

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
SEPTEMBER 11, 2001

44591 The Board of Directors of The Metropolitan Water District of Southern California met in 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, September 11, 2001.

The Meeting was called to order by Chairman Pace at 1:05 p.m.

44592 The Meeting was opened with an invocation by Director Harold W. Ball.

44593 The Board observed a moment of silence in memory of all those who perished in the terrorist attacks on the United States this morning.

44594 The Pledge of Allegiance to the Flag was given, led by Director Timothy F. Brick.

44595 Secretary Coughran called the roll. Those answering present were: Directors Ball, Bannister, Blake, Brick, Coughran, Edwards, Foley, Grandsen, Hansen, Kwan, Murray, Mylne, Owen, Pace, Parker, Peterson, Rez, Stanton, Swan, Wein, and Wright.

Those not answering were: Directors Abdo, Ashley, Barbosa, Battey, Castro, Fellow, Harris, Herman, Lewis, Luddy (entered 1:13 p.m.), Mejia, Morris, Morse, Murph, and Troxel.

The Chair declared a quorum present.

44596 At 1:10 p.m., the Chair called a public hearing to receive comments on the proposed standby charge for Annexation No. 74 to Calleguas Municipal Water District.

No members of the public responded; and after tabulation of the ballots was completed, and with no protests filed, the Chair closed the public hearing at 1:11 p.m.

44597 Chairman Pace inquired if there were any additions to the agenda.

Legal, Claims and Personnel Committee Vice Chairman Parker advised that, subsequent to the posting of the agenda, the committee became aware that it is a matter of urgency to consider the information that had come to Metropolitan's attention regarding the potential purchase of land in the Palo Verde Valley. Committee Vice Chairman Parker moved, seconded by Director Swan, and carried by a unanimous vote, that this item be added to agenda for action at today's Board Meeting.

44598 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public requested to speak.

Director Luddy took his seat at 1:13 p.m.

44599 There being no objection, the Chair ordered the reading of the Minutes of the Meetings of August 14 and 20, 2001, dispensed with, copies having been mailed to each Director.

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

44600 The General Counsel's letter signed August 29, 2001, was presented, transmitting the credentials evidencing the reappointment by the City of Long Beach of Helen Z. Hansen as its representative on Metropolitan's Board for a four-year term ending December 31, 2004.

General Counsel Walston reported the credentials had been examined and found legally sufficient, and that the Oath of Office was administered to Director Hansen on September 6, 2001.

The Chair ordered the credentials, together with the General Counsel's letter, received and filed.

44601 The General Counsel's letter signed September 5, 2001, was presented, transmitting the credentials evidencing the appointment by West Basin Municipal Water District of Carol W. Kwan as one of its representatives on Metropolitan's Board for an indefinite term, replacing former Director Edward C. Little.

General Counsel Walston reported the credentials had been examined and found legally sufficient, and that the Oath of Office was administered to Director Kwan on September 5, 2001. The Chair ordered the credentials, together with the General Counsel's letter, received and filed.

Following an introduction by Director Murray, Director Kwan took her seat as a Director representing West Basin Municipal Water District.

44602 Director Hansen moved, seconded by Director Parker and carried, approving the Chair's appointments of Director Kwan to the Engineering, Operations and Real Property Committee and the Audit, Budget and Finance Committee; and Director Ball as Vice Chair of the Water Planning, Quality and Resources Committee.

44603 Chairman Pace stated that in light of the terrorist activities this morning, and after consultation with the Directors present and staff, he decided to go ahead with the meetings due to Metropolitan's mission of providing water to its customers which is an essential need to millions of citizens in Southern California. Chief Operations Officer Tait and Water System Operations Manager Wicke reported on the security measures taken throughout Metropolitan's facilities.

Chairman Pace stated that at today's meeting action would be taken on all items on the Consent Calendar, and any other items not on the Consent Calendar will be deferred.

44604 Chairman Pace reported on events in which he participated on behalf of Metropolitan, as follows: On August 29 and 30 the Chair and Board Executive Officer Ivey attended the Urban Water Institute Conference in San Diego. A pre-conference dinner was held on August 29 with county

supervisor members of the Regional Council of Rural Counties Water Committee and the Northern California Water Association to discuss an exchange of ideas and water issues. On August 31 the joint hearing of the Senate Agriculture and Water Resources Committee and the Assembly Water, Parks and Wildlife Committee was held at Metropolitan to discuss Colorado River and CALFED matters. Senator Costa chaired the committee with Congressman Calvert. Other legislators were also in attendance.

44605 Subcommittee on Rate Structure Implementation Chair Brick reported that at its meeting yesterday, Larry Libeu from Eastern Municipal Water District presented an alternative which was put together by the general managers of the member agencies which contains a lot of very good suggestions as to how to resolve some of the issues that have been raised by Board members and member agency managers since the adoption of the Rate Structure Implementation Action Plan last December. The subcommittee recommended that the Board instruct staff to evaluate the alternative offer by the general managers in terms of impacts on the various member agencies and its consistency with the previous policies regarding the Strategic Plan and the Rate Structure Action Plan. At its next meeting on September 18, the subcommittee is expecting the staff's information. On September 25 there will be a Board workshop on the rate structure proposal. Through these two meetings, we can make some progress in terms of the new rate structure.

44606 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 July signed September 4, 2001. Mr. Gastelum stated he would give a more in-depth analysis of Colorado River matters at the upcoming meeting of the Executive Committee on September 18.

44607 Regarding the Legal Department activities, General Counsel Walston referred to his activity report dated August 31, 2001.

44608 The reports of the Standing Committees are as follows:

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

Audit, Budget and Finance Committee Chairman Bannister reported the committee approved Agenda Item 9-2 and moved, seconded by Director Blake and carried, that it be added to the Consent Calendar.

Engineering, Operations and Real Property Committee Vice Chairman Grandsen reported the committee approved Agenda Items 8-1 and 9-1, and requested that Item 9-1 be added to the Consent Calendar. The committee also considered Agenda Item 9-7 and took a vote on one issue on the use of gasoline powerboats, which passed by a 6-5 vote. Director Mylne offered a proposal to the boating policy that will be taken up at the next committee meeting.

Legal, Claims and Personnel Committee Vice Chairman Parker reported the committee approved Agenda Items 8-7, 9-4, 9-5, 9-6, and the added item regarding the real property owned by Sempra Energy in the Palo Verde Valley. He requested that Items 9-4, 9-5, 9-6, and the added item be placed on the Consent Calendar.

Communications, Outreach and Legislation Committee Chair Hansen reported the committee heard a report on the effort to consolidate the education and inspection trip units in an effort to create greater flexibility and choice for Directors' inspection trips. Several Directors were concerned that the changes had been made without greater input from the Directors, and the issue of the changes will be considered at the next committee meeting in October. A status report on Senate Bills 221 and 610 was given to the committee. This legislation deals with land use and water supply, and based on the two bills' potential effects on Metropolitan in the future, the committee will consider how the decisions on legislation will affect the District's overall operations.

Water Planning, Quality and Resources Committee Chairman Owen reported the committee heard reports on the Monterey settlement negotiations and on the competitive approach for seawater desalination research. The committee approved Agenda Items 9-3, 9-4, and 9-8, and Chairman Owen requested they be added to the Consent Calendar. The committee recommended that Agenda Item 9-7 be moved to the full Board for a vote at a future date.

Director Blake moved, seconded by Director Hansen and carried, and the Board approved the Consent Calendar Items, **M.I. 44609** through **M.I. 44623**, as follows:

44609 Adopted the California Environmental Quality Act (CEQA) determination and authorized (a) Appropriation No. 15370 in the amount of \$600,000 from the Construction Funds for performing preliminary design and preparing any necessary environmental documentation required for the renovation of the existing Softener Building No. 3 at the Weymouth facility; and (b) the Chief Executive Officer to award a contract for architectural/engineering services in an amount not to exceed \$400,000, as set forth in the letter signed by the Chief Executive Officer on August 23, 2001. The consultant will be selected with a qualifications-based process in accordance with appropriate Metropolitan policy.

44610 The Board adopted the CEQA determination and (a) granted conditional approval, as defined in the Metropolitan Water District Administrative Code Section 3100(b), for Mountain Cove Annexation concurrently to Upper San Gabriel Valley Municipal Water District (USGV) and Metropolitan, conditioned upon receipt in full of annexation fee of \$80,268.84 to Metropolitan if subject annexation is completed by December 31, 2001, or if completed after said date, at the then current annexation charge rate; and (b) approved USGV's proposed Plan for Implementing Water Use Efficiency Guidelines; and adopted **Resolution 8768**, 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 August 23, 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**

44611 The Board adopted (a) the CEQA documentation; (b) **Resolution 8769**, granting Calleguas Municipal Water District's request for approval of Annexation No. 73 concurrently to Metropolitan and Calleguas, by establishing Metropolitan's terms and conditions for this annexation; and (c) **Resolution 8770**, the resolution to impose water standby

charges at a rate of \$9.58 per acre or per parcel of less than one acre within Annexation No. 73, as set forth in the letter signed by the Chief Executive Officer on August 22, 2001; said Resolutions entitled:

Resolution 8769 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS' ANNEXATION NO. 73 AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8770 **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. 73**

Director Grandsen requested to be recorded as abstaining.

44612 The Board adopted (a) the CEQA documentation; (b) **Resolution 8771**, granting Eastern Municipal Water District's request for approval of 69th Fringe Area Annexation concurrently to Metropolitan and Eastern, conditioned upon approval by the Local Agency Formation Commission of Riverside County, by establishing Metropolitan's terms and conditions for this annexation; and (c) **Resolution 8772**, the resolution to impose water standby charges 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 August 22, 2001; said Resolutions entitled:

Resolution 8771 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN'S 69TH FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8772**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA FIXING AND ADOPTING
WATER STANDBY CHARGE CONTINGENT UPON
EASTERN 69TH FRINGE AREA ANNEXATION**

44613 Adopted the CEQA determination and authorized amendment of the contract with Weston, Benshoof, Rochefort, Rubalcava & MacCuish, LLP to increase the maximum compensation from \$100,000 to \$175,000 in *Metropolitan Water District v. San Diego County Water Authority* (Brown Act), as set forth in the letter signed by the General Counsel on August 27, 2001.

Directors Ball and Parker requested to be recorded as abstaining.

44614 Authorized the Chief Executive Officer to make a bid for real property owned by Sempra Energy in the Palo Verde Valley.

44615 Adopted the CEQA determination and (a) regarding the Digital Microwave Services program, authorized an increase of \$3.353 million to a total of \$6.482 million in Appropriation No. 15282 (No. 4), and delegated authority to the Chief Executive Officer to award contracts over \$250,000 to continue replacement of outdated equipment and leased communications lines with more reliable digital microwave services to "convey" large volumes of voice and data traffic between Metropolitan facilities primarily located in the coastal plain; and (b) regarding the Telecommunication Infrastructure Upgrade program, authorized \$1.334 million in Appropriation No. 15376, and delegated authority to the Chief Executive Officer to award contracts over \$250,000 to purchase equipment to replace outdated data network and radio equipment that "distribute" voice and data traffic when it reaches Metropolitan facilities, as set forth in the letter signed by the Chief Executive Officer on August 24, 2001. This option addresses the needs, saves approximately \$4.1 million when compared to Option #2, and provides more reliable service.

44616 The Board, by a two-thirds vote, (a) adopted the CEQA determination and **Resolution 8773**, the form of Master Swap Resolution that incorporate the changes recommended by the

Subcommittee on Investments and Bond Financing in order to execute interest rate swaps in an expeditious manner thereby taking advantage of swap market conditions to lower costs and reduce interest rate risk to Metropolitan; (b) approved the Master Swap Policy as detailed in Attachment 2 to the letter signed by the Chief Executive Officer on September 6, 2001, that incorporate the changes recommended by the Subcommittee on Investments and Bond Financing which describes the conditions under which Metropolitan may enter into an interest rate swap agreement; and (c) approved General Fund Appropriation No. 15372 for expenses associated with the costs of issuance associated with interest rate swap transaction(s) through September 30, 2002, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA PROVIDING FOR THE EXECUTION AND DELIVERY OF INTEREST RATE SWAPS AND RELATED AGREEMENTS (MASTER SWAP RESOLUTION)

44617 Adopted the CEQA determination and authorized the Chief Executive Officer to enter into the construction agreement with the U.S. Bureau of Reclamation and Coachella Valley Water District for Coachella Canal Lining Project, as set forth in the letter signed by the Chief Executive Officer on August 27, 2001.

44618 Adopted the CEQA determination and authorized the Chief Executive Officer to execute, in a form acceptable to the General Counsel, an agreement to facilitate the transfer of water from Western Water Company to the city of San Diego, as set forth in the letter signed by the Chief Executive Officer on August 23, 2001.

44619 Authorized amendment to contract for legal services with the law firm of Latham & Watkins to aid in negotiations with the San Manuel Band of Mission Indians and the United States Forest Service re Arrowhead East and West Tunnels of the Inland Feeder Project, as set forth in the confidential letter signed by the General Counsel on August 15, 2001.

Directors Ball and Parker requested to be recorded as abstaining.

44620 Authorized amendment of contract for legal services with the Law Offices of Charles S. LiMandri in *Metropolitan Water District v. Hartford Fire Insurance Company*, United States Central District Court Case No. 99-03825-GHK(Mcx), as set forth in the confidential letter signed by the General Counsel on August 15, 2001.

Directors Bannister and Edwards requested to be recorded as voting no.

44621 Adopted the CEQA determination and set the charges to be obtained for emergency deliveries for Tijuana at a rate of \$230, plus the greater of \$90 per acre-foot or the average cost of supplemental energy purchased for the month that the water was delivered (\$/megawatt hour) multiplied by 2.38 through June 30, 2002, as set forth in the letter signed by the Chief Executive Officer on August 27, 2001.

44622 The Chair reported the item on boating policy for Diamond Valley Lake and Lake Skinner has been deferred.

44623 The Chair reported no action was taken on the settlement discussion regarding *Metropolitan Water District and Atkinson-Washington-Zachry v. Hartford Fire Insurance Company*, U.S. District Court Case No. CV 00-10536-GHK(Mcx) and *Metropolitan Water District v. Hartford Fire Insurance Company*, U.S. District Court Case No. 99-03825-GHK(Mcx).

44624 Regarding the creation of the Foundation for the Southern California Water Education Center, Director Ball expressed the concerns of the San Diego County Water Authority. He therefore moved that Metropolitan establish a non-profit tax-exempt corporation to support Metropolitan's Museum at Diamond Valley Lake, as well as water education functions at the Museum, and that the General Counsel be directed to prepare new articles of incorporation and by-laws that would establish a limited, single purpose corporation consistent with applicable law and public accountability as suggested by the Water Authority in its letter dated August 17, 2001.

Following a discussion, Director Swan moved, seconded by Director Bannister, to table this item to the next Board Meeting.

The Chair called for a vote on the motion.

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

Ayes: Anaheim (Dir. Stanton, 2,159 votes), Calleguas Municipal Water District (Dir. Grandsen, 4,611 votes), Foothill Municipal Water District (Dir. Edwards, 728 votes), Fullerton (Dir. Blake, 822 votes), Glendale (Dir. Rez, 1,353 votes), Long Beach, (Dir. Hansen, 2,045 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, and Swan, 14,870.25 votes), San Diego County Water Authority (Ayes: Dirs. Ball and Parker. Absent: Dir. Lewis. 19,761 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 3,627 votes). Total 49,976.25 votes.

Noes: Las Virgenes Municipal Water District (Dir. Peterson, 1,101 votes), Los Angeles (Noes: Dirs. Luddy and Wein. Absent: Dirs. Castro and Herman. 22,777 votes), Municipal Water District of Orange County (Dir. Owen, 4,956.75 votes), Pasadena (Dir. Brick, 1,098 votes), Torrance (Dir. Wright, 1,407 votes), West Basin Municipal Water District (Dir. Murray, 4,043 votes). Total 35,382.75 votes.

Abstains: Central Basin Municipal Water District (Abstains: Dir. Pace. Absent: Dir. Morse. 6,805 votes), Santa Ana (Dir. Coughran, 1,291 votes), West Basin Municipal Water District (Dir. Kwan, 4,043 votes). Total 12,139 votes.

Absent: Beverly Hills (Dir. Harris, 1,183 votes), Burbank (Dir. Battey, 1,061 votes), Compton (Dir. Murph, 193 votes), Eastern Municipal Water District (Dir. Ashley, 2,314 votes), Inland Empire Utilities Agency (Dir. Troxel, 4,056 votes), San Fernando (Dir. Mejia, 88 votes), San Marino (Dir. Morris, 250 votes), Santa Monica (Dir. Abdo, 1,344 votes), Three Valleys Municipal Water District (Dir. Barbosa, 3,024 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 4,296 votes). Total 17,809 votes.

Assistant General Counsel Kightlinger advised that the Metropolitan Water District Act requires a vote of more than 50 percent of the total number of votes to pass a motion. The Chair declared the motion failed as the aye votes represented 43.34 percent of the total votes of the Board.

Director Peterson then moved, seconded by Director Luddy, that the Board adopt the CEQA determination and resolution creating an independent entity to support Metropolitan's Water Education Center and Museum through fund-raising and other support functions, as set forth in the Board Chairman's letter signed on September 6, 2001.

The Chair called for a vote on the motion.

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

Ayes: Calleguas Municipal Water District (Dir. Grandsen, 4,611 votes), Glendale (Dir. Rez, 1,353 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,101 votes), Los Angeles (Ayes: Dirs. Luddy and Wein. Absent: Dirs. Castro and Herman. 22,777 votes), Municipal Water District of Orange County (Dir. Owen, 4,956.75 votes), Pasadena (Dir. Brick, 1,098 votes), Santa Ana (Dir. Coughran, 1,291 votes), Torrance (Dir. Wright, 1,407 votes), West Basin Municipal Water District (Dir. Murray, 4,043 votes). Total 42,637.75 votes.

Noes: Anaheim (Dir. Stanton, 2,159 votes), Foothill Municipal Water District (Dir. Edwards, 728 votes), Fullerton (Dir. Blake, 822 votes), Long Beach, (Dir. Hansen, 2,045 votes), Municipal Water District of Orange County (Dirs. Bannister, Foley, and Swan, 14,870.25 votes), San Diego County Water Authority (Noes: Dirs. Ball and Parker. Absent: Dir. Lewis. 19,761 votes), West Basin Municipal Water District (Dir. Kwan, 4,043 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 3,627 votes). Total 48,055.25 votes.

Abstains: Central Basin Municipal Water District (Abstains: Dir. Pace. Absent: Dir. Morse. 6,805 votes). Total 6,805 votes.

Absent: Beverly Hills (Dir. Harris, 1,183 votes), Burbank (Dir. Battey, 1,061 votes), Compton (Dir. Murph, 193 votes), Eastern Municipal Water District (Dir. Ashley, 2,314 votes), Inland Empire Utilities Agency (Dir. Troxel, 4,056 votes), San Fernando (Dir. Mejia, 88 votes), San Marino (Dir. Morris, 250 votes), Santa Monica (Dir. Abdo, 1,344 votes), Three Valleys Municipal Water District (Dir. Barbosa, 3,024 votes),

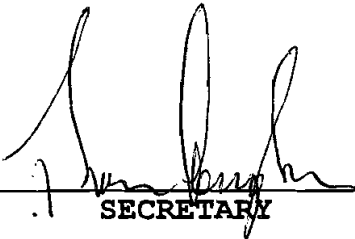
Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 4,296 votes). Total 17,809 votes.

The Chair declared the motion failed as the aye votes represented 36.98 percent of the total votes of the Board.

44625 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Project for the month ending July 2001, signed by the Chief Executive Officer on August 23, 2001.
- b. Letter of the Chief Executive Officer signed on September 7, 2001, submitting a Status Report on Senate Bill 221 (Kuehl) and Senate Bill 610 (Costa), Legislation Regarding Land Use and Water Supply Availability.

44626 There being no objection, the Chair adjourned the Meeting at 2:00 p.m.


SECRETARY


CHAIRMAN