

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JUNE 12, 2001

44470 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, June 12, 2001.

The Meeting was called to order by Chairman Pace at 12:10 p.m.

44471 The Meeting was opened with an invocation by Director Wyatt L. Troxel.

44472 The Pledge of Allegiance to the Flag was given, led by Director George E. Battey, Jr.

44473 Secretary Coughran called the roll. Those answering present were: Directors Abdo, Ashley, Ball, Bannister, Battey, Blake, Brick, Castro, Coughran, Edwards, Fellow, Foley, Grandsen, Harris, Hansen, Lewis, Little, Mejia, Morris, Morse, Murph, Murray, Mylne, Owen, Pace, Parker, Peterson, Rez, Stanton, Swan, Troxel, Wein, and Wright.

Those not answering were: Directors Barbosa (entered 12:20 p.m.), Herman, Krauel, and Luddy.

The Chair declared a quorum present.

44474 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.

44475 Chairman Pace announced the meetings in August will take place on Monday and Tuesday, August 20 and 21, 2001.

44476 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

David Czamanske of the Sierra Club commented on Agenda Item 8-8, payment for legal services for the Cadiz Groundwater Storage and Dry-Year Supply Program. He stated the environmental community is not in support of this project because of concerns relating to the adverse impacts on wildlife, air resources impacting the Mojave national preserve and its surrounding wilderness area. He pointed out that the Sierra Club has supported projects for water conservation, water reclamation, and additional water for managed growth. Mr. Czamanske requested that Agenda Item 8-8 be deferred.

44477 There being no objection, the Chair ordered the reading of the Minutes of the Meetings of May 8 and 15, 2001, dispensed with, copies having been mailed to each Director.

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

44478 The Chair reported there are no new committee appointments.

Director Barbosa took his seat at 12:20 p.m.

44479 Chairman Pace reported on events in which he participated on behalf of Metropolitan, as follows: On May 19 the Chair participated in a signing ceremony with the Bolsa Chica Land Trust, with Metropolitan transferring nearly 25 acres of sensitive Bolsa Chica wetlands habitat to the State Lands Commission and public domain. The land will be preserved as part of the State's 1,200-acre Bolsa Chica Ecological Reserve. On May 23 Vice President & Board Executive Officer Ivey and Press Office Manager Muir accompanied the Chair to a historic signing ceremony of the Interim Surplus Criteria Guidelines Agreement with the State of Arizona. This agreement heralds a new era of cooperation between the three lower Colorado River Basin states that will lead to more efficient and effective use

of Colorado River water in the future. This agreement also helps California to reduce its consumption of Colorado River water to its basic allocation of 4.4 million acre-feet over the next 15 years.

On May 30 the Chairman, along with other officials from the State and cities, participated in the turning of Diamond Valley Lake (DVL) into a power generator. With the massive energy crunch facing the State today, Metropolitan arranged for the production of electricity at the Hiram J. Wadsworth Pumping Plant at the DVL facility a year earlier than initially planned. This is the first new California hydroelectric facility in six years. There was extensive news media coverage at this historic event. A video was shown highlighting the press coverage the event received.

Chief Executive Officer Gastelum and Chief Operating Officer Tait then commended the staff who were involved in bringing this project into fruition in record time, and introduced them to the Board:

Eddie Rigdon	Roy Wolfe
Jon Lambeck`	Reynaldo Reed
Dave Gledhill	Bill Watson
Ernest Hahn	John Blasongame
Joe Heagerty	Brent Yamasaki
Diana Mahmud	Mike Rojas

The Board also thanked the staff for their dedication and hard work to get this project accomplished.

44480 Subcommittee on Rate Structure Implementation Chair Brick reported that in keeping with the Rate Structure Action Plan the Board approved last December, Metropolitan is now approaching the first major milestone in the process of implementing the rate structure, the review of the Integrated Resources Plan (IRP) that the staff has prepared. The purpose of the IRP review is to look at all of the water resources that are available to Metropolitan during the period of the contracts and to meet member agency needs during that period of time, and to assure that one level of demand will be available to Metropolitan and to Southern California if there is a situation comparable to the last major drought. Based on that review the

Board will be able to determine the volume of water that can be made available to member agencies for contract purposes.

Director Brick announced there would be a workshop on June 26, 2001, starting at 1:00 p.m., to consider the various assumptions and plans that are being made in order to meet Southern California's needs. Director Brick made reference to a letter he sent to the member agency managers acknowledging their valuable assistance in the development of the proposal that led to the December 2000 Board action. The managers have been invited to continue in the discussions that will be necessary in order to implement the rate structure.

Director Brick stated the priority issues for the member agency managers to focus their efforts are the proposed growth charge and the implementation of the Water Surplus and Drought Management Program. With the scheduled workshop and with the member agencies' involvement, there is a comprehensive effort on the way to implementing the proposed conceptual rate structure on the schedule that was set out in December.

44481 Regarding the Colorado River, Bay-Delta and CALFED matters, and the summary of District activities, Chief Executive Officer Gastelum referred to his monthly activity report for May signed June 7, 2001. Mr. Gastelum reported that both Senator Feinstein and Congressman Calvert have introduced legislation relative to CALFED. The water industry is looking at this with great anticipation in order to bring closure on the CALFED issue on the federal level. He stated that Metropolitan has to play a major leadership role, along with ACWA and other water agencies, cities and counties throughout Southern California, and the business community. Staff will be reporting to the Board on a regular basis on what they are doing

CEO Gastelum reported that Metropolitan has negotiated a Memorandum of Understanding with the Santa Ana River Watershed Project Authority (SAWPA) to achieve closer communication and planning at the staff level. The intent is to go forward with the MOU and any action by either entity will have to be referred back to their respective boards for review and approval.

A preview of the web site was given at the Communications, Outreach and Legislation Committee meeting this

morning. Staff will be working with the Directors over the next several weeks to perfect the web site and to make it relevant to the public.

CEO Gastelum announced the formation of an inter-disciplinary group on the staff level to look at the energy strategy to be responsive to the Board committee. The Engineering, Operations Committee will receive reports on a regular basis. Mr. Gastelum reported that Metropolitan receives on a weekly basis proposals by energy companies to either site an energy plant on Metropolitan's land, or requiring water from us somewhere in the State of California to facilitate their energy plants, or to sell power to us. Metropolitan has been offered equity interest in those plants. Given the current crisis, it behooves Metropolitan to make a concentrated effort to establish some policy guidelines with the Board in order to respond to the various proposals in a timely way.

44482 General Counsel Walston referred to his activity report dated May 31, 2001, which was distributed earlier.

In *Metropolitan v. San Diego County Water Authority, et al.* (Brown Act Case), Metropolitan filed a motion for preliminary injunction to prevent the San Diego delegates from attending closed session in the discussion of legal strategy in the underlying preferential rights case. The court originally issued a tentative ruling rejecting the motion for preliminary injunction. However, after hearing oral argument, the court reversed itself and granted the motion for preliminary injunction. The court also imposed several conditions as part of the order. The most important condition is that San Diego County Water Authority will have the right to appoint a representative who will be able to attend the closed session and protect San Diego's interests. The representative cannot be a member of the Authority's board or the staff, or a member of its legal team. Also, the representative cannot report the contents of what happened in the closed session outside the session itself, and in particular cannot report back to the Authority what happened in the closed session. The court stayed the effect of its order for ten days to give San Diego a chance to appeal, which San Diego indicated it might do. Today the order is not in effect since it has not yet been signed. It is expected to be signed in the next day or two, and then will be

stayed for a ten-day period to allow San Diego to make its appeal if it chooses.

In *San Diego County Water Authority, et al. v. Metropolitan and the City of Los Angeles* (Preferential Rights Case), Metropolitan filed a demurrer which in effect is a motion to dismiss the case. The Department of Water and Power of the City of Los Angeles filed an application with the court requesting to be joined in Metropolitan's demurrer. The court will hear these motions on June 24. However, San Diego may seek to amend its complaint, and if it does so, Metropolitan's demurrer will be off calendar. Metropolitan will then decide whether to answer again with a demurrer or whatever is appropriate.

In *DeWayne Cargill, et al. v. Metropolitan, et al.* (the temporary employees' lawsuit), the oral argument is set for August 21, 2001.

General Counsel Walston also reported on a very important decision that came out of the U.S. Court of Appeal for the Tenth Circuit. In *New Mexico Cattle Growers Association, et al. v. U.S. Fish and Wildlife Service, et al.*, the Tenth Circuit held that the Fish and Wildlife Service (Service) is officially violating the Endangered Species Act (ESA) by failing to consider economic impacts when it designates critical habitats for endangered species. To date the Service does not consider the economic impacts of designating these critical habitats, and the Tenth Circuit said that the Service was violating the ESA in its policy because the ESA itself required the Service to consider these economic impacts when it makes that decision. Metropolitan, along with the State Water Contractors, is asserting this same argument in a case now pending before the District Court in the Eastern District of California. Metropolitan expects the Tenth Circuit decision will greatly help in prosecuting that case.

44483 Vice Chair Peterson introduced James Colbaugh, General Manager of Las Virgenes Municipal Water District.

44484 The reports of the Standing Committees are as follows:

On behalf of the Executive Committee, Chairman Pace reported that at its meeting on May 22, the committee approved Agenda Items 8-9 through 8-11. Director Edwards gave his report from the Subcommittee on Rules. The subcommittee determined that annexations would continue to be considered by the Executive Committee. At the subcommittee meeting, Director Battey gave a report on the Ethics Program, from which an ad hoc committee was formed consisting of Directors Battey as Chair, Brick, Coughran, and Harris. This ad hoc committee will develop a job description, compensation package, and manage the recruitment for Metropolitan's Ethics Officer. Vice President & Board Executive Officer Ivey updated the committee on the rate structure. Director Wright gave a report on the activities of the Colorado River Board. CEO Gastelum gave his monthly report on his department activities for the month of April, and Chief Operating Officer Tait gave a presentation on the report card for Metropolitan's reorganization initiative.

Audit, Budget and Finance Committee Chairman Bannister thanked the members of his committee and the chairs of its various subcommittees for their diligent work in getting through the complex agenda. The committee approved Agenda Items 8-5, 8-6, 9-1, 9-3, 9-4, and 9-5. Director Bannister then moved, seconded by Director Blake and carried, that Items 9-1, 9-4, and 9-5 be added to the Consent Calendar.

Engineering, Operations and Real Property Committee Chairman Barbosa reported the committee approved Agenda Items 8-1 through 8-4. Regarding Item 9-6, the committee voted unanimously to approve staff's recommendation with the provision that staff will obtain Board approval prior to withdrawing DBAW funds. The committee also directed staff to return to the Board with specific policy of boating on Diamond Valley Lake and Lake Skinner. Director Barbosa moved, seconded by Director Blake and carried, that Item 9-6 be added to the Consent Calendar.

Legal, Claims and Personnel Committee Chairman Morse reported the committee approved Agenda Items 8-7, 8-8, and 9-7. The committee deferred Agenda Item 8-13, the Business Outreach Program. Item 9-7 was heard in closed session and Director

Ashley did not participate in that discussion. Director Morse then moved, seconded by Director Blake and carried, that Item 9-7 be moved to the Consent Calendar.

Communications, Outreach and Legislation Committee Chair Hansen reported the committee previewed Metropolitan's new web site, MWDH20.com, which will be launched at the end of this month. Some of the features of the site include easy access to information about water, including the water quality report, as well as RFPs, MetTV, Board agendas, and operations information. The committee voted to request that the Board of Directors make a determination regarding whether live broadcasts of our monthly meetings should also be included on the web site. The committee members were given copies of the Aqueduct³ magazine and the new water quality report. Copies of the video concerning the rollout of the hydroelectric generators at DVL have been sent to Administration officials, FERC, and key members of the Congress to thank them for quickly approving the permit to get the generators on line. The committee heard the legislative reports from both the Washington and Sacramento offices. Principal Legislative Representative Hiltcher reported on the inspection trip earlier this month to Moab, Utah, for key Senate and House Committee staff. The Bush Administration is now recommending \$1.4 million funding for the scientific studies and analyses needed to pave the way for the cleanup. The Administration is also expected to reject Governor Davis' request for a waiver on the 2 percent oxygenate requirement. Principal Legislative Representative Cole gave a brief update on the bills before the State Legislature. The two wheeling bills, SB 1029 and SB 621, are on hold for the year. The committee expressed a strong desire to review Board adopted legislative policy principles at a future meeting.

Water Planning, Quality and Resources Committee Chairman Owen reported there was a joint meeting of the Water Planning, Quality and Resources Committee and the Engineering, Operations and Real Property Committee, where they heard reports on the Las Posas Groundwater Storage Program, treatment alternatives to meet upcoming drinking water quality regulations, and operations of the Colorado River Aqueduct. There were no action items at the WPQ&R meeting. Oral reports were presented on the State Water Project, CALFED legislation, and the State Water Resources Control Board's Phase 8 hearings.

Director Stanton moved, seconded by Director Wright and carried, and the Board approved the Consent Calendar Items, **M.I. 44485** through **M.I. 44500**, as follows:

44485 Adopted the California Environmental Quality Act (CEQA) determination and authorized the purchase of 2.5 cubic feet per second of service rights in the Mills Gravity Line from Western Municipal Water District of Riverside County for \$1.8 million, as set forth in the letter signed by the Chief Executive Officer on May 22, 2001.

44486 The Board (a) adopted the CEQA determination and authorized increasing Appropriation No. 15341 (No. 3) by \$1,200,000 from the Pay-As-You-Go Fund for preliminary design and preparation of environmental documentation for the Colorado River Aqueduct--Whitewater Siphon protection and mining pit reclamation project; and (b) delegated to the Chief Executive Officer the authority to award contracts exceeding \$250,000 for environmental documentation and preliminary design of the Whitewater Siphon protection, as set forth in the Chief Executive Officer's letter signed on May 22, 2001.

44487 The Board (a) adopted the CEQA documentation; (b) authorized Appropriation No. 15361 in the amount of \$690,000 from the Construction Funds; (c) authorized the Chief Executive Officer (CEO) to have all work performed; and (d) delegated to the CEO the authority to award a construction contract for modifications to the building at Union Station, as set forth in the Chief Executive Officer's letter signed on May 24, 2001.

44488 The Board (a) adopted the CEQA determination; (b) authorized an increase in Appropriation No. 11002 in the amount of \$97,000; and (c) authorized the Chief Executive Officer to amend the existing contract with Guckenheimer Enterprises, Inc. by increasing the limit to \$346,900 to maintain cafeteria operations and catering services through September 27, 2001, as set forth in the letter signed by the Chief Executive Officer on May 24, 2001.

44489 Adopted the CEQA determination and authorized the Interim General Auditor to enter into a contract for External Audit Services with the firm of KPMG LLP for annual and quarterly audits covering the fiscal years June 30, 2002 through

June 30, 2004, as set forth in the letter signed by the Chair of the Subcommittee to Select Outside Auditing Firm on May 31, 2001. The amount payable under this three-year contract will not exceed \$460,545.

44490 The Board adopted the CEQA determination and (a) approved the AEGIS Excess Liability (claims-made policy) insurance premium payment of \$412,000; (b) amended the Driver Insurance Services' (Driver) contracts adding \$333,500 for payment of all insurance premiums; and (c) extended the Driver contract period from July 1, 2001 to September 30, 2001, as set forth in the letter signed by the Chief Executive Officer on June 4, 2001.

44491 Adopted the CEQA determination and authorized the Chief Executive Officer to amend existing agreements and enter into new contracts with employment service agencies and professional firms supplying temporary personnel in excess of \$250,000, as set forth in the letter signed by the Chief Executive Officer on May 21, 2001.

44492 The Board adopted the CEQA determination and (a) granted conditional approval, as defined in the Metropolitan Water District Administrative Code Section 3100(b), for annexation of the 71st Fringe Area concurrently to Eastern Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$117,104 to Metropolitan if subject annexation is completed by December 31, 2001, or if completed after said date, at the then current annexation charge rate; (b) approved Eastern's proposed 71st Fringe Area annexation Plan for Implementing Water Use Efficiency Guidelines; and (c) adopted **Resolution 8747**, the resolution of intention to impose water standby charges within the proposed annexation territory, as set forth in the letter signed by the Chief Executive Officer on May 7, 2001, 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 CHARGES CONTINGENT UPON
ANNEXATION**

Director Ashley requested to be recorded as abstaining.

44493 The Board adopted (a) the CEQA determination; (b) **Resolution 8748** granting Eastern Municipal Water District's request for approval of the 70th Fringe Area annexation concurrently to Metropolitan and Eastern, by establishing Metropolitan's terms and conditions for this annexation, conditioned upon approval by the Local Agency Formation Commission of Riverside County; and (c) **Resolution 8749**, the resolution to impose water standby charge at a rate of \$6.94 per acre or per parcel of less than one acre within the proposed annexation, as set forth in the letter signed by the Chief Executive Officer on May 7, 2001, said Resolutions entitled:

Resolution 8748 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN'S 70TH FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 8749 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON EASTERN 70TH FRINGE AREA ANNEXATION

Director Ashley requested to be recorded as abstaining.

44494 The Board adopted (a) the CEQA determination; (b) **Resolution 8750** granting Calleguas Municipal Water District's request for approval of Annexation No. 69 concurrently to Metropolitan and Calleguas, by establishing Metropolitan's terms and conditions for this annexation, conditioned upon approval of Ventura Local Agency Formation Commission (LAFCO); and (c) **Resolution 8751**, the resolution to impose water standby charges at a rate of \$9.58 per acre or per parcel of less than one acre within the proposed Annexation No. 69; (d) **Resolution 8752** granting Calleguas' request for approval of Annexation No. 70 concurrently to Metropolitan and Calleguas, by establishing Metropolitan's terms and conditions for this annexation, conditioned upon LAFCO approval; and (e) **Resolution 8753**, the resolution to impose water standby

charges at a rate of \$9.58 per acre or per parcel of less than one acre within the proposed Annexation No. 70, as set forth in the letter signed by the Chief Executive Officer on May 7, 2001, said Resolutions entitled:

- Resolution 8750** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS' ANNEXATION NO. 69 AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
- Resolution 8751** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON CALLEGUAS ANNEXATION NO. 69
- Resolution 8752** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS' ANNEXATION NO. 70 AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
- Resolution 8753** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON CALLEGUAS ANNEXATION NO. 70

Director Grandsen requested to be recorded as abstaining.

44495 Adopted the CEQA determination and **Resolution 8754** naming the Diamond Valley Lake Overlook the "Clayton A. Record, Jr. Viewpoint", as set forth in the letter signed by the Board Chairman on May 24, 2001, said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA APPROVING THE
DEDICATION AND NAMING OF THE DIAMOND VALLEY LAKE OVERLOOK
AS THE CLAYTON A RECORD, JR. VIEWPOINT**

44496 The Board (a) adopted the CEQA determination; (b) approved a \$133.8 million increase in the fiscal year 2000-01 annual budget appropriation for a total appropriation of \$731.8 million for the projected annual cash outlays for Metropolitan's operations and maintenance (O&M), including power costs on the Colorado River Aqueduct; State Water Project (SWP) operations, maintenance, power and replacement costs, and SWP capital charges (including a portion of the July 2001 capital invoice); water management programs; and O&M costs associated with water transfer programs; and (c) appropriated an additional \$8 million, as continuing appropriations, for debt service on Metropolitan revenue bonds, as set forth in the letter signed by the Chief Executive Officer on May 22, 2001.

44497 Adopted the CEQA determination and approved (a) the re-delegation of authority to the Treasurer to make investments on behalf of Metropolitan, and (b) the Statement of Investment Policy with changes as indicated in the letter signed by the Chief Executive officer on May 22, 2001.

44498 Adopted the CEQA determination and authorized the Chief Executive Officer to pay the State Water Project capital charges in June 2001 rather than July 2001, as set forth in the letter signed by the Chief Executive Officer on May 22, 2001.

44499 The Board (a) adopted the CEQA determination; and (b) authorized the Chief Executive Officer to enter into the Phase III Grant Agreement with the California Department of Boating and Waterways (DBAW) for a grant of \$2,500,000 and the Phase III Loan Agreement with DBAW for a loan of \$4,470,000, as set forth in the letter signed by the Chief Executive Officer on May 24, 2001, with the provision that staff will obtain Board approval prior to withdrawing DBAW funds. Staff was also directed to return to the Board with specific policy of boating on Diamond Valley Lake and Lake Skinner.

44500 Authorized a partial settlement of *Soboba Band of Mission Indians v. The Metropolitan Water District of Southern California*, U.S.D.C. Case No. 00-04208 GAF (MANx), as set forth in the confidential letter signed by the Assistant General Counsel on May 24, 2001.

Director Ashley requested to be recorded as abstaining.

44501 There was a general discussion on whether the Board should be appropriating more money on the Cadiz Groundwater Storage and Dry-Year Supply Program. Questions were asked on the availability of the EIS/EIR, which schedule is being driven by the Bureau of Land Management.

Following further comments, Director Murray moved, seconded by Director Hansen, that the Board adopt the CEQA determination and authorize amendment to Agreement No. 38724 with Riordan & McKinzie to increase maximum compensation from \$100,000 to \$325,000 for legal services in connection with the negotiation and drafting of the contract(s) for the Cadiz Groundwater Storage and Dry-Year Supply Program, as set forth in the letter signed by the Assistant General Counsel on May 17, 2001.

The Chair called for a vote on the motion.

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

Ayes: Burbank (Dir. Battey, 1,013 votes), Calleguas Municipal Water District (Dir. Grandsen, 4,231 votes), Central Basin Municipal Water District (Dir. Morse, 3,219 votes), Compton (Dir. Murph, 183 votes), Eastern Municipal Water District (Dir. Ashley, 2,092 votes), Foothill Municipal Water District (Dir. Edwards, 681 votes), Glendale (Dir. Rez, 1,262 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,027 votes), Long Beach, (Dir. Hansen, 1,921 votes), Los Angeles (Ayes: Dirs. Castro and Wein. Absent: Dirs. Herman and Luddy. 21,272 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, Owen, and Swan, 18,166 votes), Pasadena (Dir. Brick, 1,036 votes), San Diego (Ayes: Dirs. Ball, Lewis, and Parker. Absent: Dir. Krauel. 18,009 votes), San Fernando (Dir. Mejia, 82 votes), San Marino (Dir. Morris, 235 votes), Santa Monica (Dir. Abdo, 1,223 votes), Three Valleys

Municipal Water District (Dir. Barbosa, 2,855 votes), Torrance (Dir. Wright, 1,319 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 4,033 votes), West Basin Municipal Water District (Dirs. Little and Murray, 7,516 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 3,271 votes). Total 94,646 votes.

Noes: Anaheim (Dir. Stanton, 1,952 votes), Beverly Hills (Dir. Harris, 1,036 votes), Fullerton (Dir. Blake, 766 votes), Inland Empire Utilities Agency (Dir. Troxel, 3,728 votes). Total 7,482 votes.

Abstains: Central Basin Municipal Water District (Dir. Pace, 3,219 votes), Santa Ana (Dir. Coughran, 1,197 votes). Total 4,416 votes.

The Chair stated the motion was approved by a vote of 94,646 ayes, 7,482 noes, and 4,416 abstain.

44502 At the request of Director Mylne, Vice President of External Affairs Ortega made a presentation on the Water Education Center and Museum project. The Special Museum Committee considered this item last month. The committee discussed creating the scope and guidelines that would also include a budget for the creation of this project.

Directors Ball and Lewis withdrew from the Meeting at 1:34 p.m.

Following a discussion on the budget and the costs to be expended, Director Wright moved, seconded by Director Ashley, that the Board adopt the CEQA determination and approve the project scope and guidelines, and initial authorization of \$2 million to support predevelopment planning activities for Metropolitan's Center and programs, as set forth in the letter signed by the Board Chairman on May 24, 2001.

Director Mylne requested that the motion be amended to add the following words: "... costing no more than \$16 million so that the design is done with the intent that the project cost no more than that." The amended motion was agreeable to the maker and seconder of the original motion.

After further discussion on the amended motion, the Chair called for a vote on the amended motion, which did not carry.

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

Director Mylne requested to be recorded as voting no.

44503 Audit, Budget and Finance Committee Chairman Bannister moved, seconded by Director Blake, that the Board:

a. Adopt the CEQA determination and approve the 2001-02 Annual Budget as set forth in the letter signed by the Chief Executive Officer on May 22, 2001;

b. Appropriate \$695.3 million for the projected annual cash outlays for Metropolitan O&M, including power costs on the Colorado River Aqueduct, SWP operations, maintenance, power and replacement costs and SWP capital charges; water management programs; and O&M costs associated with water transfer programs;

c. Appropriate, as continuing appropriations, \$218.4 million for debt service on Metropolitan general obligation and revenue bonds;

d. Appropriate, as continuing appropriations, \$8.4 million for operating equipment, computers and inventory supplies;

e. Authorize the use of \$85.0 million in Pay-As-You-Go funds to finance a portion of the Capital Investment Plan during fiscal year 2001-02;

f. Authorize \$45 million to be deposited into the Water Transfer Fund; and

g. Establish a Rate Structure Transition Account and authorize that funds over the maximum reserve level at June 30, 2001 be deposited into this account. The allocation of funds for each member agency will be based on the member agency's relative share of basic water sales, less any treatment surcharge revenues during fiscal year 2000-01, subject to final

review and approval of allocation of the deposited sums by the Board in August 2001.

Director Parker stated San Diego County Water Authority could not support the proposed budget because of the proposed use of reserves; namely, the continuation of a water transfer fund and the establishment of a member agency transition fund instead of refunding the excess collection. The other objection had to do with the proposed expenditure of \$6.6 million for the Inland Feeder Project, so San Diego would oppose the budget.

The Chair called for a vote on the 2001-02 Annual Budget, which carried by more than the required two-thirds vote.

Director Parker requested to be recorded as voting no.

44504 Audit, Budget and Finance Committee Chairman Bannister moved, seconded by Director Blake, that the Board adopt the CEQA determination and approve extension of the authority granted under the eleventh and twelfth Supplemental Resolutions to June 30, 2002, respectively, to execute the sale of \$200 million of variable rate water revenue bonds to fund a portion of CIP expenditures, and to approve up to \$500 million of variable rate water revenue bonds to tender outstanding fixed rate water revenue bonds, as set forth in the letter signed by the Chief Executive Officer on May 22, 2001.

The Chair called for a vote on the motion, which carried by more than two-thirds vote.

44505 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Project for the month ending April 2001, signed by the Chief Executive Officer on May 19, 2001.
- b. Letter of the Chief Executive Officer signed on May 19, 2001, submitting a status report on the FERC relicensing of the Oroville facilities.

44506 Director Swan reported that at the Subcommittee on Rules and Ethics meeting, a question arose regarding one of the consultants relative to the Diamond Valley Recreation Group (DVRG). He requested that this item be discussed before the full Board, so that the Board may waive any kind of conflict, whether real or perceived, knowing that the consultant is a former Board member.

Following a discussion, Subcommittee on Rules and Ethics Chairman Edwards reported that the subcommittee did not object to Kosmont and Associates joining DVRG and found there is no conflict with Metropolitan's Administrative Code Section 7305.

44507 There being no objection, Chairman Pace adjourned the Meeting at 1:50 p.m.

THOM COUGHRAN

SECRETARY

PHILLIP J. PACE

CHAIRMAN