

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
MAY 17, 2000

43983 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 Wednesday, May 17, 2000.

The Meeting was called to order by Chairman Pace at 9:50 a.m.

43984 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

43985 The Pledge of Allegiance to the Flag was given, led by Director S. Dale Stanton.

43986 Secretary Coughran called the roll. Those answering present were: Directors Abdo, Bannister, Barbosa, Barker, Battey, Blake, Borenstein, Brick, Castro, Coughran, Edwards, Fellow, Forbes, Grandsen, Harris, Hansen, Herman, Koopman, Krauel, Krieger, Morris, Morse, Murray, Mylne, Pace, Parker, Peterson, Rascon, Record, Rez, Royce, Stanton, Swan, Tinker, Treviño, Troxel, Turner, Wein, Witt, and Wright.

Those not answering were: Directors Foley (entered 10:40 a.m.), Freeman, Kosmont, Lewis, Little, Luddy, McMurray, Moret, Murph, Owen, and Watton.

The Chair declared a quorum present.

43987 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.

43988 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

43989 There being no objection, the Chair ordered the reading of the Minutes of the Meeting held April 11, 2000, 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.

43990 Chairman Pace presented to Director Gary A. Morse a pin emblematic of his completion of five years of service as a representative of Central Basin Municipal Water District on May 17, 2000.

43991 Chairman Pace reported on events in which he participated on behalf of Metropolitan, as follows: On May 1 Directors Bannister, Peterson, and himself went on a tour of the Santa Clara Valley Water District's facilities and met with Santa Clara's board chairman Greg Zlotnick, past chairman Larry Wilson, and other staff members. They discussed Metropolitan's Board governance and water issues concerning water supplies and policies. Some of the Santa Clara facilities tour included the Alamitos Creek Trail, the Guadalupe River Fish Ladder, Vasona Meter Shop, and the Kirk Ditch Diversion at Los Gatos Creek. On May 4 Chairman Pace, along with ten other Metropolitan Directors, attended the Valley Industry and Commerce Association's (VICA) Annual State Elected Official Dinner at the Disney Studio in Burbank. VICA is a business advocacy group representing the Greater San Fernando area. Director Bonny Herman is the president of VICA. This event was well attended by key business leaders and elected officials from the valley. Each Director was seated at an elected official's table to discuss specific issues affecting VICA's constituency, one of which included water transfers.

43992 Strategic Plan Steering Committee Vice Chairman Brick reported that starting last night, May 16, and through the end of July the Strategic Plan forums are underway. The first one was held in Ventura County at the offices of Calleguas Municipal Water District.

Director Grandsen commented on the public forum held at Calleguas' offices on May 16, attended by mostly water purveyors who asked questions on the rate structure and the strategic plan.

Director Brick continued to announce the list of forums scheduled in each of the different counties, and of other forums scheduled at the request of some member agencies. Each forum will reach out to the community to see what the ratepayers and constituencies have to say about the strategic planning process. Following the 60-day public review, the rate development process will develop the details of the rate structure. The process will be open and collaborative and adhere to the policy principles which the Board adopted and the guidelines established by the Board in December 1999 and April 2000. A new rate structure is expected to be presented to the Board for review in September 2000 and will be effective in January 2002.

A video which will be used as part of the presentations at the public forum on the strategic planning process was shown.

43993 The Chair reported there were no new committee appointments.

43994 Ad Hoc Committee to Develop Compensation Policy
Chairman Blake moved, seconded by Director Stanton and carried, adopting the MWD Performance Evaluation Policy for Department Heads and Other Direct Reports to the Board of Directors, as set forth in the letter signed by Committee Chairman Blake on April 19, 2000.

Chairman Pace thanked the committee for the job well done and stated the committee will sunset at the end of May.

43995 Subcommittee on Rules Chairman Barbosa moved, seconded by Director Morse, authorizing amendment of the Administrative Code by adding Chapter 3, Sections 1300 and 1301 relating to Board Governance Principles, as set forth in the letter signed by Subcommittee Chairman Barbosa on April 19, 2000.

Director Krauel stated she supported the motion but requested that the motion be amended to revise Section 1301(c), to read as follows:

Fourth Bullet: "Commitment to water management programs, including conservation, recycling and groundwater storage and other storage programs"

Fifth Bullet: "Establishment of fair and equitable water supply and service contract prices and other charges that do not exceed the estimated reasonable cost of providing the supply service or use to the member agency. A charge may be

imposed only for service or use benefiting the member agency or other person upon which the charge is imposed."

Director Krauel then moved that the amendment be added to the motion.

Director Barbosa stated that the point today was to get to the most succinct statement on the table. Other Directors have also made suggestions which will be discussed at a later date, and that Director Krauel's amendment has not been the subject of any discussion. Director Barbosa therefore asked that the amendment be brought back to the Subcommittee on Rules next month; and he again moved the main motion, seconded by Board Secretary Coughran and carried, to amend the Administrative Code as set forth in the letter signed April 19, 2000.

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

43996 Regarding the Colorado River matters, Bay-Delta and CALFED matters, and the General Manager's summary of District activities, General Manager Gastelum referred to his activity report for April dated May 17, 2000, which is at each Director's place.

General Manager Gastelum reported that a hearing scheduled on May 24 in Sacramento is part of Metropolitan's outreach to present the strategic plan and that the Colorado River negotiations will also be a subject at that hearing where an update will be given by both Mr. Hayes and Mr. Hannigan. Representatives of the Basin states have been invited to testify about their perceptions of the progress of the California entities and how the negotiations are going on surplus criteria. There are continuing discussions among the lawyers on how to close the final issues and to complete the documents. Also of major concern is the Salton Sea, especially for the Imperial Irrigation District. IID was successful in getting Federal legislation that appears to cap their liability as a result of diversions to meet their commitments for the transfer to San Diego County Water Authority. IID does have some uneasiness about their future liability of Salton Sea costs and how those costs might be imposed upon them as a result of their conservation measures, and if they are significantly burdened with costs beyond what they are calculating in their negotiations today, they feel they may need to have an offramp to undo the agreement or modify the agreement in some way. This is a significant issue for Metropolitan to watch.

Regarding CALFED, Mr. Gastelum stated that possibly by next week an announcement will be made by the Department of the Interior and the Governor's office on a proposed negotiated agreement. This will be a conceptual agreement, but it will address major elements of a CALFED solution storage, an environmental water account, conservation, and other elements relating to the joint operation of the Central Valley Project and the State Water Project.

On behalf of Metropolitan, he thanked ACWA's president James Blake for the special award given to the General Managers of Metropolitan, Imperial Irrigation District, Coachella Valley Water District, and the San Diego County Water Authority for their work on the Colorado River Quantification settlement.

43997 General Counsel Taylor reported on the oral argument before the United States Supreme Court in Arizona v. California. There are two parts to the argument; one was to affirm the settlements that have been reached with some of the other Indian tribes, and the other concerned trying to get the Court to approve the Special Master's recommendation that the Ft. Yuma (Quechan) Tribe not be entitled to additional water based upon the fact that it had already been compensated in a prior proceeding. We are awaiting the decision of the court which will be out in June. In the event that we are not successful in sustaining the Special Master's report, the effect of that will be more hearings, not that there will be an immediate further award of water to the Indians. About 50,000 acre-feet of water is involved in the case of the Ft. Yuma (Quechan) Indian Tribe. General Counsel Taylor did not participate in this case since he was a party to it when he was employed with the State of California ten years ago. For other matters, General Counsel Taylor referred to his monthly report dated April 30, 2000.

Director Peterson asked the status of the appeal on the wheeling case. General Counsel Taylor stated that a decision should be down any time soon.

43998 The reports of the Standing Committees are as follows:

Legal and Claims Committee Chairman Morse reported the committee reviewed the information and action items on its agenda which were approved, and requested that Agenda Items 9-5 through 9-10 be added to the Consent Calendar. Due to time constraints, the budget for the Legal Department was not heard and will be brought back at next month's meeting. Director Morse announced that a subcommittee was appointed to evaluate the performance of the General Counsel.

Chairman Pace announced that the three subcommittees responsible for the evaluations of the three Department Heads will be holding meetings next month and will bring their recommendations to the Executive Committee for consideration by the Board in June.

Budget and Finance Committee Chairman Bannister announced that the Budget Workshop scheduled for May 30, 2000, has been rescheduled to Tuesday, June 6, 2000, at 12:30 p.m. (subsequently changed to 1:00 p.m.). He requested that Agenda Item 8-1 be taken off the Consent Calendar and taken up with Agenda Item 9-2.

Director Blake moved, seconded by Board Secretary Coughran and carried, and the Board approved the Consent Calendar Items, M.I. 43999 through M.I. 44011, as follows:

43999 The Board (A) granted conditional approval, as defined in Administrative Code Section 3100(b), for Annexation No. 67 concurrently to Calleguas Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation charge payment of \$364,987.04 to Metropolitan if subject annexation is completed by December 31, 2000, or if completed after said date, at the then annexation charge rate and conditioned upon compliance with the California Environmental Quality Act, as set forth in Attachment 1 to the General Manager's letter signed on April 27, 2000; (B) subject to the approval of Item (A), approved Calleguas' proposed Annexation No. 67 Plan for Implementing Water Use Efficiency Guidelines set forth in Attachment 2 of the foregoing letter; and (C) subject to the approval of Items (A) and (B), adopted the Resolution of Intention (**Resolution 8694**) to impose water standby charges within the proposed annexation territory, substantially in the form of Attachment 3 to the foregoing letter; said Resolution entitled:

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

44000 The Board (A) approved Eastern Municipal Water District's proposed Greer Ranch Plan for Implementing Water Use Efficiency Guidelines, as set forth in Attachment 2 to the General Manager's letter signed on April 27, 2000; (B) subject to the approval of Item (A), granted conditional approval, as defined in Administrative Code Section 3100(b), for Greer Ranch Annexation concurrently to Eastern and Metropolitan, conditioned upon receipt in full of an annexation charge payment of

\$560,333.60 to Metropolitan if subject annexation is completed by December 31, 2000, or if completed after said date, at the then annexation charge rate and conditioned upon compliance with the California Environmental Quality Act, as set forth in Attachment 1 of the foregoing letter; and (C) subject to the approval of Items (A) and (B), adopted the Resolution of Intention (**Resolution 8695**) to impose water standby charges within the proposed annexation territory, substantially in the form of Attachment 3 to the foregoing letter; said Resolution entitled:

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

44001 The Board (A) approved Calleguas Municipal Water District's proposed Annexation No. 65 Plan for Implementing Water Use Efficiency Guidelines, as set forth in Attachment 2 to the General Manager's letter signed on April 27, 2000; (B) subject to the approval of Item (A), determined that the proposed action qualified for a Categorical Exemption as a Class 19 project pursuant to the California Environmental Quality Act; and (C) subject to the approval of Items (A) and (B), adopted **Resolution 8696** granting Calleguas' request for consent to Annexation No. 65 concurrently to Calleguas and Metropolitan substantially in the form of Attachment 3 to the foregoing letter, conditioned upon receipt in full of annexation charge payment of \$27,288.32 to Metropolitan if subject annexation is completed by December 31, 2000, or if completed after said date, at the then annexation charge rate; said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS'
ANNEXATION NO. 65 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**

44002 Authorized the General Manager to extend Agreement No. 18321 with Jones Lang La Salle Americas, Inc., for one additional year, to continue property management services at Metropolitan's headquarters facility, adjacent to Union Station, at a negotiated price not to exceed \$1,900,000, with the contract extension to commence June 16, 2000, and extending to June 15, 2001, as set forth in the letter signed by the General Manager on April 27, 2000.

44003 Authorized the General Auditor to enter into a contract with the firm of KPMG, LLP (with Vasquez Farukhi & Company, LLP, as subcontractor) for required Internal Audit Support Services for a three-year period commencing July 1, 2000, and for a maximum amount payable of \$1 million, as set forth in the letter signed by the General Auditor on April 24, 2000.

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

44004 Ratified the General Auditor's appointment of Thomas E. DeBacker, CPA, as Assistant General Auditor, effective May 28, 2000, as set forth in the letter signed by the General Auditor on May 3, 2000.

44005 Adopted the changes to specified sections of the Administrative Code as reflected in Attachments 1 and 2 of the letter signed by the General Manager on April 27, 2000, to improve the administration of Metropolitan's classes of water service to be effective July 1, 2000.

44006 Authorized settlement in eminent domain action for Metropolitan's Inland Feeder Project entitled Metropolitan v. Blessed Hope Fellowship, et al., San Bernardino Superior Court Case No. SCV 42457, as set forth in the confidential letter signed by the General Counsel on April 24, 2000.

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

44007 Authorized making of a final offer and/or settlement authority in eminent domain actions for Metropolitan's Inland Feeder Project entitled Metropolitan v. Walter J. DeBlauw, San Bernardino Superior Court Case No. SCV 44065; Metropolitan v. Louise Farquhar, San Bernardino Superior Court Case No. SCV 42815; and Metropolitan v. Margaret Farquhar, San Bernardino Superior Court Case No. SCV 44067, as set forth in the confidential letter signed by the General Counsel on April 24, 2000.

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

44008 Authorized making of a final offer and/or settlement in eminent domain action for Metropolitan's Inland Feeder Project entitled Metropolitan v. Larry DeHaan, et al., Riverside County Superior Court Case No. 293062, as set forth in the confidential

letter signed by the General Counsel on April 24, and supplemented by his confidential letter signed on May 16, 2000.

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

44009 Authorized filing of appropriate responsive pleadings, including interpleader of additional parties in Soboba Band of Mission Indians v. The Metropolitan Water District of Southern California (U.S.D.C., Central District, Civil No. 00-04208 [GAF]); and principles for settlement of issues relating to impacts of Colorado River Aqueduct's San Jacinto Tunnel upon Soboba Tribe, as set forth in the confidential letter jointly signed by the General Counsel on April 26, and the General Manager on April 27, 2000.

44010 Adopted policy principles and authorized the General Manager to enter into a Memorandum of Understanding regarding Inland Feeder tunneling activities affecting potential litigation, as set forth in the confidential letter jointly signed by the General Manager and the General Counsel on May 8, 2000.

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

44011 After hearing a briefing on mediation with Kiewit-Granite on Diamond Valley Lake (Eastside Reservoir Project) construction claims for construction of the East Dam, the Board authorized an amendment to the contract for consulting services to finance costs of continued claims analysis, negotiations and litigation, as set forth in the confidential letter signed by the General Counsel on May 8, 2000.

44012 With the approval of Agenda Item 8-7, General Auditor Hondorp introduced Thomas E. DeBacker, the new Assistant General Auditor.

44013 Budget and Finance Committee Chairman Bannister moved, seconded by Director Blake, that the Board adopt **Resolution 8697** to impose and extend a Water Standby Charge for fiscal year 2000-2001, as set forth in the letter signed by the General Manager on April 27, 2000; 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 2000-2001**

Director Parker stated that the San Diego County Water Authority (Authority) continues to support revenue structures that increase fixed revenues and provide a more stable source of funding for Metropolitan's programs, but the Authority is unable to support the standby charge in its current form because it enforces assessments for capital facilities and programs that provide no benefit to property owners within the Authority's service territory; therefore the Authority is opposed and will vote no on this item.

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

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

Director Foley took his seat at 10:40 a.m.

44014 Budget and Finance Committee Chairman Bannister stated the committee did not have the opportunity to review Agenda Items 8-1 and 9-2 which were fully discussed at the Subcommittee on Financial Policies and Reporting. Director Bannister therefore called on Subcommittee Chairman Blake for a report.

Subcommittee on Financial Policies and Reporting Chairman Blake reported on the presentation of these items by Metropolitan's financial advisor, Public Resources Advisory Group.

Director Mylne requested clarification of the reference in Board letter 9-2 relating to the 32% variable rate debt. It was communicated to Director Mylne that the limitation is based on 32% variable rate debt of total revenue bond debt. Director Mylne requested that this be added to the recommendation.

Director Swan then moved the following items, seconded by Director Bannister and carried unanimously:

Agenda Item 8-1

Approved the General Fund appropriation (Appropriation No. 15353) against which to charge expenses associated with the sale of water revenue bonds and implementation of the proposed financing options to reduce debt service costs; and expressed the intent to reimburse expenses paid from the General Fund from bond proceeds, if deemed appropriate, 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 letter signed by the General Manager on April 27, 2000.

Agenda Item 9-2

Approved the forms of Supplemental Resolutions (Attachments 1 and 2 to the letter signed by the General Manager on April 27, 2000) of the Master Revenue Bond Resolution in order to execute the proposed financing options and sale of up to \$1.1 billion of variable rate water revenue bonds consisting of up to \$200 million of variable rate water revenue bonds to fund Capital Investment Program expenditures; up to \$360 million of variable rate water revenue bonds to retire up to \$350 million of commercial paper notes; and up to \$500 million of variable rate water revenue bonds to tender outstanding fixed rate water revenue bonds. Approval to increase Metropolitan's variable rate capacity level up to 32 percent of total revenue bond debt which, according to Metropolitan's credit rating analysts, is within acceptable levels. Said Resolutions are entitled:

Resolution 8698

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING THE PURCHASE OF CERTAIN OUTSTANDING WATER REVENUE BONDS AND AUTHORIZING THE ISSUANCE OF UP TO \$500,000,000 WATER REVENUE BONDS AND PROVIDING THE TERMS AND CONDITIONS FOR THE PURCHASE AND SALE OF SAID BONDS (ELEVENTH SUPPLEMENTAL RESOLUTION)

Resolution 8699

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING THE ISSUANCE OF UP TO \$560,000,000 IN PRINCIPAL AMOUNT OF WATER REVENUE BONDS AND PROVIDING THE TERMS AND CONDITIONS OF SAID BONDS (TWELFTH SUPPLEMENTAL RESOLUTION)

Director Bannister requested that the Chair reconsider the sunset date of the Subcommittee on Financial Policies and Reporting. Chairman Pace announced that the subcommittee will sunset at a later date.

44015 Engineering and Operations Committee Vice Chairman Tinker moved, seconded by Director Morris and carried, and the Board appropriated an additional \$7,142,000 (Appropriation No. 15317, No. 2) from the Construction Funds (Pay-As-You-Go Fund) to finance all work and delegated authority to the General Manager to award contracts to have all work performed to upgrade the fire protection systems at the desert facilities, as set forth in the letter signed by the General Manager on April 27, 2000.

Director Krauel withdrew from the Meeting at 10:50 a.m.

44016 Water Planning and Resources Committee Vice Chairman Wright requested Mr. Arakawa, Acting Manager, Water Resource Management, to give a report on Agenda Item 9-4, the Water Quality Management Agreement with Westlands Water District. Mr. Arakawa reported that approval of this item will allow the General Manager to enter into an agreement with Westlands to facilitate an exchange. The reason for the exchange was that Westlands' groundwater pumpers were preparing to pump poor quality water into the aqueduct this year and Metropolitan has faced that type of situation in the past. Metropolitan is attempting to prevent that water from going into the aqueduct. By entering into an exchange agreement, Westlands would get the supply they need and Metropolitan would get better quality from the return water, and at the same time our costs are covered. Therefore, staff is recommending that the Board allow the General Manager to enter into such an agreement.

Director Tinker expressed his support for the concept but would like to have an opportunity to discuss the \$75 charge and the \$10 transfer fee. He therefore moved, seconded by Director Turner, that this item be deferred to the next meeting due to the letter not being received timely and that more committee discussion is required.

General Manager Gastelum requested Mr. Arakawa respond as to why a delay in Board approval would not be prudent at this time. Mr. Arakawa reported there is a significant amount of pressure that Metropolitan is receiving to facilitate some kind of resolution. The argument has been made that the amount of water, 20,000 acre-feet, that would go through the aqueduct would not have a significant impact on our quality. Metropolitan has argued to the contrary, but the farmers are looking for this water to meet their needs during the growing season, which is occurring now. Mr. Arakawa stated action on this is time sensitive.

In response to the price, Mr. Arakawa stated the \$75 figure was identified because that price has been used in similar

types of arrangements, whether they be with the Federal government or with other parties. It is a price that other parties have indicated for that type of operation. In terms of retaining the \$10, that is an acknowledgment on Metropolitan's part that through this exchange we are receiving a water quality benefit. There is also the ability to bypass a legal issue and not be involved in a lawsuit over the introduction of this water.

Following a discussion, the Chair called for a vote on the motion to defer, which did not carry.

Director Swan therefore moved, seconded by Director Wright and carried, authorizing the General Manager to enter into a Water Quality Management Agreement with Westlands Water District, in form approved by the General Counsel, consistent with the attached principles set forth in the letter signed by the General Manager on May 15, 2000.

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

In response to questions asked, reports on dry-year transfers and San Bernardino Valley Municipal Water District were given.

44017 The following communications were submitted to the Board for information:

- a. Revised Diamond Valley Lake Project construction and financial status report for the month ending March 2000, signed by the General Manager on May 17, 2000.
- b. Status report for the Inland Feeder Project for the month ending March 2000, signed by the General Manager on April 27, 2000.
- c. Letter signed jointly by the General Counsel on April 25, and the General Manager on April 27, 2000, reporting on the Omega Chemical Corporation Superfund Site -- U.S. v. Abex Aerospace Division, et al., Consent Decree.

44018 Regarding the Report on Senate Bill 1973 (Senator Perata; Amended in Senate, May 1, 2000), Director Krieger asked for a further explanation of the last sentence of the Board letter regarding "expansion of the legislation to include private water companies." General Manager Gastelum responded that the bill as currently envisioned would have the Public Utilities Commission (PUC) reviewing public agency wholesale water

procedures wheeling rates. However, what could occur if the bill passed is wheeling through our system would occur and then use of local private utilities could be precluded because of protection under the Service Duplication Act. So one could wheel through the State Water Project and the Metropolitan system and not be able to wheel into a private utility system. One of the points Metropolitan has been making is it is a fallacy for the Legislature to believe that there is going to be an open market if they pass legislation that affects only wholesalers. They need to look, as they did in energy deregulation, at the entire spectrum of water providers. It is not known whether the Legislature is interested in doing that, but it is a point to be raised with the Legislature because if they do indeed have expectation there is going to be a private water market resulting from this legislation, they are wrong.

44019 Legislative Representative Hiltcher gave an update on recent legislative activities taking place in Washington, D.C. The President's Drought Commission completed its work yesterday; and in that report, Metropolitan and its member agencies are recognized repeatedly for their extraordinary measures taken in Southern California to set the pace for the rest of the nation in protecting us from drought. H.R. 4187 (Ken Calvert) has passed the House and sent to the Senate. This bill will secure \$14 million for recreation facilities for the Diamond Valley Lake Project. H.R. 701 (Don Young), the land and water conservation bill, has about \$340 million a year for the next 15 years available to California. The scope of the H.R. 2169 (Chris Cannon) bill relating to Colorado River Salinity Control has been expanded by another \$100 million. The Moab uranium tail mining bill has been assigned to three subcommittees. More hearings have been scheduled regarding MTBE.

44020 Legislative Representative Cole gave an update on recent legislative activities taking place in Sacramento. SB 1594 (Kelley), the bill relating to the MWD elected board, remains in the Senate Rules Committee and will be going back to the Senate Local Government Committee on May 22. From there it will go to the Senate Appropriations Committee. SB 1595 (Kelley) for mandated contracts was also in the Appropriations Committee last Monday. The bill made it to the consent calendar and now moves to the Senate floor next week. SB 1973 (Perata), the bill giving the PUC authority to establish rule making to determine fair compensation for water transfers, will be heard in the Appropriations Committee on Monday. SB 2139 (Johnson and Kelley) pertains to wheeling of non-project water through the aqueduct to Metropolitan's service area. That was also considered in the Appropriations Committee and was defeated. However, it has been given reconsideration.

On Monday, the Governor released his May Revised Budget. He came up with a plan to spend the \$12 billion surplus and some of the Propositions 12 and 13 funds. The Governor proposes to spend \$125 million from the surplus for CALFED activities yet to be released. Also, \$763 million in Proposition 13 funds will be earmarked for safe drinking water, flood control, watershed protection, water recycling, water conservation, and the Interim Water Reliable Water Quality Management Program.

44021 Subcommittee on Financial Policies and Reporting
Chairman Blake had no further report.

44022 Regarding the activities of the Colorado River Board (CRB), Director Foley reported that the executive director and the managers of the agencies represented on the CRB met with John Bernal, Commissioner of the International Boundary and Water Commission, United States Section, to discuss border related matters. There was discussion on the Annual Operating Plan for Colorado River System Reservoirs for 2001 and two meetings have been scheduled for the Colorado River Management Work Group to be followed by a consultation meeting with the representatives of the Governors of the Colorado River Basin states.

Director Herman withdrew from the Meeting at 11:35 a.m.

44023 With the aid of slides, Mr. Rigdon, Acting Assistant Manager, Water System Operations, gave an update on system operations.

Directors Brick and Castro withdrew from the Meeting at 11:39 a.m.

44024 Acting Corporate Resources Manager Wolfe announced that the Diamond Valley Lake Project was one of five finalists for the prestigious Opal award which was given on April 29 by the ASCE. He reported that Caltrans will be a new tenant in Metropolitan's building starting in June and will occupy part of the fourth floor, with the entire fourth floor being taken by this summer.

44025 Mr. Arakawa, Acting Manager, Water Resource Management, reported on the Regional Urban Water Management Plan and the IRP update. Staff has been developing new information on demand projections and supplies and as part of that process, they are working with the member agencies and their staff and their retailers. A series of meetings is scheduled in the service areas to receive information and feedback. He also reported that

the State Water Resources Control Board will be focusing on Bay-Delta hearings. The State board has released a notice for moving forward with Phase 8 hearings when they will consider how to allocate responsibility for meeting requirements in the Delta.

44026 With the aid of slides, Legislative Representative Cole reported on the Proposition 13 funding.

In response to questions asked, comments were made on dry-year transfers and the meetings with San Bernardino Valley Municipal Water District.

Directors Harris and Stanton withdrew from the Meeting at 11:59 a.m.

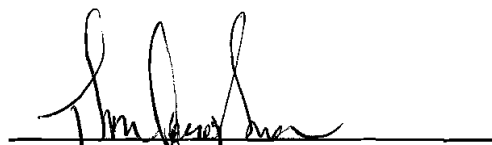
Director Treviño withdrew from the Meeting at 12:00 p.m.

44027 Treasurer Marumoto referred to the investment report that was sent out to Directors earlier.

44028 Acting Chief Financial Officer Christovale referred to the executive financial summary report mailed in advance. General Manager Gastelum commended Mrs. Christovale for her outstanding work in handling the department after the Chief Financial Officer's departure. He then welcomed the new Chief Financial Officer, Brian Thomas.

44029 Director Witt thanked the Board and staff for their condolences on the death of his granddaughter.

44030 At 12:26 p.m., there being no objection, Chairman Pace adjourned the Meeting in memory of both Elaine Little, wife of Director Little, and Carley Witt, granddaughter of Director Witt.


SECRETARY


CHAIRMAN