

April 16, 1999

**To:** Board of Directors (Communications and Legislation Committee—Action)

**From:** General Manager \_\_\_\_\_

**Submitted by:** Chief of Communications \_\_\_\_\_

**Subject:** Express Support for Senate Bills 552 and 553 (Kelley - Riverside) Requiring Reports to the Legislature on the Eastside Reservoir and Inland Feeder Projects

### RECOMMENDATION(S)

It is recommended that the Board express support for Senate Bills 552 and 553.

### EXECUTIVE SUMMARY

SB 552 (Attachment A) would amend the Metropolitan Water District Act by the addition of Section 128 requiring The Metropolitan Water District of Southern California (Metropolitan) to submit on or before February 1, 2000 to the Senate Rules Committee and the Assembly Rules Committee of the Legislature a report that describes all deficiencies noted in the audit conducted by the firm of Vargas Lopez and Company, LLP in the spring of 1999, and the actions Metropolitan is taking to correct such deficiencies.

SB 553 (Attachment B) would amend the Metropolitan Water District Act by the addition of Section 129 requiring Metropolitan to submit on or before February 1, 2000, and each February 1 thereafter until completion of the Inland Feeder Project a report describing:

- The progress made toward completion of the project.
- All expenditures of funds made for the project.
- Any variances between budgeted costs and actual costs for the project.

### DETAILED REPORT

At its October 13, 1998, meeting Metropolitan's Board of Directors directed the staff to assist the Board in the engagement of an audit firm to conduct an independent audit of the Eastside Reservoir Project to be overseen by the Board's Special Audit Committee and reported to the full Board. The firm Vargas, Lopez and Company, LLP was selected by the Special Audit Committee and approved by the Board to complete the audit. The scope of work of the audit includes both a financial audit and a review of the chronology of expenditures to date, the time when budget increase was projected and to whom and when budget increase was reported and what action was taken, if any.

Senators Hayden and Kelley have, in oral and written communications to the Board, requested the Board to respond to a number of questions relating to the budget increase pertaining to the Eastside Reservoir Project and the management response to such overruns.

A draft audit report was completed and presented to the Special Audit Committee at its April 20, 1999 meeting. The report was also discussed at the Executive Committee meeting on April 26, 1999 and is scheduled for presentation to the full Board at the May 1999 meeting. The final audit report will be a public document and will be provided to the Legislature in response to the requests received. In addition, Senator Kelley has requested that members of the Board attend a hearing of the Senate Select Committee on April 28, 1999 to respond to questions regarding the Eastside Reservoir Project.

SB 552 would require Metropolitan to submit to the Legislature, prior to February 1, 2000, a report detailing the deficiencies noted in the Vargas, Lopez and Company audit report and the actions Metropolitan is taking to respond to such deficiencies. Metropolitan has already committed to provide the audit report to the Legislature and Metropolitan will respond to the Legislature's questions through the committee process.

SB 552, in its present form, does not require Metropolitan to take any substantive actions beyond those already contemplated, although it may require some duplicate reporting.

At its October 13, 1998, meeting the Board also directed staff to provide to the Board monthly status reports covering the Eastside Reservoir Project and the \$1.2 billion Inland Feeder project on a cost versus budget basis. The Board has requested that these reports also report monthly project progress. These reports have been prepared on a monthly basis since that date and such reports are public documents.

SB 553, as currently drafted, requires Metropolitan to submit to the Legislature on or before February 1, 2000, and each February 1 thereafter until completion of the Inland Feeder Project, a status report on the progress of the Project, expenditures and variances between budgeted and actual costs.

The monthly reports now being produced at the request of the Board will provide the information required by the proposed legislation. The bill will impose the additional burden on Metropolitan to forward a composite annual report to the legislature each February. As with SB 552, SB 553 does not require Metropolitan to take any substantive actions beyond those already mandated by the Board.

MS #13922

**Attachment 8-6A**

**Attachment 8-6B**

**Attachment 8-6A**

**The following 3 pages are attachments to  
Board Letter Item 8-6**

AMENDED IN SENATE MARCH 25, 1999

**SENATE BILL**

**No. 552**

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**Introduced by Senator Kelley**

February 19, 1999

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An act to ~~amend Section 50~~ *add and repeal Section 128* of the Metropolitan Water District Act (Chapter 209 of the Statutes of 1969), relating to metropolitan water districts.

LEGISLATIVE COUNSEL'S DIGEST

SB 552, as amended, Kelley. ~~Metropolitan water districts~~  
*Metropolitan Water District of Southern California.*

Existing law provides for the creation of metropolitan water districts and requires a metropolitan water district to exercise its powers by and through a board of directors.

This bill would *require the Metropolitan Water District of Southern California, on or before February 1, 2000, to submit to the Senate Rules Committee and the Assembly Rules Committee of the Legislature a report that describes all deficiencies noted in an audit conducted by the firm of Vargas Lopez and Company in the spring of 1999, and the actions the water district has taken, and is taking, to correct all of those deficiencies. The bill also would specify that the cost of the report shall not exceed \$50,000. Because these provisions would impose additional responsibilities upon the district, the bill would impose a state-mandated local program.*

*The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State*

*Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.*

*This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions. ~~make technical, nonsubstantive changes in that provision.~~*

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes. State-mandated local program: ~~no~~ yes.

*The people of the State of California do enact as follows:*

1 ~~SECTION 1. Section 50 of the Metropolitan Water~~  
 2 ~~District Act (Chapter 209 of the Statutes of 1969) is~~  
 3 ~~amended to read:~~

4 ~~Sec. 50. All powers, privileges and duties vested in, or~~  
 5 ~~imposed upon, any district shall be exercised and~~  
 6 ~~performed by and through a board of directors.~~

7 *SECTION 1. Section 128 is added to the Metropolitan*  
 8 *Water District Act (Chapter 209 of the Statutes of 1969),*  
 9 *to read:*

10 *Sec. 128. (a) Notwithstanding Section 7550.5 of the*  
 11 *Government Code, on or before February 1, 2000, the*  
 12 *Metropolitan Water District of Southern California shall*  
 13 *submit to the Senate Rules Committee and the Assembly*  
 14 *Rules Committee of the Legislature a report that*  
 15 *describes all deficiencies noted in the audit conducted by*  
 16 *the firm of Vargas Lopez and Company in the spring of*  
 17 *1999, and the actions the water district has taken, or is*  
 18 *taking, to correct all of those deficiencies.*

19 *(b) The cost of the report required by subdivision (a)*  
 20 *shall not exceed fifty thousand dollars (\$50,000).*

21 *(c) This section shall remain in effect only until*  
 22 *January 1, 2001, and as of that date is repealed, unless a*  
 23 *later enacted statute, that is enacted before January 2001,*  
 24 *deletes or extends that date.*

25 *SEC. 2. Notwithstanding Section 17610 of the*  
 26 *Government Code, if the Commission on State Mandates*  
 27 *determines that this act contains costs mandated by the*



1 *state, reimbursement to local agencies and school*  
2 *districts for those costs shall be made pursuant to Part 7*  
3 *(commencing with Section 17500) of Division 4 of Title*  
4 *2 of the Government Code. If the statewide cost of the*  
5 *claim for reimbursement does not exceed one million*  
6 *dollars (\$1,000,000), reimbursement shall be made from*  
7 *the State Mandates Claims Fund.*

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**Attachment 8-6B**

**The following 3 pages are attachments to  
Board Letter Item 8-6**

AMENDED IN SENATE MARCH 25, 1999

**SENATE BILL**

**No. 553**

**Introduced by Senator Kelley**

February 19, 1999

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An act to ~~amend Section 58 of~~ *add Section 129* to the Metropolitan Water District Act (Chapter 209 of the Statutes of 1969), relating to metropolitan water districts.

LEGISLATIVE COUNSEL'S DIGEST

SB 553, as amended, Kelley. ~~Metropolitan water districts~~ *Water District of Southern California: Inland Feeder Project: report.*

(1) *Existing law authorizes the creation of metropolitan water districts and specifies the powers and purposes of those districts.*

*This bill would require the Metropolitan Water District of Southern California to submit a specified report to the Assembly Committee on Rules and the Senate Committee on Rules on the district's Inland Feeder Project, on or before February 1, 2000, and each February 1 thereafter until completion of the project. By imposing that additional duty upon the district, the bill would create a state-mandated local program.*

(2) *The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other*

procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

~~Existing law provides for the creation of metropolitan water districts and allows any meeting of the board of a metropolitan water district to be adjourned or recessed by vote of the directors present, irrespective of the number of directors present or votes represented at the meeting.~~

~~This bill would make a technical revision in that provision by providing that any meeting of that board may be adjourned or recessed by a majority vote of the directors present, irrespective of the number of directors present or votes represented at the meeting.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes. State-mandated local program: ~~no~~-yes.

*The people of the State of California do enact as follows:*

- 1 ~~SECTION 1. Section 58 of the Metropolitan Water~~
- 2 *SECTION 1. Section 129 is added to the Metropolitan*
- 3 *Water District Act (Chapter 209 of the Statutes of 1969),*
- 4 *to read:*
- 5 *Sec. 129. (a) For purposes of this section, the*
- 6 *“project” is the Inland Feeder Project of the*
- 7 *Metropolitan Water District of Southern California.*
- 8 *(b) Notwithstanding Section 7550.5 of the*
- 9 *Government Code, on or before February 1, 2000, and*
- 10 *each February 1 thereafter until completion of the*
- 11 *project, the Metropolitan Water District of Southern*
- 12 *California shall submit to the Assembly Committee on*
- 13 *Rules and the Senate Committee on Rules, a report that*
- 14 *describes all of the following:*
- 15 *(1) The progress made toward completion of the*
- 16 *project.*
- 17 *(2) All expenditures of funds made for the project.*
- 18 *(3) Any variances between budgeted costs and actual*
- 19 *costs for the project.*



1 (c) The amount expended for the report required  
2 under subdivision (b) may not exceed fifty thousand  
3 dollars (\$50,000).

4 SEC. 2. Notwithstanding Section 17610 of the  
5 Government Code, if the Commission on State Mandates  
6 determines that this act contains costs mandated by the  
7 state, reimbursement to local agencies and school  
8 districts for those costs shall be made pursuant to Part 7  
9 (commencing with Section 17500) of Division 4 of Title  
10 2 of the Government Code. If the statewide cost of the  
11 claim for reimbursement does not exceed one million  
12 dollars (\$1,000,000), reimbursement shall be made from  
13 the State Mandates Claims Fund.

14 ~~District Act (Chapter 209 of the Statutes of 1969) is~~  
15 ~~amended to read:~~

16 ~~Sec. 58. Any meeting of the board may be adjourned~~  
17 ~~or recessed from day to day or from time to time, by vote~~  
18 ~~of a majority of the directors present, irrespective of the~~  
19 ~~number of directors present or the number of votes~~  
20 ~~represented at such meeting.~~

