

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JANUARY 14, 2003

45132 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, January 14, 2003.

Chairman Pace called the Meeting to order at 10:12 a.m.

45133 The Meeting was opened with an invocation by Director Emeritus Kenneth H. Witt.

45134 The Pledge of Allegiance to the Flag was given, led by Director Claude A. "Bud" Lewis.

45135 Secretary Hansen called the roll. Those answering present were: Directors Abdo, Ball, Bannister, Blake, Brick, Brown, Castro, Coughran, De Jesus, Dentler, Edwards, Fellow, Foley, Grandsen, Hansen, Herman, Kwan, Lewis, Loveland, Luddy, Morris, Morse, Murray, Mylne, Pace, Parker, Peterson, Rez, Stanton, and Wright.

Those not answering were: Directors Bakall (entered 10:25 a.m.), Harris, Mejia, Murph, Owen, and Troxel.

The Chair declared a quorum present.

45136 Director Brick announced that the Raymond Basin Conjunctive Use Basin Project is on track and all the agencies involved are moving ahead with the environmental documentation. Director Brick thanked the staff of Metropolitan for their role in aiding the environmental process.

Director Kwan thanked the Board for its support of the Asian American community.

Chairman Pace announced that Director Willard Murray was elected president of the Water Replenishment District of Southern California.

45137 At 10:20 a.m., the Chair called a public hearing to receive comments on the proposed standby charge for Annexation No. 70 to Calleguas Municipal Water District.

No member of the public responded; and after tabulation of the ballots was completed, and with no protests filed, the Chair closed the public hearing at 10:21 a.m.

45138 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

45139 There being no objection, the Chair ordered the reading of the Minutes of the Meeting of December 10, 2002, dispensed with, a copy having been mailed to each Director.

Director Coughran moved, seconded by Director Fellow and carried, approving the foregoing Minutes as mailed.

45140 The General Counsel's letter signed January 9, 2003, was presented, transmitting the credentials evidencing the appointment by Eastern Municipal Water District of Randy A. Record as its representative on Metropolitan's Board for an indefinite term, replacing Marion V. Ashley.

Assistant General Counsel Barbosa reported the credentials had been examined and found legally sufficient.

Habte-Wold Kassa, Notary Public, administered the oath of Office to Mr. Record.

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

Following an introduction by Chairman Pace, Director Record took his seat as a Director representing Eastern Municipal Water District.

Director Bakall took his seat at 10:25 a.m.

45141 The General Counsel's letter signed January 9, 2003, was presented, transmitting the credentials evidencing the reappointment by the city of Fullerton of James H. Blake as its representative on Metropolitan's Board for the term ending December 31, 2006.

Assistant General Counsel Barbosa reported the credentials had been examined and found legally sufficient.

Habte Wold-Kassa, Notary Public, administered the oath of office to Director Blake.

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

45142 Chairman Pace presented to Director Wesley M. Bannister a pin for his ten years of service on Metropolitan's Board, representing Municipal Water District of Orange County.

45143 Chairman Pace presented to Director Claude A. "Bud" Lewis a pin for his five years of service on Metropolitan's Board, representing San Diego County Water Authority.

45144 On behalf of the Nominating Committee, Board Secretary Hansen reported that the committee met and considered candidates to fill the four non-officer positions on the Executive Committee, three positions for two-year terms effective January 1, 2003 and ending December 31, 2004, and one position for a one-year term effective January 1, 2003 and ending December 31, 2003. Following the committee review, the committee nominated Directors Blake, Edwards, Grandsen, and Troxel.

Vice Chairman Foley moved, seconded by Director Coughran, the nomination of Directors Blake, Edwards, Grandsen, and Troxel for the four non-officer positions on the Executive Committee for the terms stated above.

Chairman Pace called for other nominations from the floor. Hearing none, Chairman Pace then called for the vote.

Following the vote and tabulations of the ballots, Board Secretary Hansen recorded the results from the vote. The majority of the weighted votes of the Board was cast in favor of Directors Blake, Edwards, and Grandsen, each for a two-year term, and Director Troxel for a one-year term. Chairman Pace declared that Directors Blake, Edwards, Grandsen, and Troxel have been duly elected to serve as non-officer members of the Executive Committee for the terms stated.

45145 Chairman Pace reported there were no new committee appointments. Chairman Pace announced that at a future date he would be appointing a member to represent Metropolitan in the Southern California Association of Governments to replace former Director George Wein.

45146 Chairman Pace reported that on December 15-17 a number of Directors and himself attended the Colorado River Water Users Association's annual meeting in Las Vegas. There were discussions with representatives of the Department of the Interior, various senators and congressmen regarding Colorado River issues and the Mexican treaty alignments. On December 15 the Palo Verde Irrigation District and Metropolitan hosted a joint dinner to continue their dialogue regarding the Palo Verde Transfer Exchange Program.

Chairman Pace announced that on January 28, 2003 (subsequently changed to January 29), there will be a formal swearing-in of the Board Officers and committee chairs and vice chairs. At that time the Chair will give his assessment of where Metropolitan stands as an agency and its future.

A video clip was shown with Mayor Dick Murphy of the city of San Diego giving his "State of the City" address on January 6, 2003. In reference to some of the mayor's comments, Chairman Pace stated that Mayor Murphy (1) neglected to mention that to make it a viable project, Metropolitan is contributing a \$250 acre-foot subsidy towards the largest desalination program put together by San Diego; and (2) was misinformed in stating that Metropolitan and Coachella Valley Water District were responsible for the suspension of surplus water to Southern California by the Department of the Interior after the deadline date of December 31, 2003. Chairman Pace commented on the events and the negotiations among all the parties involved in the Quantification Settlement Agreement, on the "place blaming"

news articles in the San Diego Union-Tribune, and urged all the parties to continue with negotiations. The Chair stated there was no immediate water crisis at this time and that the recent events and posturing by various individuals should not lead us to a crisis.

45147 Regarding the Colorado River, Bay-Delta and CALFED matters, and the summary of District activities, Chief Operations Officer Tait referred to the Chief Executive Officer's activity report for December dated January 7, 2003, which was distributed earlier.

45148 Regarding Legal Department activities, Assistant General Counsel Barbosa referred to the General Counsel's activity report dated December 30, 2002, which was distributed earlier.

Assistant General Counsel Barbosa reported on the successful dinner meeting of the member agency counsels held last evening, with Dr. David Rogers from the University of Missouri-Rolla speaking on "Dams and Disasters: A Brief Overview of Dam Building in California."

45149 General Auditor Riss gave a summary report of the Audit Department's activities for the month of December. He noted that traditional reports were issued on the West Basin Water Reclamation Program Expansion Project and the Union Station Data Center, which reports were considered satisfactory and generally satisfactory, respectively. An audit report was completed on the Process, Risk and Control Mapping Project for the Purchasing function. In addition, a report card was issued on the WINS New Rate Structure Implementation system, indicating low current exposure. General Auditor Riss noted that there are no outstanding/delinquent audit responses due from management.

Chairman Pace commented on how satisfied he was with the new programs and procedures the General Auditor has implemented and how well the department is now functioning. The Chair congratulated the General Auditor for putting the program together.

45150 Ethics Officer Anderson reported on her participation at the Conference for Young African American Women in Business that was co-sponsored by Metropolitan to encourage young ladies

to attend school. Ms. Anderson spoke on professionals in non-traditional positions, traditional values, the value of education, and what Metropolitan is. Ms. Anderson also reported that the recruitment for support staff was completed, and that an employee is now on board.

45151 The reports of the Standing Committees are as follows:

Chairman Pace reported that at the Executive Committee meeting on December 19, the committee approved Agenda Items 8-4 and 8-5. The Chair submitted his proposed changes to the restructuring of the committees and the committee membership lists, which were approved. The Ethics Officer presented an overview on the ethics program training and its goals to include all the various groups. Director Wright reported on the activities of the Colorado River Board. Chief Executive Officer Gastelum gave his report on Metropolitan's activities, including the challenges of the Colorado River water allocation and the Quantification Settlement Agreement.

Asset, Real Estate and Infrastructure Policy Committee Chair Peterson reported the committee unanimously approved Agenda Item 8-6, with the added provision that such appropriation be incorporated into the existing total program estimate. The committee heard reports on the status of the Oracle Financial Systems Upgrade and the Procurement Systems Upgrade.

Budget, Finance and Investment Committee Vice Chairman Blake reported the committee unanimously approved Agenda Items 8-3, 9-1, and 9-2, and requested that Items 9-1 and 9-2 be moved to the Consent Calendar.

Communications, Outreach and Legislation Committee Chairman Loveland reported the committee heard reports on the legislative activities from Washington and Sacramento, and the Salinity Summit held in Las Vegas. There were no action items.

Engineering and Operations Committee Chairman De Jesus reported the committee approved Agenda Item 8-1 and revised the appropriation funding from \$10.4 million to \$9.6 million in Agenda Item 8-2. The committee heard oral reports on alternative disinfectants evaluation and the Lake Mathews Outlet Facilities construction.

Legal, Claims and Personnel Committee Chairman Morse reported the committee discussed Agenda Item 9-5 and the settlement of the case, and approved the recommendation to pursue the settlement principles. Committee Chairman Morse requested that Item 9-5 be added to the Consent Calendar. The committee discussed the discrimination and harassment claims in closed session, and no action was taken.

Water Planning, Quality and Resources Committee Vice Chairman Wright reported the committee unanimously approved Agenda Item 9-3 and requested it be moved to the Consent Calendar. Reports were given on Bay-Delta and State Water Project matters, the Water Surplus and Drought Management Plan report on initial water supply and demand as of December 20, 2002, and the Integrated Resources Plan Update. The report on overview of unit cost methodology was deferred until next month.

Director Blake moved, seconded by Director Stanton and carried, and the Board approved the Consent Calendar Items, **M.I. 45152** through **M.I. 45161**, as follows:

45152 Adopted the California Environmental Quality Act (CEQA) determination for the projects described in the letter signed by the Chief Executive Officer on December 20, 2002, and approved the following:

a. Appropriated \$760,000 in budgeted Capital Investment Plan funds (Appropriation No. 15371, No. 3, for \$50,000; Appropriation No. 15365, No. 5, for \$60,000; and Appropriation No. 15369, No. 4, for \$650,000, all from the Construction Funds).

b. Authorized studies and investigations to be performed for the Jensen Tank Farm Chemical Containment System Upgrade, Skinner Flocculators and Tube Settlers Replacement, and Skinner Water Quality Monitoring Vaults Expansion projects.

c. Authorized the Chief Executive Officer to have studies, investigations, preliminary design and preparation of environmental documentation to be performed for structural upgrade and repairs of the Weymouth plant's filter buildings, basin decks, Administration Building and Headhouse; and authorized an agreement increase, from \$500,000 to \$850,000, of

the not-to exceed amount for the Weymouth Oxidation Retrofit Program architectural consultant agreement to include this work.

45153 Adopted the CEQA determination for the projects described in the letter signed by the Chief Executive Officer on December 20, 2002, and the revised letter signed on January 14, 2003, to implement improvements to maintain and enhance the reliability of the Colorado River Aqueduct, and approved the following:

a. Appropriated \$9.6 million in budgeted and non-budgeted funds (Appropriation No. 15373, No. 4, for \$4.42 million; Appropriation No. 15374, No. 3, for \$3.72 million; Appropriation No. 15384, No. 3, for \$1.23 million; and Appropriation No. 15385, No. 3, for \$230,000, all from the Construction Funds).

b. Authorized completion of all work described in the Chief Executive Officer's letter signed on December 20, 2002.

c. Authorized the Chief Executive Officer to execute change orders for Contract No. 1545 with Griffith Company in a cumulative amount not to exceed \$2.1 million.

45154 Adopted the CEQA determination and resolutions, providing in substance that Metropolitan elects to be allocated that additional portion of revenue from taxes levied on redevelopment property which is attributable to any increase in Metropolitan's base year tax rate applied to the incremental assessed value of the project property, as set forth in the letter signed by the Chief Executive Officer on December 20, 2002, as follows:

Resolution 8833 Fourth Amendment to the Rosemead
Redevelopment Project Area No. 1 in the
city of Rosemead, county of Los Angeles

Resolution 8834 Crossroads Redevelopment Project in the
city of San Diego, county of San Diego

each resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA ELECTING TO RECEIVE
ALLOCATION OF TAXES PURSUANT TO PROVISIONS OF THE COMMUNITY
REDEVELOPMENT LAW**

45155 Adopted the CEQA determination and (a) granted conditional approval for the 72nd Fringe Area Annexation concurrently to Eastern Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$95,029.20 to Metropolitan, if completed by December 31, 2003, or if completed later, at the then current annexation charge rate; (b) approved Eastern's proposed Plan for Implementing Water Use Efficiency Guidelines; and (c) adopted the resolution of intention (**Resolution 8835**) to impose water standby charge within the proposed annexation territory, substantially in the form of Attachment 3 to the letter signed by the Chief Executive Officer on December 10, 2002, 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 Record requested to be recorded as abstaining.

45156 Adopted the CEQA determination and (a) approved the proposed amendment to the Conflict of Interest Code in Chapter 2 of Division VII of Metropolitan's Administrative Code for statutory compliance; and (b) authorized the General Counsel to include additional non-substantial changes requested by the Fair Political Practices Commission, as set forth in the letter signed jointly by the Ethics Officer and the General Counsel on December 10, 2002.

45157 Adopted the CEQA determination and authorized (a) an increase in Appropriation No. 15334, No. 5, by \$845,000 to a total of \$16.395 million; and (b) an amendment to an existing agreement with T & B Planning Consultants to an amount not to exceed \$745,000 for additional master planning services for various potential recreation areas adjacent to Diamond Valley Lake and Lake Skinner, and that such appropriation be incorporated into the existing total program estimate, as set

forth in the letter signed by the Chief Executive Officer on December 20, 2002.

45158 Regarding the apportionment of revenues and setting of water rates and charges to raise firm revenues, and the adoption of resolutions giving notice of intention to impose rates and charges, the Board adopted the CEQA determination and the recommendation as set forth in the letter signed by the Chief Executive Officer on December 20, 2002, as follows:

a. Set a time for a public hearing of the Budget, Finance and Investment Committee at which interested parties may present their views regarding the Chief Executive Officer's recommendation for rates and charges to be effective January 1, 2004.

Description:	(Effective January 1, 2003)	(Effective January 1, 2004)
Tier 1 Supply Rate (\$/af)	\$ 73	\$ 73
Tier 2 Supply Rate (\$/af)	\$154	\$154
System Access Rate (\$/af)	\$141	\$163
System Power Rate (\$/af)	\$ 89	\$ 60
Water Stewardship Rate (\$/af)	\$ 23	\$ 30
Full Service Untreated Volumetric Cost (\$/af)	N/A	N/A
Tier 1	\$326	\$326
Tier 2	\$407	\$407
Long-term Storage Water Rate Untreated (\$/af)	\$233	\$233
Interim Agricultural Water Program Untreated (\$/af)	\$236	\$236
Treatment Surcharge (\$/af)	\$ 82	\$ 92
Full Service Treated Volumetric Cost (\$/af)		
Tier 1	\$408	\$418
Tier 2	\$489	\$499
Long-term Storage Water Rate Treated (\$/af)	\$290	\$300
Interim Agricultural Water Program Treated (\$/af)	\$294	\$304
Readiness-to-Serve Charge (\$M)	\$80.0	\$80.0
Capacity Reservation Charge (\$/cfs)	\$6,100	\$6,100
Peaking Surcharge (\$/cfs)	\$18,300	\$18,300

b. Adopted the following resolutions:

1. Resolution of intention (**Resolution 8836**) to impose the Readiness-to-Serve (RTS) Charge in the form shown as Attachment 2 to the foregoing letter, declaring the Board's intention (i) at its March 11, 2003 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Readiness-to-Serve Charge, and (ii) at its May 13, 2003 meeting to consider and act upon the Chief Executive Officer's recommendation to impose standby charges within the territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE A READINESS-TO-SERVE CHARGE FOR FISCAL YEAR 2003/04

2. Resolution of intention (**Resolution 8837**) to impose a Capacity Reservation Charge and Peaking Surcharge in the form shown as Attachment 3 to the foregoing letter, declaring the Board's intention, at its March 11, 2003 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Capacity Reservation Charge and Peaking Surcharge, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE A CAPACITY RESERVATION CHARGE AND A PEAKING SURCHARGE FOR FISCAL YEAR 2003/04

45159 Adopted the CEQA determination and approved payments up to a total of \$441 million determined to be due and payable under the terms of the State Water Project and Devil Canyon/Castaic contract for calendar year 2003, as set forth in the letter signed by the Chief Executive Officer on December 20, 2002.

45160 Adopted the CEQA determination and authorized executing up to 205,000 acre-feet of one-year water transfer option agreements with various Sacramento Valley districts, based on the terms in Attachment 1 to the letter signed by the Chief Executive Officer on December 20, 2002.

45161 Regarding the settlement of *Soboba Band of Mission Indians v. The Metropolitan Water District of Southern California*, U.S.D.C. Case No. CV 00-04208-GAF (MANx), the Board approved the recommendation of the Legal, Claims and Personnel Committee to pursue and approve settlement principles.

Director Record requested to be recorded as abstaining.

45162 Chairman Pace announced no action was taken on Agenda Item 9-6, the trial of Inland Feeder Pipeline eminent domain action, *The Metropolitan Water District of Southern California v. Campus Crusade for Christ, Inc.*, San Bernardino Superior Court Case No. SCV35498.

45163 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through November 2002, signed by the Chief Executive Officer on December 20, 2002.
- b. Water Surplus and Drought Management Plan report on initial water supply and demand as of December 20, 2002, signed by the Chief Executive Officer on December 23, 2002.

45164 There being no objection, the Chair adjourned the Meeting at 11:39 a.m.


SECRETARY


CHAIRMAN