

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUGUST 17, 1999

43649 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, August 17, 1999.

The Meeting was called to order by Chairman Pace at 10:20 a.m.

43650 The Meeting was opened with an invocation by Director Kenneth H. Witt.

43651 The Pledge of Allegiance to the Flag was given, led by Director George E. Battey, Jr.

43652 Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bannister, Barbosa, Barker, Battey, Blake, Borenstein, Brick, Castro, Coughran, Edwards, Foley, Forbes, Grandsen, Hansen, Herman, Huntley, Koopman, Krauel, Krieger, Lewis, Little, Luddy, McMurray, Moret, Morris, Murph, Murray, Mylne, Owen, Pace, Parker, Peterson, Rascon, Record, Rez, Stanton, Tinker, Turner, Watton, Wein, Witt, and Wright.

Those not answering were: Directors Fellow, Freeman, Kosmont, Morse, Treviño (entered 11:19 a.m.), Troxel, and Webster.

The Chair declared a quorum present.

43653 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.

43654 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

Jim Warden of Shea Homes stated that his company is the owner of approximately 98 percent of the land area covered under Calleguas Annexation No. 58 and he fully supports the acceptance of paying the standby charges and having the annexation go forward.

43655 At 10:26 a.m., Chairman Pace called a public hearing to receive comments on the proposed standby charges for Calleguas Annexation No. 58 and Western's Fortieth Fringe Area Annexation.

No other member of the public responded; and after tabulation of the ballots was completed and with no protests filed, Chairman Pace closed the public hearing at 10:27 a.m.

43656 There being no objection, the Chair ordered the reading of the Minutes of the Meetings held March 29 and April 13, 1999, dispensed with, copies having been mailed to each Director.

Director Morris moved, seconded by Director Blake and carried, approving the foregoing Minutes as mailed.

43657 Director Blake moved, seconded by Director Murph and carried, authorizing the preparation of a Commendatory Resolution for former Director Jerry A. King, who represented Municipal Water District of Orange County.

43658 Chairman Pace presented a Commendatory Resolution to former Director Jerry A. King, who represented Municipal Water District of Orange County from January 1994 to July 1999.

43659 Chairman Pace presented a Certificate of Appreciation to Director John T. Morris for his annual barbecues held for the Board.

43660 Chairman Pace presented to Director John V. Foley a pin emblematic of his completion of ten years of service as a representative of Municipal Water District of Orange County on August 22, 1999.

43661 The Chair ordered the Declaration of the Executive Secretary as to posting the Notice of Adjournment of the Regular Meeting of August 10, 1999, to August 17, 1999, received and filed.

43662 Vice Chairman Brick moved, seconded by Director Blake and carried, approving the committee appointment as recommended by the Chair and approved by the Executive Committee, that Director Peterson be transferred to the Water Planning and Resources Committee from the Budget and Finance Committee.

43663 Chairman Pace reported on events in which he participated on behalf of Metropolitan, as follows: July 26, he was the keynote speaker at the dedication of the South El Monte Groundwater Cleanup Barrier Project, which project is an important step in protecting the region's groundwater basins and is a good example of how a public/private partnership can work; July 29, he and General Manager Gastelum attended a San Gabriel Valley networking breakfast where ideas and concerns were exchanged with member agencies, local elected officials, and business leaders; August 5, he and Assistant General Manager Tait met with the City of Anaheim's general manager and his staff, and the Public Utility board, who expressed support for Metropolitan's internal reorganization and the Strategic Planning process.

Regarding the Office of Ethics, Chairman Pace stated the staff has been developing alternatives for the Board's consideration. Issues under review include the hiring and classification of the Ethics Officer, possible redirection of existing staff resources, scope of work and priorities involving codes of conduct, and rules and procedures. A formal report will be given by staff at the October Board Meeting.

Chairman Pace stated the new Directors' workshop on July 31 was worthwhile, and called on Vice Chairman Brick for a report. Vice Chairman Brick reported the workshop was a very good session which provided a broad overview of the fundamental

policies and programs under Metropolitan. The Directors received an update on the Integrated Resources Plan, water quality issues, and annexation procedures; and took a tour of the water quality lab. There was a good sign-up rate for the Directors' mentoring program, which will be implemented fully at a later date.

43664 Board Executive Officer Ivey made reference to the General Manager's letter dated July 26, 1999, on the progress of the Strategic Plan and interim investment strategies. The Chair called on member agency representatives who wished to make a comment.

Matt Stone of Municipal Water District of Orange County commented on the interim investment strategies which led to the outcome that balanced Metropolitan's continued commitment to invest in local resources, to partnering with local agencies, and to fulfill the IRP objectives. He stated there was a balanced discussion on the need to secure revenue and other issues which fall under the Strategic Plan.

David McCollum, General Manager of Olivenhain Municipal Water District made reference to the Local Resources Program and urged the Board to go ahead with the program, especially on Agenda Item 8-4, the Olivenhain Recycled Water Project-Southeast Quadrant. He supports Metropolitan's partnering with the member agencies.

Strategic Plan Steering Committee Vice Chairman Brick commented on the discussions that took place at both the meetings of the Water Planning and Resources and the Executive Committees yesterday and today which have given everyone a taste of what is at stake and what are the decisions to be made in regard to the Strategic Plan process. He stated that everyone is now beginning to understand the great importance of Metropolitan's resource and conservation programs and how they all fit into the process. In the next few months the Board will focus on the process to bring the Strategic Plan to closure. Next month's workshop will begin with detailed discussion of what some of the programmatic issues are in the Strategic Plan process.

Board Executive Officer Ivey reported on the Strategic Plan by laying out the schedule and milestones for bringing closure to the Board policy portion (Phase 1) of the Strategic Planning process by the end of 1999. He began by defining the end-point of Phase 1 as the Board's adoption of policy objectives and principles for the services Metropolitan provides its customers, including the associated rate structure. To accomplish this, the Board will hold workshops in September and November to focus on the issues central to the process. The September workshop will serve to provide the Board with internal and external perspectives on what Metropolitan's role should be. The internal perspective will come from a panel of member agency or customer representatives. The external perspective will be provided by a series of presentations by key stakeholders and industry representatives. In November, the Board will begin deliberating the policy issues that will ultimately be shaped into principles for Metropolitan's future role. It is expected that the Board will adopt a set of principles in December or January.

General Manager Gastelum requested the Board's input since there are diverse issues that have been suggested, and it is the staff's desire to identify the process that works for the Board and that all issues are fairly considered.

Following a discussion on how current projects under the Local Resources Program would affect the Strategic Plan (see M.I. 43676), Vice Chairman Brick moved, seconded by Director Blake, that the Board direct the General Manager to exclude a renegotiation provision based upon the outcome of the Strategic Plan and/or wheeling litigation or legislation in the fourteen competitively selected projects under the Local Resources Program.

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, 1,776 votes), Burbank (Dir. Battey, 935 votes), Calleguas Municipal Water District (Dirs. Borenstein and Grandson, 3,813 votes), Coastal Municipal

Water District (Dirs. McMurray and Owen, 3,151 votes), Compton (Dir. Murph, 176 votes), Eastern Municipal Water District (Dir. Record, 1,857 votes), Foothill Municipal Water District (Dir. Edwards, 630 votes), Fullerton (Dir. Blake, 707 votes), Glendale (Dir. Rez, 1,191 votes), Inland Empire Utilities Agency (Aye: Dir. Koopman. Absent: Dir. Troxel. 3,507 votes), Las Virgenes Municipal Water District (Dir. Peterson, 960 votes), Long Beach, (Dir. Hansen, 1,806 votes), Los Angeles (Dir. Herman, 3,971 votes), Municipal Water District of Orange County (Dirs. Huntley and Witt, 6,681-1/2 votes), Pasadena (Dir. Brick, 973 votes), San Fernando (Dir. Rascon, 78 votes), San Marino (Dir. Morris, 221 votes), Santa Ana (Dir. Coughran, 1,118 votes), Santa Monica (Dir. Abdo, 1,129 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,711 votes), Torrance (Dir. Wright, 1,241 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Fellow. Absent: Dir. Forbes. 3,837 votes), West Basin Municipal Water District (Dirs. Barker, Little, and Murray, 6,980 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,883 votes). Total 52,333-1/2 votes.

Noes: Los Angeles (Dirs. Castro, Luddy, Moret, and Wein. Absent: Dirs. Freeman and Kosmont. 15,884 votes) Total 15,884 votes.

Abstains: Central Basin Municipal Water District (Abstain: Dir. Pace. Absent: Dirs. Morse and Treviño. 6,069 votes), Municipal Water District of Orange County (Dirs. Bannister and Foley, 6,681-1/2 votes), San Diego County Water Authority (Dirs. Krauel, Lewis, Parker, Tinker, Turner, and Watton, 16,443 votes). Total 29,193-1/2 votes.

Absent: Beverly Hills (Dir. Webster, 959 votes). Total 959 votes.

The Chair declared the motion carried by a vote of 52,333-1/2 ayes, 15,884 noes, 29,193-1/2 abstain, and 959 absent.

Director Treviño took his seat at 11:19 a.m.

Director Herman withdrew from the Meeting at 11:19 a.m.

Director Turner withdrew from the Meeting at 11:21 a.m.

43665 Vice Chairman Barbosa moved, seconded by Director Blake, that the Board adopt the Policy Principles on Board-Appointed Officers' Linkage, Executive Limitations, and Board Governance Process as set forth in Attachment No. 1 to the Subcommittee on Rules Chairman's letter dated July 28, 1999, and refer to the Executive Committee the issues of the appropriate levels of contracting and settlement authority for the General Manager, General Counsel, and Auditor.

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, 1,776 votes), Burbank (Dir. Battey, 935 votes), Calleguas Municipal Water District (Dirs. Borenstein and Grandsen, 3,813 votes), Coastal Municipal Water District (Dirs. McMurray and Owen, 3,151 votes), Compton (Dir. Murph, 176 votes), Eastern Municipal Water District (Dir. Record, 1,857 votes), Foothill Municipal Water District (Dir. Edwards, 630 votes), Fullerton (Dir. Blake, 707 votes), Glendale (Dir. Rez, 1,191 votes), Inland Empire Utilities Agency (Aye: Dir. Koopman. Absent: Dir. Troxel. 3,507 votes), Las Virgenes Municipal Water District (Dir. Peterson, 960 votes), Long Beach, (Dir. Hansen, 1,806 votes), Los Angeles (Ayes: Dirs. Castro, Luddy, Moret, and Wein. Absent: Dirs. Freeman, Herman, and Kosmont. 19,855 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, Huntley, and Witt, 13,363 votes), Pasadena (Dir. Brick, 973 votes), San Diego County Water Authority (Ayes: Dirs. Krauel, Lewis, Parker, Tinker, and Watton. Absent: Dir. Turner. 16,443 votes), San Fernando (Dir. Rascon, 78 votes), San Marino (Dir. Morris, 221 votes), Santa Ana (Dir. Coughran, 1,118 votes), Santa Monica (Dir. Abdo, 1,129 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,711 votes), Torrance (Dir. Wright, 1,241 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Forbes. Absent: Dir. Fellow. 3,837 votes), West Basin Municipal Water District (Dirs. Barker, Little, and Murray, 6,980 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,883 votes). Total 91,341 votes.

Noes: None.

Abstains: Central Basin Municipal Water District
(Abstain: Dirs. Pace and Treviño. Absent: Dir. Morse. 6,069
votes). Total 6,069 votes.

Absent: Beverly Hills (Dir. Webster, 959 votes). Total
959 votes.

The Chair declared the motion carried by a vote of
91,341 ayes, 6,069 abstain, and 959 absent.

43666 A letter from the General Manager dated August 13,
1999, was presented, reporting that the Original Certificates of
the County Auditors for the six counties in which areas of the
District lie are on file in the Office of the Controller,
certifying the fiscal year 1999-2000 assessed valuations of all
property used for calculating Metropolitan's tax. There being no
objection, Chairman Pace ordered the tabulations transmitted with
the foregoing letter from the General Manager setting forth the
assessed valuations, percentage participation, and vote
entitlement of member public agencies of The Metropolitan Water
District of Southern California, as of August 17, 1999, based on
certificates of assessed valuation of property taxable by
Metropolitan for fiscal year 1999-2000, as submitted by the
various County Auditors, be filed, spread on the Minutes, and
that the Executive Secretary be directed to send a copy to each
absent Director and to each member public agency.

Assessed Valuations, Percentage Participation, and Vote
Entitlement of Member Public Agencies of
The Metropolitan Water District of Southern California
as of August 17, 1999

Assessed Valuation

<u>Member Agency</u>	<u>Amount Certified</u>	<u>Percent of Total</u>	<u>Vote Entitlement</u>
Anaheim	\$ 17,760,669,738	1.80	1,776
Beverly Hills	9,591,858,764	0.98	959
Burbank	9,354,414,460	0.95	935
Calleguas MWD	38,128,862,605	3.88	3,813
Central Basin MWD	60,691,339,054	6.17	6,069
Coastal MWD	31,508,689,872	3.20	3,151
Compton	1,761,280,710	0.18	176
Eastern MWD	18,571,085,304	1.89	1,857
Foothill MWD	6,303,015,717	0.64	630
Fullerton	7,071,083,164	0.72	707
Glendale	11,908,423,252	1.21	1,191
Inland Empire Utilities Agency	35,066,211,740	3.56	3,507
Las Virgenes MWD	9,599,795,756	0.98	960
Long Beach	18,060,918,417	1.84	1,806
Los Angeles	198,549,870,993	20.18	19,855
MWD of Orange County	133,627,674,993	13.58	13,363
Pasadena	9,731,931,709	0.99	973
San Diego County Water Authority	164,428,178,607	16.71	16,443
San Fernando	778,775,362	0.08	78
San Marino	2,210,386,792	0.22	221
Santa Ana	11,177,137,306	1.14	1,118
Santa Monica	11,286,867,337	1.15	1,129
Three Valleys MWD	27,110,408,602	2.76	2,711
Torrance	12,412,009,893	1.26	1,241
Upper San Gabriel Valley MWD	38,375,564,414	3.90	3,837
West Basin MWD	69,802,823,704	7.10	6,980
Western MWD	28,825,614,153	2.93	2,883
TOTAL ASSESSED VALUATIONS WITHIN DISTRICT	<u>\$983,694,892,418</u>	<u>100.00</u>	<u>98,369</u>

The above valuations include only those which have been certified by the County Auditors, in accordance with Section 305 of the Metropolitan Water District Act, Statutes of 1969, as amended. The certified valuations have been reduced to reflect Homeowners' Property Exemptions and do not include areas excluded from the District.

43667 Director Blake moved, seconded by Director Treviño, that the Board adopt **Resolution 8642** which fixes the District's secured property tax rate for District purposes for fiscal year

1999-2000 at .0089 percent of assessed valuations and an unsecured property tax rate of .0089 percent, together with various tax rates for annexation charges due the District, thereby producing a total levy of \$103,400,947, including an allocation estimated at \$10,152,300 for countywide taxes on utilities. After allowing for estimated delinquencies, allocations for redevelopment agencies and adjustments for supplemental tax collections and prior years' tax collections, this results in projected net tax revenues of \$95,411,465, as set forth in the General Manager's letter dated August 13, 1999; said Resolution entitled:

A RESOLUTION LEVYING TAXES FOR THE FISCAL YEAR COMMENCING JULY 1, 1999 AND ENDING JUNE 30, 2000 FOR THE PURPOSES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Chair called for a vote on the motion.

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

Ayes: Anaheim (Dir. Stanton, 1,776 votes), Burbank (Dir. Battey, 935 votes), Calleguas Municipal Water District (Dirs. Borenstein and Grandsen, 3,813 votes), Central Basin Municipal Water District (Aye: Dir. Treviño. Absent: Dir. Morse. 3,034-1/2 votes), Coastal Municipal Water District (Dirs. McMurray and Owen, 3,151 votes), Compton (Dir. Murph, 176 votes), Eastern Municipal Water District (Dir. Record, 1,857 votes), Foothill Municipal Water District (Dir. Edwards, 630 votes), Fullerton (Dir. Blake, 707 votes), Glendale (Dir. Rez, 1,191 votes), Inland Empire Utilities Agency (Aye: Dir. Koopman. Absent: Dir. Troxel. 3,507 votes), Las Virgenes Municipal Water District (Dir. Peterson, 960 votes), Long Beach, (Dir. Hansen, 1,806 votes), Los Angeles (Ayes: Dirs. Castro, Luddy, Moret, and Wein. Absent: Dirs. Freeman, Herman, Kosmont. 19,855 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, Huntley, and Witt, 13,363 votes), Pasadena (Dir. Brick, 973 votes), San Diego County Water Authority (Ayes: Dirs. Krauel, Lewis, Parker, Tinker, and Watton. Absent: Dir. Turner. 16,443 votes), San Fernando (Dir. Rascon, 78 votes), San Marino (Dir. Morris, 221 votes), Santa Ana (Dir. Coughran, 1,118 votes), Santa Monica (Dir. Abdo, 1,129 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,711 votes), Torrance (Dir.

Wright, 1,241 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Forbes. Absent: Dir. Fellow. 3,837 votes), West Basin Municipal Water District (Dirs. Barker, Little, and Murray, 6,980 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,883 votes). Total 94,375-1/2 votes.

Noes: None.

Abstains: Central Basin Municipal Water District (Dir. Pace, 3,034-1/2 votes). Total 3,034-1/2 votes.

Absent: Beverly Hills (Dir. Webster, 959 votes). Total 959 votes.

The Chair declared **Resolution 8642** adopted by a vote of 94,375-1/2 ayes, 3,034-1/2 abstain, and 959 absent, representing more than the required two-thirds vote.

43668 Regarding Colorado River matters, Chairman Pace reported that negotiations are ongoing and that another meeting is scheduled for this evening in Sacramento. General Manager Gastelum stated that a portion of the Colorado River report is to be in closed session and requested the Chair to continue with the agenda and hold the closed session at the end of the Meeting.

43669 Regarding the Bay-Delta matters, Water Planning and Resources Committee Chairman Owen reported the committee held four or five workshops to discuss the Bay-Delta and reviewed the preliminary EIR produced by CALFED. The committee approved the position of Metropolitan to be sent to CALFED which is contained in Agenda Item 9-3 (see M.I. 43688). Director Owen requested that Agenda Item 9-3 be placed on the Consent Calendar.

43670 General Manager Gastelum reported in July a fair amount of time was spent with the member agencies in groups. At the invitation of Director Blake, Mr. Gastelum spoke on Colorado River matters and Metropolitan's reorganization before the NWRA Municipal Caucus. On April 2 the new Group Managers began working with Assistant General Manager Tait and the Competitive Action Team with implementing the rollout of the organizational structure as a result of the Phase One reorganization plan.

Mr. Gastelum then introduced the Acting Group Managers: Jill Wicke, Water System Operations; Roy Wolfe, Corporate Resources; and Steve Arakawa, Water Resource Management.

43671 General Counsel Taylor reported the California Supreme Court unanimously upheld the validity of project labor agreements and owner-controlled insurance programs, which programs Metropolitan have been using on the Eastside Reservoir and Inland Feeder Projects. The Court ruled those programs did not violate any competitive bidding laws or any other constitutional or statutory provisions. The unanimity of this decision was significant as far as Metropolitan was concerned since Metropolitan has a case before the Supreme Court in which the same issues were raised. Based upon this ruling, Metropolitan's case would not be argued and Metropolitan expects to receive an Order that affirms the validity of our program.

General Counsel Taylor also reported that the tolling agreement between Imperial Irrigation District (IID), San Diego County Water Authority (San Diego), and Metropolitan has been extended to September 1 to conform with the deadline set by the State Board for the filing of any action regarding any petition filed by IID and San Diego. This matter is in connection with the ongoing discussions of the 4.4 Plan negotiations currently taking place.

Director Huntley withdrew from the Meeting at 11:28 a.m.

43672 The reports of the Standing Committee Chairs are as follows:

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

On behalf of the Budget and Finance Committee, Director Blake reported the committee discussed fully the tax levy, which was approved by the Board, and the other items on the agenda, and requested that Agenda Items 9-1 and 9-2 be added to the Consent Calendar.

Director Huntley returned to the Meeting at 11:30 a.m.

Director Luddy withdrew from the Meeting at 11:30 a.m.

There was no report from the Engineering and Operations Committee.

Legal and Claims Committee Vice Chair Hansen reported the committee heard updates on litigation and took the recommended actions. She stated Agenda Item 9-6 referred to a public hearing and asked the Directors to take note of the General Counsel's attachment to Item 9-6 letter dated August 16, 1999, transmitting the Summary of Hearing, a copy at each Director's place. Mrs. Hansen then requested that Agenda Items 9-6 through 9-10 be added to the Consent Calendar.

Communications and Legislation Committee Chairman Peterson requested Agenda Items 9-4 and 10-9 be added to the Consent Calendar. He reported the Subcommittee on Communications had discussions on outreach and community participation and the Eastside Reservoir Project dedication, which will be at a later date than in December. Director Peterson stated he held discussions on CALFED with Congressman George Radanovich of the Clovis area; and he also met with Director Abdo and Acting Manager of Outreach Ortega to discuss planning. Director Brick and he met with the Regional Council on Rural Counties regarding North-South talks.

Water Planning and Resources Committee Chairman Owen reported the committee spent a lot of time in reviewing the EIR process on CALFED. He requested Agenda Item 9-3 be added to the Consent Calendar, and Agenda Item 8-4 be removed from the Consent Calendar because of modifications.

Director Turner returned to the Meeting at 11:32 a.m.

Directors Foley and Witt withdrew from the Meeting at 11:32 a.m.

General Manager Gastelum stated in light of the action the Board has taken on the Local Resources Program (M.I. 43664), that Agenda Item 8-4 (M.I. 43676) could remain on the Consent Calendar.

43673 Chairman Pace stated that Agenda Items 9-1, 9-2, 9-3, 9-4, 9-6, and 10-9 have been added to the Consent Calendar; Item 8-11 has been withdrawn from the Consent Calendar; Item 8-2 has been withdrawn from the Agenda; and Items 9-7, 9-8, 9-9, and 9-10 will be heard in closed session.

Director Blake moved, seconded by Director Treviño, that the Board approve the Consent Calendar Items, **M.I. 43674** through **M.I. 43691**, as follows:

43674 For the design, purchase of equipment, and construction of small capital projects costing less than \$250,000 during fiscal year 1999-2000, the Board authorized (1) the General Manager to have all work performed including necessary environmental documentation; and (2) Appropriation No. 15335 in the amount of \$1,475,000 of budgeted funds from the Pay-As-You-Go Fund to finance all estimated costs, as set forth in the General Manager's letter dated July 19, 1999.

43675 Authorized the General Manager to execute the Second Amendment to the District-Edison 1987 Service and Interchange Agreement which provides Metropolitan the option to purchase energy from the California Power Exchange, which frequently has been the least-cost supplier, as set forth in the General Manager's letter dated July 22, 1999.

43676 The Board (a) reviewed and considered the information provided in the Project's Negative Declaration and adopted the Lead Agency's findings related to the Olivenhain Recycled Water Project-Southeast Quadrant; (b) authorized the General Manager to execute a Local Resources Program agreement to provide incentive payments of \$150 per acre-foot over 20 years; and (c) directed the General Manager to exclude a renegotiation provision based upon the outcome of the Strategic Plan and/or wheeling litigation or legislation in the remaining eight competitively selected projects under the Local Resources Program, as set forth in the General Manager's letter dated July 26, 1999, and as revised by his letter dated August 16, 1999.

Directors Krauel, Lewis, Parker, Tinker, Turner, and Watton requested to be recorded as abstaining.

43677 Expressed support for Senate Bill 1132 (Costa) which would clarify the extent to which public utilities may impose fees on specified public institutions for capital costs and limit the period during which such fees can be challenged, as set forth in the General Manager's letter dated July 22, 1999.

43678 The Board authorized (1) continuation of Metropolitan's involvement in the California Bay-Delta Water Coalition for work related to acquiring Federal funding for CALFED implementation and payment of a \$10,000 contribution for fiscal year 1999-2000; and (2) staff to proceed with efforts to obtain Congressional funding for Bay-Delta programs, as set forth in the General Manager's letter dated July 26, 1999.

43679 Authorized exploring the feasibility of leasing office space in the Headquarters Building at Union Station to public and/or private entities, as set forth in the General Manager's letter dated July 22, 1999.

43680 The Board (1) gave informal approval as defined in Administrative Code 3100(b) for the concurrent annexation of Annexation No. 59 to Calleguas Municipal Water District and Metropolitan, conditioned upon an annexation charge paid in full of approximately \$334,231.02, 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 July 19, 1999; and (3) approved the Resolution of Intention (**Resolution 8643**) 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.

43681 The Board (1) gave informal approval as defined in Administrative Code 3100(b) for the concurrent annexation of Annexation No. 60 to Calleguas Municipal Water District and Metropolitan, conditioned upon an annexation charge paid in full of approximately \$156,382.85, 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 July 19, 1999; and (3) approved the Resolution of Intention (**Resolution 8644**) 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.

43682 The Board (1) gave informal approval as defined in Administrative Code 3100(b) for the concurrent annexation of Annexation No. 61 to Calleguas Municipal Water District and Metropolitan, conditioned upon an annexation charge paid in full of approximately \$178,305.16, 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 July 19, 1999; and (3) approved the

Resolution of Intention (**Resolution 8645**) 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.

43683 Authorized the General Manager to enter into agreements with Metropolitan's member public agencies and subagencies to annex the Murrieta Window Area in accordance with the terms and conditions set forth in the General Manager's letter dated July 19, 1999, subject to the agreements being in form approved by the General Counsel, as set forth in the General Manager's letter dated July 19, 1999.

43684 To accomplish the design and construction of the landscaping and entry court improvements at the F.E. Weymouth Filtration Plant, the Board (1) determined that the project qualifies for Categorical Exemption under the California Environmental Quality Act; (2) authorized Appropriation No. 15336 in the amount of \$1,948,000 from the 1997 Revenue Bond Construction Fund to finance all associated costs and authorized the General Manager to have all work performed; and (3) delegated authority to the General Manager to award a lump-sum construction contract in the amount not to exceed \$1,375,000, subject to the contract being in form approved by the General Counsel, as set forth in the General Manager's letter dated July 23, 1999.

43685 Authorized the General Manager to pay Metropolitan's share of the total contributions to the Six Agency Fund and the Colorado River Association-Six Agency Committee in the amounts of \$359,418 and \$35,520, respectively, for fiscal year 1999-2000, as set forth in the General Manager's letter dated July 26, 1999.

43686 The Board (1) authorized Appropriation No. 15338 in the amount of \$613,000 for marketing expenses arising from the sale of up to \$300 million in water revenue bonds, to be paid from the General Fund; and (2) expressed the intent to reimburse expenses paid from the General Fund from bond proceeds, and authorized the General Manager to effect such reimbursement to the extent permitted under Federal laws and regulations in accordance with instructions from bond counsel, as set forth in the General Manager's letter dated July 23, 1999.

43687 The Board, by a two-thirds vote, adopted **Resolution 8646**, the Tenth Supplemental Resolution to the Master Revenue Bond Resolution, in the form attached to the General Manager's letter dated July 22, 1999, authorizing a competitive sale and a negotiated sale of up to \$300 million of water revenue bonds in one or more series in a fixed rate and variable rate mode, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING THE ISSUANCE OF UP TO \$300,000,000 WATER REVENUE BONDS AND PROVIDING THE TERMS AND CONDITIONS OF SAID BONDS (TENTH SUPPLEMENTAL RESOLUTION)

43688 Adopted the Statement of Needs for the CALFED Bay-Delta Program as proposed and set forth in the General Manager's letter dated July 23, 1999.

43689 Regarding Senate Bill 530 (Costa) and Assembly Bill 564 (Machado), the General Obligation Bond measures to finance water management programs, the Board directed staff to seek further amendments to the proposed legislation to include: (1) a fair share of program funding for Southern California projects, including water quality, advanced treatment technology, salinity management, water conservation, water reuse, groundwater banking, and others; (2) appropriate State funding for CALFED Stage 1 activities; and (3) authorization for investor-owned utilities access to loan funds under water conservation programs, as set forth in the General Manager's letter dated July 23, 1999. Staff is to continue outreach with Southern California business, labor, environmental, and water interests to further refine and develop support for potential amendments.

43690 The Board, by a two-thirds vote, (1) adopted an Amendment to Resolution of Necessity (**Resolution 8647**), amending Resolution 8614 which was previously amended by Resolution 8626; and (2) authorized entering into an agreement with the San Bernardino Valley Water Conservation District for joint public use of the property which is the subject of the said Resolution of Necessity as amended, as set forth in the letter signed jointly by the General Manager and the General Counsel dated July 19, 1999, and supplemented by their letter of August 5, 1999, said Resolution entitled:

**AN AMENDMENT TO CONDEMNATION RESOLUTION 8614 AS AMENDED BY
RESOLUTION 8626**

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

43691 Adopted the policy principles set forth in the General Manager's revised letter dated August 16, 1999, with regard to Pacific Gas and Electric's pending hydroelectric divestiture, and directed staff to seek their inclusion in any pending legislation.

A request was made for a roll call vote. The Chair called for a vote on the approval of the Consent Calendar Items.

The following is a record of the vote on the Consent Calendar Items except for those items where individual Directors requested to be recorded as abstaining or voting no.

Ayes: Anaheim (Dir. Stanton, 1,776 votes), Burbank (Dir. Battey, 935 votes), Calleguas Municipal Water District (Dirs. Borenstein and Grandsen, 3,813 votes), Central Basin Municipal Water District (Aye: Dir. Treviño. Absent: Dir. Morse. 3,034-1/2 votes), Coastal Municipal Water District (Dirs. McMurray and Owen, 3,151 votes), Compton (Dir. Murph, 176 votes), Eastern Municipal Water District (Dir. Record, 1,857 votes), Foothill Municipal Water District (Dir. Edwards, 630 votes), Fullerton (Dir. Blake, 707 votes), Glendale (Dir. Rez, 1,191 votes), Inland Empire Utilities Agency (Aye: Dir. Koopman. Absent: Dir. Troxel. 3,507 votes), Las Virgenes Municipal Water District (Dir. Peterson, 960 votes), Long Beach, (Dir. Hansen,

1,806 votes), Los Angeles (Ayes: Dirs. Castro, Herman, Moret, and Wein; Absent: Dirs. Freeman, Kosmont, and Luddy. 19,855 votes), Municipal Water District of Orange County (Ayes: Dirs. Bannister, and Huntley. Absent: Dirs. Foley and Witt. 13,363 votes), Pasadena (Dir. Brick, 973 votes), San Diego County Water Authority (Dirs. Krauel, Lewis, Parker, Tinker, Turner, and Watton, 16,443 votes), San Fernando (Dir. Rascon, 78 votes), San Marino (Dir. Morris, 221 votes), Santa Ana (Dir. Coughran, 1,118 votes), Santa Monica (Dir. Abdo, 1,129 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,711 votes), Torrance (Dir. Wright, 1,241 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Forbes. Absent: Dir. Fellow. 3,837 votes), West Basin Municipal Water District (Dirs. Barker, Little, and Murray, 6,980 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,883 votes). Total 94,375-1/2 votes.

Noes: None.

Abstains: Central Basin Municipal Water District (Dir. Pace, 3,034-1/2 votes).

Absent: Beverly Hills (Dir. Webster, 959 votes).
Total 959 votes.

The Chair declared the motion carried by a vote of 94,375-1/2 ayes, 3,034-1/2 abstain, and 959 absent.

Directors Luddy and Witt returned to the Meeting at 11:39 a.m.

43692 In reference to the Administrative Code revisions, Director Mylne requested the General Counsel add to the various sections of the "duties" of the committees, that each committee shall make its recommendations to the "Board". With that request added, Director Mylne moved, seconded by Director Morris and carried, that Sections 2144, 2417, 2419, 2420, 2421, 2461, 2561, 6436, 6450(c), and 8225 of the Administrative Code be amended, and that Sections 6267 and 6415 be added to the Administrative Code, to read as set forth in Attachment A to the General Manager's revised letter dated August 13, 1999.

Director Foley returned to the Meeting at 11:42 a.m.

43693 In response to the Pay-for-Performance Plan for Unrepresented Managers, Director Castro asked the General Manager to explain his request. General Manager Gastelum responded and explained the current plan and his proposal as outlined in his letter to the Board dated August 2, 1999. Director Castro recommended that the Board put in place an accounting system that will allow the General Manager to make some determination based on an objective criteria and to allow the Board access to this information so that the Board can vote on these matters with some numbers in effect to help the Board understand the decision-making process.

Director Morris then moved, seconded by Director Murph and carried, and the Board approved Option #1 as stated in the General Manager's letter dated August 2, 1999, that in order to implement a Pay-for-Performance plan for the Unrepresented Managers, a new rating period be established and commence July 1 and end December 31, 1999. The amount recommended to be available for the incentive plan is listed below.

Plan	Funding
Pay-for-Performance	\$155,200

Because of the anticipated overall performance rating of "Meets Expectations" for Unrepresented Managers, the funding amount will not exceed \$155,200. However, some Unrepresented Managers who have performed above that rating may be eligible to receive an additional stipend at the General Manager's discretion. Therefore, 80 percent of the \$155,200 will be reserved for "Meets Expectations" and 20 percent will be reserved for special consideration. Unrepresented Managers who are on the payroll December 1, 1999, will be eligible to participate.

Additionally, the Pay-for Performance program for all eligible employees will be reevaluated during this fiscal year to ensure consistency with the Board's Strategic Plan initiative and the General Manager's staff reorganization plan.

43694 Director Krauel requested the General Counsel to review the staff report on Agenda Item 10-5 relating to the Inland

Feeder Project and segregate out those portions which are not confidential and make those public.

43695 The following communications were submitted to the Board for information:

- a. Letter of the General Counsel dated July 19, 1999, transmitting the activity report of the Legal Department for the month of July.
- b. Letter of the Auditor dated July 30, 1999, transmitting the activity report of the Audit Department for the month of July.
- c. Letter of the General Manager dated July 23, 1999, transmitting the Executive Financial Summary for the month of June.
- d. Letter of the General Manager dated July 23, 1999, submitting the status report for the Eastside Reservoir Project for the month ending June 1999.
- e. Confidential letter of the General Manager dated July 19, 1999, submitting the status report for the Inland Feeder Project for the month ending June 1999.
- f. Letter of the General Manager dated July 16, 1999, transmitting the stewardship report on Metropolitan Operations Insurance Program for fiscal year 1998-99.
- g. Letter of the General Manager dated July 19, 1999, transmitting the June 1999 Variance Report.
- h. Letter of the General Manager dated July 19, 1999, submitting the Capital Program Variance Reporting, June 1999.
- i. Letter of the General Manager dated July 22, 1999, submitting a status report for the Year 2000 Project.
- j. Letter of the General Manager dated July 27, 1999, on reporting of Directors' expenses.

43696 The Chair reported that Agenda Item 10-12, the Status of Cadiz Technical Studies, Preparation of Environmental Documentation and Final Agreement, was withdrawn.

43697 At 11:47 a.m., the Chair called the Meeting into closed session to consider Agenda Items 6K, 9-7, 9-8, 9-9, and 9-10 pursuant to Government Code Sections 54956.8 and 54956.9(a) and (b).

Directors Moret and Stanton withdrew from the Meeting at 11:55 a.m.

Director Borenstein withdrew from the Meeting at 12:31 p.m.

Director Castro withdrew from the Meeting at 12:40 p.m.

Director Lewis withdrew from the Meeting at 12:45 p.m.

At 12:48 p.m., the Chair declared the Meeting into open session.

General Counsel Taylor reported that in closed session the Board:

1. Approved the recommendation as set forth in the General Counsel's revised confidential letter dated August 9, 1999 re Metropolitan Water District v. Hartford Fire Insurance Company, United States Central District Court Case No. 99-03825-GHK (Mex), and Amendment of Contract for Legal Services (Item 9-7);
2. Authorized settlement of eminent domain action entitled The Metropolitan Water District of Southern California v. H. Jay Cozzolino, et al., San Bernardino County Superior Court Case No. SCV 42816, for the Inland Feeder Project, as set forth in the General Counsel's confidential letter dated July 15, 1999 (Item 9-8);
3. Authorized settlement of eminent domain action entitled The Metropolitan Water District of Southern California v. Rafael Fletes, et al., San Bernardino County Superior Court Case No. SCV 44155, for the Inland

Feeder Project, as set forth in the General Counsel's confidential letter dated July 26, 1999 (Item 9-9);

4. Approved the recommendation as set forth in the General Counsel's confidential letter dated July 23, 1999, re Anvar Alfi, et al. v. Metropolitan, LASC Case No. BC 191881; Dewayne Cargill v. Metropolitan, LASC Case No. BC 194444; Dewayne Cargill v. Metropolitan, LASC Case No. BS 052318; and Lee Ann Emirkhanian v. Metropolitan, LASC Case No. BC 210658, and Authorization to Amend Contracts with Special Counsel to Finance Costs of Litigation (Item 9-10); and
5. Heard a report from chief negotiator Paul Cunningham on the Colorado River negotiations, and no action was taken (Item 6K).

43698 There being no objection, Chairman Pace adjourned the Meeting at 12:49 p.m.

HELEN Z. HANSEN
SECRETARY

PHILLIP J. PACE
CHAIRMAN