

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JANUARY 12, 1999

43320 The Board of Directors of The Metropolitan Water District of Southern California met in Regular Meeting in the Board Room located in the building at 700 North Alameda Street in the City of Los Angeles, State of California, on Tuesday, January 12, 1999.

The Meeting was called to order by Immediate Past Chairman Foley at 9:20 a.m.

43321 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

43322 The Pledge of Allegiance to the Flag was given, led by Director William G. Luddy.

43323 On behalf of the Board and in recognition of his outstanding service, Immediate Past Chairman Foley presented to Chairman Pace a plaque for his chairmanship of the Communications and Legislation Committee from January 14, 1997 through December 31, 1998. Director Foley then turned the gavel over to Chairman Pace.

43324 Secretary Murph called the roll. Those answering present were: Directors Abdo, Bannister, Barbosa, Barker, Blake, Brick, Castro, Coughran, Fellow, Foley, Forbes, Frahm, Gilbert, Grandsen, Hansen, Hill, Huntley, King, Krauel, Krieger, Lantz, Lewis, Little, Luddy, McMurray, Miller, Morris, Morse, Murph, Murray, Mylne, O'Neil, Owen, Pace, Peterson, Rascon, Rez, Stanton, Tinker, Troxel, Turner, Webster, Wein, Witt, and Wright.

Those not answering were: Directors Freeman (entered 10:11 a.m.), Herman (entered 9:58 a.m.), Kosmont, Mason, and Moret (entered 9:28 a.m.)

The Chair declared a quorum present.

43325 Chairman Pace introduced his wife, Mrs. Phyllis Pace, and welcomed her to his first Board Meeting as Chairman of Metropolitan Water District.

Director Moret took her seat at 9:28 a.m.

43326 Chairman Pace 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 Frahm requested that Agenda Item 10, the oral reports of Standing Committee Chairs, be taken up before the vote on any action items. The Chair acknowledged same.

43327 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

Terry Spragg of Spragg & Associates, commented on Item 8-15, the transfer of Santa Ana River Basin native groundwater into Metropolitan's service area. He made reference to the discussion at the committee meetings regarding the definition of what constitutes transfer of water from outside the District, and again asked that the water bag transfer technology be included in any studies.

43328 Chairman Pace gave his "State of the MET" address to the Board, thanking the Directors and staff for their support since the election in helping to implement the District's programs. He stated that 1999 is the beginning of an era of change at Metropolitan, an opportunity to build on the past and create a new vision for the future. He reported that the search for a new General Manager is underway. He also commented on the increased population in Southern California, expected to double in the year 2020. Today our future is defined much more in terms of leadership and local resources management, instead of relying on increased water imports to meet the needs of the growing

region. Metropolitan and its 27 member agencies have invested millions of dollars in conservation, recycling, and storage. That is one of the main reasons we are importing the same amount of water we did a decade ago even though five million residents have been added to the region. Metropolitan is still in the business of getting the best quality water at the lowest possible price for the 16 million people in Southern California, and those to come, who depend on Metropolitan.

Chairman Pace stated the major challenges ahead involve following through on commitments already made, such as completing the Eastside Reservoir Project, carrying forward the CALFED Bay-Delta Program, and implementing the California Plan for Colorado River water. Signing the San Diego Exchange Agreement and securing the funding for the lining of the All-American and Coachella Canals were major milestones on the road to the future of resource management in the 21st century. Metropolitan needs to recognize that water policy has become a major issue for the public. The institutions that built the modern water system in California are changing, and Metropolitan will have to incorporate new ideas and practices. The Chair remarked that the Board has already taken steps to reduce its size from 51 to 38 Directors and to change the format and makeup of its committees. Through the strategic planning process, Metropolitan is redefining its future role in Southern California's water industry.

To function effectively in this new environment, Metropolitan will have to be more visible and more active in Sacramento, Washington, and in the communities it serves. To help Metropolitan meet the challenges of this changing world, Chairman Pace committed to take the Board to an even higher level of efficiency and effectiveness as a governing body to meet Southern California's water needs today and in the future.

43329 On behalf of the Board and in recognition of their outstanding service, Chairman Pace presented plaques to former Board Officer and Standing Committee Chairmen:

George Wein, Chairman of Organization and Personnel
Committee from January 14, 1997 through December 31, 1998

Patrick H. Miller, Chairman of Engineering and Operations Committee from January 11, 1994 through December 31, 1998

James M. Rez, Chairman of Legal and Claims Committee from May 13, 1997 through December 31, 1998

James. H. Blake, Chairman of Budget and Finance Committee from January 14, 1997 through December 31, 1998

John V. Foley, who served as Chairman of the Board and of the Executive Committee from December 14, 1993 through December 31, 1998

Timothy F. Brick, Chairman of Water Planning and Resources Committee from January 14, 1997 through December 31, 1998

43330 Chairman Pace presented a pin to Director Jerry A. King emblematic of his completion of five years of service as a representative of Municipal Water District of Orange County on January 11, 1999.

43331 The Chair reported that the Minutes of the Meeting held October 13, 1998, have been deferred.

43332 The General Counsel's letter dated January 4, 1999, was presented, transmitting the credentials evidencing the appointment by the San Diego County Water Authority of James F. Turner as one of its representatives on Metropolitan's Board for an indefinite term, replacing Joseph Parker.

General Counsel Taylor reported the credentials had been examined and found legally sufficient.

The Chair reported the Oath of Office had been administered to Mr. Turner on January 11, 1999, and ordered the Oath filed.

Following an introduction by Director Krauel, Mr. Turner took his seat as a Director representing the San Diego County Water Authority.

43333 The General Counsel's letter dated January 4, 1999, was presented, transmitting the credentials evidencing the appointment by West Basin Municipal Water District of Edward C. Little as one of its representatives on Metropolitan's Board for an indefinite term, replacing Mark S. Dymally.

General Counsel Taylor reported the credentials had been examined and found legally sufficient.

The Chair reported the Oath of Office had been administered to Mr. Little on January 5, 1999, and ordered the Oath filed.

Following an introduction by Director Barker, Mr. Little took his seat as a Director representing West Basin Municipal Water District.

43334 The General Counsel's letter dated January 4, 1999, was presented, transmitting the credentials evidencing the appointment by West Basin Municipal Water District of Willard H. Murray, Jr., as one of its representatives on Metropolitan's Board for an indefinite term, replacing Carol W. Kwan.

General Counsel Taylor reported the credentials had been examined and found legally sufficient.

The Chair reported the Oath of Office had been administered to Mr. Murray on January 5, 1999, and ordered the Oath filed.

Following an introduction by Larry Gallagher, president of West Basin Municipal Water District, Mr. Murray took his seat as a Director representing West Basin Municipal Water District.

43335 The General Counsel's letter dated January 5, 1999, was presented, transmitting the credentials evidencing the appointment by Central Basin Municipal Water District of Gary A. Morse as one of its representatives on Metropolitan's Board for an indefinite term, replacing Richard F. Mayér.

General Counsel Taylor reported the credentials had been examined and found legally sufficient.

The Chair reported the Oath of Office had been administered to Mr. Morse on January 5, 1999, and ordered the Oath filed.

Following an introduction by Director Castro, Mr. Morse took his seat as a Director representing West Basin Municipal Water District.

Director Herman took her seat at 9:58 a.m.

43336 The General Counsel's letter dated January 6, 1999, was presented, transmitting the credentials evidencing the appointment by the City of Burbank of Fred Lantz as its representative on Metropolitan's Board for an indefinite term, replacing the late Director Thomas H. McCauley.

General Counsel Taylor reported the credentials had been examined and found legally sufficient.

The Chair reported the Oath of Office had been administered to Mr. Lantz on January 12, 1999, and ordered the Oath filed.

Following an introduction by Director Morris, Mr. Lantz took his seat as a Director representing the City of Burbank.

43337 The General Counsel's letters, each dated January 4, 1999, were presented, transmitting the credentials evidencing the reappointments by the City of Fullerton of James H. Blake, and by Municipal Water District of Orange County of John V. Foley and Robert J. Huntley as two of its representatives, to be members on Metropolitan's Board, each for a term ending December 31, 2002.

General Counsel Taylor reported the credentials had been examined and found legally sufficient.

Dee Baca, Notary Public, administered the Oaths of Office to Directors Blake, Foley, and Huntley. The Chair ordered the Oaths filed.

43338 Vice Chairman Barbosa moved, seconded by Director Frahm and carried, approving the committee appointments as recommended by the Board Chairman, as follows:

Director Turner to Engineering and Operations and Water Planning and Resources Committee

Director Little to Engineering and Operations and Budget and Finance Committees

Director Murray to Legal and Claims and Communications and Legislation Committees

Director Morse to Budget and Finance and Communications and Legislation Committees

Director Lantz to Legal and Claims and Budget and Finance Committees

Directors Krauel and Lewis to the Executive Committee as transition members

Director Rascon withdrew from the Meeting at 10:08 a.m.

43339 Vice Chairman Barbosa moved, seconded by Board Secretary Murph and carried, authorizing the preparation of a Memorial Resolution for Director Thomas H. McCauley, who represented the City of Burbank from June 1995 to December 1998.

Director Freeman took his seat at 10:11 a.m.

43340 Chairman Pace announced that as part of the changes in the committee structure, he has formed new subcommittees of the Executive Committee, as follows: Subcommittee on Rules, Subcommittee on Organization and Personnel, Subcommittee on Real Property Management, and the MWD Negotiating Team.

The membership on the subcommittees are as follows:

Subcommittee on Rules: Directors Barbosa (Chair), Luddy (Vice Chair), Pace (ex officio), Castro, Frahm, King, and Owen.

Subcommittee on Organization and Personnel: Directors Wein (Chair), Rascon (Vice Chair), Bannister, Castro, Gilbert, Hansen, Krauel, Krieger, McMurray, Miller, Moret, and Turner.

Subcommittee on Real Property Management: Directors Little (Chair), Mylne (Vice Chair), Abdo, Brick, Coughran, King, Kosmont, Lewis, Luddy, Peterson, and Witt.

MWD Negotiating Team: Directors Pace (ex officio), Foley, Luddy, Owen, and Peterson.

43341 Chairman Pace reported that in the past few weeks he spent most of his time meeting with various Directors, legislators, community and business leaders, and staff to prepare himself for his new position as Chairman of the Board and was gratified by the cooperation and assistance he received from everyone. The Chair also stated he attended the inauguration of Governor Gray Davis which provided him with the opportunity to share his thoughts regarding the importance of water to the State of California.

43342 Strategic Plan Steering Committee Chairman King announced the postponement of the third Board workshop due to comments from Directors and member agencies that the General Manager should participate in future discussions. Director King then updated the Board on the Strategic Planning Process through the first six months, and urged all Directors to take advantage of the time during the postponement of the workshop to review the alternative visions. He also announced the two public workshops scheduled for later in January.

43343 Regarding Colorado River matters, Paul Cunningham, principal negotiator for Metropolitan, reported there were no negotiation sessions held since the last Board Meeting, except for several conference calls to arrange future negotiation meetings. The MWD Negotiating Team is currently reviewing the MOU entered into between Imperial Irrigation District (IID), Coachella Valley Water District (CVWD), and the Department of the Interior.

43344 In a further report on Colorado River matters, Paul Cunningham, Metropolitan's principal negotiator, commented on the recommended policy paper describing an approach to the Colorado River issues attached to the letter from the MWD Negotiating Team dated January 6, 1999. Mr. Cunningham stated the Board letter lays out the essence of the negotiations, principally between IID and CVWD to date, with respect to how they would like various Colorado River issues resolved within the context of the 1931 regulations. The Negotiating Team has recommended to the Board not that it change its policy of keeping a full Colorado River Aqueduct, but it has laid out a series of questions about whether or not the fundamental premise of the negotiations is the proper one. The basic question being asked is whether Metropolitan should assume that the Secretary of the Interior's 1931 regulations are unchangeable. Mr. Cunningham then reviewed the items covered in the paper titled "Approaches to Implementing Metropolitan's Policy Regarding Required Volume of Colorado River Water Supplies."

Following a lengthy discussion, Vice Chairman Barbosa moved, seconded by Director Morris, that the Board endorse the Policy Position Paper entitled "Approaches to Implementing Metropolitan's Policy Regarding Required Volume of Colorado River Water Supplies", as set forth in the attachment to the letter from the MWD Negotiating Team dated January 6, 1999.

Director Mylne requested that an additional sentence be included to paragraph II C of the policy paper, to read:

"Further, Metropolitan has agreed to San Diego Water Authority transfer rates which are below MWD System Cost Recovery in order to obtain 92,000 acre-feet conserved water from the state funded lining of the All American and Coachella canals and groundwater basin storage."

This should be inserted before the sentence beginning with, "Finally Metropolitan and its member agencies" Director Mylne offered this as an amendment to the motion.

Director Frahm then asked that Director Mylne's added sentence be revised, to read as follows:

"Further, Metropolitan has agreed to San Diego Water Authority-MWD Exchange Agreement and the budget appropriation of \$235 million of state funding in order to obtain up to 92,000 acre-feet conserved water from the lining of the All American and Coachella Canals and groundwater basin storage."

Following comments of Directors, the Chairman called for a vote on the original motion made by Vice Chairman Barbosa, which carried.

Directors Frahm, Krauel, Lewis, Murph, Tinker, and Turner requested to be recorded as abstaining.

Director Mylne requested to be recorded as voting no.

43345 Deputy General Manager Quinn reported on the allocation of water supplies Metropolitan is expected to receive this year; 1.2 million acre-feet from the Colorado River and 1.1 million acre-feet from the State Water Project. It is expected the demands on Metropolitan will be about 1.7 million acre-feet, leaving us with a good supply of water for this year. Mr. Quinn stated that on December 18, 1998, CALFED released its Phase II report. Governor Davis embraced the CALFED process in his "State of the State" address. The report included important decisions beneficial to Metropolitan. Mr. Quinn announced that on January 27, 1999, a salinity summit will be held at Cal Poly, Pomona, to discuss the implementation of a regional salinity management control program.

43346 General Counsel Taylor reported on the formation of the Reserve Management Committee (RMC) made up of regulatory agencies, Metropolitan, and the County of Riverside, to manage the Eastside-Skinner habitat complex. In settling some of the condemnation cases for the Eastside acquisitions, the RMC contributed money to Metropolitan for acquiring a number of the condemnation properties so a portion of those properties would be held as part of the mitigation properties. The RMC also has received a check for \$650,000 which represents the sale of the credits of some of the properties which they contributed to in the settlement of some of the condemnation properties which they

will hold both for management purposes and for acquisition of additional properties. The developers who contributed money are delighted with the process in that they get through the required permitting process in less than one month compared to several years. That is helping to contribute to the success of the program.

Directors Hill and Troxel withdrew from the Meeting at 11:35 a.m.

43347 The reports of the Committee Chairs are as follows:

Chairman Pace reported nothing further from the Executive Committee.

Budget and Finance Committee Chairman Castro stated the committee considered the items that were assigned to it by the Rules Subcommittee and would report at the appropriate time the actions that were taken. He stated the committee spent some time going over its mission and how to organize itself with going forward and highlighting some of the issues that the committee would like to look at over the next six to eighteen months and taking a longer term perspective than the committee had traditionally taken. Most emphasis will be on the budget process.

Engineering and Operations Committee Chairman Luddy reported that Agenda Item 8-2 regarding the types of motorboats on Eastside Reservoir was continued, and that staff was requested to consider drawing up specific policy language that would address allowing some boat usage without increasing the contamination of the water.

Legal and Claims Committee Chairman Owen stated that in his committee discussions were held which involved policy questions and which were deferred to staff. The committee approved all the items on its agenda, and requested that Agenda Item 8-13 be added to the Consent Calendar.

Communications and Legislation Committee Chairman King reported the committee opposed the mandatory social security coverage for newly hired public employees and discussed the

proposed issue papers that the committee will review this year, both in terms of whether or not to sponsor or co-sponsor support bills on a variety of issues.

Water Planning and Resources Committee Chair Frahm reported the committee voted to put Agenda Item 8-11, the Westlands Mendota Pool EIR, on the Consent Calendar. The committee addressed the issues in the wheeling case and the Santa Ana River groundwater transfer issue, with those issues centering on the protection of the financial integrity of the District.

Subcommittee on Rules Chairman Barbosa assured the Board that the subcommittee will be reviewing the process in which the Chairs of the Standing Committees will be made aware of the items on their respective agendas before the committee and Board meetings.

43348 The Chair reported that Agenda Item 8-2 has been withdrawn by the Engineering and Operations Committee; and that Agenda Items 8-1, 8-3, 8-4, 8-5, 8-10, 8-11, and 8-13 have been added to the Consent Calendar.

Director Morris moved, seconded by Board Secretary Murph and carried, and the Board approved the Consent Calendar Items, **M.I. 43349** through **M.I. 43360**, as follows:

43349 Authorized the General Counsel to amend an existing agreement with the law firm of Hawkins Delafield & Wood for disclosure counsel services to permit this firm to complete disclosure on two proposed financings which will extend beyond the December 31, 1998, termination date of the current contract, as set forth in the General Counsel's letter dated December 15, 1998.

43350 The Board (1) adopted **Resolution 8620** attached as Exhibit A to the General Manager's letter dated December 15, 1998, granting Calleguas Municipal Water District's request for consent to the concurrent annexation of Annexation No. 54 to Metropolitan and Calleguas, and established Metropolitan's formal terms and conditions for the annexation; (2) certified it has reviewed and considered the information contained in the Environmental Impact Report (EIR) and adopted the lead agency's

findings and statement of overriding consideration related to the EIR; and (3) adopted **Resolution 8621** attached as Exhibit B to the foregoing letter to impose standby charges at the rate of \$9.58 per acre or per parcel of less than one acre within the proposed annexation, said Resolutions entitled:

Resolution 8620 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO THE ANNEXATION OF ANNEXATION NO. 54 UPON CONCURRENT ANNEXATION TO CALLEGUAS MUNICIPAL WATER DISTRICT AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8621 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON ANNEXATION**

Directors Grandsen and Miller requested to be recorded as abstaining.

43351 The Board (1) adopted **Resolution 8622** attached as Exhibit A to the General Manager's letter dated December 15, 1998, granting Calleguas Municipal Water District's request for consent to the concurrent annexation of Annexation No. 55 to Metropolitan and Calleguas, and established Metropolitan's formal terms and conditions for the annexation; (2) certified it has reviewed and considered the information contained in the Environmental Impact Report (EIR) and adopted the lead agency's findings and statement of overriding consideration related to the EIR; and (3) adopted **Resolution 8623** attached as Exhibit B to the foregoing letter to impose standby charges at the rate of \$9.58 per acre or per parcel of less than one acre within the proposed annexation, said Resolutions entitled:

Resolution 8622 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO THE ANNEXATION OF ANNEXATION NO. 55 UPON CONCURRENT ANNEXATION TO CALLEGUAS MUNICIPAL WATER DISTRICT AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 8623 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON ANNEXATION

Directors Grandsen and Miller requested to be recorded as abstaining.

43352 Authorized payment of 1999 annual dues of \$11,900 for membership in the American Water Works Association, as set forth in the General Manager's letter dated December 22, 1998.

43353 Authorized the General Manager to make payment of \$412,500 to the American Water Works Association Research Foundation (AWWARF) as Metropolitan's contribution to fund AWWARF's applied research programs for the calendar year 1999, as set forth in the General Manager's letter dated November 24, 1998.

43354 The Board (1) set a time for a hearing of the Budget and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation. The water rates and charges for the first six months of fiscal year 1999-00 will remain unchanged; and that the rates and charges effective January 1, 2000, be set by the Board as follows:

<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

(2) Approved the following Resolutions:

a. Resolution of Intention (**Resolution 8624**) to impose the readiness-to-serve (RTS) charge in the form shown as Exhibit A to the General Manager's letter dated December 22, 1998, declaring the Board's intention (i) at its March 9, 1999, meeting to consider and act upon the General Manager's recommendation to impose an RTS charge at the current level, and (ii) at its May 11, 1999, meeting to consider and act upon the General Manager's recommendation to impose standby charges within the territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS charge, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE READINESS-TO-SERVE CHARGE

b. Resolution of Intention (**Resolution 8625**) 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 as shown as Exhibit B to the General Manager's letter dated December 22, 1998, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE AND SUSPEND COLLECTION OF NEW DEMAND CHARGE FOR 1999-2000

(3) Found that the setting of rates and charges recommended in the General Manager's letter dated December 22, 1998, 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.

43355 The Board (1) authorized the General Manager to execute change orders to the contractor constructing the Inlet/Outlet Tower of the Eastside Reservoir Project in aggregate not to exceed \$4,229,930 (10.4% of original contract), and (2) increased the contract by \$2,200,000, subject to the contract being in form approved by the General Counsel, as set forth in the General Manager's letter dated December 22, 1998.

43356 To construct the Arrowhead East Tunnel of the Inland Feeder Project, the Board authorized the General Manager to execute change orders for tunnel realignment in excess of five percent in contract value to the contractor of the Arrowhead East Tunnel, in an amount not to exceed \$24,000,000, as set forth in the General Manager's letter dated December 15, 1998.

Directors Frahm, Krauel, Lewis, Tinker, and Turner requested to be recorded as voting no.

43357 To provide mitigation monitoring services for the Inland Feeder Project, the Board authorized the General Manager to amend Agreement No. 4588 with P&D Consultants in the amount of \$6,500,000 for a total agreement amount of \$11,000,000, as set forth in the General Manager's letter dated December 15, 1998.

Directors Frahm, Krauel, Lewis, Tinker, and Turner requested to be recorded as voting no.

43358 Authorized staff to oppose Federal efforts to approve mandatory Social Security coverage for newly hired public employees, as set forth in the General Manager's letter dated December 16, 1998.

43359 Authorized the General Manager to execute the Agreement with Westlands Water District regarding the Mendota Pool Environmental Impact Report, as set forth in the letter signed jointly by the General Manager and the General Counsel dated December 15, 1998.

43360 Authorized settlement of the eminent domain action entitled The Metropolitan Water District of Southern California v. Chresten Knudsen, et al., San Bernardino County Superior Court Case No. 42499, for the Inland Feeder Project, as set forth in the General Counsel's confidential letter dated December 14, 1998.

Directors Frahm, Krauel, Lewis, Tinker, and Turner requested to be recorded as voting no.

Director Hill returned to the Meeting at 11:56 a.m.

43361 Legal and Claims Committee Chairman Owen moved, seconded by Director Blake and carried, authorizing the potential initiation of litigation against The Hartford Insurance Company regarding the Eastside Reservoir Project, as set forth in the General Counsel's confidential letter dated December 15, 1998.

Director Herman requested to be recorded as abstaining.

Directors Bannister, Huntley, Luddy, and Stanton requested to be recorded as voting no.

43362 Legal and Claims Committee Chairman Owen reported that the committee reviewed at length the options attached to the General Counsel's letter dated January 4, 1999, regarding the wheeling litigation entitled Metropolitan Water District v. All Persons. Committee Chairman Owen then moved, seconded by Director Blake and carried, that the Board authorize staff to continue to pursue the appeal and at the same time seek a negotiated settlement with the parties that have made offers to settle at this time.

Directors Frahm, Herman, Huntley, Krauel, Lewis, Luddy, Mylne, Tinker, and Turner requested to be recorded as abstaining.

Director Bannister withdrew from the Meeting at 11:56 a.m.

43363 Legal and Claims Committee Chairman moved, seconded by Water Planning and Resources Committee Chair Frahm, and the Board (1) deferred adoption of the Policy Principles Governing Proposed Transfers of Water From or Through the Santa Ana River Basin Into the Metropolitan Water District of Southern California Service Area as set forth in Attachment A to the letter signed jointly by the General Manager and the General Counsel dated January 5, 1999; (2) found that the proposed transfer transaction is consistent with the policy principles set forth in the foregoing letter and authorize the General Manager, with the approval of the General Counsel, to execute appropriate documents providing Metropolitan's consent to the transfer of up to 10,000 acre-feet of excess native groundwater from the Bunker Hill Basin (a Santa Ana River groundwater basin) by San Bernardino Valley Municipal Water District (San Bernardino) for delivery to the Orange County Water District; and (3) reviewed and approved the Negative Declaration as set forth in Attachment B to the foregoing letter, prepared by San Bernardino following an initial study analyzing an interim program for groundwater extraction from the Bunker Hill Basin.

The Chair called for a vote on the motion, which carried.

Directors Bannister, Huntley, King, Mylne, and Peterson requested to be recorded as abstaining.

Directors Blake, Frahm, Krauel, Lewis, Tinker, and Turner requested to be recorded as voting no.

43364 The following listed communications were submitted for the information of the Board:

- a. Letter of the General Manager dated December 15, 1998, reporting on the operating data for the month of November 1998.
- b. Letter of the General Counsel dated December 22, 1998, transmitting the activity report of the Legal Department for the month of December 1998.
- c. Letter of the Auditor December 17, 1998, transmitting the activity report of the Audit Department for the month of December 1998.
- d. Letter of the General Manager dated December 15, 1998, transmitting the Executive Financial Summary for the month of November 1998.
- e. Letter of the General Manager dated December 22, 1998, reporting on the development of CALFED preferred alternative.
- f. Letter of the General Manager dated December 15, 1998, submitting an MTBE update.
- g. Letter of the General Manager dated December 15, 1998, transmitting the Statement of Metropolitan's Boundary Changes as of November 30, 1998.
- h. Letter of the General Manager dated December 22, 1998, submitting the Monthly Project Status Report for the Eastside Reservoir Project--November 1998.

- i. Letter of the General Manager dated December 15, 1998, submitting the Monthly Project Status Report for the Inland Feeder Project--November 1998.

43365 Chairman Pace announced the membership of the Special Nominating Committee and the Special Audit Committee, as follows:

Special Nominating Committee: Directors Rez (Chair), Blake (Vice Chair), Fellow, Grandsen, and Hill. The Nominating Committee will be meeting on January 26, 1999, to consider the nomination of the remaining Board Officers.

Special Audit Committee: Directors Grandsen (Chair), Krauel (Vice Chair), Bannister, Barbosa, Hill, Huntley, Kosmont, Rez, Peterson, and Witt.

43366 Director Foley announced that Brian Thomas, Assistant Chief of Planning and Resources, will be leaving Metropolitan for the City of Anaheim, and the Board wished Brian success in his new job.

43367 Director Forbes moved, seconded by Chairman Pace and carried, and the Board adjourned the Meeting at 12:02 p.m. in memory of Director Thomas H. McCauley.

REGINA MURPH

SECRETARY

PHILLIP J. PACE

CHAIRMAN