

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
NOVEMBER 16, 1999

43769 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, November 16, 1999.

The Meeting was called to order by Chairman Pace at 8:34 a.m.

43770 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

43771 The Pledge of Allegiance to the Flag was given, led by Director Joseph Parker.

43772 Secretary Hansen called the roll. Those answering present were: Directors Abdo, Barbosa, Barker, Battey, Blake, Borenstein, Brick, Castro, Coughran, Edwards, Fellow, Forbes, Grandsen, Harris, Hansen, Koopman, Krauel, Krieger, Lewis, Little, McMurray, Morris, Mylne, Owen, Pace, Parker, Peterson, Rascon, Record, Stanton, Swan, Tinker, Troxel, Turner, Watton, Witt, and Wright.

Those not answering were: Directors Bannister, Foley, Freeman, Herman (entered 8:49 a.m.), Kosmont (entered 9:01 a.m.), Luddy, Moret, Morse (entered 8:58 a.m.), Murph, Murray, Rez, Treviño (entered 8:48 a.m.), and Wein (entered 8:53 a.m.).

The Chair declared a quorum present.

43773 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.

43774 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction. No member of the public responded.

Director Blake requested Directors who wished to become committee members of Regions 8, 9, and 10 of the Association of California Water Agencies (ACWA) that they submit their applications to the General Manager who in turn would forward them to ACWA for consideration.

43775 There being no objection, the Chair ordered the reading of the Minutes of the Meetings held October 12, 15, and 18, 1999, dispensed with, copies having been mailed to each Director.

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

Director Morris requested to be recorded as abstaining.

43776 Director Blake moved, seconded by Director Coughran and carried, authorizing the sixty-day leave of absence for Director James M. Rez, commencing November 9, 1999.

Vice Chairman Barbosa withdrew from the Meeting at 8:40 a.m.

43777 Special Nominating Committee member McMurray reported the committee, with three members present, met to consider the candidates for three nonofficer members of the Executive Committee, effective January 1, 2000, which positions will be voted upon individually.

Director McMurray moved the nomination of Director Wesley M. Bannister for position 1 of the nonofficer member of the Executive Committee for a second two-year term ending December 31, 2001. Director Blake seconded the motion.

Following a discussion on the criteria of the selection process of candidates and how they were chosen, Chairman Pace called for other nominations from the floor. Director Krauel stated that the San Diego delegation has the utmost respect for Director Bannister but at the present time Orange County has four of its five delegates on the Executive Committee and at the end of this year San Diego will have none despite contributing 30 percent of Metropolitan's revenue. Director Krauel therefore moved the nomination of Director Mark W. Watton for position 1.

Chairman Pace announced that Director Watton's name has been placed in nomination, and requested any other nominations from the floor. There being none, Director Witt moved, seconded by Director Blake and carried, closing the nominations for position 1.

Director McMurray moved the nomination of Director John M. Mylne, III, for position 2 of the nonofficer member of the Executive Committee for a first two-year term ending December 31, 2001. Director Blake seconded the motion.

Director Treviño took his seat at 8:48 a.m.

Chairman Pace called for other nominations from the floor. Director Krauel again stated that San Diego has the utmost respect for Director Mylne but Western would then have 100 percent of its delegates on the Executive Committee, and she therefore moved the nomination of Director Claude A. Bud Lewis for position 2.

Director Herman took her seat at 8:49 a.m.

Chairman Pace announced that Director Lewis' name has been placed in nomination, and requested any other nominations from the floor. There being none, Director Blake moved, seconded by Director Stanton and carried, closing the nominations for position 2.

Director McMurray moved the nomination of Director Kenneth H. Witt for position 3 of the nonofficer member of the Executive Committee for a first two-year term ending December 31, 2001. Director Blake seconded the motion.

Chairman Pace called for other nominations from the floor. Director Krauel stated for the same reasons made in the other two nominations, she is moving the nomination of Director James F. Turner for position 3.

Director Wein took his seat at 8:53 a.m.

Vice Chairman Barbosa returned to the Meeting at 8:53 a.m.

Chairman Pace announced that Director Turner's name has been placed in nomination, and requested any other nominations from the floor. There being none, Director Blake moved, seconded by Director Coughran and carried, closing the nominations for position 3.

Following the vote and tabulations of the ballots, Board Secretary Hansen recorded the results from those votes. The majority of the weighted votes of the Board was cast in favor of Wesley M. Bannister, John M. Mylne, and Kenneth H. Witt. Chairman Pace declared that Directors Bannister, Mylne, and Witt have been duly elected to serve as nonofficer members of the Executive Committee for the term ending December 31, 2001.

43778 Chairman Pace reported he has formed an Ad Hoc Committee to Develop Compensation Policy and stated the committee is charged with developing a process and policy on how to evaluate the Department Heads, the type of compensation that is to be given, other salary increments, and bonuses.

Director Fellow moved, seconded by Director Stanton and carried, approving the committee appointments as recommended by the Chair, as follows:

Formation of the Ad Hoc Committee to Develop Compensation Policy consisting of Directors Blake (Chair), Battey, Grandsen, Morse, Record, Swan, Tinker, and Wein.

Director Bannister as Chair of the Budget and Finance Committee

Director Moret to the Subcommittee on Real Property and Asset Management, replacing Director Kosmont

Director Swan to the Special Audit Committee, replacing former Director Huntley.

43779 Chairman Pace reported on events in which he participated on behalf of Metropolitan, as follows: As part of the outreach efforts to work with legislators to keep them up to date on Metropolitan's activities and our commitment to the 16 million residents of Southern California, he met with Assemblyman Robert Pacheco and went over Metropolitan's strategic planning process and Metropolitan's participation in developing the Key Terms for Quantification Settlement for the Colorado River. Over the coming months, he plans to meet with other legislators to share with them the Metropolitan message. Chairman Pace reminded the Board of the Directors' orientation workshop to be held on November 18, 1999, at the District's Headquarters Building from 8:30 a.m. to 1:00 p.m., where core issues such as the Integrated Resources Plan, Metropolitan's financial structure, water quality concerns, the Carver model, and Directors' inspection trips will be discussed.

Director Morse took his seat at 8:58 a.m.

43780 Regarding the Colorado River matters, General Manager Gastelum reported that significant progress has been made in discussions with the other Basin States, and that DWR Director Tom Hannigan has taken a leadership role and has scheduled a meeting tomorrow with the Basin States' representatives to brief them on the negotiations. Mr. Gastelum also reported that when Metropolitan filed its petition with the State Water Resources Control Board to participate in the review of the IID/SDCWA's approval of the water transfer, other member agencies also filed in that proceeding. As a part of the Key Terms settlement agreement, Metropolitan, IID, and SDCWA agreed to narrow the petition so that Metropolitan will no longer have issues that need to be addressed at that level, and Mr. Gastelum is hoping that the member agencies will follow suit. As soon as this is accomplished, Mr. Gastelum will update the Board on the progress of that filing.

43781 The Chair reported there is no report on the Bay-Delta related issues.

43782 General Manager Gastelum commented on the news article and the Governor's extraordinary comments about Metropolitan, and he has asked staff and others to cooperate and not overreact to the Governor's statement but seek to find out what is on the Governor's mind. He is requesting a meeting with the Governor, and hoped that some Directors would also speak with the Governor. General Manager Gastelum then called on Assistant General Manager Tait who gave an update on the District's reorganization and the Y2K readiness plan.

Assistant General Manager Tait stated the Section Managers have been selected and are busy working with the Competitive Action Team (CAT) and its 20 work teams with over 600 employees to implement all action items for Phase II of the reorganization. A cost analysis of all cost-cutting measures is being compiled and a final report will be issued to the Board in January. By December 31 the organizational chart should be complete, and an assessment of staffing requirements will be conducted during Phase III. The goal of the CAT process is to reorganize Metropolitan to support its core business, promote efficiency, reduce costs, and become competitive, and the CAT will continue to be an employee-driven process that seeks to further refine the District's ability to successfully compete in its changing environment. Regarding the Y2K readiness, Mr. Tait reported that preparation began almost three years ago and the key areas focused on water quality, control systems, embedded systems, supply chain, critical business systems, and non-critical business systems. Contingency planning is in place, and

emergency staff will be on site to facilitate the smooth transition on December 31.

Director Kosmont took his seat at 9:01 a.m.

43783 In response to a question, General Counsel Taylor stated that the Legal Department is currently engaged in its reorganization process and also indicated that the department's consulting budget has been reduced by 20 percent. Regarding the wheeling litigation, all briefs have been filed with the Appellate Court, and closing briefs are expected to be filed next month with oral argument scheduled some time in the first quarter of next year. In the temporary employees litigation, the court granted the class action certification; and as a result, this lawsuit will take a much longer time to resolve. To discuss this in more detail, a joint meeting of the Legal and Claims Committee, the Executive Committee, and the Subcommittee on Organization and Personnel will be scheduled later this month. Mr. Taylor also reported that he received a letter from the Fair Political Practices Commission dismissing the complaint due to lack of evidence regarding the letter that was mailed out by the Chairman for a political fundraising event, which invitation stated that it was not mailed at public expense.

43784 Legal and Claims Committee Chairman Morse requested Agenda Items 9-2 and 9-3 be added to the Consent Calendar. Engineering and Operations Committee Vice Chairman Tinker requested that Agenda Item 9-4 be added to the Consent Calendar.

Director Blake moved, seconded by Director Stanton and carried, and the Board approved the Consent Calendar Items, **M.I. 43785** through **M.I. 43795**, as follows:

43785 Approved the recommendation contained in the General Counsel's confidential letter signed October 27, 1999, authorizing amendment to agreement with Geoscience Support Services, an increase of \$80,000, for litigation support in Metropolitan v. Hartford, United States District Court Case No. CV 99-03825-GHK (Mcx).

43786 Authorized the General Manager to execute an amended or new agreement with Caltrans, substantially on the terms outlined in the letter signed by the General Manager on November 2, 1999, and in form approved by the General Counsel, for the protection of approximately 500 linear feet of Metropolitan's 120-inch-inside-diameter Rialto Feeder pipeline.

43787 The Board (1) certified it reviewed and considered the information provided in the Nondomestic Water System Development Project's Negative Declaration and adopted the lead agency's findings related to the Project; and (2) authorized the General Manager to execute a Local Resources Project agreement for Ladera Ranch and Talega Valley with Municipal Water District of Orange County and Santa Margarita Water District for this expansion project to provide incentive payments over 25 years that begin at \$214 per acre-foot and are incrementally reduced each year, with the payment in year 25 to be \$78 per acre-foot, as set forth in the letter signed by the General Manager on November 2, 1999.

Directors Owen and Witt requested to be recorded as abstaining.

43788 The Board (1) certified it reviewed and considered the information provided in the Phase 4 Reclamation System Expansion Project's Negative Declaration; and (2) authorized the General Manager to execute a Local Resources Project agreement with Municipal Water District of Orange County and Moulton Niguel Water District for this expansion project to provide incentive payments of \$154 per acre-foot over 20 years, as set forth in the letter signed by the General Manager on November 2, 1999.

Directors Owen and Witt requested to be recorded as abstaining.

43789 Expressed support for The Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Costa-Machado Act of 2000) on the March 2000 ballot, as set forth in the letter signed by the General Manager on November 2, 1999.

43790 The Board (1) gave conditional approval as defined in Administrative Code section 3100(b) for Annexation No. 70 concurrently to Metropolitan and Eastern Municipal Water District, conditioned upon a cash payment to Metropolitan of the annexation charge of approximately \$32,441 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 Plan for Implementing Water Use Efficiency Guidelines for this proposed annexation attached as Attachment 2 to the letter signed by the General Manager on November 2, 1999; and (3) approved the form of Resolution of Intention (**Resolution 8654**) to impose water standby charges at the rate of \$6.94 per acre or per parcel of less than one acre

within the proposed annexation, substantially in the form of Attachment 3 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

43791 In accordance with negotiated labor agreements with Metropolitan's four bargaining units that were approved previously by the Board, the Board adopted **Resolution 8655** increasing Metropolitan's contributions to the medical plans maintained by the Public Employees' Retirement System for employees and annuitants in classifications represented by these units, said changes to be effective January 1, 2000 through December 31, 2000, as set forth in the letter signed by the General Manager on November 2, 1999, said Resolution entitled:

RESOLUTION FIXING THE EMPLOYER'S CONTRIBUTION UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT

43792 Amended Administrative Code section 2410 as set forth in Attachment 1 to the letter signed by the General Counsel on October 28, 1999, changing the temporary positions on the Executive Committee to permanent positions.

43793 Authorized settlement of eminent domain action entitled The Metropolitan Water District of Southern California v. Shoemaker, et al., Riverside County Superior Court Case No. 315405, for the Inland Feeder Project, as set forth in the confidential letter signed by the General Counsel on October 25, 1999.

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

43794 Following a report on the appeal in Metropolitan Water District v. All Persons Interested, California Court of Appeal, Second District, Case No. B119968, the Board authorized an amendment to the agreement with the law firm of Horvitz & Levy to revise the total amount payable, as set forth in the confidential letter signed by the General Counsel on October 25, 1999.

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

43795 Authorized the General Manager to execute Amendment No. 2 to Agreement No. 13749 with the United States Forest Service, an increase not to exceed \$600,000, for services relating to the Inland Feeder Project, as set forth in the letter signed by the General Manager on November 12, 1999.

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

43796 The following communications were submitted to the Board for information:

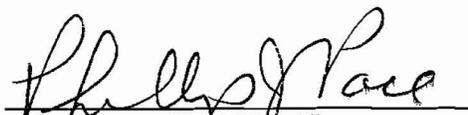
- a. Eastside Reservoir Project Status Report for September 1999, signed by the General Manager on November 3, 1999.
- b. Inland Feeder Project Status Report for September 1999, signed by the General Manager on November 3, 1999.

43797 The following listed items were received as pending items and will be discussed at a later date:

- a. Letter signed by the General Manager on November 2, 1999, titled Strategies for Implementing Groundwater Storage Programs within Metropolitan's Service Area.
- b. Letter signed by the General Manager on November 3, 1999, titled Determination of Water Revenue Requirements for Fiscal Year 2000-01.

43798 There being no objection, Chairman Pace adjourned the Meeting at 9:30 a.m.


SECRETARY


CHAIRMAN