

**MINUTES**

**ADJOURNED REGULAR MEETING OF THE**

**BOARD OF DIRECTORS**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**NOVEMBER 10, 1998**

**43246** 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 10, 1998.

The Meeting was called to order by Chairman Foley at 11:03 a.m.

**43247** The Meeting was opened with an invocation by Board Executive Officer Gilbert F. Ivey.

**43248** The Pledge of Allegiance to the Flag was given, led by Director John M. Mylne, III.

**43249** Secretary Murph called the roll. Those answering present were: Directors Abdo, Bannister, Barbosa, Barker, Blake, Brick, Castro, Coughran, Fellow, Foley, Forbes, Grandsen, Hansen, Herman, Hill, Huntley, King, Kosmont, Krauel, Krieger, Kwan, Mason, Mayér, McMurray, Miller, Moret, Morris, Murph, Mylne, O'Neil, Owen, Pace, Peterson, Rascon, Stanton, Tinker, Wein, Witt, and Wright.

Those not answering were: Directors Dymally, Frahm, Freeman, Gilbert, Lewis, Luddy, McCauley, Parker, Rez, Troxel, and Webster.

The Chair declared a quorum present.

**43250** 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.

**43251** Chairman Foley called on Ronald E. Kennedy, former Director of Information Services at Metropolitan (now General Manager of El Toro Water District), who introduced board members Ted F. Martin and William M. Semple of the El Toro District.

**43252** Director Mayér introduced Tony Inocentes, board member from the Otay Water District.

**43253** Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Michael George, president and chief executive officer of Western Water Company commented on Item 8-7, the agreement with Western to facilitate transfer of water from Western to Santa Margarita Water District. Mr. George described the background of this water transfer, and questioned the fixed rate for the exchange transaction that the Water Planning and Resources Committee will be recommending to the Board.

Director Kwan withdrew from the Meeting at 11:25 a.m.

**43254** The Chair reported that the Minutes of the Meetings held August 10 and October 13, 1998, have been deferred.

**43255** Chairman Foley presented to Director Katherine W. Moret a five-year pin, emblematic of her service as a representative of the City of Los Angeles.

**43256** Chairman Foley presented to Director Francesca M. Krauel a fifteen-year pin, emblematic of her service as a representative of San Diego County Water Authority.

**43257** Director Hill moved, seconded by Director Blake and carried, and the Board confirmed the creation of the Ad Hoc Committee on Transitional Matters, which has the assigned tasks of (1) recommending to the Board a candidate(s) for selection as the new General Manager, (2) providing for the successful

transition to a new Board Chairman, and (3) reviewing, concurrently with jurisdiction of other Board Committees, the Eastside Reservoir Project audit issue; in addition, the Ad Hoc Committee will develop and review recommendations for Board Committee restructuring and committee assignments, as set forth in the Board Chairman's letter dated October 28, 1998.

Members of the Transition Team are John V. Foley, Co-Chair, Phillip J. Pace, Co-Chair, Henry S. Barbosa, Charles D. Barker, Jorge G. Castro, Christine M. Frahm, Jerry A. King, William G. Luddy, Helen Z. Hansen, and Langdon D. Owen.

**43258** Chairman Foley announced that Director O'Neil has resigned from the Special Audit Committee.

**43259** Strategic Plan Steering Committee Chairman King reported that after two Board workshops and over eighty stakeholder interviews, the consultants will prepare a set of alternative visions of Metropolitan's future for the Board to consider. The visions will be presented to the Board at the next Steering Committee meeting. The public will have the opportunity to give feedback in mid-January at two public forums to be held in Pasadena and North San Diego County. Later in January, the Board will hold its third workshop to select a preferred vision (workshop subsequently postponed until after the selection of a new General Manager).

Lloyd Dixon of the Rand Corporation and David Howe of PricewaterhouseCoopers gave a short presentation on the status of the Strategic Planning Process, including results of Board Workshop No. 2, a preview of the public forms planned for January, and the project timeline.

**43260** Chairman Foley announced that with the forthcoming opening of the District's new Headquarters, this would be the last Board Meeting at the Two California Plaza building. A video was then shown on the various buildings that Metropolitan has occupied throughout its years. The Chair announced the various meeting schedules for December, with the Board Meeting to take place at the new Headquarters on December 8 and the dedication of the building on December 11, 1998.

**43261** Special Committee on Real Property Management Chairman King reported that Metropolitan is now the proud owner of a brand new Headquarters building at 700 North Alameda Street in Los Angeles, and that Metropolitan accepted the building from Union Station Partners on October 30, 1998. The building is currently occupied by approximately 500 staff, and staff from the Executive Offices and other departments are scheduled to move in November 23. The project is still ahead of schedule and under budget.

**43262** Chairman Foley commented on the Metropolitan Water District and San Diego County Water Authority (MWD/SDCWA) agreement for the exchange of water and asked Paul Cunningham to review the critical portions of the agreement.

Paul Cunningham, principal negotiator for Metropolitan, referred to the letter from the Board of San Diego County Water Authority dated November 10, 1998, wherein SDCWA authorized the execution of the water exchange document. Mr. Cunningham stated that the document is fully explained in the letter dated November 9, 1998, from MWD's Negotiating Committee. He stated the document in essence is an embodiment of the MOU with the addition of standard legal boilerplate. He therefore highlighted areas which either had not been explicitly covered in the MOU or where there was further clarification of obligations. Mr. Cunningham emphasized the conditions which specifically are described in the Board letter that must be fulfilled prior to the effectiveness of the Exchange Agreement.

Director Peterson withdrew from the Meeting at 12:36 p.m.

Director Stanton withdrew from the Meeting at 12:45 p.m.

Directors Hill, Kosmont, and Witt withdrew from the Meeting at 12:49 p.m.

Chairman Foley reported that the Agreement was thoroughly reviewed by Metropolitan's Negotiation Committee and referred to the committee's letter dated November 9, 1998, recommending approval. The Chair stated that the board of the

San Diego County Water Authority approved the Agreement at a special meeting held earlier today.

Director Mayér moved, seconded by Director Mylne and carried, approving the following recommendations that (1) Metropolitan, as a responsible agency under the California Environmental Quality Act (CEQA), accept the declaration of an exemption under CEQA by San Diego County Water Authority as the lead agency; and (2) following approval of the Agreement Between The Metropolitan Water District of Southern California and the San Diego County Water Authority For the Exchange of Water by the San Diego County Water Authority, that Metropolitan's Board, after appropriate consideration, approve and authorize the Chairman of the Board to execute the Agreement, as set forth in the Negotiating Committee's letter dated November 9, 1998.

**43263** Regarding the status of the validation action, General Counsel Taylor reported that the tolling agreement runs to November 30, 1998, and that all the agencies involved are still in the same mode as they were before; and he hoped that it would be extended by all the parties--IID, San Diego, and Coachella. In the event that it is not, Mr. Taylor commented on the authorization previously given to take appropriate action, including litigation, which would be the standing order of the day. He hoped that this would not be necessary and that the parties continue to agree to extend the tolling arrangement.

**43264** Deputy General Manager Means reported on the significant hurricane relief drive taking place in the aftermath of Hurricane Mitch in Central America, and that between November 9 and 12, Metropolitan's staff is in the process of taking up a collection for cash and blankets, and invited Directors to participate. Chairman Foley commented on the water supply in the affected countries and inquired if the District could participate with its water experts. Chief of Operations Malinowski replied that Metropolitan, wherever feasible, is responding via requests from the American Red Cross.

Director Barbosa then moved, seconded by Director Mayér and carried, directing staff to communicate with the Red Cross and offer to facilitate whatever is identified as potential needs by the Red Cross.

Deputy General Manager Means also reported that a significant debate is taking place on the national level among the water utilities regarding the national infrastructure needs and pipeline replacement expected to run about \$300 billion. In addition, there are \$40-50 billion worth of infrastructure required to improve water treatment to comply with water drinking regulations. The leadership at AWWA is now considering the long-term strategies for providing fundamental water supply in the United States. Mr. Means further reported on the meeting that Deputy General Manager Quinn and Associate Director of Water Quality Wolfe had with Chuck Fox, the EPA Assistant Administrator for Water, and the Region IX EPA Administrator, Felicia Marcus, whereby they are now supporting the need to improve drinking water quality out of the Delta, and a commitment to continue the use of broad stakeholder input which is a huge change on the part of EPA over the last five years to open up these processes to get more dialog with affected parties as opposed to a traditional command and control regulatory structure.

Deputy General Manager Means then commented on his recent letter of resignation from Metropolitan, effective at the beginning of the new year, to become a partner in McGuire Environmental Consultants. He expressed his appreciation to the Board and staff for the support provided him during his 18 years at Metropolitan. On behalf of the Board, Chairman Foley thanked Mr. Means for all his efforts, starting as a microbiologist in the Water Quality Division, then as Chief of Operations, and then to the Deputy General Manager position.

**43265** By video, the Board received the following reports:

Chief Engineer Snyder introduced Mike Duffy of the Survey Engineering Branch, who gave a report on Metropolitan's use of robotic total stations at the Eastside Reservoir Project to monitor the safety of the dams for compliance with the regulations of the State Department of Safety and Dams. Mr. Snyder stated this is one of the projects that the Engineering Division has undertaken to use technology to do a better job and reduce costs.

Director Herman withdrew from the Meeting at 1:06 p.m.

Chief of Planning and Resources Man reported on the cooperative efforts between Metropolitan and its member agencies to maximize groundwater resources. She described two on-going projects with the member agencies--one with the Calleguas Municipal Water District for a joint groundwater storage conjunctive-use program in the North Las Posas groundwater basin, whereby the program will ultimately store up to 200,000 acre-feet of water, with 30 wells having a pumping capacity of 70,000 acre-feet per year. Another development is the innovative biological denitrification demonstration project which would use a sulfur-based method to eliminate nitrate from well water. The two-year pilot project is a cooperative effort of the Orange County Water District, the City of Garden Grove, Municipal Water District of Orange County, and Metropolitan, who contributed 50 percent of the construction cost. The technology has the potential to significantly reduce costs compared to current processes. Biological denitrification could be an economical approach to restore vast areas of degraded water.

Chief Financial Officer Becker reported on Metropolitan's financial condition. He further reported that most sections of the Finance and Business Services Division will be moving to the new Headquarters building on November 16.

Chief of Operations Malinowski reported on the approximate entitlements of State project water and Colorado River water that Metropolitan could receive in calendar year 1999--1.3 million acre-feet each from the Department of Water Resources and the Bureau of Reclamation. This total availability of about 2.6 million acre-feet of water ensures that Metropolitan will meet the requests of all member agencies and that water will be available to begin filling the Eastside Reservoir project late in the year. Mr. Malinowski commented on chlorine containment at Metropolitan's facilities. Two alternatives are being evaluated that would reduce the overall program cost. At the Mills plant, a switch to using sodium hypochlorite would eliminate the need to install chlorine containment. At the Chemical Unloading Facility, using our fleet of truck trailers instead of 90-ton railcars, if feasible, would also

be an alternative to consider. Mr. Malinowski also reported on the City of Westminster's praise of the Operations Division personnel who assisted that city in the clean-up following a reservoir failure and in restoring their water delivery system to operation.

**43266** Due to the constraints of time, General Counsel Taylor deferred his report.

**43267** Chairman-elect Pace reported on the current progress by the Transition Team in the search for a new General Manager, and expressed his hope that a new person will be in place by January.

**43268** The Chair reported that Agenda Item 7-1 has been taken off the Consent Calendar; and Agenda Items 8-1, 8-2, 8-4, 8-8 through 8-10 have been added to the Consent Calendar. General Counsel Taylor reported Agenda Item 8-11 could also be added to the Consent Calendar with the understanding that before any action would be filed it would be considered by the Executive Committee.

Director Morris moved, seconded by Secretary Murph and carried, and the Board approved the Consent Calendar Items, **M.I. 43269** through **M.I. 43282**, as follows:

**43269** Adopted **Resolution 8615** as shown in the form of Exhibit A attached to the General Manager's letter dated October 20, 1998, revising the terms for payment of annexation charges established under Resolution 7013 to permit a single payment in cash of the outstanding annexation charges for the Fourteenth Fringe Area Annexation to Eastern Municipal Water District allocable to the 128.4-acre property described on Schedule 1 to Exhibit A, and requesting a statement of boundary change to permit creation of a separate tax rate area, said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN  
WATER DISTRICT OF SOUTHERN CALIFORNIA AMENDING RESOLUTION  
7013 AND AUTHORIZING THE CREATION OF SEPARATE TAX RATE AREAS**

**43270** Authorized the General Manager to execute the First Amendment to the District-Edison 1987 Service and Interchange

Agreement substantially in accordance with the terms outlined in the General Manager's letter dated October 27, 1998, such amendment to be approved as to form by the General Counsel.

**43271** The Board (1) authorized the General Manager to execute a Groundwater Recovery Program agreement with West Basin Municipal Water District to implement the Sepulveda Desalter Project (Project) consistent with the major terms and conditions in the General Manager's letter dated October 27, 1998, subject to the agreement being in form approved by the General Counsel; and (2) certified that it has reviewed and considered the Initial Findings and Mitigated Negative Declaration for the Project and adopted the Lead Agency's findings related to the Project.

Director Mason requested to be recorded as voting no.

**43272** Authorized the General Manager to enter into an agreement with Resource Management International, Inc., for an amount not to exceed \$400,000 for consulting services to assist Metropolitan in protection of its power interests as restructuring of the electric utility industry continues, as set forth in the General Manager's letter dated October 27, 1998.

**43273** Amended Chapter 2 of Division VII of Metropolitan's Administrative Code to read as set forth in Attachment B to the General Counsel's letter dated October 20, 1998, relating to the Conflict of Interest and Disclosure of Personal Finances Code.

**43274** Authorized payment of 1999 annual dues of \$13,420 for membership in the Association of California Water Agencies, as set forth in the General Manager's letter dated October 26, 1998.

**43275** Amended Sections 1202, 5113, 6201, 6226, 6231, 6232, 6249, 6266, and 8121 of the Administrative Code to conform with pertinent laws, as set forth in the General Counsel's revised letter dated November 5, 1998.

**43276** The Board, by a two-thirds vote, extended the authority of the Ad Hoc Committee to negotiate the sale of refunding bonds under Board Resolutions 8386 and 8387, through December 31, 1999, with the guidelines of achieving at least a 3 percent present value savings for current refundings and a target of a 5 percent

present value savings for advance refundings, as set forth in the General Manager's letter dated October 27, 1998.

**43277** The Board (1) by a two-thirds vote, adopted the Ninth Supplemental Resolution to Metropolitan's Master Revenue Bond Resolution (**Resolution 8616**), in the form attached to the General Manager's letter dated October 27, 1998, authorizing the sale of Water Revenue Bonds, 1998 Authorization, Series A, for the purpose of purchasing and retiring up to \$180 million of Metropolitan's outstanding short-term revenue certificates (commercial paper), with the authorization to be effective through December 31, 1999; (2) authorized Appropriation No. 15349 in the amount of \$495,000 from the General Fund for the costs of issuance arising from the sale of refunding bonds; and (3) authorized the reimbursement of expenses paid from the General Fund from bond proceeds, if deemed appropriate, and authorized the General Manager to effect such reimbursement to the extent permitted under Federal laws and regulations in accordance with instructions from bond counsel; said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN  
WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING THE  
ISSUANCE OF WATER REVENUE BONDS AND PROVIDING THE TERMS AND  
CONDITIONS OF SAID BONDS (NINTH SUPPLEMENTAL RESOLUTION)**

**43278** Authorized the General Manager to enter into an agreement with Woodward Clyde International Americas, Inc., in an amount not to exceed \$1,950,000, for consulting services for the development of a demonstration project, the facility plans, and the environmental studies needed for the Hayfield/Chuckwalla Groundwater Storage Demonstration Program, as set forth in the General Manager's letter dated October 27, 1998.

**43279** The Board adopted, by a two-thirds vote, **Resolution 8617**, the resolution of necessity to condemn the property described in Exhibits A and B attached to the General Manager's letter dated October 15, 1998, in accordance with the eminent domain law, and directing the General Counsel to commence condemnation proceedings in San Bernardino County to acquire the property owned by Beverly L. Buoye, Trustee, for the Inland Feeder Project; said Resolution entitled:

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

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

**43280** The Board adopted, by a two-thirds vote, **Resolution 8618**, the resolution of necessity to condemn the property described in Exhibits A and B attached to the General Manager's letter dated October 15, 1998, in accordance with the eminent domain law, and directing the General Counsel to commence condemnation proceedings in San Bernardino County to acquire the property owned by Frank Tyler, for the Inland Feeder Project; said Resolution entitled:

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

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

**43281** Authorized the General Counsel to take the necessary action required regarding the California Plaza lease audit, as set forth in the General Manager's confidential letter dated October 7, 1998.

**43282** Authorized the General Manager and the General Counsel to take all steps they deem necessary, including the filing of litigation, to protect Metropolitan's interests related to Westlands Water District's conveyance of nonproject groundwater from the Mendota Pool area using the California Aqueduct, as set forth in the letter signed jointly by the General Manager and the General Counsel dated November 2, 1998.

**43283** Referring to the Future System Reliability Program mentioned in Board letter 7-1, Director Krauel inquired about this program and how much money is involved. Chief Engineer Snyder responded that this particular program is included in the Capital Improvement Program and it is an amount of money that is

allocated for unexpected problems. Director Krauel asked if a report could be given to the Board showing how this fund has been used historically and setting forth the kind of work that has been accomplished.

To repair the Sepulveda Feeder pipeline, Director Mayér then moved, seconded by Director Blake and carried, and the Board authorized (1) Appropriation No. 15348 (Board Action No. 1) in the amount of \$580,000 from the Pay-As-You-Go Fund to finance all estimated costs; and (2) the General Manager to have all work performed using Metropolitan forces, as set forth in the General Manager's letter dated October 20, 1998.

**43284** Water Planning and Resources Committee Chairman Brick moved, seconded by Engineering and Operations Committee Chairman Miller and carried, that the Board authorize the General Manager to enter into agreements for the Cadiz Groundwater Storage and Dry-Year Program with (1) Geoscience Support Services, Inc., in an amount not to exceed \$1,650,000 for consulting services involving the development of an optimization plan and groundwater demonstration project for spreading/extraction facilities; (2) P&D Environmental, in an amount not to exceed \$1,100,000 for consulting services involving environmental documentation; and (3) Black & Veatch, Inc., in an amount not to exceed \$450,000 for consulting services involving the development of a conveyance facility optimization, with the cost of each of the agreements to be shared equally between Metropolitan and Cadiz, as set forth in the General Manager's letter dated October 27, 1998.

Director Mason requested to be recorded as voting no.

Director Castro requested that an outside independent financial review be conducted concurrently with project development and that before the money is spent on design and construction, this process verify that the project is feasible.

Director Tinker withdrew from the Meeting at 1:26 p.m.

**43285** Water Planning and Resources Committee Chairman Brick moved, seconded by Director Mayér and carried, that the Board (1) authorize the General Manager to execute an agreement to facilitate the transfer of water from Western Water Company to Santa Margarita Water District conditioned upon a fixed service

fee not subject to adjustment, with such agreement being in form approved by the General Counsel; and (2) review and consider the related Negative Declaration on file in the Executive Secretary's office, as set forth in the second revised letter of the General Manager dated November 10, 1998, in conjunction with his other letters dated October 27 and November 9, 1998.

Directors Krauel and Mason requested to be recorded as abstaining.

**43286** The following listed communications were submitted for the information of the Board:

- a. Letter of the General Manager dated October 20, 1998, reporting on the operating data for the month of September.
- b. Letter of the General Counsel dated October 30, 1998, transmitting the activity report of the Legal Department for the month of October.
- c. Letter of the Auditor dated October 27, 1998, transmitting the activity report of the Audit Department for the month of October.
- d. Letter of the General Manager dated October 16, 1998, transmitting the Executive Financial Summary for the month of September.
- e. Letter of the General Manager dated October 27, 1998, submitting the September 1998 Variance Report.
- f. Letter of the General Manager dated October 27, 1998, submitting the Integrated Resources Plan Status Report.
- g. Letter of the General Manager dated October 27, 1998, reporting on the status of State Water Resources Control Board Water Rights Hearings to Implement Water Quality Control Plan.
- h. Letter of the General Manager dated October 21, 1998, reporting on findings from regional consumer survey.

- i. Letter of the General Manager dated October 22, 1998, reporting on the uranium mill tailings pile near the Colorado River in Moab, Utah.
- j. Letter of the General Manager dated October 19, 1998, reporting on the Environmental Division Benchmarking Project.
- k. Letter of the General Manager dated October 6, 1998, transmitting the Operations Division October Update to the 1998 Operating Plan.
- l. Letter of the General Manager dated October 20, 1998, transmitting the Quarterly Status Report for the Inland Feeder Project--July through September 1998.
- m. Letter of the General Manager dated October 27, 1998, transmitting the Quarterly Project Status Report for the Eastside Reservoir Project--July through September 1998.

**43287** The following listed items were received as pending items and will be discussed at a later date:

- a. Letter of the General Manager dated October 27, 1998, regarding Revenue Requirements for Fiscal Year 1999-2000.
- b. Letter of the General Manager dated October 27, 1998, regarding Amendment of Metropolitan's State Water Project Contract.

**43288** At 1:28 p.m., there being no objection, Chairman Foley adjourned the Meeting to December 8, 1998, at 10:00 a.m.

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**REGINA MURPH**  
**SECRETARY**

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**JOHN V. FOLEY**  
**CHAIRMAN**