

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
APRIL 8, 2003

45261 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, April 8, 2003.

Chairman Pace called the Meeting to order at 12:04 p.m.

45262 The Meeting was opened with an invocation by employee Marion Mackenzie-Pyle, Principal Public Affairs Representative.

45263 The Pledge of Allegiance to the Flag was given, led by Director James F. Turner.

45264 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bakall, Bannister, Blake, Brick, Brown, Coughran, De Jesus, Dentler, Edwards, Fellow, Foley, Grandsen, Harris, Hansen, Lewis, Loveland, Mejia, Morris, Morse, Murray, Mylne, Owen, Pace, Parker, Peterson, Record, Rez, Stanton, Turner, and Wright.

Those not answering were: Directors Castro, Herman (entered 12:15 p.m.), Kwan (entered 12:12 p.m.), Luddy (entered 12:15 p.m.), and Troxel.

The Chair declared a quorum present.

45265 At 12:06 p.m., the Chair called a public hearing to receive comments on the proposed water standby charge for fiscal year 2003/04.

Chairman Pace invited interested parties to comment on the proposed water standby charge for fiscal year 2003/04. No members of the public responded. At 12:07 p.m., the Chair declared the public hearing continued to the May 13, 2003 Board Meeting when the Board will take action on the standby charge.

45266 At 12:07 p.m., the Chair called a public hearing to receive comments on the proposed standby charge for Calleguas Annexation No. 81 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 12:08 p.m.

45267 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

Comments in support of Metropolitan conducting negotiations for the disposition of the Ormond Beach property were heard from:

Alan Sanders, Western Alliance for Nature
 Jurgen Gramckow, Southland Sod Farm
 Roma Armbrust, Ormond Beach Task Force
 Jean Harris, Saviers Road Design Team
 Janet Bridgers, Earth Alert
 Peter Brand, Coastal Conservancy

Director Kwan took her seat at 12:12 p.m.

Adeline Yoong of the Water Replenishment District commented on Agenda Item 10-5, SB 906 authored by Senator Escutia relating to water districts. She urged the Board not to take a position on this bill.

Directors Herman and Luddy took their seats at 12:15 p.m.

45268 There being no objection, the Chair ordered the reading of the Minutes of the Meeting of March 11, 2003, dispensed with, a copy having been mailed to each Director.

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

45269 The General Counsel's letter signed April 7, 2003, was presented, transmitting the credentials evidencing the appointment by the City of Compton of Kenneth M. Orduna as its representative on Metropolitan's Board for an indefinite term, replacing Regina Murph.

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

Habte-Wold Kassa, Notary Public, administered the Oath of Office to Dr. Orduna.

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

Following an introduction by Director Morse, Director Orduna took his seat as a Director representing the City of Compton.

45270 The Chair announced that Director Morris had returned from his leave earlier than expected and there was no need for an authorized leave of absence.

45271 Director Blake moved, seconded by Director Coughran and carried, authorizing preparation of Commendatory Resolutions for former Directors Marion V. Ashley and Harold W. Ball.

45272 Chairman Pace announced there were no new committee assignments.

45273 Chairman Pace reported that on March 25 that he, Directors Morse and Peterson, Executive Vice President Ivey, and Vice President Quinn attended a ceremony held in Chico and sponsored by the Northern California Water Association to celebrate the signing of the Sacramento Valley Phase 8 Water Management Agreement. Over 80 representatives from various Northern California water agencies and State Water Project and Central Valley Project contractors attended the event. The Agreement was developed to settle the Sacramento Valley's obligation for providing a proportion of flows to implement the 1995 Water Quality Control Plan for the Bay-Delta watershed.

Chairman Pace also reported on the trip to Washington, D.C. with several Directors, Chief Executive Officer Gastelum,

and Executive Vice President Ivey on April 2 and 3 to advance Metropolitan's legislative agenda. They were successful in meeting with some key Administration officials, including the President's Intergovernmental Affairs Director and Interior Assistant Secretary Bennett Raley and his staff, to discuss Metropolitan's concerns about the Delta Pumping Facilities, the Colorado River 4.4 Plan, and the perchlorate threat in the western United States. Other meetings were also held with other legislators, to include Representatives Ken Calvert and Grace Napolitano on CALFED issues; Representative John Doolittle on a variety of issues of concern to all California water users, including the need for new storage and water project yield throughout the state; and Senator Dianne Feinstein relating to her concerns on issues in advance of her introducing a new CALFED package.

The Metropolitan delegation also attended the National Water Resources Association Municipal Caucus breakfast, which was organized by Director Mylne.

In reference to the Quantification Settlement Agreement (QSA), Chairman Pace reminded the Board that there are no complete answers at this time but he wanted to share whatever information is and becomes available so that the Board can make informed decisions when called upon. The Chair stated the QSA entails a water transfer from Imperial Irrigation District to San Diego. It further quantifies the allocation of Colorado River water to California's agricultural water users and defines the associated supply, and it provides Southern California with access to available special surplus to Colorado River water. On the other hand, it also entails costs, risks, and benefits that must be balanced in meeting our needs and those of future generations. However, the deal does not include a full Colorado River Aqueduct although some believe that it might be possible.

Chairman Pace continued by stating that last month a critical milestone was reached with the help of Governor Davis' administration. Several final steps were defined that must occur before the parties ratify a QSA and before the Board votes to accept it or not. Member agencies and other stakeholders are raising issues and questions about the specifics of the QSA as negotiated. The Chair thanked Director Grandsen for his thoughtful letter regarding the QSA, and he stated that similar

letters were received from Central and West Basin Municipal Water Districts and the Inland Empire Utilities Agency.

Given the nature of negotiations, the Chair stated those specifics were not available during the previous talks, but there is now a responsibility to have informed discussions from the perspective of local issues and factors that may impact Metropolitan's customers and other governing bodies. The Chair requested that a cost analysis be developed and distributed as a result of Director Grandsen's questions. The Chair believed that each identified QSA scenario of the analysis fell within a realistic range of cost that could be absorbed within current revenues and rate setting projections. He stated that the Board's public business philosophy is a sound way of determining the best scenario given factors such as risks, balanced by added value, and benefits that provide flexibility and adaptability. The rest is up to the public, the Legislature, other water agencies, and Metropolitan's Board.

The Chair announced that there would be a series of open workshops and meetings that will consider the staff's analysis, legal issues, and the deal components as were agreed with the other parties to resolve. The first workshop is scheduled for April 22, 2003 at 2 p.m. Chairman Pace stated the ultimate question is what is the best scenario considering who pays for how much water and when? He again reminded the Board to set aside April 22 for an open and frank discussion on this matter.

45274 Regarding the Colorado River, Bay-Delta and CALFED matters, and the summary of District activities, Chief Executive Officer Gastelum referred to his activity report for March, dated April 3, 2003, which was distributed earlier.

Regarding the QSA, Chief Executive Officer Gastelum stated that it would be staff's intention to invite the San Diego County Water Authority representatives and any other member agencies that would like to participate in the workshop. He referred to his memo distributed to the Board and to the response letter from Chairman Pace to Director Grandsen, which will be the subject of the upcoming workshop. Mr. Gastelum requested Chief Financial Officer Thomas to briefly characterize the cost analysis.

Chief Financial Officer Thomas presented a report on the QSA. This information was developed in response to a request from Calleguas Municipal Water District regarding the cost of the QSA. Different analyses were presented with the first scenario looking at the costs and fiscal impact if the QSA were to move forward. The costs are estimated to be about \$1 billion through 2016, and would result in an increase of rates to Metropolitan's customers of \$20 to \$22 an acre-foot in 2016. The total cost is projected to be between \$4 billion to \$4.9 billion over the 45-year life of the transfer, with a rate increase in the mid-\$30s by 2025. Another scenario involved the cost if there were no QSA, and Metropolitan was obliged to obtain supplies elsewhere. The cost through 2016 would be about \$1.1 billion, and the cost per acre-foot would be a few dollars higher. However, the total cost for the same 45-year period would be lower. Under a third scenario, the QSA would be executed with a guarantee of full deliveries of a Colorado River surplus. This is estimated to cost \$860 million through 2016. One conclusion is that because of the hydrologic risks on the Colorado River and other risks, Metropolitan will need to be making investments in other supply sources whether or not the QSA goes forward, simply to ensure that there is an adequate long-term supply of water. Metropolitan will be holding a workshop on April 22 in order to have an open and frank discussion about the benefits, costs, and risks of the QSA and without a QSA.

Chief Executive Officer Gastelum then introduced David Ned Smith, Interim Chief Operating Officer, who has had 33 years' experience in the utility industry.

45275 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for February, dated March 31, 2003, which was distributed earlier.

Defenders of Wildlife v. Norton, U.S. Department of Interior is a case where environmentalists have sued asserting that the Endangered Species Act (ESA) requires consultation with the Fish and Wildlife Service for water deliveries for endangered species in Mexico, and therefore the ESA has application outside the United States and Interior could be directed to release more water than is required under our treaty with Mexico. General Counsel Kightlinger reported that this case has been under submission with the court well over 1-1/2

years, and the court has finally released its opinion determining that the ESA did not require Interior to do that consultation and did not require further deliveries of water to Mexico. The Legal Department will be monitoring this case to see whether there will be an appeal from that opinion.

In the *Imperial Irrigation District v. United States, et al.* lawsuit, General Counsel Kightlinger reported that the court granted IID's motion for a preliminary injunction blocking the Interior Department's 2003 water order, and requested that all parties brief the court as to remedies for this matter. Metropolitan, Coachella, the United States, and IID have all filed papers commenting on two proposed remedies. One question is should the United States conduct an inquiry into IID's use of water, or should an inquiry of IID's use of water be directed to the State Board or elsewhere? IID has suggested that it go to the State Board and start an entirely new process. The United States said it should remain with the Secretary of the Interior to finish the process.

General Counsel Kightlinger reported another significant ruling came down in *Laub v. Davis* and *Regional Council of Rural Counties v. State of California*. Those cases challenged the Programmatic EIR for the CALFED Bay-Delta Program. Metropolitan, along with the State Water Contractors and other water users, intervened in those cases. The court granted a summary judgment on behalf of the state of California and Metropolitan in intervention. It essentially upheld the Programmatic EIR and removes the cloud that has been over the CALFED process since those suits were filed.

General Counsel Kightlinger also highlighted other matters that became known since his report was distributed. Cadiz Inc. has filed a notice of claim that was received yesterday. The notice of claim is a prerequisite to filing a legal action against public agencies. The Board will be briefed on this matter at future meetings. Mr. Kightlinger announced the passing of Mike Remy, a longtime specialist and expert on CEQA matters, and who has represented Metropolitan on CEQA affairs in the last decade.

45276 General Auditor Riss gave a summary report of the Audit Department's activities for the month of March. He stated two traditional reports were issued on the Inland Feeder Program

Consulting Agreements and a Review of Project Initiation and Request for Proposal. Risk assessment reports were issued on the Windows 2000 Implementation--SDLC Review, the Enterprise-wide Physical and Cyber Security Improvements--Interim Review, and the PeopleSoft 8.3 Upgrade--SDLC Review, all with low current exposures.

45277 Ethics Officer Anderson reported that she processed all the annual statement of economic interest for Directors and designated staff. As a result, some employees inquired as to whether they had any potential conflicts of interest due to their capacity in the organization. Those were the contact calls to which she responded. Ms. Anderson commented on the news article on ethics attached to her monthly report that she produced for the California Special Districts Association. It gave the association a beginning overview of how ethics applied to government organizations and special districts.

Director Mylne requested that statistical information with more details be included in her report regarding requests for information or complaints.

45278 The reports of the Standing Committees are as follows:

Chairman Pace reported that at the Executive Committee meeting on March 25, the committee approved Agenda Items 8-6 and 8-8. The proposed items for April's Board and committee agenda items were discussed and approved. The committee heard reports from Chief Executive Officer Gastelum, General Counsel Kightlinger, and Vice President of Colorado River Resources Underwood on the issues pertaining to recent meetings and litigation surrounding the QSA. Vice President of Water Transfers and Exchanges Man gave a presentation on Metropolitan's water supplies that outlined Metropolitan's blueprint for water reliability and implementation of a comprehensive plan to secure reliable water supplies. Director Herman reported that the Special Committee on Water Education reviewed several proposed changes to the Administrative Code sections on Directors' inspection trips and recommended some changes.

Asset, Real Estate and Infrastructure Policy Committee Chair Peterson reported the committee unanimously approved Agenda Items 8-3, 8-4, and 8-5. The committee approved an

amended motion to authorize conducting negotiations for the disposition of the Ormond Beach property. The committee heard reports on the Enterprise Geographic Information System and the recreation management options at the Diamond Valley Lake East Marina.

Budget, Finance and Investment Committee Vice Chairman Blake reported the committee unanimously approved Agenda Item 9-1 and requested it be placed on the Consent Calendar. The committee heard a presentation on the Water System Operations' proposed budget.

Communications, Outreach and Legislation Committee Chair Loveland reported the committee approved Agenda Item 9-4 and requested that it be added to the Consent Calendar. The committee also discussed informational Agenda Item 10-5 relating to Senate Bill 906, which would limit charges that Central and West Basin Municipal Water Districts could impose when selling supplies to the Water Replenishment District. The committee voted to take action on SB 906 and opposed it. Agenda Item 9-5, Senate Bill 21, which sets guidelines for implementation of Proposition 50, was deferred. The committee heard reports on the following: the legislative activities from Washington and Sacramento; a medical outreach program that aims to reach agreements by August with health care providers to distribute general water quality information at medical centers and doctors' offices; and the conservation outreach program.

Engineering and Operations Committee Chairman De Jesus reported the committee approved Agenda Items 8-1 and 8-2. Agenda Item 8-11 was also approved with a change to the program costs as shown on page 1 in the third paragraph of the board letter, as follows: "This conjunctive use program will have a total cost of approximately \$29.8 million (instead of \$29.2 million). In addition, Metropolitan will fund ... and an estimated \$6.8 million (instead of \$6.2 million) towards the Yorba Linda Feeder bypass Project." The increased cost is to cover raising the capacity of the pipeline. The committee heard oral reports on the Pump Plant Benchmarking Study, the Mills ozone start-up, and the Mills Oxidation Retrofit Project.

Legal, Claims and Personnel Committee Chairman Morse reported the committee unanimously approved Agenda Items 9-6, 9-7, and 9-9 and requested Items 9-6 and 9-7 be moved to the

Consent Calendar. The committee received updates on the QSA process and the April 1, 2003 decision in the coordinated CALFED cases. In closed session, the committee heard a report on *Imperial Irrigation District v. United States of America, et al.* No action was taken on this item.

Water Planning, Quality and Resources Committee Chairman Owen reported the committee approved Agenda Item 8-11 with the changes made and approved by the Engineering and Operations Committee. The committee also approved Agenda Item 9-3. Reports were given on Bay-Delta and State Water Project matters, the formation of a joint powers authority for State Water Project operations, groundwater conjunctive use, the Innovative Supply Program, and the recent desalination technical workshop.

45279 Chairman Pace announced that Dr. Dean Perkins, executive director of Association of State and Territorial Dental Directors, has selected Director Peterson to receive its merit award for his leadership in fluoridation at Metropolitan Water District, and Director Peterson will be receiving this award on April 30, 2003.

Director Blake moved, seconded by Director Coughran and carried, and the Board approved the Consent Calendar Items, **M.I. 45280** through **M.I. 45290**, as follows:

45280 Adopted the California Environmental Quality Act (CEQA) determination for all projects listed in the letter signed by the Chief Executive Officer on March 17, 2003, and appropriated (a) \$368,015 for all work to reimburse the Vista Del Verde project developer for Metropolitan's share of the pipeline protection costs; and (b) \$475,000 for all work to relocate the natural gas pipeline for the Diemer plant northwest hill grading, under Appropriation No. 15227, No. 6, from the Construction Funds.

Director Mejia requested to be recorded as abstaining.

45281 Adopted the CEQA determination and authorized Appropriation No. 15407 in the amount of \$776,000 from the Construction Funds to finance costs for design, fabrication and installation of a steel pipe section in the Box Springs Feeder,

as set forth in the letter signed by the Chief Executive Officer on March 26, 2003.

45282 Adopted the CEQA determination and (a) appropriated \$239,500 (Appropriation No. 15401, No. 4, from the Construction Funds), for the preliminary design of Phase II facilities at the Diamond Valley Lake East Marina; and (b) authorized amending an existing agreement for design services with Moffatt & Nichol Engineers in an amount not to exceed \$1.049 million, as set forth in the letter signed by the Chief Executive Officer on March 24, 2003.

45283 Adopted the CEQA determination and appropriated \$189,000 (Appropriation No. 15334, No. 10, from the Construction Funds) to fund landscaping design services with Mia Lehrer Associates for the Diamond Valley East Recreation Program's Planning Area No. 1, as set forth in the letter signed by the Chief Executive Officer on March 26, 2003.

45284 Adopted the CEQA determination and (a) granted conditional approval for the 74th Fringe Area Annexation concurrently to Eastern Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$58,664.60 to Metropolitan, if completed by December 31, 2003, or if completed later, at the then current annexation charge rate, and compliance with those terms and conditions fixed upon final request for approval pursuant to Administrative Code Section 3100 et seq.; (b) approved Eastern's proposed Plan for Implementing Water Use Efficiency Guidelines; and (c) adopted the resolution of intention (**Resolution 8843**) 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 March 17, 2003, 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.

45285 Adopted the CEQA determination and approved the proposed amendment to Division VI, Chapter 4 of the Administrative Code to establish authority for the Ethics Officer, as set forth in Attachment 2 to the letter signed by the Ethics Officer on March 19, 2003.

45286 Adopted the CEQA determination and authorized (a) the Chief Executive Officer to enter into an agreement, in form approved by the General Counsel, based on the Program Term Sheet set forth in Attachment 1 to the letter signed by the Chief Executive Officer on March 17, 2003, for Orange County Basin Groundwater Conjunctive Use Program with Municipal Water District of Orange County and Orange County Water District; and (b) \$580,000 in budgeted funds (Appropriation No. 15379, No. 2, from the Construction Funds) for final design and all work in advance of award of a competitively bid contract for the Yorba Linda Feeder Bypass Project at the Robert B. Diemer Filtration Plant, and approved the authority to enter into a consultant agreement not to exceed \$750,000. (Note: A correction was made to Board Letter 8-11 with a change to the program costs as shown on page 1 in the third paragraph of the board letter, as follows: "This conjunctive use program will have a total cost of approximately \$29.8 million (instead of \$29.2 million). In addition, Metropolitan will fund ... and an estimated \$6.8 million (instead of \$6.2 million) towards the Yorba Linda Feeder Bypass Project." The increased cost is to cover raising the capacity of the pipeline.

Directors Bakall, Bannister, and Foley requested to be recorded as abstaining.

45287 Adopted the CEQA determination and approved the "percentage savings methodology with adjustment factors" alternative as detailed in Attachment 1 to the letter signed by the Chief Executive Officer on March 24, 2003, to be Metropolitan's bond refunding guidelines.

45288 Adopted the CEQA determination and expressed support, if amended, for AB 83 (Corbett and Firebaugh), the consumer right to know legislation for bottled and vended water, as set forth in the letter signed by the Chief Executive Officer on April 3, 2003.

45289 Adopted the CEQA determination and authorized amendment to the contract with Bergman & Dacey, Inc., for legal services to defend Metropolitan in *Naylor, et al. v. Metropolitan*, LACSC Case No. BC 288114, as set forth in the confidential letter signed by the General Counsel on March 28, 2003.

45290 Adopted the CEQA determination and authorized amendment to the contract with Liebert Cassidy Whitmore for legal services to defend Metropolitan in *Kuan v. Metropolitan*, LACSC Case No. BC 272702, as set forth in the confidential letter signed by the General Counsel on March 28, 2003.

45291 Chairman Pace announced no action was taken on Agenda Item 9-8, 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.

Directors Lewis and Loveland withdrew from the Meeting at 1:35 p.m.

45292 Director Edwards stated that Metropolitan had put out a Request for Proposals (RFP) on Pipeline 6 and the company who responded but did not qualify as the winner of that particular RFP now turns up in the pool for our recreation program at Diamond Valley Lake. Director Edwards asked if Metropolitan was skirting the concept as set forth by the Legislature on RFPs and if it does not violate the law.

General Counsel Kightlinger responded that this particular contract was for professional services and is not governed by statutory public bidding requirements. Metropolitan's Administrative Code addresses professional services and contracts over \$25,000, and there is discretion within for the Chief Executive Officer. It specifically exempts professional services above \$25,000 from going out to public bidding requirements. When it does, there has been a practice to require a RFP or RFQ generally, informal or formal. The Code does not require the Chief Executive Officer or the General Counsel to put out a RFP for professional services. There is no specific process required. Some RFPs are of a nature where Metropolitan will get a certain pool of applicants, and it is

perfectly appropriate to review them and determine if they can be used in other ways.

Director Edwards then moved, seconded by Director Blake and carried, and the Board adopted the CEQA determination and (a) appropriated \$1.575 million (Appropriation No. 15334, No. 9, from the Construction Funds) to fund project management support services for the Diamond Valley Recreation Program; and (b) authorized entering into an agreement with PinnacleOne for project management support services in an amount not to exceed \$1.2 million, as set forth in the letter signed by the Chief Executive Officer on March 19, 2003.

45293 Director Parker stated that in the proposed amendments to the Administrative Code regarding the Internal Audit Department, the Audit Department charter would be approved by the Audit Subcommittee and not the full Board. Director Parker requested that language be included in the Administrative Code to have the Board also approve the Audit Department charter.

Audit Subcommittee Chairman Bannister stated that the board letter included as an attachment the Internal Audit Department charter as amended and approved by the subcommittee. Thus, the Board's approval of the changes to the Administrative Code would also include the approval of changes made to the Audit Department charter. The changes made to Attachment 2, page 1 of the board letter would read:

"§ 6450. Powers and Duties.

(a) The District's independent internal auditing function is governed by provisions of the California Government Code and by policies established by the Board of Directors. The scope of internal auditing activities ... not otherwise be restricted. The Audit Subcommittee is responsible for the oversight of the internal auditing function, approving the Audit Department charter (subject to review and approval of the Board of Directors) and for reviewing reports Internal auditors, ..., and employees as may be necessary to carry out their assigned responsibilities.

(b) The General Auditor manages the District's Audit Department ... any changes to which shall be approved

by the Audit Subcommittee (subject to review and approval of the Board of Directors), and is responsible for formulating departmental policies and procedures; ... Legal, Claims and Personnel Committee."

Subject to the above changes made and to be included in the Administrative Code, Director Parker then moved, seconded by Director Turner and carried, that the Board adopt the CEQA determination and approve the changes to the Administrative Code set forth in Attachment 1 to the letter signed by the General Auditor on March 17, 2003.

Director Lewis returned to the Meeting at 1:41 p.m.

45294 Asset, Real Estate and Infrastructure Policy Committee Chairman Peterson reported that after committee discussion on conducting negotiations for the disposition of the Ormond Beach property, the committee concurred with the amended motion from the Water Planning, Quality and Resources Committee to adopt the CEQA determination and authorize conducting negotiations with the Oxnard Community Development Commission and Coastal Conservancy or other parties. Additionally, staff should also explore a partnership with the Coastal Conservancy to identify other opportunities for cooperation on the development of seawater desalination facilities in other areas within Metropolitan's service area. Staff is further directed to negotiate for desalination sites which have optimum ocean intake and outfall characteristics.

Chief Executive Officer Gastelum commented that there was extensive discussion on this item and based on the motion staff would begin meeting with the Conservancy with the following three objectives: (1) Get agreement on a fair market value for the property in question and for reservations of rights to build a desalination plant and to accommodate the brine line proposed by Calleguas for their own purposes on the property or near the property; (2) Identify possible credit from the sale for mitigation requirements at other seawater desalination plants developed by Metropolitan for its member agencies; and (3) As noted in the motion, develop a basis for a broader partnership with the Conservancy. Mr. Gastelum stated he intends to return to the committee, not with a specific recommendation, but further recommendation on the potential for achieving these various objectives.

Following further discussion on retaining a desalination site and with the three objectives laid out by the Chief Executive Officer to work in conjunction with the amended motion, Director Mylne moved the amended motion as stated above, seconded by Director Peterson. Chairman Pace called for a vote on the motion, which carried.

Directors Lewis and Turner withdrew from the Meeting at 1:50 p.m.

45295 Communications, Outreach and Legislation Committee Vice Chair Abdo reported the committee had a lengthy discussion on SB 906 (Escutia) relating to water districts, and the committee voted to oppose this bill.

Director Brick stated that the bill itself is lacking in clarity as to what its real implications would be for some of the agencies that are represented here, and it would also be a dangerous precedent for other member agencies as well. For that reason many of the Directors felt it would be appropriate to take an oppose position.

Director Brick then moved, seconded by Director Fellow and carried, that the Board express its opposition to SB 906.

Director Edwards requested to be recorded as voting no.

Directors Dentler, Hansen, Herman, Luddy, and Parker requested to be recorded as abstaining.

45296 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through February 2003, signed by the Chief Executive Officer on March 17, 2003.
- b. Water Surplus and Drought Management Plan report on water supply and demand as of March 20, 2003, signed by the Chief Executive Officer on March 24, 2003.

- c. Report on the Local Resources Program Action Plan, signed by the Chief Executive Officer on March 17, 2003.

45297 At 1:52 p.m., the Chair called the Meeting into closed session pursuant to Government Code Section 54956.9(a) to hear a report on the mediation regarding *Metropolitan Water District of Southern California and Atkinson-Washington-Zachary v. Hartford Fire Insurance Company*, USDC Case No. CV 00-10536-GHK (Mcx) and *Metropolitan Water District of Southern California v. Hartford Fire Insurance Company*, USDC Case No. CV 00-04040-GHK (Mcx).

Director Orduna withdrew from the Meeting at 1:55 p.m.

At 2:07 p.m., the Chair called the Meeting into open session.

The Chair reported that the Board approved the recommendation of Board Letter 9-9 to settle both cases as mediated and as set forth in the confidential letter signed by the General Counsel on April 1, 2003.

45298 There being no objection, the Chair adjourned the Meeting at 2:08 p.m.


SECRETARY


CHAIRMAN