

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
MARCH 9, 1999

43413 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, March 9, 1999.

The Meeting was called to order by Chairman Pace at 9:38 a.m.

43414 The Meeting was opened with an invocation by Board Executive Officer Gilbert F. Ivey.

43415 The Pledge of Allegiance to the Flag was given, led by Director Willard H. Murray, Jr.

43416 Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bannister, Barbosa, Barker, Battey, Blake, Brick, Coughran, Fellow, Foley, Forbes, Freeman, Gilbert, Grandsen, Hansen, Herman, Huntley, King, Kosmont, Krauel, Krieger, Lewis, Little, Luddy, McMurray, Moret, Morris, Murray, Mylne, O'Neil, Owen, Pace, Peterson, Rascon, Rez, Stanton, Tinker, Treviño, Turner, Watton, Wein, Witt, and Wright.

Those not answering were: Directors Frahm, Koopman, Morse (entered 9:50 a.m.), Murph (entered 10:02 a.m.), Troxel (entered 10:05 a.m.), and Webster.

The Chair declared a quorum present.

43417 Chairman Pace inquired if there were any additions to the agenda. There being no additional items, the Chair declared only those matters listed on the agenda would be considered.

Director Owen stated that at the Executive Committee meeting today, the committee approved taking action on Agenda Item 10-14, thus removing it from the information category.

43418 The Chair stated that Gregory Wilkinson of the firm Best, Best & Krieger was not able to make it to the Meeting for the presentation of the legal fee refund in the Bennett v. Spear case. Chairman Pace then invited members of the public to address the Board on matters within the Board's jurisdiction.

Stanley Sprague, General Manager of Municipal Water District of Orange County commented on the growing concerns of Orange County and other areas over Southern California's position in relation to CALFED. He stated that it is important for Metropolitan and its member agencies to take a leadership role before losing the opportunity to resolve the CALFED issues, and noted that different positions are being espoused in Washington, D.C. by other entities. Among other things, Mr. Sprague stated that Metropolitan and the member agencies have to take a look at the Integrated Resources Plan and relate to the business community how that plan will meet the future growth and demand in Southern California and how CALFED fits into that package.

Acting General Manager Quinn stated a workshop on Bay-Delta issues and the Drought Management Plan is scheduled for March 23, 1999, at 9:30 a.m. and urged all Directors to participate.

Harold W. Ball, vice chair of San Diego County Water Authority, commented on the renewal of friendship and trust among the agencies and the boards of both the Authority and Metropolitan. He urged the Board of Metropolitan not to go forward to file the protest with the State Water Resources Control Board for approval of the IID/SDCWA water transfer but to continue a mutually cooperative dialog with all others and the Authority.

Director Morse took his seat at 9:50 a.m.

Acting General Manager Quinn stated that the filing of the protest is to protect the position of the people in Southern California and it is not about disagreeing with the agreement between IID and SDCWA, and that Metropolitan intends to honor the Exchange Agreement. Instead the protest filing would relate generally to water use efficiency as a proper role in the overall management of Colorado River water. He then stressed that SDCWA's transfer should move ahead and be implemented, and that IID should be held accountable for water use efficiency in its district. Those two are critical components of an overall plan that must be successful, and the position of Metropolitan's Board is to protect its interests.

43419 Director Krauel introduced members from the Helix Water District: Harold Ball, director; Barbara Barber, president; Lillian Childs, director; Shirley Massie, public information administrator; Donald Kuhl, general manager; Donald Ellison, director of operations and maintenance; and Donald Gauthier, director of water quality.

43420 Chairman Pace presented a Memorial Resolution to Mrs. Judy Jones and her family in memory of the late Director Burton E. Jones, who represented the Upper San Gabriel Valley Municipal Water District on Metropolitan's Board from January 1979 to February 1993.

Director Murph took her seat at 10:02 a.m.

43421 Chairman Pace presented a Commendatory Resolution to former Director Dale Mason, who represented the San Diego County Water Authority on Metropolitan's Board from January 1987 to February 1999.

Director Troxel took his seat at 10:05 a.m.

43422 Chairman Pace presented a pin to Director Bill Wright emblematic of his completion of five years of service as a representative of the City of Torrance on March 8, 1999.

43423 There being no objection, the Chair ordered the reading of the Minutes of the Meeting held November 10, 1998, dispensed with, a copy having been mailed to each Director.

Director Stanton moved, seconded by Director Wein and carried, approving the foregoing Minutes as mailed.

43424 The General Counsel's letter dated March 1, 1999, was presented, transmitting the credentials evidencing the appointment by the City of Burbank of George E. Battey, Jr., as its representative on Metropolitan's Board for an indefinite term, replacing Fred Lantz.

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. Battey on March 4, 1999, and ordered the Oath filed.

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

43425 The General Counsel's letter dated March 1, 1999, was presented, transmitting the credentials evidencing the appointment by Central Basin Municipal Water District of Charles M. Treviño, as one of its representative on Metropolitan's Board for an indefinite term, replacing Jorge G. Castro.

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. Treviño on March 8, 1999, and ordered the Oath filed.

Following an introduction by Director Morse, Director Treviño took his seat as a Director representing Central Basin Municipal Water District.

43426 Vice Chairman Barbosa moved, seconded by Director Blake and carried, approving the committee appointments as recommended by the Chair and approved by the Executive Committee, as follows:

Director Battey to the Legal and Claims and Budget and Finance Committees, and the Strategic Plan Steering Committee

Director Treviño to the Engineering and Operations and Water Planning and Resources Committees, and the Strategic Plan Steering Committee

Director Kosmont as Interim Chairman of the Budget and Finance Committee

Director Coughran to the Engineering and Operations Committee, transferred from the Legal and Claims Committee

Director Luddy to the Water Planning and Resources Committee, transferred from the Legal and Claims Committee

Director Murray to the Engineering and Operations Committee, transferred from the Legal and Claims Committee

Directors Herman and Peterson to the Legal and Claims Committee

Director Brick to the Subcommittee on Organization and Personnel

43427 Director Blake moved, seconded by Director Murph and carried, authorizing the preparation of Commendatory Resolutions for former Directors Patrick H. Miller and Bill M. Hill.

43428 Chairman Pace stated that Agenda Item 6H, the changes to the new procedures pertaining to Board and Committees' structures, has been tabled by the Executive Committee.

43429 Chairman Pace reported on his attendance at Eastern Municipal Water District's board meeting on February 17 where Eastern's board expressed support for Metropolitan's program. On February 25 he attended Metropolitan's cultural diversity day

which was planned by a committee of employee volunteers to celebrate the variety of cultures that are represented in the MWD family. The event was a huge success with several employees wearing their native dress and day-long exhibits featuring various cultures were displayed. The Office of Diversity published posters in conjunction with the Communications Division, with the posters featuring the theme of celebrating the occupancy of the new Headquarters Building. Chairman Pace reported on his meetings during the first week of March with legislators in Washington, D.C. Also in attendance were Directors King, Fellow, and Peterson. The meetings were very successful and provided an excellent exchange of information regarding Metropolitan's position on Colorado River and other water issues.

Chairman Pace stated the meeting schedule of the sub- and standing committees has been modified to give staff the ability to provide more efficient and effective support to the Board. Beginning with the March 30, 1999 meetings, the schedule will be as follows:

9:30 a.m.	Subcommittee on Rules
11:30 a.m.	Subcommittee Organization and Personnel and Subcommittee on Real Property Management
1:00 p.m.	Executive Committee

Beginning in April, the following meeting time changes will be made:

Monday Meetings

9:30 a.m.	Legal and Claims Committee and Engineering and Operations Committee
12:30 p.m.	Budget and Finance Committee and Water Planning and Resources Committee
2:30 p.m.	Communications and Legislation Committee

Tuesday Meetings

8:00 a.m.	Executive Committee
10:00 a.m.	Board Meeting

Chairman Pace stated that the tolling agreement with IID and SDCWA was extended to April 1, 1999, and hoped that the same spirit of cooperation will prevail regarding a further extension of the agreement before April 1. He emphasized that it was important for all concerned that the status quo be preserved so that work on implementing the IID/SDCWA agreement can be maximized.

Chairman Pace then called on Director King who reported that the move from the Two California Plaza building to the new Headquarters has been completed. Director King then introduced the employees of the "move" team and thanked all those who participated in the successful move to Metropolitan's new Headquarters.

In response to Director Lewis' question regarding the General Manager search, Board Secretary Hansen reported that the Transition Team is making progress and a meeting will be called in the next week or two to begin interviewing candidates and possibly some additional ones as a result of the work of the new consultant. When the preliminary interviews have been completed by the Transition Team, a meeting will be scheduled for the Board to interview the prospective candidates. Chairman Pace stated a meeting of the Transition Team is scheduled for Tuesday, March 16, to set up the interviews for the short list of candidates. Another meeting will follow that one to set up the questioning and interview process. Following the Transition Team meetings, a Special Meeting of the Board to interview the final candidates will be scheduled before the next Regular Meeting in April.

43430 Strategic Plan Steering Committee Chairman Kosmont reported that at the Executive Committee meeting today, the committee authorized the reestablishment of the Strategic Plan Steering Committee for the duration of time needed to finalize the Plan. He stated that the Board previously authorized an additional \$175,000 for consultants' costs to continue the selection and identification of key features of the alternative visions. Presently there are eleven alternative visions which the committee will evaluate and pare down so the new incoming General Manager can review them. Director Kosmont urged the Board to embrace the Strategic Plan. The member agencies and

their staffs are taking the alternatives very seriously and are participating extensively in the process. He announced the next meeting of the committee will be on March 30, 1999, at 8:00 a.m.

Director Luddy withdrew from the Meeting at 10:40 a.m.

43431 Chairman Pace reported there is no further report on Colorado River matters.

43432 Acting General Manager Quinn reported pursuant to the Administrative Code regarding international travel, he has authorized Dr. Ricardo De Leon of the Water Quality staff to attend a technical conference on Cryptosporidium in the United Kingdom where Dr. De Leon will present a paper on our Cryptosporidium detection technology. Acting General Manager Quinn further reported that Resources Secretary Mary Nichols, the Nature Conservancy, and Metropolitan co-sponsored a Southern California tour of all the multi-species habitat conservation plans. They inspected five different locations, three of which included Metropolitan's projects--the Santa Rosa Plateau, the Shipley Reserve, and Lake Mathews. The Secretary was impressed with the partnership of Metropolitan and the environmental community. Mr. Quinn also reported that he was invited to participate in the Assembly Democratic Caucus Annual Policy Retreat to provide resource information on water because the Legislature felt that it would be involved in water issues in the next year.

43433 General Counsel Taylor reminded the Directors that it was again time for filing of the Financial Disclosure Statements. He reported that retired Deputy General Counsel James Mountain is now back on a part-time basis to help with financial matters until a replacement is found for Sydney Bennion who resigned.

43434 The reports of the Standing Committee Chairs are as follows:

Chairman Pace reported nothing further from the Executive Committee.

Budget and Finance Committee Interim Chairman Kosmont reported the committee considered three primary items--the

PricewaterhouseCoopers report analysis of the existing budget process; Agenda Item 9-1, the adoption of water rates and resolutions to impose charges; and Agenda Item 9-2, the Long Range Finance Plan. Regarding the first item, Director Kosmont stated the report is a fairly extensive one with a series of proposals requiring further evaluation, and a written report is expected in two weeks. After consideration by the committee, an action plan will then be submitted to the Board. It is expected that some of the recommendations will be adopted for the next fiscal year. The water rates and resolutions were adopted by the committee with the understanding that the committee will consider the rate structure within the next six months. This gives time to revisit the issue of properly setting the RTS charge and policy matters regarding the proper level of that charge. The issue is the concern of debt level coverage as it relates to the RTS charge in the overall cash flow. After considerable debate, the committee voted 9 to 7 to adopt the staff's recommendation regarding the Long Range Finance Plan. The issue under discussion was how to use the funds in excess of the Rate Stabilization Fund maximum. The adopted recommendation was that the excess funds be used to pay off existing debt in lieu of future debt until such time as the fixed charge coverage 1.2 times, and that there would be further discussion of this item when it comes up on the agenda.

Engineering and Operations Committee Vice Chairman Tinker reported that most of the items on his agenda were routine which will be taken up later in the agenda. The committee did hear progress reports on the Eastside Reservoir Project, the Inland Feeder Project, and updated contingency figures on both projects, and a comforting progress report on the Y2K Project.

Legal and Claims Committee Chairman Owen reported that the committee had a long discussion on the filing of the protest with the State Water Resources Control Board on the IID/SDCWA water transfer. In addition, the committee received an update on the wheeling study which is ongoing. He moved, seconded by Director Blake and carried, that Agenda Items 9-7 through 9-10 be added to the Consent Calendar.

Director Herman withdrew from the Meeting at 10:50 a.m.

Communications and Legislation Committee Chairman King reported that the committee (1) recommended strengthening the language on elimination of MTBE in drinking water supply, (2) moved to continue the issue of perchlorate (Agenda Item 8-11) and take another look at it and to reword the recommendation and bring it back in thirty days; and (3) approved Senate Bill 314 (Kelley), as proposed in the staff report. Director King also reported that Vice Chair Abdo is chairing a subcommittee to look at handling the communications and news releases and to set forth a policy regarding same. A workshop will be scheduled to review all the new legislation coming from both State and Federal governments. Members of the committee continue to have meetings with newly elected officials from the State and Federal level to involve them with Metropolitan's issues.

Water Planning and Resources Committee Vice Chairman Wright reported the committee's main emphasis was on energy matters and the relicensing of hydropower facilities.

Director Luddy returned to the Meeting at 10:52 a.m.

Director Blake moved, seconded by Director Wein and carried, and the Board approved the Consent Calendar Items, **M.I. 43435** through **M.I. 43450**, as follows:

43435 Authorized the General Manager to execute an agreement with Southern California Edison in an amount not to exceed \$1,500,000 to relocate power poles along the Highland Pipeline alignment of the Inland Feeder Project, substantially on terms outlined in the General Manager's letter dated February 12, 1999, subject to the agreement being in form approved by the General Counsel.

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

43436 Authorized the General Manager to execute an agreement with the City of Highland to perform road improvements in areas impacted by construction of the Highland Pipeline segment of the Inland Feeder, substantially on terms outlined in the General Manager's letter dated February 18, 1999, subject to the agreement being in form approved by the General Counsel.

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

43437 Authorized the General Manager to execute agreements with the (1) United States Fish and Wildlife Service and National Fish and Wildlife Foundation in an amount not to exceed \$3,000,000 to finance mitigation measures for the impact of Inland Feeder Project construction on three newly listed endangered species; and (2) California Department of Fish and Game in an amount not to exceed \$2,500,000 to acquire additional right-of-way and mitigate for construction impacts in the San Jacinto Wildlife Area, as set forth in the General Manager's letter dated February 12, 1999.

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

43438 Authorized 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, as set forth in the Auditor's letter dated February 8, 1999.

43439 Authorized 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, for eminent domain litigation to acquire property for the Inland Feeder Project, as set forth in the General Counsel's letter dated February 11, 1999.

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

43440 The Board (1) authorized 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 set forth in the General Manager's letter dated February 19, 1999, subject to the agreement being in form approved by the General Counsel; and (2) certified it has reviewed and considered the information

provided in the Negative Declaration for the above Project and adopted the Lead Agency's findings related to the Project.

Directors Morse and Treviño requested to be recorded as abstaining.

43441 The Board (1) authorized 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 set forth in the General Manager's letter dated February 19, 1999, subject to the agreement being in form approved by the General Counsel; and (2) certified it has reviewed and considered the information provided in the Negative Declaration for the above Facility and adopted the Lead Agency's findings related to the Facility.

Director Abdo requested to be recorded as abstaining.

43442 Approved an increase of \$700 from \$2,800 to \$3,500 for 1999 membership dues in the Valley Industry and Commerce Association (VICA), as set forth in the General Manager's letter dated February 24, 1999.

Directors Kosmont and Wein requested to be recorded as abstaining.

43443 Authorized (1) continued membership in the Western Urban Water Coalition with the basic 1999 dues of \$15,000; and (2) an additional amount of up to \$13,000 as a special assessment for Endangered Species Act activities, as set forth in the letter signed jointly by the General Manager and the General Counsel dated February 19, 1999.

43444 The Board (1) expressed support for language developed for Metropolitan-sponsored State legislation on brackish water desalination consistent with Board-adopted legislative policy principles; and (2) authorized Metropolitan's Washington, D.C. Legislative Office to pursue Federal funds earmarked for brackish water desalination research, as set forth in the General Manager's letter dated February 22, 1999.

43445 Adopted the policy principle to support legislation and other mechanisms that will eliminate methyl tertiary butyl (MTBE) in gasoline, as set forth in the General Manager's revised letter dated March 8, 1999.

43446 Authorized the General Counsel 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 for Colorado River and related issues, as set forth in the General Counsel's letter dated February 24, 1999.

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

43447 Approved the recommendation set forth in the General Counsel's confidential letter dated February 11, 1999, reporting on negotiations for and status of permits necessary for construction of the Inland Feeder Project and authorizing amendment of the contract for legal services with Joseph Vanderhorst to assist with negotiations.

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

43448 Authorized the 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. 303337, for the Inland Feeder Project, as set forth in the General Counsel's confidential letter dated February 11, 1999.

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

43449 Approved the recommendations set forth in the General Counsel's confidential letter dated February 12, 1999, regarding 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 the amendment to contract for legal and consulting services to finance costs of special counsel, audit and claims analysis.

43450 Approved the recommendation set forth in the General Counsel's confidential letter dated February 11, 1999, reporting on negotiations with the San Manual Band of Mission Indians and on the 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, for the Inland Feeder Project; and authorized the General Counsel to enter into a contract for legal services with McCormick, Kidman & Behrens.

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

Directors Gilbert and Krauel withdrew from the Meeting at 11:05 a.m.

43451 Regarding the 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 (Agenda Item 8-6), Director Freeman agreed with opposing the splittail as a threatened species, but expressed his concern regarding involvement in litigation.

Director Owen reported on the discussion of this item at the Legal and Claims Committee meeting, and stated Metropolitan has a particular interest in this even beyond the State Water Contractors. He stated that Metropolitan had put up \$30 million in order to proceed with the Delta Accord and the Bay-Delta Study, and that this listing is in direct violation with the Bay-Delta Accord. Metropolitan has an obligation to contest this as any one of the State contractors.

Assistant General Manager Quinn stated this recommendation was not entered into lightly because Metropolitan has a well known reputation for standing up for balance in environmental and ecosystem balance in the Bay-Delta system. This decision in no way changes the fact that Metropolitan is deeply committed to ecosystem restoration in the system, but that does not mean Metropolitan will always agree with the decisions of the U.S. Fish and Wildlife staff.

Pursuant to questions asked regarding the costs of this proposed litigation, General Counsel Taylor stated there was not an exact estimate at this time. He stated that with each listing, it closes off a period of time in which Metropolitan can take water for which there is a limitation of water, and the splittail listing cuts off one of those critical points or makes it more difficult to shift water. Mr. Taylor stated the latest data show the splittail has been increasing in number, and not decreasing, and that Metropolitan has filed a strong protest in behalf of the State Water Contractors. Mr. Taylor further stated this matter would be handled with other State Water Contractors.

Following further discussion, Chairman Place deferred this item until next month pending a report on the costs.

Director Krauel returned to the Meeting at 11:17 a.m.

43452 Director Blake moved, seconded by Director Stanton, that the Board:

1. Adopt the following water rates and charges for fiscal year 1999-2000 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 8627** to fix and adopt the Readiness-to-Serve (RTS) charge for fiscal year 1999-00 in the form shown as Exhibit B to the General Manager's letter dated February 19, 1999, said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING
READINESS-TO-SERVE CHARGE**

b. Resolution of Intention (**Resolution 8628**) 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 the General Manager's letter dated February 19, 1999, said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA ADOPTING AND
SUSPENDING COLLECTION OF NEW DEMAND CHARGE FOR 1999-2000**

3. Find that the setting of rates and charges recommended in the foregoing 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.

Director Tinker stated at the Budget and Finance Committee there was a discussion on the differential between treated and untreated rates and the fact that the full service treated and untreated rates had a different differential than either the seasonal shift rate for long term deliveries or the

agricultural rates. This was not an issue to debate for establishing the rates at this time, but the committee requested staff to return next month and explain the reasons for the differential.

Director Troxel stated in looking at the rates relative to the California 4.4 Plan, we should consider the application of the New Demand Charges as an impetus by which we consider how water is used and what resources are developed on a local level, particularly as we look at the potential for increasing the portion of fees on the RTS charge which establishes a flat fee basis or at least an increase in proportion of our fees on a flat fee basis which does not create any motivation for conservation. Director Troxel stated he would bring that forward as part of the rationale for bringing the RTS charge back, understanding that will be a catalyst for discussing all of the rate structure.

Director Huntley expressed his opposition to deferring an increase in the RTS charge and the suspension of the New Demand Charge.

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

Directors Bannister, Huntley, King, and Witt requested to be recorded as voting no.

Director Luddy did not participate in the vote.

43453 Regarding the adoption of the Long Range Finance Plan--1999 Update, Director Moret reported that a lengthy discussion of this item took place at the Budget and Finance Committee meeting yesterday. After stating her concerns regarding paragraph 1(e) of the recommendations contained in the General Manager's letter dated February 16, 1999, Director Moret moved, seconded by Director Freeman, that the recommendations in the foregoing letter be adopted with paragraph 1(e) revised to read as follows:

"Subject to annual Board approval any remainder above the maximum reserve level would be available for any lawful purpose as determined by the Board."

Following discussion of this item, and based on the discussions and analysis presented in the 1999 Update of the Long Range Finance Plan, Director Peterson moved a substitute motion, seconded by Director Mylne, adopting the recommendations as set forth in the General Manager's letter dated February 16, 1999, as follows:

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 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 Refund on June 30 of each fiscal year be one-half 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 attached to the General Manager's letter dated February 16, 1999.

After further discussion, Director Huntley moved a substitute, substitute motion, seconded by Director Troxel, that the Board adopt the foregoing recommendations as set forth above, deleting paragraph 1(e) for further consideration of the wording to be brought back next month with alternative language.

The Chair called for a vote on the second substitute motion of Director Huntley, which did not carry.

The Chair then called for a vote on the substitute motion of Director Peterson, which carried.

Directors Battey, Freeman, Kosmont, Krauel, Lewis, Moret, Rascon, Tinker, Turner, Watton, and Wein requested to be recorded as voting no.

Director Luddy did not participate in the vote.

43454 Budget and Finance Committee Interim Chairman Kosmont moved, seconded by Director Blake and carried, and the Board (1) authorized the General Manager to execute an agreement with

Reiter Lowry Consultants to provide services associated with administration of Metropolitan's Water Standby Charge Program for three years from July 1, 1999, through June 30, 2002, subject to the agreement being in form approved by the General Counsel; and (2) appropriated \$2,074,843 from the Operations and Maintenance Fund to pay for the costs of the consulting services, as set forth in the General Manager's letter dated February 16, 1999.

Director King withdrew from the Meeting at 11:31 a.m.

43455 To replace the filter valves and operators at the Robert A. Skinner Filtration Plant, Director Stanton moved, seconded by Director Blake and carried, and the Board (1) approved Appropriation No. 15332 in the amount of \$2,920,000 from the Pay-As-You-Go Fund to finance all associated costs; (2) authorized the General Manager to have all work performed; (3) delegated to the General Manager the authority to award a procurement contract for equipment, not to exceed \$1,760,000; and (4) determined that the replacement project qualifies for a Class 1 categorical exemption under the California Environmental Quality Act, as set forth in the General Manager's letter dated February 12, 1999.

Director Treviño withdrew from the Meeting at 11:33 a.m.

43456 To finance all costs for procuring and installing replacement equipment for the computer-based control system, Engineering and Operations Committee Vice Chairman Tinker moved, seconded by Director Blake and carried, and the Board (1) approved No. 4 to Appropriation No. 15140, an increase of \$5,000,000 to a total of \$30,000,000 from the Pay-As-You-Go Fund; and (2) authorized the General Manager to exercise an extra work order to Contract No. 1396A with Systems Integrated for an additional \$1,410,000, as set forth in the General Manager's letter dated February 16, 1999.

43457 Director Stanton moved, seconded by Director Blake and carried, and the Board supported the concept contained in Senate Bill 314 (Kelley), an amendment to the MWD Act regarding agricultural water use, and authorized staff to work with the author to obtain an amendment to the Act to implement that

concept, as set forth in the General Manager's letter dated February 25, 1999.

Director Tinker withdrew from the Meeting at 11:35 a.m.

43458 The following listed communications were submitted for the information of the Board:

- a. Letter of the General Manager dated February 12, 1999, reporting on the operating data for the month of January.
- b. Letter of the General Counsel dated February 23, 1999, transmitting the activity report of the Legal Department for the month of February.
- c. Letter of the Auditor dated February 22, 1999, transmitting the activity report of the Audit Department for the month of February.
- d. Letter of the General Manager dated February 18, 1999, transmitting the Executive Financial Summary for the month of January.
- e. Letter of the Auditor dated February 4, 1999, transmitting Metropolitan's Single Audit Reports for the fiscal year ended June 30, 1998.
- f. Letter of the General Manager dated February 4, 1999, transmitting Management's response to Single Audit Reports prepared by KPMG Peat Marwick, LLP.
- g. Letter of the General Manager dated February 12, 1999, submitting a status report on Phase One of the Information Systems Strategic Plan covering the period from July 1, 1998 through December 31, 1998.
- h. Letter of the General Manager dated February 19, 1999, submitting the status report for the Eastside Reservoir Project for the month ending January 1999.

- i. Letter of the General Manager dated February 12, 1999, submitting the status report for the Inland Feeder Program for the month ending January 1999.
- j. Letter of the General Manager dated February 19, 1999, reporting on the Salinity Summit.
- k. Letter of the General Manager dated February 19, 1999, transmitting the semiannual status report on Metropolitan's Local Resources Program.
- l. Letter of the General Manager dated February 8, 1999, submitting the status report relating to KPMG's management letter for the year ended June 30, 1998.
- m. Letter of the General Manager dated February 17, 1999, transmitting the semiannual report on Equal Employment Opportunity.

Director Barker withdrew from the Meeting at 11:36 a.m.

43459 Director Owen commented on the IID/SDCWA Joint Petition for Approval of IID/SDCWA Water Transfer as reported in the two letters signed jointly by the General Manager and the General Counsel dated February 23 and March 5, 1999. He stated that at the Executive Committee meeting it was decided to stay the original Board action and it was not necessary for any action to be taken.

Director Krauel stated that the protest which is outlined in the two above-mentioned letters contained elements that are inconsistent with the actual transfer agreement approved and adopted by San Diego County Water Authority and Imperial Irrigation District and which is the foundation of the Exchange Agreement between San Diego and Metropolitan, as well as the foundation for the State Legislature appropriating \$235,000,000. Director Krauel therefore moved, seconded by Director Watton, that Metropolitan (1) publicly express its support for the actual transfer agreement between San Diego and Imperial; (2) reconfirm its support for the Exchange Agreement to implement that transfer agreement; and (3) direct its lawyers to act in accordance with these actions.

Director Owen then offered a substitute motion, seconded by Vice Chairman Barbosa, that Metropolitan proceed with the previously approved filing of a protest with the State Water Resources Control Board (SWRCB) to protect Metropolitan's interests and that the protest not be limited solely to the issue of reasonable and beneficial use; and that the filing, as discussed in November 1998 and as reaffirmed today is to preserve Metropolitan's right to participate fully in the SWRCB process with regard to the Petition filed by IID and SDCWA, insure its consistency with State and Federal law and the California Plan; and that such a filing is consistent with the terms of the Exchange Agreement.

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

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

Directors Freeman and O'Neil requested to be recorded as abstaining.

Director Luddy did not participate in the vote.

43460 Legal and Claims Committee Chairman Owen stated there are no further recommendations from the committee on the committee items which were discussed at yesterday's meeting.

43461 Chairman Pace acknowledged the presence of Karen E. Dorff, former Executive Secretary of Metropolitan Water District.

43462 At 11:43 a.m., there being no objection, Chairman Pace adjourned the Meeting in memory of Mrs. Dorothea Hawkins, wife of former Board Chairman Howard H. Hawkins.

HELEN Z. HANSEN

SECRETARY

PHILLIP J. PACE

CHAIRMAN