilities toward meeting the flow requirements of the 1995 State Water Resources Control Board Bay-Delta Water Quality Control Plan, consistent with the key elements described in the General Manager's letter dated January 20, 1998; and (2) upon compliance with the California Environmental Quality Act, if appropriate, take all necessary actions to enter into and implement the agreement.

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

42826 Budget and Finance Committee Chairman Blake moved, seconded by Organization and Personnel Committee Chairman Wein and carried, authorizing (1) No. 20 to Appropriation No. 15122, an increase of \$9,500,000 to a total amount of \$425,227,000 from the 1996 Review Bond Construction Fund, to provide construction management support services for the Riverside Badlands Tunnel of the Inland Feeder Program; and (2) the General Manager to enter into an agreement with Parsons-Brinckerhoff Construction Services, Inc., in the amount of \$8,900,000, as set forth in the General Manager's letter dated January 20, 1998.

Vice Chairman Frahm, Directors Krauel, Lewis, Mason, Parker, and Tinker requested to be recorded as voting no.

42827 Budget and Finance Committee Chairman Blake moved, seconded by Engineering and Operations Committee Chairman Miller and carried, authorizing (1) No. 42 to Appropriation No. 15123, an increase of \$19,940,000 to a total amount of \$1,758,992,000 from the Pay-As-You-Go Fund, to construct the Secondary Inlet for the Eastside Reservoir Project; and (2) the award of a fixed price construction contract in the amount of \$16,178,102 to J.F. Shea Company, Inc., as set forth in the General Manager's letter dated January 27, 1998.

Director Mayér took his seat at 11:40 a.m.

42828 Consistent with the provisions of Administrative Code Section 5115 and to finance the remaining funds needed to complete the Eastside Reservoir and Inland Feeder Projects, Budget and Finance Committee Chairman Blake moved, seconded by Engineering and Operations Committee Chairman Miller and carried, authorizing (1) No. 43 to Appropriation No. 15123, an increase of \$213,108,000 to a total of \$1,972,100,000, for the Eastside Reservoir Project; and (2) No. 21 to Appropriation No. 15122, an increase of \$762,773,000 to a total of \$1,188,000,000, for the Inland Feeder Project, as set forth in the General Manager's letter dated January 20, 1998.

Director Castro, Vice Chairman Frahm, Directors Krauel, Lewis, Mason, Parker, and Tinker requested to be recorded as voting no.

42829 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) the General Manager to enter into a Memorandum of Understanding with the Alameda Corridor Transportation Authority for sharing costs and responsibilities for pipeline relocations; (2) No. 1 to Appropriation No. 15313, an increase of \$6,450,000 to a total of \$8,875,000 from the Pay-As-You-Go Fund, to finance the associated costs; and (3) the General Manager to have all work performed except for contracts in the amount of \$250,000 or more, as set forth in the General Manager's letter dated January 20, 1998.

42830 Budget and Finance Committee Chairman Blake moved, seconded by Water Planning and Resources Committee Chairman Brick and carried, authorizing No. 2 to Appropriation No. 15272, an increase of \$25 million to a total of \$33 million from the Pay-As-You-Go Fund, to complete Phase II of the Metropolitan/Calleguas Groundwater Storage and Conjunctive-Use Program, as set forth in the General Manager's letter dated January 27, 1998.

Directors Grandsen and Miller requested to be recorded as abstaining.

42831 Budget and Finance Committee Chairman Blake moved, seconded by Director Barker, that the Board, by a two-thirds vote, adopt **Resolution 8575** in the form attached to the General Manager's letter dated January 20, 1998, to authorize the negotiated sale of \$50 million of General Obligation Bonds, said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA AMENDING CERTAIN
PROVISIONS OF RESOLUTION 8420 RELATING TO THE ISUSANCE OF UP
TO \$50,000,000 WATERWORKS BONDS, ELECTION 1966, SERIES H
(FIRST SUPPLEMENTAL RESOLUTION)**

Director Mason offered a substitute motion, seconded by Director McCauley, that the Board approve these bonds with the full intent that when the time comes for setting the property taxes this year they will be raised sufficiently enough to cover the debt service on these bonds.

Following a discussion by Directors on the property tax increases and the financing of the General Obligation Bonds, the Chair called for a vote on the substitute motion, which did not carry.

The Chair called for a vote on the original motion to adopt **Resolution 8575** authorizing the negotiated sale of \$50 million of General Obligation Bonds, which carried by more than the required two-thirds vote.

Vice Chairman Frahm, Directors Krauel, Lewis, Mason, Parker, and Tinker requested to be recorded as voting no.

42832 Referring to the motion made on appealing the validation suit (see Minute Item 42814), and following a discussion by the Board, the Chair called for a vote on the motion, which carried.

Vice Chairman Frahm, Directors Krauel, Lewis, Mason, Parker, and Tinker requested to be recorded as voting no.

42833 Chief Financial Officer Becker reported on Agenda Item 9-6, the variance report for the quarter ending December 1997, in which the O&M budget was under three percent and the capital by thirty percent, as set forth in the General Manager's letter dated January 26, 1998.

42834 The following listed communications were submitted for the information of the Board:

- a. Letter of the General Manager reporting on the operating data for the month of December 1997, dated January 20, 1998.

- b. Letter of the General Counsel dated January 30, 1998, transmitting the activity report of the Legal Department for the month of January.
- c. Letter of the Auditor dated January 27, 1998, transmitting the activity report of the Auditor's Department for the month of January.
- d. Letter of the General Manager dated January 19, 1998, transmitting the Executive Financial Summary for the month of December.
- e. Letter of the General Manager dated January 20, 1998, transmitting the quarterly report on changes in funding sources for capital program expenditures.
- f. Letter of the General Manager dated January 20, 1998, submitting the capital program variance reporting for December 1997.
- g. Letter of the General Manager dated January 14, 1998, submitting additional information for consideration at the February 10, 1998 public hearing on proposed water rates and charges to become effective January 1, 1999.
- h. Letter of the General Manager dated January 15, 1998, submitting an update on disinfection by-product regulations.
- i. Letter of the General Manager dated January 13, 1998, transmitting the Monthly Water Use Report for Fiscal Year 1996-97.
- j. Letter of the General Manager dated January 20, 1998, transmitting the quarterly project status report for the Eastside Reservoir Project--October through December 1997.
- k. Letter of the General Manager dated January 27, 1998, reporting on Metropolitan Water District staffing trends for temporary personnel.
- l. Letter of the General Manager dated January 22, 1998, submitting the semiannual report on equal employment opportunity.
- m. Letter of the General Manager dated January 20, 1998, reporting on statement of Metropolitan's boundary changes.

- n. Letter of the General Manager and the General Counsel dated January 13, 1998, reporting on the State Water Resources Control Board Water Rights Hearings to Implement Water Quality Control Plan.
- o. Letter of the General Manager dated January 20, 1998, transmitting the Inland Feeder quarterly status report for October through December 1997.

42835 The letter of the General Manager regarding 1998 Interim Blending Plan for Salinity Management, dated January 27, 1998, was received as a pending item and will be discussed next month.

42836 Chairman Foley announced the "Washington Day" trip will take place May 17-20 and asked those Directors interested in attending to inform the staff.

42837 General Manager Wodraska reported that the video of the Chiefs' reports normally shown at the Board meetings will be available for Board members who request it. He also reported that Dennis Majors has been identified as one of the top twenty-five newsmakers in Engineering News-Record and a decision regarding this award of excellence will be made in April. Mr. Wodraska referred to the Direct Line distributed to all Directors reporting on studies by the Department of Health Services of water and miscarriages and how we are responding to the THM issues.

42838 The Chair announced that Director Hill will replace Director Morris as Chairman of the Ad Hoc Committee on Exemption Appeals; and that Director Kwan has been appointed to the Special Committee on Real Property Management.

42839 At 12:11 p.m., there being no objection, Chairman Foley adjourned the Meeting to March 10, 1998, at 11:00 a.m.

REGINA MURPH

SECRETARY

JOHN V. FOLEY

CHAIRMAN