

MINUTES

ADJOURNED REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AUGUST 22, 2000

44125 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 22, 2000.

The Meeting was called to order by Chairman Pace at 10:34 a.m.

44126 The Meeting was opened with an invocation by Director Gary A. Morse.

44127 The Pledge of Allegiance to the Flag was given, led by Director Charles D. Barker.

44128 Secretary Coughran called the roll. Those answering present were: Directors Abdo, Barbosa, Barker, Brick, Coughran, Edwards, Foley, Forbes, Grandsen, Hansen, Krieger, Lewis, McMurray, Morris, Morse, Murph, Murray, Mylne, Owen, Pace, Peterson, Rez, Royce, Stanton, Swan, Tinker, Treviño, Turner, Wein, Witt, and Wright.

Those not answering were: Directors Bannister, Battey (entered 10:45 a.m.), Blake, Borenstein, Castro, Fellow, Freeman, Harris, Herman (entered 11:00 a.m.), Koopman, Kosmont, Krauel, Little, Luddy, Mejia (entered 10:45 a.m.), Moret, Parker (entered 10:40 a.m.), Record, Troxel, and Watton.

The Chair declared a quorum present.

44129 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.

44130 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

Larry Gardner, Water Department Director, City of San Diego, commented on the unanticipated revenues Metropolitan received in the last fiscal year, and requested that the Board reconsider its decision to utilize this revenue to prematurely pay down bonded indebtedness and instead return it to the member agencies.

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

Directors Battey and Mejia took their seats at 10:45 a.m.

44131 There being no objection, the Chair ordered the reading of the Minutes of the Meeting held July 11, 2000, dispensed with, a copy having been mailed to each Director.

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

44132 The Chair stated there were no new committee appointments.

44133 Director Stanton moved, seconded by Vice Chair Hansen and carried, authorizing the preparation of a Commendatory Resolution for former Director Sergio Rascon, who represented the City of San Fernando.

44134 Director Murph announced that Board Executive Officer Gilbert F. Ivey was elected to the executive board of the American Association of Blacks in Energy.

44135 Chairman Pace reported on events in which he participated on behalf of Metropolitan, as follows: On July 12 he met with Rex Hime and a group of other individuals from the California Business Properties and discussed Metropolitan's Strategic Planning process. The group was very interested in the outcome of our efforts and has committed to continue dialog with Metropolitan on this matter. On July 13 Metropolitan hosted a

reception for the African American Leaders in Water. The accomplishments of African American elected officials, business leaders, as well as past and present Board members who have provided leadership in shaping water policy for California were recognized. Director Murph presented awards to Congresswoman Juanita Millender-McDonald, State Senator Kevin Murray, Los Angeles Chamber of Commerce President Ezunial Burts, Metropolitan's Directors Emeritus Edward Kussman and Mark Dymally, and present Director Joseph Parker. The Chair also thanked the staff who participated in putting this reception together.

On behalf of the Board, the Chair congratulated Dawn Chin, Executive Secretary, for her 25 years of service to the Board of Directors.

The Chair reported that Ernst & Young has been engaged to independently advise the Board regarding the negotiations between Metropolitan's staff and Cadiz concerning the joint environment project. Directors Owen, Castro, and Koopman have been appointed to ensure that the final report meets the Board's expectation. They will review the Ernst & Young scope of work and schedule of the report. At such time as the report is available, the matter will be scheduled for full committee and Board consideration.

44136 Secretary Coughran introduced consultant Betty Ann Downing, the Ethics Officer, who will be meeting with the Directors and staff and setting up the training program and to make further recommendations to enhance the ethics program established by the Board.

Director Forbes introduced Timothy C. Jochem, the new General Manager of Upper San Gabriel Valley Municipal Water District.

44137 Strategic Plan Steering Committee Vice Chairman Brick reported that the member agency managers participated in three day-long rate structure workshops, and these were scheduled for every other Friday in July and August. Staff has worked closely with the member agency managers to provide results of cost of service study and the rate structure design alternatives. An overview of these rate changes and the rate structure will be presented to the Executive Committee in September; and a detailed presentation of the rate structure will be presented at an October workshop. Public forums for each county will follow.

Incorporating the member agencies and public input, another Board workshop to review the rate structure will be held in November; and the adoption of a new rate structure in December.

Director Herman took her seat at 11:00 a.m.

44138 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 monthly activity report for July, signed August 16, 2000, which was distributed earlier.

General Manager Gastelum reported on the negotiations between Metropolitan and AFSCME Local 1902, which is a very good package for both Metropolitan and the employees. The union is currently in the midst of an election for an agency workshop. The request for approval of the MOU by the Board will be brought back in September.

Regarding the Bay-Delta issues, Director Barbosa expressed concern that the Governor's plan with Secretary Babbitt does not go far enough to protect the long-term economic public health considerations of Southern California. At the next Board Meeting he would like the Board to discuss the implications of where the Governor and the Secretary are taking Southern California, specifically relating to water quality.

44139 General Counsel Walston referred to his activity report dated July 31, 2000, which was distributed earlier. In Metropolitan v. All Persons Interested (the wheeling case), on July 31 Metropolitan filed its answer to the petition for review and expects the court to make a decision within the next two to three months. Mr. Walston announced the appointment of Senior Deputy General Counsel Jeffrey Kightlinger as the new Assistant General Counsel.

44140 The reports of the Standing Committees are as follows:

On behalf of the Executive Committee, Chairman Pace reported that at the meeting of the Museum Feasibility Committee, staff presented various display mediums for the museum, the guiding principles, potential exhibit types and programs. Secretary of State Bill Jones attended the meeting and presented his experiences with two museums in which he has been involved. He provided us with valuable information and suggestions on how to move forward. At the next meeting, a discussion will be held

on the schedule and budget. At the Executive Committee meeting, the committee approved all its action items and heard a report on the activities of the Colorado River Board from Director Foley and staff member Dennis Underwood.

On behalf of the Budget and Finance Committee, Director Morse reported the committee, without a quorum present, gave consensus approval to Agenda Items 8-5 and 8-6.

Engineering and Operations Committee Vice Chairman Tinker reported all actions were approved by the committee, and requested that Agenda Item 9-1 be added to the Consent Calendar.

Legal and Claims Committee Chairman Morse reported the committee approved the action items on its agenda, and requested that Agenda Items 9-2, 9-9, and 9-10 be added to the Consent Calendar.

Communications and Legislation Committee Chairman Peterson reported the committee heard the legislative reports from the Sacramento and Washington offices. In Sacramento, the Metropolitan governance bills and the wheeling bills were held in committees; the electrical restructuring issue is of major concern; and Assemblyman Machado has introduced AB 1839, proposing a Bay-Delta Governance Plan. In Washington, Senator Feinstein introduced companion legislation, S. 2977, for the Diamond Valley interpretive center and museum. Reports were heard on the Lower Colorado River Defenders of Wildlife lawsuit, and Congressman Doolittle's bill reauthorizing money for CALFED. Four assistants to congressional members will be going on a three-day inspection trip of the Colorado River, to include Metropolitan's facilities.

Water Planning and Resources Committee Chairman Owen reported the committee continued its discussion with Dr. Janice Beecher and Mr. Scott Rubin on electric deregulation and related water industry issues. This discussion will continue at the September committee meeting. In considering Agenda Item 9-4, Metropolitan's role in desalination, the committee approved a substitute motion which passed unanimously; and Director Owen requested it be added to the Consent Calendar.

Director Morris moved, seconded by Director Stanton and carried, and the Board approved the Consent Calendar Items, **M.I. 44141** through **M.I. 44149**, as follows:

44141 Authorized Appropriation No. 15356 in the amount of \$1,140,000 from the Pay-As-you-Go Fund for implementation of the Interim Enhanced Surface Water Treatment Rule (IESWTR), as set forth in the letter signed by the General Manager on August 1, 2000. The IESWTR implementation program has been included in the fiscal year 2000-01 budget.

44142 Approved the additional \$24,000 payment, for a total excess liability premium payment of \$352,000, for coverage effective July 1, 2000 through June 30, 2001, which option meets bond covenant requirements, as set forth in the letter signed by the General Manager on August 1, 2000.

44143 Adopted **Resolution 8705** authorizing the General Manager to apply for Drinking Water State Revolving Fund financing for the Oxidation Retrofit Program, with separate applications for the Joseph Jensen and Henry J. Mills Filtration Plants, as set forth in the letter signed by the General Manager on August 1, 2000, said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA**

44144 Approved Chandler Asset Management, Inc., at a maximum cost of \$75,000, to conduct a review of Metropolitan's Treasury operations related to investments, as set forth in the letter signed by the General Manager on August 1, 2000.

44145 Approved the execution of reimbursement agreements with Caltrans to protect the Rialto Pipeline impacted by the proposed State Route 30 Freeway for approximately \$4,200,000; and authorized the General Manager to award a construction contract in an amount not to exceed \$3,700,000 for all related construction activities, as set forth in the General Manager's letter signed on August 1, 2000.

44146 Ratified participation as an amicus curiae in support of the petitioner in Solid Waste Agency of Northern Cook County v. United States Army Corps of Engineers, et al., Supreme Court of the United States, Case No. 99-1178, as set forth in the confidential letter jointly signed by the General Counsel on July 26 and the General Manager on July 27, 2000.

44147 Regarding an approach for Metropolitan's role in desalination, as described in the letter signed by the General

Manager on August 1, 2000, the Board approved the substitute motion from the Water Planning and Resources Committee that (1) staff return with a comprehensive review of activities carried out under the 1995 seawater desalination policy principles, including Metropolitan's partnership with Parsons/IDE; (2) staff survey the member agencies on what desalination projects are currently being considered, and review those projects for inclusion in the IRP Update for potential Metropolitan participation; and (3) Metropolitan work with member agency staff to generate support for State and Federal funding for desalination projects. In addition, staff was asked to return with a report within three months.

44148 After hearing a briefing on the status of Metropolitan Water District v. EOP-Two California Plaza, LLC, Los Angeles Superior Court Case No. BC200673 (Cal Plaza), the Board authorized an amendment to Agreement No. 33019 with Bergman, Wedner & Dacey, Inc., as set forth in the confidential letter signed by the General Counsel on July 24, 2000.

Director Wein requested to be recorded as abstaining.

44149 Approved the proposed settlement of construction claims filed by Kiewit-Granite and Kiewit Pacific relating to construction of the East Dam and foundation excavation of the West Dam on the Diamond Valley Lake (Eastside Reservoir Project), as set forth in the confidential letter jointly signed by the General Manager and the General Counsel on August 17, 2000.

In response to a question, General Manager Gastelum stated the recommended amount for settlement was \$9.4 million, which include all the outstanding claims of Kiewit, the contractor. It will also include the outstanding claims on the construction of the reservoir itself. Both Kiewit and AWZ claims were originally for \$170 million, and the settlement amounts are \$9.4 million for Kiewit and \$39 million for AWZ.

44150 Board Secretary Coughran moved, seconded by Director Stanton and carried, authorizing the General Manager to increase Contract 1396A with Systems Integrated by \$1,990,000 to a total amount of \$16,555,000 to fund completed work and remaining work within the current scope, as set forth in the letter signed by the General Manager on August 12, 2000.

44151 Board Secretary Coughran moved, seconded by Director Treviño and carried, authorizing the General Manager to commence

negotiations with the Diamond Valley Recreation Group and return to the Board with the essential terms and conditions for a Master Lease Agreement for approval within ninety days. In the event that an agreement cannot be reached, the General Manager is authorized to cancel negotiations with Diamond Valley Recreation Group and commence negotiations with the Diamond Valley Legacy Partnership, as set forth in the letter signed by the General Manager on August 1, 2000.

Director Morris requested to be recorded as abstaining.

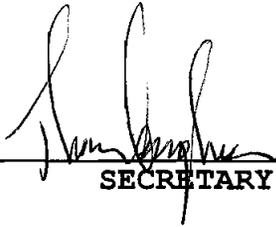
44152 The following communications were submitted to the Board for information:

- a. Revised status report for the Diamond Valley Lake Project for the month ending June 2000, signed by the General Manager on August 18, 2000.
- b. Status report for the Inland Feeder Project for the month ending June 2000, signed by the General Manager on August 1, 2000.
- c. Letter of the General Manager signed on August 1, 2000, transmitting the annual report of payment of claims for lost, matured or called bonds and interest coupons; issuance of duplicate bearer bonds; replacement of lost registered bonds.
- d. Letter of the General Manager signed on August 1, 2000, submitting the staff analysis of the CALFED Framework for Action.
- e. Letter of the General Manager signed on August 1, 2000, submitting the semi-annual report on diversity.
- f. Letter of the General Manager signed on August 10, 2000, transmitting the Capital Investment Plan Evaluation Process.

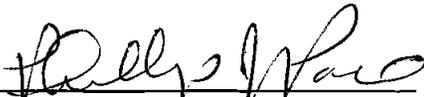
44153 Principal Legislative Representative Hiltcher introduced three of the Congressional assistants who will be participating in the Colorado River inspection trip - Spencer Freebairne, legislative assistant to Representative Jerry Lewis; Jolyn Murphy, legislative assistant to Representative Ken Calvert; and Nora Bomar, legislative director to Representative Ron Packard.

Director Abdo introduced Zachary Gaidzik, who she has been mentoring for three years. He did his science project on MTBE in the water of Santa Monica.

44154 There being no objection, Chairman Pace adjourned the Meeting at 11:25 a.m.



SECRETARY



CHAIRMAN