

MINUTES

ADJOURNED REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

DECEMBER 14, 1999

43799 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, December 14, 1999.

The Meeting was called to order by Chairman Pace at 12:00 p.m.

43800 The Meeting was opened with an invocation by Director Kenneth H. Witt.

43801 The Pledge of Allegiance to the Flag was given, led by Director Charles M. Treviño.

43802 Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bannister, Barbosa, Battey, Blake, Brick, Coughran, Edwards, Fellow, Foley, Forbes, Hansen, Herman, Kosmont, Krieger, Lewis, Little, Luddy, McMurray, Morris, Morse, Murph, Murray, Mylne, Owen, Pace, Parker, Peterson, Rascon, Record, Rez, Stanton, Swan, Treviño, Wein, Witt, and Wright.

Those not answering were: Directors Barker, Borenstein, Castro (entered 12:06 p.m.), Freeman, Grandsen, Harris, Koopman, Krauel, Moret, Tinker, Troxel, Turner, and Watton (entered 12:05 p.m.).

The Chair declared a quorum present.

43803 On behalf of Metropolitan Water District, San Diego County Water Authority, West Basin Municipal Water District, and Orange County Water District, Chairman Pace presented a plaque to Congressman David Dreier, Chairman, House Rules Committee, for his leadership and efforts in obtaining funding for the U.S. Environmental Protection Agency for continuation of the desalination research, development, and demonstration work being conducted by the Desalination Research and Innovation Partnership (DRIP) consortium. This funding will help DRIP continue to seek technological breakthroughs to reduce the cost of desalinating Colorado River water, and to develop new, local, non-traditional water supplies such as brackish groundwater, municipal wastewater, and agricultural drainage water. Chairman Pace expressed Metropolitan's interest in continuing to work with Congressman Dreier to address the critical water supply and water quality issues that are the focus of the DRIP program.

Director Watton took his seat at 12:05 p.m.

Congressman Dreier stated the DRIP program is just beginning and there is much work that lies ahead especially with the growth of Southern California and the need for more drinking water. Congressman Dreier then commented on forthcoming legislation he proposes to introduce in the next session of Congress regarding perchlorate in drinking water throughout the country, which was originally discovered in the San Gabriel Basin.

Director Castro took his seat at 12:06 p.m.

43804 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.

43805 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

Ronald D. Drake of Parsons Brinckerhoff (PB) stated his company provides construction management services for the Riverside Badlands Tunnel on the Inland Feeder Project, and was shocked to receive a letter of termination of their services effective December 18. In light of this decision,

Mr. Drake requested the Board (1) review the decision to replace PB with a competitor firm and to explain the reasons for the termination, (2) that PB be allowed the opportunity to cure the problem, and (3) take immediate steps to reconsider the termination action before December 18.

Director Blake inquired as to why PB was terminated without an explanation. General Manager Gastelum could not respond fully at this time and stated he would advise the Board at a later time.

Dr. James Julian, a practicing physician in Hollywood for 43 years, expressed his concern about the quality of water and that more organisms are appearing in water that do not respond to chlorine. He inquired why there is not more being done to use ozone in the water since there is a large ozone treatment plant for waste in Southern California, and with ozone being inexpensive and able to neutralize any harmful organisms.

General Manager Gastelum stated Metropolitan does have an ozone program and will have a copy of its latest report given to Dr. Julian for his review.

William Seelig from the Institute of Engineering Sciences commented on his project to bring water down from Canada to the United States.

43806 There being no objection, the Chair ordered the reading of the Minutes of the Meeting held November 16, 1999, dispensed with, a copy having been mailed to each Director.

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

43807 Chairman Pace commented that with the creation of special, sub-, and ad hoc committees and in order to cut down on the amount of committees and meetings, he is requesting that these committees sunset after a six-month period; and if an individual committee needs an extension of time, the Chair of that committee should apply for an extension. The Chair stated that these committees will be notified of their sunset time.

Director Brick moved, seconded by Director Fellow and carried, approving the committee appointments as recommended by the Chair and approved by the Executive Committee, as follows:

Creation of the Subcommittee on Financial Policies and Reporting consisting of Directors Blake (Chair), Borenstein, Castro, Morse, Swan, and Tinker;

Directors Krauel and Turner as nonofficer members of the Executive Committee, commencing January 1, 2000; and

Director Treviño to the Special Audit Committee

Chairman Pace commented on his first year in office and reported on some proposed changes for the next year, as follows:

Appointments of Board Vice Chairs; Chairs and Vice Chairs of the Special Audit Committee and the Special Nominating Committee; expansion of the Special Nominating Committee to seven members.

Director Castro inquired the purpose of the newly formed subcommittee. Budget and Finance Committee Chairman Bannister stated the subcommittee is to study, advise and make recommendations to the Budget and Finance Committee with regard to the following: (1) financial reporting, (2) financial strategies related to the issuance of bonds and other debt instruments, and (3) updating the Long Range Financial Plan to incorporate changes based on the completed Strategic Plan.

43808 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, he and senior staff met individually with Congresswoman Grace Napolitano and Assembly members Sheila Kuehl and Michael Machado. A briefing on the strategic planning process, the status of the Colorado River agreement and the CALFED Bay-Delta program was also given to the Assembly Republican Caucus. Chairman Pace commented on the recent ACWA conference held in San Diego, where Director James Blake was elected president of ACWA for the coming year. The

Board then congratulated Director Blake and offered him their support.

Director Blake thanked the Board and stated he will be calling on individual Directors and staff members to serve on committees.

43809 Regarding the Colorado River matters, General Manager Gastelum called upon Executive Assistant to the General Manager Dennis Underwood to give the report. Mr. Underwood gave a report on the implementation of the Key Terms for Quantification of the Colorado River, as follows:

Lawsuits

The lawsuits filed by Coachella and Metropolitan have, by agreement amongst the parties including the San Diego County Water Authority, been dismissed.

Draft Documents

Staff has been working with the other agencies to craft the necessary documents required by the Key Terms with the goal of presenting such documents to each agency's Board by April 2000.

Environmental Reviews

Staff anticipates continued meetings with other agencies to cooperatively develop a common approach to environmental compliance matters.

Presentation Materials

Staff has been working with the other agencies and DWR Director Tom Hannigan on preparing materials for presentations and meetings. A white paper and slide presentation describing the Key Terms were prepared and agreed upon by the agencies.

Basin States Meetings

Representatives of all the agencies and the Colorado River Board, and Tom Hannigan have begun a series of meetings with the

other Basin States to consult with them on the implications of the Key Terms on interstate issues, particularly as it relates to interim surplus criteria. The Basin States were briefed on the Key Terms on November 17, and the next meeting is scheduled for December 16 and will focus principally on California's 4.4 Plan and interim surplus criteria.

Other Discussions and Presentations on the Key Terms

All of the agencies participated in discussions and presentations on the Key Terms on December 2 at the ACWA Conference and on December 3 before the California Water Commission.

Meeting with the San Luis Rey Indian Water Rights Settlement Parties

On December 3, Metropolitan and the San Diego County Water Authority met the Settlement Parties (5 Indian Bands and the City of Escondido and Vista Irrigation District) to initiate discussion on the Key Terms provisions for a water supply for the Settlement Parties.

Program Management for Completing the Conditions Precedent

Staff is working with the other agencies to provide for the timely completion of the conditions precedent.

Director Herman withdrew from the Meeting at 12:27 p.m.

43810 Strategic Plan Steering Committee Chairman Kosmont reported that a copy of the Final Draft Strategic Plan Policy Principles adopted by the Board at its workshop this morning was at each Director's seat. He thanked the Board and the member agencies for all their efforts in arriving at this decision, with the help of facilitator Dr. Alan Heslop. Director Kosmont stated that in the months ahead the committee will be looking at rate structure and cost allocation issues. Director Watton commented that the workshop session was a good one and that the nexus between the rate structure, the potential revision to establish contracts and the associated commitments are clearly set out in the principles and the next steps which he supports.

43811 The Chair reported there is no report on the Bay-Delta related issues.

43812 General Manager Gastelum made reference to his activity report dated December 9, 1999, which was distributed earlier. He then called on Water Systems Operations Manager Wicke to give an update on the break of the Allen-McColloch pipeline in Irvine.

With the aid of a video tape provided by TV news channel 11, Mrs. Wicke reported on the break of the pipeline which occurred on December 13, and what Metropolitan has done in repairing this break. The pipeline is expected to be back in service late Sunday, December 19. Manager of Outreach Ortega reported on the proactive information campaign with the news media and the member and sub-agencies during this breakage and the time period in which all affected residents were asked to conserve water. He thanked all the agencies involved for their cooperation.

Director Kosmont withdrew from the Meeting at 12:44 p.m.

General Manager Gastelum reported that the entire pipeline system will be checked since there are other potential systems that had the same design as the Allen-McColloch pipeline.

In response to the release of Parsons Brinckerhoff's (PB) services on the Inland Feeder Project (see M.I. 43805), General Manager Gastelum stated management's evaluation of PB is that they are a quality firm with satisfactory performance. However, management's decision was made to use a different firm because it was more cost-effective. Mr. Gastelum reported that fifteen consultants on this project were relieved over the last sixty days.

Regarding the Inland Feeder, General Manager Gastelum reported that in the closed session of the joint meeting of the Legal and Claims and the Engineering and Operations Committees, he submitted a report on the status of the Inland Feeder. Since then, he has briefed the member agencies regarding same. Mr. Gastelum has now been advised that by his briefing the member

agencies, the document is now public, and a copy has been requested by certain member agencies and the news media. Under these circumstances, he will provide the document and does not believe that the core interests of the District will be prejudiced.

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

43813 Referring to the Allen-McColloch pipeline break, General Counsel Taylor described the standard procedure followed by the District in an emergency with all appropriate staff and the claim adjusters being notified. By getting out early and working with the parties affected by any emergency, Metropolitan has avoided litigation and established a good relationship to resolve the situation.

43814 The reports of the Standing Committees are as follows:

On behalf of the Executive Committee, Chairman Pace had no further report.

Budget and Finance Committee Chairman Bannister had nothing further to report.

Engineering and Operations Committee Chairman Luddy had nothing further to report.

Legal and Claims Committee Chairman Morse requested that Agenda Items 9-8 through 9-11 be added to the Consent Calendar.

Director Luddy withdrew from the Meeting at 12:50 p.m.

Communications and Legislation Committee Chairman Peterson reported the committee had a lively discussion on the Carver principles, and reviewed the three issue papers on the Federal Safe Drinking Water Act, Brackish Water Desalination, and Watershed Management. Staff is expected to bring back principles on these issues in the near future. The committee also discussed a new program which Congressmen Miller and Young are working on whereby offshore oil money can be used to fund recreation.

Water Planning and Resources Committee Chairman Owen reported the committee discussed in detail the Harbor Water Recycling Project.

Director Wright moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 43815** through **M.I. 43823**, as follows:

43815 Regarding annexations to Calleguas Municipal Water District and Metropolitan, the Board certified it has reviewed and considered the information contained (1) in the Environmental Impact Report (EIR) for parcels A and C, and the Mitigated Negative Declaration (Declaration) for parcel B for the Calleguas Annexation No. 57 project, and adopted both Lead Agency's findings related to the EIR and the Declaration; (2) in the Declaration for the Calleguas Annexation No. 58 project, and adopted the Lead Agency's findings related to the Declaration; and (3) in the Declaration for the Calleguas Annexation No. 60 project, and adopted the Lead Agency's findings related to the Declaration. The Board also adopted Resolutions granting Calleguas' request for consent to Annexation Nos. 57, 58, and 60 concurrently to Calleguas and Metropolitan by establishing Metropolitan's terms and conditions for each separate annexation; and imposing water standby charges at a rate of \$9.58 per acre or per parcel of less than one acre within each separate and respective proposed annexation territory, as shown on the attachments to the letter signed by the General Manager on November 22, 1999; said Resolutions entitled:

Annexation No. 57

Resolution 8656

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA CONSENTING TO
CALLEGUAS ANNEXATION NO. 57 UPON
CONCURRENT ANNEXATION TO CALLEGUAS
MUNICIPAL WATER DISTRICT AND FIXING THE
TERMS AND CONDITIONS OF SAID ANNEXATION
TO THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA**

Resolution 8657 RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA FIXING AND ADOPTING
WATER STANDBY CHARGE CONTINGENT UPON
ANNEXATION

Annexation No. 58

Resolution 8658 RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA CONSENTING TO
CALLEGUAS ANNEXATION NO. 58 UPON
CONCURRENT ANNEXATION TO CALLEGUAS
MUNICIPAL WATER DISTRICT AND FIXING THE
TERMS AND CONDITIONS OF SAID ANNEXATION
TO THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

Resolution 8659 RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA FIXING AND ADOPTING
WATER STANDBY CHARGE CONTINGENT UPON
ANNEXATION

Annexation No. 60

Resolution 8660 RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA CONSENTING TO
CALLEGUAS ANNEXATION NO. 60 UPON
CONCURRENT ANNEXATION TO CALLEGUAS
MUNICIPAL WATER DISTRICT AND FIXING THE
TERMS AND CONDITIONS OF SAID ANNEXATION
TO THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

Resolution 8661 RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA FIXING AND ADOPTING
WATER STANDBY CHARGE CONTINGENT UPON
ANNEXATION

43816 Adopted **Resolution 8662** to accept \$12,897.13 prior to June 30, 2000, as payment in full of outstanding annexation fees on the 107.1 acres in the Fourteenth Fringe Area Annexation to Eastern Municipal Water District identified in Attachment 2 to the letter signed by the General Counsel on November 19, 1999, said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA AMENDING RESOLUTION
7013 AND AUTHORIZING THE CREATION OF SEPARATE TAX RATE AREAS**

43817 Approved payment of \$425,000 as Metropolitan's contribution to the American Water Works Association Research Foundation's Voluntary Research Subscription Program for calendar year 2000, as set forth in the letter signed by the General Manager on November 22, 1999.

43818 The Board (1) reviewed and considered the information provided in the Harbor Water Recycling Project's Mitigated Negative Declaration and adopted the Lead Agency's findings related to the project; and (2) authorized the General Manager to execute a Local Resources Program agreement for this project with the City of Los Angeles Department of Water and Power to provide incentive payments over 24 years that begin at \$86 per acre-foot and are incrementally increased each year, with the payment in year 24 to be \$139 per acre-foot, as set forth in the letter signed by the General Manager on November 22, 1999.

Director Wein requested to be recorded as abstaining.

43819 Approved the amendments to Administrative Code sections 2200, 2201, 2202, and 2204 as set forth in Attachment 1 to the letter of the Board Chairman signed November 19, 1999, which will establish two Vice Chairs, both appointed by and serving at the pleasure of the Chair.

43820 Approved the recommendation contained in the General Counsel's confidential letter signed November 18, 1999, reporting on eminent domain actions for the Inland Feeder Project: Metropolitan v. De Haan, Riverside County Superior Court Case No. 293062; Metropolitan v. Blessed Hope, San Bernardino County Superior Court Case No. SCV42457; and Metropolitan v. Shoemaker,

Riverside County Superior Court Case No. 315405; and authorized amendment to Agreement No. 13641 with the special counsel.

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

43821 Approved the recommendation contained in the General Counsel's confidential letter signed November 18, 1999, reporting on Dewayne Cargill et al. v. Metropolitan, LACSC Case No. BC 191881 (Consolidated with LACSC Case Nos. BC 194444 and BS 052318), and Emirkhanian v. Metropolitan, LACSC Case No. BC 210658; and authorized amendment to the contract with Bergman & Wedner to defend Metropolitan in four related lawsuits challenging the employment status of temporary workers.

Director Wein requested to be recorded as abstaining.

43822 Approved the recommendation contained in the General Counsel's confidential letter signed November 23, 1999, reporting on claims of Kiewit-Granite arising out of the construction of Metropolitan's Eastside Reservoir Dam; and authorized amendment to contract for legal and consulting services to finance costs of continued claims analysis, negotiations, and litigation.

43823 Approved the recommendation contained in the General Counsel's confidential letter signed November 23, 1999, reporting on claims of the joint venture of Atkinson-Washington-Zachry arising out of construction of Metropolitan's Eastside Reservoir West Dam, Saddle Dam, and Forebay; and authorized amendment to contract for legal and consulting services to finance costs of continued claims analysis, mediation, and litigation.

Director Luddy returned to the Meeting at 12:52 p.m.

43824 Engineering and Operations Committee Chairman Luddy moved, seconded by Director Blake and carried, awarding a construction contract in the amount of \$22,085,140 to the low bidder, Kiewit Pacific Co., to perform the construction of the Cajalco Creek Dam and Detention Basin; and amending the contract with John Tetteimer and Associates, an increase of \$400,000 for a maximum agreement of \$2,467,000, to provide engineering and geotechnical support during construction. This would result in improved water quality in Lake Mathews, as well as allow

Metropolitan to take advantage of both the \$20 million State Revolving Fund loan and the favorable low bid, and for Metropolitan to meet its responsibilities as defined in the Lake Mathews Drainage Water Quality Management Plan Memorandum of Understanding, as set forth in the letter signed by the General Manager on November 29 1999.

43825 To implement an automated dam deformation monitoring system for the Eastside Reservoir Project, Director Blake moved, seconded by Director Stanton and carried, and the Board (1) awarded a contract in the amount of \$270,000 to Spectria for design and construction of a data communication and solar power system; and (2) delegated authority to the General Manager to award a purchase requisition for survey instruments in an amount not to exceed \$350,000, as set forth in the letter signed by the General Manager on November 22, 1999.

43826 Director Blake moved, seconded by Director Coughran and carried, and the Board approved Metropolitan transferring its trustee function under the 1980 Trust Storage Agreement to the Irvine Ranch Water District (IRWD), and Metropolitan would sell to IRWD its 300-acre-foot storage interest in San Joaquin Reservoir for \$100 per acre-foot, with Metropolitan no longer being responsible for operation and maintenance of the reservoir. The potential financial and contractual commitments of Metropolitan, as represented by Option #2 in the letter signed by the General Manager on November 22, 1999, would be voided.

Director Swan requested to be recorded as abstaining.

43827 Budget and Finance Committee Chairman Bannister moved, seconded by Director Blake and carried, approving the recommendation from the Budget and Finance Committee which determined that revenues required from water sales during fiscal year 2000-01 should not be less than \$694.0 million; and use this determination for consideration at its January 2000 meeting in establishing water rates and charges to be effective January 1, 2001, as set forth in the letter signed by the General Manager on November 30, 1999.

Directors Lewis, Parker, and Watton requested to be recorded as voting no due to the lack of sufficient information

on the Inland Feeder and changes that might take place in the Strategic Plan.

43828 The following communications were submitted to the Board for information:

- a. Status report for the Eastside Reservoir Project for the month ending October 1999, signed by the General Manager on December 1, 1999.
- b. Status report for the Inland Feeder Project for the month ending October 1999, signed by the General Manager on November 22, 1999.
- c. Update on the Desalination Research and Innovation Partnership (DRIP) for Brackish Water Sources, signed by the General Manager on November 22, 1999.
- d. Letter of the General Manager signed on November 19, 1999, reporting on the U.S. Bureau of Reclamation Final Rule on Offstream Storage of Colorado River Water, Development and Release of Intentionally Created Unused Apportionment in the Lower Division States.
- e. Letter of the Board Chairman signed on November 19, 1999, submitting the Carver Model Policy Statements.
- f. Letter of the General Manager signed on December 2, 1999, reporting on the CALFED principles developed jointly by Northern and Southern Interests.
- g. Letter of the General Manager signed on December 2, 1999, reporting on the construction of a new Gene Guest Lodge.

43829 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 30, 1999, titled Approval of Raymond Basin Groundwater Storage Program.

- b. Letter signed by the General Manager on December 9, 1999, titled Request for Proposal (RFP) to Secure Master Development for the Entire Eastside Reservoir Recreation Component and Appropriate Necessary Funding for the RFP and Project Entitlement Processes.

43830 There being no objection, Chairman Pace adjourned the Meeting at 12:56 p.m.

HELEN Z. HANSEN

SECRETARY

PHILLIP J. PACE

CHAIRMAN