

MINUTES

ADJOURNED REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JUNE 8, 1999

43558 The Board of Directors of The Metropolitan Water District of Southern California met in Adjourned 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, June 8, 1999.

The Meeting was called to order by Chairman Pace at 10:07 a.m.

43559 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

43560 The Pledge of Allegiance to the Flag was given, led by Director Gene Koopman.

43561 Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bannister, Barbosa, Barker, Battey, Blake, Borenstein, Brick, Castro, Coughran, Edwards, Fellow, Foley, Forbes, Freeman, Grandsen, Hansen, Huntley, King, Koopman, Kosmont, Krauel, Krieger, Lewis, Little, Luddy, McMurray, Moret, Morris, Morse, Murph, Murray, Mylne, Owen, Pace, Parker, Peterson, Rascon, Record, Stanton, Treviño, Troxel, Turner, Watton, Webster, Wein, Witt, and Wright.

Those not answering were: Directors Herman, Rez, and Tinker.

The Chair declared a quorum present.

43562 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.

43563 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

Vice Chairman Barbosa reported that last Friday the Three Valleys Municipal Water District held its annual water symposium, and Congressman David Dreier and California Secretary of State Bill Jones made presentations. Vice Chairman Barbosa thanked Director Kosmont for his excellent presentation on the Strategic Plan.

Howard Rosenthal from the Hemet/San Jacinto community, speaking on behalf of himself and other leading members of the community, thanked the Board for its vision in building the Eastside Reservoir and its continued cooperation with the community in order to supply water to the area. Mr. Rosenthal also requested the Board to consider approval of participating in the development of a proposed Western Center for Archeology and Paleontology within the Eastside Reservoir Recreation Project.

Director Blake thanked Director Troxel for his invocations which messages are timely, especially the one given today.

43564 There being no objection, the Chair ordered the reading of the Minutes of the Meeting held February 9, 1999, dispensed with, a copy having been mailed to each Director. The Chair announced that the Minutes of August 10, 1999, has been deferred.

Director Stanton moved, seconded by Director Witt and carried, approving the Minutes of February 9, 1999, as mailed.

43565 The General Counsel's letter dated May 28, 1999, was presented, transmitting the credentials evidencing the appointment by Eastern Municipal Water District of Clayton A. Record, Jr., as its representative on Metropolitan's Board for an indefinite term, replacing Chester C. Gilbert.

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. Record on June 1, 1999, and ordered the Oath filed.

Following an introduction by Director Krieger, Director Record took his seat as a Director representing Eastern Municipal Water District.

43566 The General Counsel's letter dated June 7, 1999, was presented, transmitting the credentials evidencing the appointment by San Diego County Water Authority of Joseph Parker as one of its representatives on Metropolitan's Board for an indefinite term, replacing Christine M. Frahm.

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. Parker on June 7, 1999, and ordered the Oath filed.

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

43567 The General Counsel's letter dated June 7, 1999, was presented, transmitting the credentials evidencing the appointment by the City of Los Angeles of Jorge G. Castro as one of its representatives on Metropolitan's Board for a term ending December 31, 2002, replacing Ronald R. Gastelum.

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. Castro on June 7, 1999, and ordered the Oath filed.

Following an introduction by Director Luddy, Director Castro took his seat as a Director representing the City of Los Angeles.

43568 Director Blake moved, seconded by Director Murph and carried, approving the committee appointments as recommended by the Chair and approved by the Executive Committee, as follows:

Director Record to the Legal and Claims and Communications and Legislation Committees; and Subcommittee on Real Property and Asset Management

Director Parker to the Legal and Claims and Communications and Legislation Committees

Director Castro to the Budget and Finance Committee

Director Morse as Chair of the Legal and Claims Committee
Director Peterson as Chair of the Budget and Finance Committee

Director Owen as Chair of the Water Planning and Resources Committee

Director Coughran to the Water Planning and Resources Committee, replacing Director Peterson

Director Morris to the Subcommittee on Real Property and Asset Management

Directors Abdo, Forbes, and Grandsen to the Subcommittee on Organization and Personnel, replacing Directors Krauel, Moret, and Turner

Resignation of Director Abdo from the Subcommittee on Real Property and Asset Management

Resignation of Director Morse from the Communications and Legislation Committee

Chairman Pace announced that the Special Committee on Department Head Compensation has been repealed and matters

considered by that committee will now be heard by the Subcommittee on Organization and Personnel.

43569 Vice Chairman Brick moved, seconded by Director Blake and carried, authorizing the preparation of a Commendatory Resolution for former Director Chester C. Gilbert, who represented Eastern Municipal Water District.

43570 Vice Chairman Brick moved, seconded by Director Witt and carried, adopting **Resolution 8632** in support of James H. Blake for president of the Association of California Water Agencies (ACWA); said Resolution entitled:

RESOLUTION IN SUPPORT OF JAMES H. BLAKE FOR ACWA PRESIDENT

43571 Chairman Pace reported on events in which he participated during the months of May and June on behalf of Metropolitan, as follows: May 17, he, General Manager Gastelum, and Deputy General Manager Quinn met with the California Farm Bureau Water Committee to introduce the new leadership at Metropolitan; May 21, at the meeting of the Association of Water Agencies of Ventura County, he spoke on the Colorado River and Board governance issues, and Assistant General Manager Tait addressed the organizational changes taking place at Metropolitan; May 27, he was the keynote speaker at Metropolitan's Management Development Club; June 1, he, Donald Kendall, Virginia Grebbien, and Secretary of State Bill Jones attended a dinner hosted by Heal the Bay organization.

Regarding the Colorado River negotiations, Chairman Pace reported the Negotiating Team participated in a three-day session in Tucson, Arizona, with IID, Coachella, David Hayes, and Tom Hannigan. This session was followed by a conference call on technical issues and a joint meeting at Metropolitan's offices on June 4. Another two-day negotiating session is currently scheduled for June 11 and 12 at Metropolitan's Headquarters, which will be extended to June 15, if necessary. The current goal is to leave these meetings with an agreed-upon framework on which to base a California Plan for the Colorado River.

Regarding the Strategic Plan, Chairman Pace stated the process is now at a critical juncture. The consultants have

submitted three alternative visions, whereby Metropolitan and the member agencies will examine the financial impacts of each vision. Matters to be looked at are the link between payments and benefits and giving attention to the question of choice for the member agencies, and the link between these issues, wheeling, and Metropolitan's rate structure. Several meetings will be held with the member agencies to ensure their understanding of the visions and their financial impacts. The feedback gathered at these meetings will provide the foundation for an August or September Board Meeting on the Strategic Plan, in anticipation that this process will be completed by the fall. Chairman Pace urged all Directors to attend the upcoming meetings.

43572 Board Executive Officer Ivey, with the aid of slides, gave an overview of the Strategic Planning Process.

Strategic Plan Steering Committee Chairman Kosmont delivered a presentation to the Board describing the three exemplary strategies developed by the consultants to frame the policy issues central to the Strategic Planning Process. Director Kosmont's presentation was followed by comments from Director Forbes and Don Kendall, General Manager of Calleguas Municipal Water District, regarding the member agency perspective on the process. Several Directors then added comments on the process and its direction.

43573 General Manager Gastelum introduced Dennis Underwood, the new Executive Assistant to the General Manager for Colorado River matters. Regarding the Colorado River 4.4 Plan, General Manager Gastelum reported that all parties have agreed to a general framework or conceptual model of an agreement which was developed by Department of Water Resources Tom Hannigan and Interior Deputy Secretary David Hayes. The parties are now focusing on a narrow list of issues that relate to the process that will be used to identify the types and costs of conservation measures to be employed by Imperial Irrigation District (IID) in addition to the conservation measures IID has already committed to under the existing IID/MWD I agreement, and the more recent San Diego/IID agreement. Also under discussion are groundwater storage options to provide Coachella Valley Water District with additional water beyond their existing 330,000 acre-feet per year use to help alleviate their groundwater overdraft problem.

Mr. Gastelum stated that all of the major issues to be resolved are issues that have been addressed in other agreements; and with the involvement of Mr. Hannigan and Mr. Hayes, the parties hopefully will reach a general agreement by June 14 to be presented to the respective governing boards for consideration.

43574 General Manager Gastelum reported that his memo outlining ground rules to coordinate staff communications with Directors, member agency managers, and the public was presented to the Executive Committee for review and comment. After the committee's review, a final memo dated June 8, 1999, was prepared, a copy before each Director, and is to be distributed to the member agency managers and all employees today.

Mr. Gastelum also reported on the Communications Division undergoing a thirty-day reorganization review, which plan was developed after consultation with staff and a task force comprised of employees, Directors, member agency managers, and the public. The reorganization plan was distributed to the Communications Division employees last Friday. The Communications and Legislation Committee was briefed yesterday, and an in-depth discussion will be held later today at the Subcommittee on Communications. It is the General Manager's intent to finalize the reorganization plan today and to begin implementation as soon as possible.

Mr. Gastelum also commented on the other reorganization activities, and then asked Assistant General Manager Tait to brief the Board on that matter. Mr. Tait reported on the current plan being considered with the formation of the teams--the Communications reorganization effort, the Competitive Challenge Team comprised of twenty-two employees from a cross-section of the District, and an eight-person cross-functional team of employees forming the Budget Review Team. He further reported on the functions of the Teams and the preparation of their reports to the General Manager for his review, with the results of the reorganization plan to be submitted to the Board in July.

43575 General Counsel Taylor reported on Judge Kay's decision in the wheeling rate case and the time for filing the appellate briefs is now running. He reported on the proposed stipulation to extend the time for proceedings in the appeal of the

validation action regarding the wheeling issue. Mr. Taylor further reported that a large group of stakeholders is currently meeting weekly in Sacramento as part of the Senate Bill 506 (Peace) process, and the purpose of these meeting is attempting to resolve, on a consensus basis and from a policy perspective, many of the issues that are involved in the litigation. For this reason San Diego and Metropolitan have mutually agreed to extend the time for proceeding with the appeal of Judge Kay's decision. This agreement to enter into a stipulation should not be misconstrued as an indication by either party of the perceived strength or weakness of the case on appeal.

General Counsel Taylor also reported on the appeal before the California Supreme Court in connection with the San Francisco airport project labor agreement case, and the contrast with that case and the one involving Metropolitan pertaining to the Eastside Reservoir Project. Although Metropolitan's case, which is also before the State Supreme Court, has not yet been scheduled for hearing, the argument used in the San Francisco case was taken from facts and figures in the Metropolitan case. A further report will be made when the Court makes its decision.

43576 The reports of the Standing Committee Chairs are as follows:

On behalf of the Executive Committee, Chairman Pace had nothing further to report.

Budget and Finance Committee Interim Chairman Kosmont reported nothing further from the Budget and Finance Committee.

Engineering and Operations Committee Chairman Luddy requested that Agenda Item 10-7, the status report for the Eastside Reservoir project, be withdrawn for discussion.

Legal and Claims Committee Chairman Owen reported the committee continued its discussion and review on the wheeling litigation.

Communications and Legislation Committee Chairman King stated that in his absence, Committee Vice Chair Abdo presided at the meeting and requested her to give the report. Director King

commented on the expected amount of legislation the committee will receive next month. Communications and Legislation Committee Vice Chair Abdo announced that the meeting of the Subcommittee on Communications scheduled for today after the Board Meeting will begin at approximately 1:00 p.m., and the matter of the reorganization of the Communications Division will be fully discussed, and invited all Directors to participate.

Water Planning and Resources Committee Vice Chairman Wright reported the June Water Planning and Resources Bay-Delta work group meeting will be canceled, so that a full Board workshop can be held on June 23 at 9:00 a.m. to have a combined discussion on a CALFED policy statement and the State Water Resources Control Board (SWRCB) hearings. Therefore, the committee took no action on Agenda Item 9-6, the proposed policy statement on CALFED, and deferred it to provide an opportunity for Board members to thoroughly review the staff proposal developed with the committee's work group, along with the proposal submitted by Municipal Water District of Orange County (MWDOC). Staff was requested to consider the MWDOC proposal and report its assessment and provide possible ways to address the issues raised at the June 23 workshop. In closed session the committee received the staff's analysis related to the SWRCB water rights proceedings (Agenda Item 9-14). No action was taken, and the committee also deferred this item, with staff to provide a detailed presentation at the June 23 workshop.

43577 Legal and Claims Committee Chairman Owen moved, seconded by Director Blake and carried, adding Agenda Items 9-8 through 9-13 to the Consent Calendar.

Engineering and Operations Committee Chairman Luddy moved, seconded by Director Blake and carried, adding Agenda Items 9-4 and 9-5 to the Consent Calendar. Director Luddy reported that no action was taken on Agenda Item 9-15, the report on the Eastside Reservoir Recreation Project, and deferred this item.

Director Morris moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 43578** through **M.I. 43596**, as follows:

43578 To perform design and construction activities to strengthen 19 standpipes on Metropolitan's distribution system, the Board (1) determined that the project qualifies for Categorical Exemption under the California Environmental Quality Act; (2) authorized Appropriation No. 15342 in the amount of \$1,950,000 from the Pay-As-You-Go Fund, to finance all associated costs; and (3) authorized the General Manager to have all work performed, except for contracts of \$250,000 or more, as set forth in the General Manager's letter dated May 14, 1999.

43579 Authorized the General Manager to (1) execute a supplemental agreement between Metropolitan Water District and Riverside County relating to completion of the improvements to relocated East Newport Road (Domenigoni Parkway) and acceptance of Domenigoni Parkway as a public road by the county; and (2) enter into a construction contract not to exceed \$400,000 for construction of curbs and related drainage facilities on Domenigoni Parkway, as set forth in the General Manager's letter dated April 22, 1999.

43580 Approved (1) Metropolitan's Statement of Investment Policy dated June 8, 1999, as set forth in Attachment A to the General Manager's letter dated April 16, 1999, and (2) the annual delegation of authority to the Treasurer to make investments on behalf of Metropolitan.

43581 The Board (1) gave informal approval as defined in Administrative Code Section 3100(b) for the concurrent annexation of Annexation No. 58 to Calleguas Municipal Water District and Metropolitan Water District, conditioned upon the annexation charge paid in full of approximately \$167,511.70, if completed by December 31, 1999, or at the then current annexation charge rate if completed after December 31, 1999, subject to such terms and conditions as may be fixed by the Board in granting formal consent to such annexation when a request therefor has been received; (2) approved the plans for Implementing Water Use Efficiency Guidelines for this proposed annexation attached as Exhibit A to the General Manager's letter dated May 14, 1999; and (3) approved the Resolution of Intention (**Resolution 8633**) to impose standby charges at the rate of \$9.58 per acre or per parcel of less than one acre within the proposed annexation, substantially in the form of Exhibit B to the foregoing letter; said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF
INTENTION TO IMPOSE STANDBY CHARGE CONTINGENT UPON
ANNEXATION**

Directors Borenstein and Grandsen requested to be recorded as abstaining.

43582 The Board (1) gave informal approval as defined in Administrative Code Section 3100(b) for the Fortieth Fringe Annexation concurrently to Metropolitan Water District and Western Municipal Water District of Riverside County, conditioned upon a cash payment to Metropolitan of the annexation charge of approximately \$166,444.55, if completed by December 31, 1999, or at the then current annexation charge rate if completed after December 31, 1999, subject to such terms and conditions as may be fixed by the Board in granting formal consent to such annexation when a request therefor has been received; (2) approved the plans for Implementing Water Use Efficiency Guidelines for this proposed annexation attached as Exhibit A to the General Manager's letter dated May 14, 1999; and (3) approved the Resolution of Intention (**Resolution 8634**) to impose water standby charges at the rate of \$9.23 per acre or per parcel of less than one acre within the proposed annexation, substantially in the form of Exhibit B to the foregoing letter; said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF
INTENTION TO IMPOSE WATER STANDBY CHARGE CONTINGENT UPON
ANNEXATION**

43583 The Board (1) certified that it has reviewed and considered the information contained in the Notice of Exemption attached as Exhibit A to the General Manager's letter dated May 14, 1999, prior to reaching a decision on the project; (2) adopted **Resolution 8635** granting Western Municipal Water District of Riverside County's request for consent to the annexation of Thirty-Eighth Fringe Area concurrently to Metropolitan Water District and Western by establishing Metropolitan's terms and conditions for the annexation, in the form of Exhibit B attached

to the foregoing letter; and (3) adopted **Resolution 8636** to impose standby charges at a rate of \$9.23 per acre or per parcel of less than one acre within the proposed annexation, in form of Exhibit C attached to the foregoing letter; said Resolutions entitled:

Resolution 8635 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO WESTERN'S THIRTY-EIGHTH FRINGE ANNEXATION UPON CONCURRENT ANNEXATION TO WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8636 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON ANNEXATION**

43584 Authorized payment to the Association of California Water Agencies for supplemental assessments of up to \$5,000 total for activities related to the Pacific Gas and Electric hydroelectric facility divestiture, as set forth in the General Manager's letter dated May 21, 1999.

43585 Granted authority to the Auditor to renew the existing contract with the accounting firm of KPMG, LLP, to provide various internal audit support services during fiscal year 1999-2000 in an amount not to exceed \$200,000, as set forth in the Auditor's letter dated May 24, 1999.

43586 Authorized the amendment of the Board's existing contract with the accounting firm of Vargas, Lopez and Company, LLP, to increase the maximum fee limit of \$341,000 by up to \$38,500 for additional services relating to the audit of the Eastside Reservoir Project, as set forth in the letter signed jointly by the General Counsel and the Auditor dated May 25, 1999.

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

43587 Approved the technical and editorial changes to the Administrative Code sections describing the new procedures pertaining to the Board and Committee structure, and the Administrative Code clean-up items, as set forth in the General Counsel's letter dated May 21, 1999.

43588 Expressed support for Assembly Bill 1521 (Machado) regarding Delta flood control, levee maintenance, and recreational programs, as set forth in the General Manager's letter dated May 21, 1999.

43589 To provide administrative services for the Project Labor Agreement of the Inland Feeder Project, the Board authorized the General Manager to amend Agreement No. 12788 with Parsons Constructors Inc., in the amount of \$200,000 for a total agreement amount of \$980,000, as set forth in the General Manager's letter dated May 14, 1999.

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

43590 To construct North Slope Remediation for Settling Basin No. 8 at the Robert B. Diemer Filtration Plant, the Board (1) authorized No. 2 to Appropriation No. 15220, an increase of \$2,860,000 to a total amount of \$3,420,000 from the Construction Funds, to finance all budgeted costs; and (2) awarded a lump-sum construction contract in the amount of \$2,216,764 to Mitchell Pacific Constructors, Inc., subject to the contract being in form approved by the General Counsel, as set forth in the General Manager's letter dated May 14, 1999.

43591 The Board adopted, by a two-thirds vote, **Resolution 8637**, the Resolution of Necessity to condemn the properties described in Exhibits A and B attached to the General Manager's letter dated May 14, 1999, in accordance with the eminent domain law, and directing the General Counsel to commence condemnation proceedings to acquire the properties owned by James E. and Michelle Cheeley, Carol J.G. Miller, et al., and Donald R.

Kreutzer, 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, Lewis, Parker, Turner, and Watton requested to be recorded as voting no.

43592 The Board adopted, by a two-thirds vote, **Resolution 8638**, the Resolution of Necessity to condemn the properties described in Exhibits A and B attached to the General Manager's letter dated May 14, 1999, in accordance with the eminent domain law, and directing the General Counsel to commence condemnation proceedings to acquire the properties owned by Charles M. Delameter, Jr. and Thomas W. Delameter, and Hector G. Gomez, et al., 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, Lewis, Parker, Turner, and Watton requested to be recorded as voting no.

43593 The Board adopted, by a two-thirds vote, **Resolution 8639**, the Resolution of Necessity to condemn the properties described in Exhibits A and B attached to the General Manager's letter dated May 14, 1999, in accordance with the eminent domain law, and directing the General Counsel to commence condemnation proceedings to acquire the properties owned by Thomas H. McPeters and Jules J. Frimmer, and Persian International Enterprises, 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, Lewis, Parker, Turner, and Watton requested to be recorded as voting no.

43594 Authorized settlement in Metropolitan Water District v. San Bernardino Valley Water Conservation District, Robertson's Ready Mix, Inc., et al. (Santa Barbara County Superior Court Case No. 225737) with Robertson's Ready Mix, Inc., for the Inland Feeder Project, as set forth in the confidential letter signed jointly by the General Manager and the General Counsel dated May 28, 1999.

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

43595 Authorized settlement of eminent domain action entitled The Metropolitan Water District of Southern California v. Craig S. Banta, et al., San Bernardino County Superior Court Case No. SCV 42671, for the Inland Feeder Project, as set forth in the confidential letter signed jointly by the General Manager and the General Counsel dated May 13, 1999.

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

43596 Authorized settlement of eminent domain action entitled The Metropolitan Water District of Southern California v. James Reineman, et al., San Bernardino County Superior Court Case No. SCV 42065, for the Inland Feeder Project, as set forth in the General Counsel's confidential letter dated May 13, 1999.

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

Directors Fellow and Moret withdrew from the Meeting at 11:30 a.m.

43597 Budget and Finance Committee Interim Chairman Kosmont moved, seconded by Director Troxel, that the Board:

1. Approve the 1999-2000 Annual Budget with the following qualifiers:

a. The Budget Review Team and Office of the General Manager complete their detailed review of the proposed Annual Budget and Capital Improvement Program;

b. We will reopen the Annual Budget and make additions, modifications, and corrections after the Budget Review Team makes its recommendations;

c. The 1999-2000 annual Budget will be based upon the review of the Budget Team and Office of the General Manager and the completion of the Competitive Challenge Team approved reorganization.

2. Appropriate \$543.1 million for District operations and maintenance (O&M) and State Water Project (SWP) operations, maintenance, power and replacement costs; SWP capital charges; O&M costs associated with the Metropolitan/Imperial Irrigation District Phase 1 Agreement;

3. Appropriate, as continuing appropriations, \$248.1 million for debt service on District general obligation and revenue bonds and interest payments on commercial paper;

4. Appropriate, as continuing appropriations, \$7.7 million for operating equipment and inventory supplies;

5. Allocate \$10.0 million for deposit into the Water Transfer Fund;

6. Authorize the use of \$47.3 million from the Water Rate Stabilization Fund to cover the shortfall between receipts and expenditures for the 1999-2000 fiscal year; and

7. Find that the actions recommended in the General Manager's letter dated May 21, 1999, are not subject to the California Environmental Quality Act (CEQA) either because the actions proposed herein are (i) exempted by Section 15301 of the State CEQA Guidelines as simply providing for the continued operation of existing facilities with no expansion of use beyond that previously existing; or (ii) exempted by Section 15378(b)(5) of the State CEQA Guidelines as constituting the creation of government funding mechanisms or other government fiscal

activities which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment.

Director Lewis stated that the San Diego County Water Authority supported the General Manager's direction, but will be voting no on the budget as it is expected to change within the next sixty days and would rather wait until then.

General Manager Gastelum responded that staff is currently going through a budget review, and staff is not going to revise the budget since that is the Board's function. Staff will either come in under budget or report to the Board with an information item on how this is done, but he does not believe there will be any change in the budget as approved by the Board.

Following further discussion on the budget, the Chair called for a vote on the motion.

The following is a record of the vote on the motion:

Ayes: Beverly Hills (Dir. Webster, 855 votes), Burbank (Dir. Battey, 889 votes), Calleguas Municipal Water District (Dirs. Borenstein and Grandsen, 3,554 votes), Central Basin Municipal Water District (Dirs. Morse and Treviño, 3,897-1/3 votes), Inland Empire Utilities Agency (Dirs. Koopman and Troxel, 3,380 votes), Coastal Municipal Water District (Dirs. McMurray and Owen, 2,904 votes), Compton (Dir. Murph, 170 votes), Eastern Municipal Water District (Dir. Record, 1,815 votes), Foothill Municipal Water District (Dir. Edwards, 580 votes), Fullerton (Dir. Blake, 662 votes), Las Virgenes Municipal Water District (Dir. Peterson, 882 votes), Long Beach, (Dir. Hansen, 1,779 votes), Los Angeles (Ayes: Dirs. Castro, Freeman, Kosmont, Luddy, and Wein. Absent: Dirs. Herman and Moret. 18,608 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, King, and Witt, 9,748-3/5 votes), Pasadena (Dir. Brick, 924 votes), San Fernando (Dir. Rascon, 76 votes), San Marino (Dir. Morris, 203 votes), Santa Ana (Dir. Coughran, 1,049 votes), Santa Monica (Dir. Abdo, 1,016 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,589 votes), Torrance (Dir. Wright, 1,173 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Forbes. Absent: Dir.

Fellow. 3,712 votes), West Basin Municipal Water District (Dirs. Barker, Little, and Murray, 6,493 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,731 votes). Total 69,690-2/15 votes.

Noes: Anaheim (Dir. Stanton, 1,687 votes), San Diego County Water Authority (Noes: Dirs. Krauel, Lewis, Parker, Turner, and Watton. Absent: Dir. Tinker. 14,791 votes). Total 16,478 votes.

Abstains: Central Basin Municipal Water District (Dir. Pace, 1,948-2/3 votes), Municipal Water District of Orange County (Dir. Huntley, 2,437-1/5 votes). Total 4,385-13/15 votes.

Absent: Glendale (Dir. Rez, 1,117 votes). Total 1,117 votes.

The Chair declared that the 1999-2000 Annual Budget was adopted by a vote of 69,690-2/15 ayes, 16,478 noes, 4,385-13/15 abstain, and 1,117 absent, representing more than the required two-thirds vote.

43598 Budget and Finance Committee Interim Chairman Kosmont moved, seconded by Director Blake, that the Board approve the use of up to \$80 million to cover expenditures for fiscal year 1998-99 from the Water Rate Stabilization Fund, as set forth in the General Manager's letter dated May 21, 1999.

Director Watton announced that San Diego County Water Authority supports Agenda Items 9-2 and 9-3. However, with the rate stabilization fund and the comments and questions that have surfaced on the reauthorization of purchase of bonds, Director Watton felt it would be beneficial if the Budget and Finance Committee could get an overview of how the Capital Improvement Program is being funded and the use of debt.

General Manager Gastelum responded that much of that was presented in the Long Range Financial Plan which was approved by the Board.

A request was made for a roll call vote. The Chair called for a vote on the motion.

The following is a record of the vote on the motion:

Ayes: Anaheim (Dir. Stanton, 1,687 votes), Beverly Hills (Dir. Webster, 855 votes), Burbank (Dir. Battey, 889 votes), Calleguas Municipal Water District (Dirs. Borenstein and Grandsen, 3,554 votes), Central Basin Municipal Water District (Dirs. Morse and Treviño, 3,897-1/3 votes), Inland Empire Utilities Agency (Dirs. Koopman and Troxel, 3,380 votes), Coastal Municipal Water District (Dirs. McMurray and Owen, 2,904 votes), Compton (Dir. Murph, 170 votes), Eastern Municipal Water District (Dir. Record, 1,815 votes), Foothill Municipal Water District (Dir. Edwards, 580 votes), Fullerton (Dir. Blake, 662 votes), Las Virgenes Municipal Water District (Dir. Peterson, 882 votes), Long Beach, (Dir. Hansen, 1,779 votes), Los Angeles (Ayes: Dirs. Castro, Freeman, Kosmont, Luddy, and Wein. Absent: Dirs. Herman and Moret. 18,608 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, Huntley, King, and Witt, 12,186 votes), Pasadena (Dir. Brick, 924 votes), San Diego County Water Authority (Ayes: Dirs. Krauel, Lewis, Parker, Turner, and Watton. Absent: Dir. Tinker. 14,791 votes), San Fernando (Dir. Rascon, 76 votes), San Marino (Dir. Morris, 203 votes), Santa Ana (Dir. Coughran, 1,049 votes), Santa Monica (Dir. Abdo, 1,016 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,589 votes), Torrance (Dir. Wright, 1,173 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Forbes. Absent: Dir. Fellow. 3,712 votes), West Basin Municipal Water District (Dirs. Barker, Little, and Murray, 6,493 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,731 votes). Total 88,605-1/3 votes.

Noes: None.

Abstains: Central Basin Municipal Water District (Dir. Pace, 1,948-2/3 votes).

Absent: Glendale (Dir. Rez, 1,075 votes). Total 1,117 votes.

The Chair declared the motion carried by a vote of 88,605-1/3 ayes, 1,948-2/3 abstain, and 1,117 absent.

43599 Budget and Finance Committee Interim Chairman Kosmont moved, seconded by Director Blake, that the Board reauthorize the General Manager to purchase up to \$75 million of Metropolitan bonds in the secondary market subject to the conditions described in the Detailed Report section of the General Manager's letter dated May 17, 1999, with this reauthorization to be effective July 1, 1999, and expire on June 30, 2000; and that if bonds are purchased the Pay-As-You-Go Fund would be used as the funding source.

A request was made for a roll call vote. The Chair called for a vote on the motion.

The following is a record of the vote on the motion:

Ayes: Anaheim (Dir. Stanton, 1,687 votes), Beverly Hills (Dir. Webster, 855 votes), Burbank (Dir. Battey, 889 votes), Calleguas Municipal Water District (Dirs. Borenstein and Grandson, 3,554 votes), Central Basin Municipal Water District (Dirs. Morse and Treviño, 3,897-1/3 votes), Inland Empire Utilities Agency (Dirs. Koopman and Troxel, 3,380 votes), Coastal Municipal Water District (Dirs. McMurray and Owen, 2,904 votes), Compton (Dir. Murph, 170 votes), Eastern Municipal Water District (Dir. Record, 1,815 votes), Foothill Municipal Water District (Dir. Edwards, 580 votes), Fullerton (Dir. Blake, 662 votes), Las Virgenes Municipal Water District (Dir. Peterson, 882 votes), Long Beach, (Dir. Hansen, 1,779 votes), Los Angeles (Ayes: Dirs. Castro, Freeman, Kosmont, Luddy, and Wein. Absent: Dirs. Herman and Moret. 18,608 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, Huntley, King, and Witt, 12,186 votes), Pasadena (Dir. Brick, 924 votes), San Diego County Water Authority (Ayes: Dirs. Krauel, Lewis, Parker, Turner, and Watton. Absent: Dir. Tinker. 14,791 votes), San Fernando (Dir. Rascon, 76 votes), San Marino (Dir. Morris, 203 votes), Santa Ana (Dir. Coughran, 1,049 votes), Santa Monica (Dir. Abdo, 1,016 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,589 votes), Torrance (Dir. Wright, 1,173 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Forbes. Absent: Dir. Fellow. 3,712 votes), West Basin Municipal Water District (Dirs. Barker, Little, and Murray, 6,493 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,731 votes). Total 88,605-1/3 votes.

Noes: None.

Abstains: Central Basin Municipal Water District (Dir. Pace, 1,948-2/3 votes).

Absent: Glendale (Dir. Rez, 1,075 votes). Total 1,117 votes.

The Chair declared the motion carried by a vote of 88,605-1/3 ayes, 1,948-2/3 abstain, and 1,117 absent.

43600 The following listed communications were submitted for the information of the Board:

- a. Letter of the General Manager dated May 14, 1999, reporting on the operating data for the month of April.
- b. Letter of the General Counsel dated May 25, 1999, transmitting the activity report of the Legal Department for the month of May.
- c. Letter of the Auditor dated May 25, 1999, transmitting the activity report of the Audit Department for the month of May.
- d. Letter of the General Manager dated May 21, 1999, transmitting the Executive Financial Summary for the month of April.
- e. Letter of the General Manager dated May 14, 1999, reporting on the operating equipment capitalization.
- f. Letter of the General Manager dated May 14, 1999, submitting the status report for the Inland Feeder Project for the month ending April 1999.
- g. Letter of the General Manager dated May 3, 1999, submitting the status report on Phase One of the Information Systems Strategic Plan covering the period from January 1, 1999 through March 31, 1999.

- h. Revised letter of the General Manager dated May 4, 1999, submitting the Quarterly Information Technology Projects Status Report.
- i. Letter of the General Manager dated April 15, 1999, submitting the Year 2000 Project Update.
- j. Letter of the General Manager dated May 18, 1999, transmitting the Operations Division May 1999 Operating Plan.

Directors Bannister, Kosmont, Lewis, Treviño, Webster, and Witt withdrew from the Meeting at 11:50 a.m.

43601 At 11:50 a.m., pursuant to Government Code Section 54956.9(b), the Chair called the Meeting into closed session to review Agenda Item 10-7, the monthly status report on the Eastside Reservoir Project for April 1999.

At 12:00 p.m., the Chair called the Meeting into open session, and reported no action was taken.

43602 At 12:01 p.m., there being no objection, Chairman Pace adjourned the Meeting in memory of employee Michael Walzer, a maintenance mechanic who tragically died on May 27, 1999, as a result of injuries he sustained while working at the La Verne machine shop.

HELEN Z. HANSEN
SECRETARY

PHILLIP J. PACE
CHAIRMAN