

AGENDA

REGULAR MEETING OF THE BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

March 9, 1999

9:15 AM

MWD Headquarters Building • Board Room • 700 North Alameda Street • Los Angeles, CA 90012

1. **Call to Order**
 - (a) Invocation: Director Wyatt L. Troxel
 - (b) Pledge of Allegiance, led by Director Willard H. Murray, Jr.
2. **Roll Call**
3. **Determination of a Quorum**
4. **Additions to Agenda** (As required by Gov. Code, § 54954.2(b))
5. **Opportunity for members of the public to address the Board on matters within the Board's jurisdiction.** (As required by Gov. Code, § 54954.3(a))

Presentation by Gregory Wilkinson of legal fee refund in Bennett v. Spear
6. **OTHER MATTERS**
 - A. Presentation of Memorial Resolution to Mrs. Burton Jones
 - B. Presentation of Commendatory Resolutions to former Directors Dale Mason and Carol Kwan
 - C. Presentation of five-year service pin to Director Wright, representing the City of Torrance

- D. Approval of the Minutes of the Meeting held November 10, 1998. (A copy has been mailed to each Director)
- Any additions, corrections, or omissions
- E. Induction of new Directors:
- (a) Receive credentials
 - (b) Report on credentials by General Counsel
 - (c) File credentials
 - (d) Administer Oath of Office
 - (e) File Oath
- F. Committee appointments. (Exec.)
- G. Authorize Commendatory Resolutions for former Directors Patrick Miller and Bill Hill. (Exec.)
- H. Approve technical and editorial changes to the new procedures pertaining to Board and Committee structure. (Exec.)
- I. Chairman's Monthly Activity Report
- J. Report on the Strategic Plan
- K. Report on Colorado River matters, including negotiations to develop a California plan for river operations, settlement of the San Luis Rey water rights dispute, Salton Sea issues, and matters pertaining to the Southwest Center for Biological Diversity v. United States Bureau of Reclamation, U.S. Dist. Court Case No. CIV 97-0786 PHX (EHC). (Exec., WP&R) **[Conference with Real Property Negotiator and Legal Counsel--Existing Litigation; Agency Negotiator: Paul Cunningham; Negotiating Parties: United States Department of the Interior, State of California, State of Nevada, State of Arizona, Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley Water District, Los Angeles Department of Water and Power, San Diego County Water Authority, Colorado River Indian Tribes Coalition, San Luis Rey Settlement Parties; Property: Water Rights, Colorado River Allocations; Under Negotiation: Price and Terms; to be heard in closed session pursuant to Gov. Code §§ 54956.8 and 54956.9(a)]**
- L. General Manager's oral summary of District activities for the month of February
- M. General Counsel's oral summary of Legal Department activities for the month of February

7. **ORAL REPORTS OF STANDING COMMITTEES**

- 7-1 Executive Committee (Phillip J. Pace, Chairman)
- 7-2 Budget and Finance (Larry J. Kosmont, Vice Chairman)
- 7-3 Engineering and Operations (William G. Luddy, Chairman)
- 7-4 Legal and Claims (Langdon W. Owen, Chairman)
- 7-5 Communications and Legislation (Jerry A. King, Chairman)
- 7-6 Water Planning and Resources (Christine M. Frahm, Chairman)

8. **CONSENT CALENDAR ITEMS (Action)**

- 8-1 Authorize execution of an agreement with Southern California Edison, not to exceed \$1,500,000, to relocate power poles along the Highland Pipeline alignment of the Inland Feeder Program. (E&O)

Recommendation:

It is recommended that the General Manager be authorized to execute an agreement with Southern California Edison substantially on terms outlined in this letter, and in form approved by General Counsel in amount not to exceed \$1,500,000 to relocate power poles along the Highland Pipeline alignment of the Inland Feeder Project.

- 8-2 Authorize entering into an agreement with the City of Highland for public road improvements in areas impacted by Inland Feeder construction. (E&O)

Recommendation:

It is recommended that the General Manager be authorized to execute an agreement with the City of Highland substantially on terms outlined in this letter to perform road improvements in areas impacted by construction of the Highland Pipeline segment of the Inland Feeder and in form approved by General Counsel.

- 8-3 Authorize entering into an agreement with U.S. Fish and Wildlife Service and National Fish and Wildlife Foundation, not to exceed \$5,500,000, for mitigation of endangered species impacts caused by Inland Feeder Project construction. (E&O) **[To be mailed separately]**

- 8-4 Approve supplemental payment of \$10,000 to KPMG Peat Marwick, LLP, for unexpected extra work during the fiscal 1997-98 audit. (Exec., Audit)

Recommendation:

It is recommended that the Board of Directors authorize a supplemental payment of \$10,000 to KPMG Peat Marwick, LLP, for unexpected extra work performed by the firm in order to complete Metropolitan's required audit services for the fiscal year ended June 30, 1998.

- 8-5 Authorize amendment of agreement with the appraisal firm of Mason & Mason to increase payment by \$200,000 for eminent domain litigation to acquire property for the Inland Feeder Project. (Exec.)

Recommendation:

It is recommended that the Board authorize the General Counsel to amend Agreement No. 12856 with the appraisal firm of Mason & Mason from a maximum payable of \$400,000 to \$600,000, including expenses.

- 8-6 Authorize initiation of litigation to oppose the U.S. Fish and Wildlife Service's decision to list the Sacramento splittail as a threatened species, either individually or with others, and to take all actions necessary to protect Metropolitan's interests with respect to the listing. (L&C)

Recommendation:

It is recommended that the Board authorize the General Counsel to file litigation regarding the United States Fish and Wildlife Service's listing of the Sacramento splittail as a threatened species under the Endangered Species Act, either individually or with others, and to take all actions necessary to protect Metropolitan's interest in the litigation.

- 8-7 Authorize entering into a Local Resources Program agreement with Central Basin Municipal Water District for the Alamitos Barrier Reclaimed Water Project; and certify review and consideration of the Negative Declaration. (Exec.)

Recommendation:

It is recommended that the Board:

- 1. Authorize the General Manager to execute a Local Resources Program agreement with Central Basin Municipal Water District to implement the Alamitos Barrier Reclaimed Water Project consistent with the major terms and conditions in this letter in form approved by the General Counsel, and**
- 2. Certify that it has reviewed and considered the information provided in the Negative Declaration for the Alamitos Barrier Reclaimed Water Project and adopt the Lead Agency's findings related to the Project.**

- 8-8 Authorize entering into a Local Resources Program agreement with the City of Santa Monica for the Dry Weather Runoff Reclamation Facility; and certify review and consideration of the Negative Declaration. (WP&R)

Recommendation:

It is recommended that the Board:

- 1. Authorize the General Manager to execute a Local Resources Program agreement with the city of Santa Monica to implement the Dry Weather Runoff Reclamation Facility consistent with the major terms and conditions in this letter in form approved by the General Counsel; and**
- 2. Certify that it has reviewed and considered the information provided in the Negative Declaration for the Dry Weather Runoff Reclamation Facility and adopt the Lead Agency's findings related to the Project.**

- 8-9 Authorize increase of \$700 to a total of \$3,500 in membership dues payable to the Valley Industry and Commerce Association. (Exec.)

Recommendation:

It is recommended that the Board approve a dues increase of \$700 for membership in the VICA.

8-10 Authorize membership in the Western Urban Water Coalition. (Exec.)

Recommendation:

It is recommended that the General Manager be authorized to continue membership in the Western Urban Water Coalition. Basic 1999 dues are \$15,000. An additional amount of up to \$13,000 is also requested as a special assessment for Endangered Species Act activities.

8-11 Express support for language developed for Metropolitan-sponsored legislation on perchlorate contamination consistent with Board-adopted legislative policy principles. (C&L)

Recommendation:

It is recommended that the Board support language developed for Metropolitan-sponsored legislation on perchlorate contamination consistent with Board-adopted legislative policy principles.

8-12 Express support for language developed for Metropolitan-sponsored legislation on brackish water desalination consistent with Board-adopted legislative policy principles. (WP&R)

Recommendation:

It is recommended that the Board:

- 1. Support language developed for MWD-sponsored state legislation on brackish water desalination consistent with Board-adopted legislative policy principles; and**
- 2. Authorize Metropolitan's Washington, D.C. Legislative Office to pursue federal funds "earmarked" for brackish water desalination research.**

8-13 Express support for legislation and other mechanisms that will eliminate MTBE in gasoline as soon as possible. (C&L)

Recommendation:

It is recommended that the board adopt the following policy principle:

Support legislation and other mechanisms that will eliminate methyl tertiary butyl ether (MTBE) in gasoline as soon as possible.

8-14 Authorize amendment of agreement with Ellison and Schneider to increase maximum amount payable by \$350,000 for Colorado River and related issues. (Exec., L&C)

Recommendation:

It is recommended that the General Counsel be authorized to amend Agreement No 15366 with the law firm of Ellison & Schneider to increase the total amount payable to an additional \$350,000 under the agreement.

(END OF CONSENT CALENDAR)

9. OTHER BOARD ITEMS (Action)

9-1 Adopt (1) recommended water rates and charges for fiscal year 1999-00 to become effective January 1, 2000; and (2) resolutions to impose charges. (B&F)

Recommendation:

It is recommended that the Board:

1. Adopt the following water rates and charges for Fiscal Year 1999-00 to become effective January 1, 2000, as required by Administrative Code Section 4304:

Effective January 1, 2000

<u>Class of Service</u>	<u>Rate or Charge</u>
Full Service—Untreated	\$349 per AF*
Full Service—Treated	\$431 per AF
Agricultural—Untreated	\$236 per AF
Agricultural—Treated	\$294 per AF
Seasonal Storage, Long-Term—Untreated	\$233 per AF
Seasonal Storage, Long-Term—Treated	\$290 per AF
Seasonal Storage, Shift—Untreated	\$266 per AF
Seasonal Storage, Shift—Treated	\$323 per AF
Reclaimed	\$113 per AF
Connection Maintenance Charge	\$50 per cubic feet per second of capacity per month, not to exceed a maximum charge per connection of \$5,000 per month

* AF = acre-foot

2. **Approve the following resolutions:**
 - a. **Resolution to fix and adopt the Readiness-to-Serve (RTS) charge for Fiscal Year 1999-00 in the form shown as Exhibit B to this letter.**
 - b. **Resolution of intention to impose a new demand charge (NDC) at the current level and suspend collection of the charge for Fiscal Year 1999-00, in the form shown as Exhibit C to this letter.**
3. **Find that the setting of rates and charges recommended in this letter is exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8) since it is for the purposes of: (a) meeting operating expenses, (b) purchasing or leasing supplies, equipment or materials, (c) meeting financial reserve needs and requirements, and (d) obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, it is exempt from CEQA under State CEQA Guidelines 15378 (b)(5) since it constitutes the creation of government funding mechanisms which does not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.**

9-2 Adopt Long Range Finance Plan--1999 Update. (B&F)

Recommendation:

Based on the discussions and analysis presented in the 1999 Update of the Long Range Finance Plan, the following recommendations are presented for Board consideration and action:

1. **That the Board replace the current working capital policy with a minimum/maximum reserve policy for revenue shortfalls:**
 - a) **The minimum level would be set at the percent of projected fixed costs to be recovered by water sales revenues for the following 18 months (approximately 17.5 percent).**
 - b) **The maximum level would be set at the percent of projected fixed costs to be recovered by water sales revenues for the minimum reserve level period and the following two years (approximately 17.5 percent).**
 - c) **The minimum reserve will be held in the Revenue Remainder Fund.**

- d) **Reserves up to the maximum level, above the minimum, will be held in the Water Rate Stabilization Fund.**
 - e) **Subject to annual Board approval any remainder above the maximum reserve level would be used in lieu of additional debt or to buy down existing debt as required to maintain Metropolitan's fixed charge coverage ratio at or above the level of 1.2 times. To the extent that this target is projected to be achieved, reserves above the maximum level would then be available for any lawful purpose.**
2. **That the Board establish a new Pay-As-You-Go (PAYG) policy based on quantitative analysis designed to optimize existing financial constraints. Staff would analyze Metropolitan's financial condition each year and recommend a PAYG level sufficient to maintain smooth revenue requirements, low water rates, strong financial ratios, and appropriate reserve levels.**
 3. **That Metropolitan's flow of funds be revised so that the final fund will be the Water Rate Stabilization Fund (WRSF) and the \$200 million cap on the WRSF will be eliminated.**
 4. **That the Self-Insured Retention Fund be established as a restricted fund for the purpose of maintaining Metropolitan's \$25 million reserve for emergency repairs and claims.**
 5. **That the minimum amount to be held in the PAYG Fund on June 30 of each fiscal year be 1/2 of the projected PAYG expenditures budgeted from current revenues for the following fiscal year.**
 6. **That a financing not be done to reimburse Metropolitan's General Fund for expenditures incurred for construction of the Union Station Headquarters Building.**
 7. **That the Board adopt amendments to the Administrative Code to implement such recommendations, as shown in Exhibit A.**

- 9-3 Authorize execution of an agreement with Reiter Lowry Consultants for consulting services; and appropriate funds to pay expenses of \$2,074,843 for services associated with administration of the Water Standby Charge Program for three years from July 1999 through June 2002. (B&F)

Recommendation:

It is recommended that the Board of Directors:

- 1. Authorize the General Manager to execute an agreement with Reiter Lowry Consultants, in form approved by the General Counsel, to provide services associated with administration of Metropolitan's Water Standby Charge Program for three years from July 1, 1999 through June 30, 2002; and**
- 2. Appropriate \$2,074,843 from the Operations and Maintenance Fund to pay for the costs of the consulting services.**

- 9-4 Appropriate \$2,920,000 and delegate authority to procure equipment for the replacement of filter valves and operators at the Robert A. Skinner Filtration Plant. (Exec.)

Recommendation:

To replace the filter valves and operators at the Robert A. Skinner Filtration Plant (Skinner plant) it is recommended that the Board:

- 1. Appropriate \$2,920,000 in budgeted funds to finance all associated costs;**
- 2. Authorize the General Manager to have all work performed;**
- 3. Delegate to the General Manager the authority to award a procurement contract for equipment, not to exceed \$1,760,000; and**
- 4. Determine that the replacement project qualifies for a Class 1 Categorical exemption under the California Environmental Quality Act.**

- 9-5 Authorize \$5,000,000 to finance all costs associated with the procurement and installation of replacement equipment for the computer-based control system; and award a \$1,410,000 contract amendment to Systems Integrated. (E&O)

Recommendation:

To finance all costs for procuring and installing replacement equipment for the computer-based control system, it is recommended that your Board:

- 1. Approve increasing Appropriation No. 15140 by \$5,000,000, to a total of \$30,000,000; and**
- 2. Authorize the General Manager to exercise an extra work order to Contract No. 1396A with Systems Integrated for an additional \$1,410,000.**

- 9-7 Report on negotiations for and status of permits necessary for construction of Metropolitan's Inland Feeder Project; and authority to amend contract for legal services with Joseph Vanderhorst to assist with negotiations. (L&C)
[Conference with Legal Counsel--Anticipated Litigation, Significant Exposure (one potential case); to be heard in closed session pursuant to Gov. Code § 54956.9(b)]
- 9-8 Request for authority for final settlement offer in eminent domain action entitled The Metropolitan Water District of Southern California v. Ronald E. Fosdick, et al., Riverside County Superior Court Case No. 291256. (L&C)
[Conference with Legal Counsel--Existing Litigation (one case pending); to be heard in closed session pursuant to Gov. Code § 54956.9(a)]
- 9-9 Report on claims of the Joint Venture of Atkinson-Washington-Zachry arising out of the construction of Metropolitan's Eastside Reservoir West Dam, Saddle Dam and Forebay; and amendment to contract for legal and consulting services to finance costs of special counsel, audit and claims analysis. (L&C)
[Conference with Legal Counsel--Significant Exposure to Litigation (one potential case); to be heard in closed session pursuant to Gov. Code § 54956.9(b)]
- 9-10 Report on status of negotiations with San Manuel Band of Mission Indians and report on status of litigation in Metropolitan Water District of Southern California v. San Bernardino Valley Water Conservation District, Santa Barbara County Superior Court Case No. 227537; authority to enter into a contract for legal services with McCormick, Kidman & Behrens for the Inland Feeder Project. (L&C)
[Conference with Legal Counsel--Significant Exposure to Litigation and Existing Litigation(one case pending and two potential cases); to be heard in closed session pursuant to Gov. Code §§ 54956.9(a) and (b)]

- 9-11 Senate Bill 314 (Kelley): Amendment to the MWD Act re agricultural water use. (C&L) **[To be mailed separately]**

10. BOARD INFORMATION ITEMS

- 10-1 Report on the operating data for the month of January.
- 10-2 Activity report of the Legal Department for the month of February.
- 10-3 Activity report of the Audit Department for the month of February.
- 10-4 Executive Financial Summary for the month of January. (B&F)
- 10-5 Metropolitan's Single Audit Reports for the fiscal year ended June 30, 1998. (B&F, Audit)
- 10-6 Management's response to Single Audit Reports prepared by KPMG Peat Marwick, LLP. (B&F, Audit)
- 10-7 Status report on Phase One of the Information Systems Strategic Plan covering the period from July 1, 1998 through December 31, 1998. (E&O)
- 10-8 Status report for the Eastside Reservoir Project for the month ending January 1999. (E&O, B&F)
[Conference with Legal Counsel--Significant Exposure to Litigation (two matters); to be heard in closed session pursuant to Gov. Code § 54956.9(b)]
- 10-9 Status report for the Inland Feeder Program for the month ending January 1999. (E&O, B&F)
[Conference with Legal Counsel--Significant Exposure to Litigation (two matters); to be heard in closed session pursuant to Gov. Code § 54956.9(b)]
- 10-10 Report on the Salinity Summit. (WP&R)
- 10-11 Semiannual status report on Metropolitan's Local Resources Program. (WP&R)
- 10-12 Status report relating to KPMG's management letter for the year ended June 30, 1998. (Exec., Audit)
- 10-13 Semiannual report on Equal Employment Opportunity. (Exec.)
- 10-14 IID/SDCWA joint petition for approval of IID/SDCWA water transfer. (Exec., L&C)

11. REPORTS OF SPECIAL COMMITTEES

12. COMMITTEE ITEMS--(For purposes of acting on Committee recommendations, if any, to the Board)

Legal and Claims

- a) Oral Report on Inland Feeder Property Acquisition and Condemnation Matters, Identified by Owners' Names on **Attachment A**
[Conference with Legal Counsel--Existing Litigation; to be heard in closed session pursuant to Gov. Code § 54956.9(a)]
- b. Oral Report on Issues Related to Wheeling Litigation Including Discussion of Various Potential Methodologies for Recovery of Costs of Facilities Used in Wheeling Transactions
- c. Oral Report on Development of Metropolitan Demand Projections
- d. Oral Report on Forecasted State Water Project Demand Schedules
- e. Oral Report Regarding Scope of State Water Contract Provisions Providing for Metropolitan Consent on Usage of State Project Facilities for Delivery into its Service Area (L&C; WP&R)

13. ADJOURNMENT

NOTE: At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item e.g. (E&O, B&F). Committee agendas may be obtained from the Executive Secretary.

ATTACHMENT A

INLAND FEEDER EMINENT DOMAIN ACTIONS (Open Cases)

	CASE NAME	COUNTY	CASE #
1.	Arrowhead Springs Partners	SBD	37085
2.	Banta	SBD	42671
3.	Blessed Hope	SBD	42457
4.	Campus Crusade for Christ	SBD	35498
5.	Cozzolino	SBD	42816
6.	De Blauw	SBD	44065
7.	DeHaan	RIV	293062
8.	Farquhar, L.	SBD	42815
9.	Farquhar, M.	SBD	44067
10.	Fletes	SBD	44155
11.	Fosdick	RIV	303337
12.	Knudsen	SBD	42499
13.	Machain	SBD	
14.	Poppett	SBD	42669
15.	Ray	RIV	293041
16.	Reineman	SBD	42065
17.	Ryan	SBD	42670
18.	San Bernardino Flood Control	SBD	37086
19.	San Bernardino Valley Water Conservation District	SBD	52048
20.	Shelly Investments	SBD	44875
21.	Shoemaker	RIV	315405
22.	Southern Pacific Railroad	SBD	41579
23.	Stubblefield Construction Co.	SBD	29132
24.	Zuppardo	RIV	302614