

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
MAY 11, 1999

43521 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, May 11, 1999.

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

43522 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

43523 The Pledge of Allegiance to the Flag was given, led by Director Jeffrey A. Borenstein.

43524 Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bannister, Barbosa, Barker, Battey, Blake, Borenstein, Brick, Coughran, Edwards, Fellow, Foley, Grandsen, Hansen, Herman, King, Koopman, Krauel, Krieger, Lewis, Little, McMurray, Moret, Morris, Morse, Mylne, Owen, Pace, Peterson, Rez, Tinker, Treviño, Troxel, Turner, Webster, Wein, Witt, and Wright.

Those not answering were: Directors Forbes, Freeman, Gilbert, Huntley, Kosmont, Luddy, Murph, Murray (entered 10:30 a.m.), Rascon, Stanton, and Watton.

The Chair declared a quorum present.

43525 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.

43526 Communications and Legislation Committee Chairman King stated the committee requested Agenda Items 10-24 and 10-25 be added to the Consent Calendar to become action items and that Agenda Item 10-23, Assembly Bill 1504 (Margett), the public contract termination bill, be deferred to the June meeting. Committee Chair King then moved, seconded by Director Barker and carried, that Items 10-24 and 10-25 be added to the Consent Calendar, and that Item 10-23 be deferred.

43527 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

Marilyn Stout, taxpayer from the Northridge area, commented on Agenda Item H, the report on Colorado River matters, and expressed her interest in hearing this discussion in open session and inquired as to why these negotiations are held in closed session. She requested that most of these negotiating sessions be held in open session for the benefit of the public.

Chairman Pace responded that most of these meetings are held in open session except when confidential negotiations are discussed.

David Czamanske of the Sierra Club commented on Agenda Items 9-2 and 9-8. Regarding Item 9-8, the implementation of the Lake Skinner Water Quality Protection Plan, he commended the Board for its proposal and urged a more comprehensive program be developed and remarked on the possibility of getting State and Federal matching funds to extend this type of program. On Item 9-2, loan agreements for design and construction of recreational boating facilities at the Eastside Reservoir, he urged the Board not to approve the Board letter as presented and requested the Board to consider alternatives. He reminded the Board that the primary purpose for construction of the Eastside Reservoir is to store drinking water for the use of 16 million residents in Southern California. In that regard, he urged that the boat launching and marina facility be designed for use by sailboats, kayaks, canoes, and other human and wind-powered vessels and, if appropriate, boats with electric motors.

43528 There being no objection, the Chair ordered the reading of the Minutes of the Meeting held January 12, 1999, dispensed with, a copy having been mailed to each Director.

Director Coughran moved, seconded by Director Fellow and carried, approving the foregoing Minutes as mailed.

43529 The General Counsel's letter dated April 28, 1999, was presented, transmitting the credentials evidencing the appointment by Foothill Municipal Water District of James T. Edwards as its representative on Metropolitan's Board for an indefinite term, replacing William T. O'Neil.

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. Edwards on May 10, 1999, and ordered the Oath filed.

Following an introduction by Director Bannister, Director Edwards took his seat as a Director representing Foothill Municipal Water District.

The Chair ordered the Oath of Office received and filed.

43530 Chairman Pace presented a Commendatory Resolution to former Director Carolyn Green, who represented the City of Los Angeles from 1992 through 1995 and 1996 through 1997.

Director Murray took his seat at 10:30 a.m.

43531 Director Peterson moved, seconded by Director Blake and carried, approving the committee appointments as recommended by the Chair and approved by the Executive Committee that Director Edwards be assigned to the Legal and Claims and Budget and Finance Committees.

43532 Director Krieger moved, seconded by Director Morris and carried, authorizing the preparation of a Commendatory Resolution for former Director William T. O'Neil, who represented Foothill Municipal Water District from 1992 to 1999.

43533 Director Blake moved, seconded by Director Wright and carried, authorizing the preparation of a Certificate of Appreciation for former General Manager John R. Wodraska who served from 1993 to 1998.

43534 Chairman Pace reported on various events in which he participated during the months of April and May on behalf of Metropolitan, as follows: April 14, he met with Western Municipal Water District's board and discussed Colorado River issues as well as the changes taking place at Metropolitan. April 15, he addressed the Hispanic Employees Association and talked about the positive changes taking place at Metropolitan and the District's continuing commitment to the diversity programs. April 21, he met with Foothill Municipal Water District's board and there witnessed the selection of Jim Edwards as Foothill's new Metropolitan's representative.

Regarding the Colorado River negotiations, the Negotiating Team participated in three different sessions with IID, Coachella, David Hayes, and Tom Hannigan. The first of these meetings was held in Sacramento on April 22. Another meeting was held on April 29 at Metropolitan and focused on conjunctive use and river reoperations. In the first week of May meetings were held at Lake Tahoe during the ACWA conference. On May 13 the technical staff from Metropolitan and IID will meet to work on water-use efficiency issues. Next week the full Negotiating Team will travel to Tucson for a three-day session.

On April 19 Metropolitan sponsored a booth at the Salesian Boys & Girls Club Community Health Fair, where attendees from both the English and Spanish speaking communities were particularly interested in water conservation. Assemblymember Dr. Gloria Romero presented Metropolitan with a "Certificate of Recognition" for its participation.

Chairman Pace reported that on the recommendation of former Director Ibbetson, Director King has been elected to membership in the Counselors of Real Estate, an exclusive group of real estate brokers all over the country who are under the umbrella of the National Association of Realtors, whose membership is by invitation of a standing member.

Director King reported the Headquarters Building received the 25th Annual Concrete Excellence Award for 1998 from the Southern California Ready Mix Concrete Association for the best concrete commercial building, and was nominated as a finalist for the Rose award by the Downtown Breakfast Club for the landscaping in the plaza.

43535 Strategic Plan Steering Committee Vice Chairman Brick announced that the Board would soon be presented with a condensed set of alternative models or strategies to consider for the future roles and responsibilities of Metropolitan and its member agencies in meeting the water supply needs of the region. These alternative models were developed by Metropolitan's consultants, based on feedback from the Board, member agencies, and outside stakeholders, and are intended to generate discussion regarding broad policy issues that will define Metropolitan's future vision and mission. Director Brick encouraged Directors to attend the Steering Committee meeting on May 13, and to discuss the models with their member agencies and governing boards in the months to come.

43536 On the Colorado River matters, General Manager Gastelum reported that staff has prepared a proposal on Colorado River reoperations to be delivered to the negotiating parties this week, and staff will be taking a very active role in further discussions as the Secretary of the Interior moves forward to promulgate proposed reoperations. The discussions have been concentrated on water efficiency, water conservation opportunities in IID; and those discussions will be continued at the next meeting on Thursday. Staff is preparing for the negotiations a proposed methodology for an agreed-upon and potential additional conservation measures. Mr. Gastelum stated that staff is working on an accelerated schedule and he is optimistic that by the June 16 deadline a conceptual agreement may be possible on the major issues.

Reporting on activities from the Colorado River Board meeting held in Lake Tahoe at the ACWA conference, Director Foley stated that the board unanimously adopted a motion supporting the declaration of a surplus condition on the Colorado River system for next year, and the executive director was requested to so inform the Bureau of Reclamation. The board also adopted another motion authorizing the executive director to take a position that the draft report on the 1999 review of the Colorado River system water quality standards be revised to include the salinity control plan for implementation. The board also received a report from its facilitator from its March 31-April 1 retreat. Metropolitan was selected as the lead agency to handle the CEQA requirements for the EIR on the multi-species conservation plan for the lower river.

Director Blake reported that the Colorado River Water Users Association's board of trustees meeting will be held on Friday, May 14, 1999, and after listening to all the Colorado River reports today, he asked if there was any message or resolution that should be taken to this board meeting.

43537 General Manager Gastelum reported on the organization of the senior management staff and an appropriate response to the wheeling legislation in Sacramento. Reorganization memos were distributed to Directors, member agencies, and employees. Three work groups have been organized--the Competitive Challenge Team, the Budget Review Team, and the Communications Strategy Team. The District priorities have been established and assigned to the appropriate staff, and a 90-day review plan will be presented at the June Board Meeting. Assistant General Manager Joe Tait will be heading up the Competitive Challenge Team and the Budget Review Team, with Executive Assistant Adán Ortega heading up the strategy on communications. The recommendations on the communications strategy will be reported to the Board in June.

Regarding the wheeling matter, General Manager Gastelum reported that the technical evaluation of Senate Bill 506 (Peace) and other legislative proposals is proceeding. The evaluation will clarify the intent and provisions of the proposals, assess the impact of these proposals on Metropolitan and its member agencies, and identify opportunities to establish viable wheeling arrangements. A peer review group consisting of independent economic and financial experts will review the evaluation to ensure the analytical methodology is sound. The technical evaluation will be provided to the member agencies for review and then presented to the Board for consideration at the June meeting. Mr. Gastelum stated that Metropolitan's status quo will be looked at in identifying the impacts and that there would not be any prejudging or recommending how changes might be made within the District. A Phase 2 evaluation to deal with any problems or any impacts identified in the analysis will follow.

General Manager Gastelum reported the final analysis on the Eastside Reservoir has been completed by the firm of Vargas, Lopez and a management response has been distributed to all Directors and member agencies. Also, he and other key staff members attended the ACWA conference and met with various water industry leaders and participated in a number of sessions. The staff did not participate to a level as has been in the past, and a review is being made of staff participation at conferences in view of the costs and duplication of effort. Mr. Gastelum then introduced Adán Ortega, Executive Assistant to the General Manager for External Affairs.

Chairman Pace announced the Board hosted a reception yesterday evening to introduce General Manager Gastelum and his new management team.

Director Krauel commented on the wheeling proposals and the process that was developed and presented at the Legal and Claims Committee meeting. She stated that San Diego is concerned that Metropolitan intends to go out to the member agencies without having discussed San Diego's proposal with them even though they have offered to discuss it several times. Director Krauel requested that the letter from San Diego County Water Authority, signed by Joseph Parker, Chair, dated May 11, 1999, regarding Senate Bill 506 (Peace) be distributed to all Board members.

43538 General Counsel Taylor reported on four cases: In the Cal Plaza rent adjustment litigation, pursuant to our request, the trial court has assigned a retired judge, Judge Weil, to hear that matter. In the Bolsa Chica case, a tentative settlement has been reached regarding past due royalties and Metropolitan is now working to get a transfer of the property to the State Lands Commission which owns the remainder of the lowlands in that area for ecological reserve. In the Central Valley Project litigation, the court has signed an order in which the Federal government has to reserve enough water for contractors, and if it is incorrect then a determination of how much water is necessary for the environment, that there will be remaining water for the state contractors this season. This was a substantial accomplishment for the CVP contractors which Metropolitan is supporting. In the matter challenging the designation of the splittail, a suit will be filed within the week by the State contractors, but none of the member agencies will be joining, at least initially, because none of our sixty-day notices have run. However, if a determination has been made, it is important that the State Water Contractors, as a single entity, gets its action on file; and Metropolitan will also file shortly thereafter seeking the same relief as the CVP contractors.

43539 The reports of the Standing Committee Chairs are as follows:

On behalf of the Executive Committee, Chairman Pace had nothing further to report but thanked the Directors for their attendance at the Executive Committee meeting.

On behalf of the Budget and Finance Committee, Director Blake reported that the committee deferred Agenda Item 9-3, the increase in the 1998-99 Annual Budget Appropriation and the use of the Water Rate Stabilization Funds. Regarding Agenda Item 10-30, the PricewaterhouseCoopers budget analysis report discussed the existing budget process and made a series of recommendations for improvements to the process. The committee has forwarded the report to the full Board for review by all

Directors, and the committee intends to prepare its own recommendations based on the report which the committee will bring back to the Board for action in the coming months.

Engineering and Operations Committee Vice Chairman Tinker reported that as part of the enhanced oversight on the Inland Feeder and Eastside Reservoir, there were updates from the Project Manager, Dennis Majors. On the financial side, he would like to have Mr. Majors give a report to the full Board on Agenda Item 10-9, the Inland Feeder status report, at today's Meeting. Director Tinker reminded the Board of the CIP workshop to be held today from 1:00-3:00 p.m.

Communications and Legislation Committee Chairman King reported the committee heard from both the Sacramento and Washington staff regarding activities occurring in those locations. Director King commented on the information items the committee had discussed and approved, which he requested earlier in the Meeting be added to the Consent Calendar for action. The Subcommittee on Communications will have its meeting immediately following the Board Meeting.

Legal and Claims Committee Chairman Owen reported the committee spent the majority of the time on wheeling alternatives.

Water Planning and Resources Committee Vice Chairman reported the committee will hold a workshop on May 18 at approximately 12 noon to study the Bay-Delta and CALFED issues relating to Metropolitan.

43540 Chairman Pace stated that Agenda Items 8-2, 8-7, and 9-3 have been withdrawn from the Agenda; Items 9-1, 9-4, and 10-25 have been added to the Consent Calendar; and Items 8-5 and 10-24 have been withdrawn from the Consent Calendar.

Director King moved, seconded by Director Foley and carried, and the Board approved the Consent Calendar Items, **M.I. 43541** through **M.I. 43547**, as follows:

43541 Authorized the General Manager to (1) bind \$75 million of liability insurance, in excess of the \$25 million Self-Insurance Retention, with the Insurance Company of the State of Pennsylvania at a net premium of \$328,000 for fiscal year 1999-2000; and (2) negotiate \$75 million of liability insurance, in excess of the \$25 million Self-Retention, with the Insurance Company of the State of Pennsylvania at a maximum net premium of

\$328,000 for fiscal year 2000-2001, as set forth in the General Manager's letter dated April 15, 1999.

43542 The Board (1) expressed support for Assembly Bill 516 (Wayne), the California Safe Drinking Water Bond Act of 2000; and (2) sought further amendments to Senate Bill 530 (Costa), Assembly Bill 564 (Machado), and Assembly Bill 1239 (Leonard), all general obligation bond measures to provide critical funding for water quality, water supply and flood protection programs, in coordination with member agencies and other Southern California constituencies working to secure a fair share of funding for Southern California projects. The Board further directed staff to seek amendments to SB 530, AB 564, and AB 1239 which would (a) provide appropriate State funding for CALFED Stage 1 projects; (b) encourage the use of conjunctive use projects statewide; (c) fund salinity management programs, including research and development of cost-effective desalination technologies; and (d) authorize investor-owned utilities access to grant and loan funds under the Safe Drinking Water and Conservation Programs, as set forth in the General Manager's letter dated May 5, 1999.

43543 Expressed support for Assembly Bill 703 (Lempert) to limit the discharge of exotic species in ballast water discharges from ships, as set forth in the General Manager's revised letter dated May 7, 1999.

43544 Expressed support for Senate Bill 552 (Kelley) requiring reports to the Legislature on the Eastside Reservoir and Inland Feeder Projects, as set forth in the General Manager's revised letter dated May 7, 1999.

43545 To construct Vehicle Maintenance and Service Center Buildings and a Firewater Pump Station at the Joseph Jensen Filtration Plant, the Board (1) authorized \$8,220,000 to Appropriation No. 15173 (No. 6), to a total of \$86,920,000, from the Revenue Bond Construction/Pay-As-You-Go Funds, to finance all budgeted costs; and (2) awarded a lump-sum construction contract in the amount of \$6,381,000 to Merco Construction Engineers, Inc., with an option for a two-year fire alarm system maintenance contract in an amount not to exceed \$2,000, subject to the contract being in form approved by the General Counsel, as set forth in the General Manager's letter dated April 16, 1999.

43546 Adopted **Resolution 8631** shown as Exhibit A to the General Manager's letter dated April 15, 1999, imposing a water standby charge on real property within Metropolitan's service area (excluding certain newly annexed areas) to which water is made available for any purpose by Metropolitan, whether the water

is actually used or not, subject to exemptions as provided, said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING
WATER STANDBY CHARGES FOR FISCAL YEAR 1999-2000**

Chairman Pace noted that four letters protesting the standby charge were received, which did not constitute a majority.

43547 Expressed support for Senate Bill 1107 (Sher) which would authorize the California Department of Health Services to make the necessary changes to its operator certification program to comply with the provisions of the Federal Safe Drinking Water Act, as set forth in the General Manager's letter dated April 28, 1999, and revised by his letter of May 11, 1999.

43548 Vice Chairman Barbosa asked for some clarification on the Federal bill, H.R. 910 (Dreier), Section 2(b), which states: "The Secretary shall administer such Fund in cooperation with the San Gabriel Basin Water Quality Authority, or its successor agency." Vice Chairman Barbosa requested staff to check out who is delineated as the successor agency to take on this responsibility in case the Water Quality Authority expires, since the Authority is important to the San Gabriel Valley and to Three Valleys Municipal Water District.

Vice Chairman Barbosa then moved, seconded by Director Rez and carried, and the Board expressed support for H.R. 910 (Dreier), Senate Joint Resolution 8 (Solis), Assembly Bill 1217 (Gallegos), and Assembly Bill 1420 (Margett) to help fund cleanup of groundwater contaminated by volatile organic compound and perchlorate in the Main San Gabriel Basin, as set forth in the General Manager's letter dated April 26, 1999.

Director Brick withdrew from the Meeting at 11:00 a.m.

Director Krauel withdrew from the Meeting at 11:02 a.m.

43549 Director Morris stated he was asked by the bill proponents to represent them at yesterday's hearing as a technical expert in salinity management and water recycling. At the hearing Senator Sher offered four amendments to Senate Bill 1006 (Costa). The amendments call for (1) an immediate improvement in efficiency standard for water softeners, (2) mutual regulation of commercial and industrial discharges along with home softeners in the most technologically and economically

feasible manner, (3) local agency restriction on softener types based on demand management, and (4) a local agency requirement to adopt findings of fact on the necessity of controlling salinity discharge.

Director Morris then moved, seconded by Director Blake and carried, expressing support for Senate Bill 1006 (Costa) which would modify the State Health and Safety Code to provide local agencies with authority to regulate the discharge of residential brine waste from water softening devices to sewer systems, as set forth in the General Manager's letter dated April 23, 1999, and revised by his letter dated May 10, 1999.

Director Brick returned to the meeting at 11:05 a.m.

43550 In reference to Agenda Item 9-2, the authorization to enter into loan and grant programs with the California Department of Boating and Waterways for design and construction of Phase 1 of the marina facilities, Engineering and Operations Committee Vice Chairman Tinker stated the committee considered this item and had a number of concerns. The final vote on this matter was not to accept the staff's recommendation. Director Tinker went through some of the issues that were of concern to a number of committee members, such as: requirement of a minimum of 8,000 boats per year, if not, then Metropolitan would be obligated to repay some of the grant money; some maximum/minimum restrictions on boating fees and access fees; additionally in the Senate budget bill, there has been an item which would require Metropolitan to pay a dollar for dollar matching funds for construction of the paleontology museum equal to the dollars that Metropolitan get from the State in grant money for Phase 2 and beyond. Another item of concern was a sole source contract awarding the design to Moffat and Nichol who has been Metropolitan's consultant on recreational facilities.

Director Tinker stated that staff has agreed to bring forward to the Board today some other options to consider since the committee was unable to come up with an alternative.

Following a lengthy discussion, Director Morris moved, seconded by Director Coughran, to approve Option 1 as set forth on the attachment entitled "DBAW Grants Loans - Board Options", and which attachment was made a part of the General Manager's letter dated April 16, 1999.

After further discussion, Vice Chairman Barbosa moved a substitute motion, seconded by Vice Chairman Brick, to approve Option 2 as set forth in the foregoing attachment.

A request was made for a roll call vote. The Chair called for a vote on the substitute 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, Pace and Treviño, 5,846 votes), Glendale (Dir. Rez, 1,117 votes), Long Beach, (Dir. Hansen, 1,779 votes), Los Angeles (Ayes: Dirs. Herman, Moret, and Wein. Absent: Dirs. Freeman, Kosmont, and Luddy. 18,608 votes), Municipal Water District of Orange County (Dir. King, 3,046-1/2 votes), Pasadena (Dir. Brick, 924 votes), San Diego County Water Authority (Ayes: Dirs. Lewis, Tinker, and Turner. Absent: Dirs. Krauel and Watton. 14,791 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,589 votes), Torrance (Dir. Wright, 1,173 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 64,395-1/2 votes.

Noes: Inland Empire Utilities Agency (Dirs. Koopman and Troxel, 3,380 votes), Coastal Municipal Water District (Dirs. McMurray and Owen, 2,904 votes), Fullerton (Dir. Blake, 662 votes), Las Virgenes Municipal Water District (Dir. Peterson, 882 votes), Municipal Water District of Orange County (Noes: Dirs. Foley and Witt. Absent: Dir. Huntley. 6,093 votes), San Marino (Dir. Morris, 203 votes), Santa Ana (Dir. Coughran, 1,049 votes), Santa Monica (Dir. Abdo, 1,016 votes), Upper San Gabriel Valley Municipal Water District (No: Dir. Fellow. Absent: Dir. Forbes. 3,712 votes). Total 19,901 votes.

Abstains: Foothill Municipal Water District (Dir. Edwards, 580 votes), Municipal Water District (Dir. Bannister, 3,406-1/2 votes). Total 3,626-1/2 votes.

Absent: Anaheim (Dir. Stanton, 1,687 votes), Compton (Dir. Murph, 170 votes), Eastern Municipal Water District (Dir. Gilbert, 1,815 votes), San Fernando (Dir. Rascon, 76 votes). Total 3,748 votes.

The Chair declared the motion carried by a vote of 64,395-1/2 ayes, 19,901 noes, 3,626-1/2 abstain, and 3,748 absent.

43551 Vice Chairman Barbosa moved, seconded by Director Morris, authorizing (1) Appropriation No. 15347 in the amount of \$3,000,000 from the Pay-As-You-Go Fund for the acquisition of

real property and interests in real property (conservation easements) within the Lake Skinner watershed for purposes of protecting against land uses which would contribute pollutants to the reservoir; (2) the Manager of Real Estate Services to expend the appropriate funds for the acquisition of real property and interests in real property identified by the Chief of Operations and the Director of Water Quality within the Lake Skinner watershed, with the Board approving all individual purchases exceeding the General Manager's authority of \$250,000, and all property purchases shall be voluntary with no acquisition to be made under threat of exercise of eminent domain; and (3) the Manager of Real Estate Services, with approval of the General Counsel, to enter into appropriate agreements with the Reserve Management Committee of the Southwestern Riverside County Multi-Species Reserve and others to implement this plan, as set forth in the General Manager's letter dated April 21, 1999.

Director Tinker stated he was not opposed to this budget whatsoever as he believed it is something absolutely necessary. However, he did not believe the plan has been put together fully in terms of watershed protection. He is concerned about the caveat that eminent domain is not going to be used. If Metropolitan funds a plan put together based on scientific data, it may require the use of eminent domain to get the lands which it needs to do the job. Director Tinker felt that restrictions are being put on the process, and that the job may not get done. Without a more detailed plan of what will be required, he asked why would Metropolitan be buying particular parcels. Director Tinker requested a more detailed report be submitted before a vote is taken.

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

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

43552 The following listed communications were submitted for the information of the Board:

- a. Letter of the General Manager dated April 16, 1999, reporting on the operating data for the month of March.
- b. Letter of the General Counsel dated April 23, 1999, transmitting the activity report of the Legal Department for the month of April.

- c. Letter of the Auditor dated April 23, 1999, transmitting the activity report of the Audit Department for the month of April.
- d. Letter of the General Manager dated April 23, 1999, transmitting the Executive Financial Summary for the month of March.
- e. Letter of the General Manager dated April 13, 1999, reporting on policies and procedures on accounting for research and development costs and intangible assets.
- f. Letter of the General Manager dated April 16, 1999, submitting the quarterly report on changes in funding sources for capital program expenditures.
- g. Letter of the General Manager dated April 23, 1999, submitting the March 1999 Variance Report.
- h. Letter of the General Manager dated April 23, 1999, submitting the status report for the Eastside Reservoir Project for the month ending March 1999.
- i. Letter of the General Manager dated April 16, 1999, submitting a progress report on major capital programs.
- j. Letter of the General Manager dated April 16, 1999, reporting on Engineer's estimates for construction projects.
- k. Letter of the General Manager dated April 16, 1999, submitting an update on disinfectants and disinfection by-products regulations.
- l. Letter of the General Manager dated April 23, 1999, submitting an update on electric utility restructuring.
- m. Letter of the General Manager dated April 23, 1999, reporting on compliance activities for USEPA Risk Management Program Rule.
- n. Letter of the General Manager dated April 6, 1999, transmitting the Fifth Annual Stewardship Report on Eastside Reservoir Project's Owner-Controlled Insurance Program.

- o. Letter of the General Manager dated April 6, 1999, transmitting the Second Annual Stewardship Report on Inland Feeder Project Owner-Controlled Insurance Program.
- p. Letter of the General Manager dated April 23, 1999, submitting a status report on CALFED's Ecosystem Restoration Program.)
- q. Letter of the General Manager dated April 23, 1999, submitting the principles of participation for American Basin Supply Project.
- r. Letter of the General Manager dated April 20, 1999, submitting an update on arsenic regulation.
- s. Letter of the General Manager dated April 14, 1999, reporting on the status of State Water Resources Control Board Water Rights Hearings to Implement Water Quality Control Plan.
- t. Letter of the General Manager dated April 23, 1999, reporting on Pacific Gas & Electric hydroelectric system divestiture.
- u. Letter of the General Manager dated April 22, 1999, submitting an update on MTBE phase-out.
- v. Letter of the General Manager dated May 7, 1999, transmitting Management's response to the report of Vargas, Lopez and Company, LLP, regarding the firm's audit of the Eastside Reservoir Project.
- w. Letter of the General Manager dated April 13, 1999, submitting a status report relating to KPMG's management letter for the year ended June 30, 1998.
- x. Letter of the General Manager dated April 22, 1999, transmitting the Budget Analysis Report prepared by PricewaterhouseCoopers.
- y. Letter of the General Manager dated April 15, 1999, transmitting the annual report on organizational memberships.

Director Rez withdrew from the Meeting at 11:42 a.m.

43553 Regarding Agenda Item 10-9, the status report for the Inland Feeder Program for the month ending March 1999, Project Manager Dennis Majors explained the pressure grouting in the tunnel.

Directors Brick and Mylne withdrew from the Meeting at 11:45 a.m.

43554 Director Lewis made reference to the discussion at the Executive Committee meeting regarding the report of Vargas, Lopez and Company on the Eastside Reservoir Project audit. He expressed his concerns that upper management was responsible for this situation. Director Lewis then made a motion that the Board terminate General Counsel Taylor. General Counsel Taylor stated the motion was out of order but it could be calendared for a future meeting. Due to a lack of a second, the motion died.

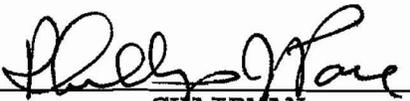
43555 The following listed items were received as pending items and will be discussed at a later date:

- a. 1999-2000 Proposed Annual Budget.
- b. Annual Statement of Investment Policy.
- c. Principles for participation in the development of a procedure for introduction of non-project water in the California Aqueduct.

43556 Chairman Pace reminded Directors of the Subcommittee on Communications meeting to be held immediately following the Board Meeting today, and that Vice Chairman Brick will chair the CIP workshop scheduled for approximately 1:00 p.m. today. Chairman Pace announced that a luncheon will be held on June 7 for all the new Directors who have recently been seated on Metropolitan's Board.

43557 There being no objection, Chairman Pace adjourned the Meeting at 11:55 a.m.


SECRETARY


CHAIRMAN